Macromarketing 2006 Seminar Proceedings: Macromarketing the Future of Marketing?

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After twenty-five years of *Journal of Macromarketing* publication and thirty years since the first Annual Macromarketing Theory Seminar, the question remains, can macromarketing make a difference? There are three forces that have limited macromarketing and need to be addressed if macromarketing is to have a meaningful future — the lack of independence from the captive power of managerial marketing, the expanding academic compartmentalization of knowledge, and the uncritical acceptance of the notion that market driven consumption is sustainable in the future. As painful as it might be, macromarketing study needs to break the marginalizing bond with micro marketing, focus on the systems level, and re-impose a sustainable societal screen on the objective function of the field.

**Introduction**

After twenty-five years of *Journal of Macromarketing* publication and thirty years since the first Annual Macromarketing Theory Seminar, the question remains, can macromarketing make a difference? By the yardstick of influence on practice, public policy, or the discipline of marketing/business, the past accomplishments of macromarketing are marginal at best. If what has limited macromarketing in the past continues into the future, macromarketing will remain in the backwater of academic and societal influence.

There are three forces that have limited macromarketing and need to be addressed if macromarketing is to have a meaningful future. What are these forces?

- The lack of independence from the managerial focused marketing discipline — the marginalization of macromarketing thought and analysis.

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1Chairperson and Professor, Department of Marketing and Supply Chain Management, The Eli Broad Graduate School of Management, Michigan State University, East Lansing, MI 48824-1122, (517) 355-2240, FAX (517) 432-1112, nason@msu.edu
• The expanding academic compartmentalization of knowledge — the loss of focus on the system.

• The uncritical acceptance of the notion that market driven world consumption is sustainable in the future — unabated material consumption of the wealthy and emerging markets.

Thus, this article will review these three forces to suggest where macromarketing needs to change its footing and perspective if it is to have a more important future.

**Captured by Managerial Concerns**

Macromarketing was the early focus of the marketing discipline. Wilkie and Moore (2003) have traced its roots (1900 - 1920) to a concern with the value of marketing’s distribution activities as they contribute to economic growth and efficiency. Further, they note a focus with the economic efficiency of marketing functions and their regulation from 1920 - 1950.

But, at this loose point they characterize a paradigm shift in marketing to a managerial and science focus. The desire of the field to be more scientific reinforced this paradigm shift from the “difficult to research” societal level to the more manageable managerial level of analysis.

This shift to micro/business focus significantly diminished interest and reward for macromarketing scholarship. Macromarketing study has steadily declined as a percentage of marketing research and teaching until the mid 1960s when Charles Slater and his cross disciplinary Michigan State University team conducted six years of study of marketing’s role as a driver of economic development in Latin America. Further, Slater formalized macromarketing by starting the Annual Macromarketing Theory Seminars in 1976 which spawned the *Journal of Macromarketing* in 1981. Public Policy and Marketing likewise brought some focus to the field with the inception of *Journal of Public Policy & Marketing* in 1982. However, the power of the discipline of marketing had irreversibly shifted and macromarketing was relegated to the backwaters of the field. Macro/societal/policy scholarship has grown absolutely over time but has become a small percentage of the marketing literature, especially in the top journals. Wilkie and Moore (2003, p. 140) suggest “The marketing and society area has been treated with ‘benign neglect’ by the new academic mainstream of research in marketing…”

The evidence of this shift is simple and compelling:

• The paucity of macro level articles in the major marketing journals.

• The exclusion of macromarketing implications and the accentuation of managerial implications in micro level articles. It is obvious that every micro level marketing behavior/action has macro/systems implications; they are simply not fleshed out in the preponderance of marketing literature outside of theory formulation.

• The relegation of JMM and JPP&M to second tier status.
• The lack of value of macromarketing research in promotion and tenure evaluations at major universities.

• The lack of macromarketing in the training of future marketing scholars at major universities.

Thus, the discipline of marketing shifted dramatically to accepting the micro level managerial goals of the firm as the objective function rather than those of the larger society. In effect, the discipline has been largely refocused on managerial issues, decisions, and objectives, which are part of the means to societal well-being rather than the societal ends themselves. Macromarketing is in effect controlled by a discipline which has refocused on managerial concerns and away from an interest in the larger society. This is to say that macromarketing has been marginalized by the field of marketing.

A further shift acerbates the marginalization of macromarketing. This is the increasing presence of psychological and individual level studies in consumer behavior. Even here, the balance between managerial and consumer behavior studies has been shifting in favor of the latter in the top marketing journals. Certainly consumers are a critical element of marketing systems and a key stakeholder; however the trend in research does not view them from this perspective.

Compartmentalization of Knowledge

If macromarketing is marginalized, it also suffers from a focus on the parts rather than the whole. It is argued that the maturing and expansion of knowledge is linked to a failure of vision with the resultant loss of direction for macromarketing scholarship.

The structure of academic disciplines is well known. The ever branching of knowledge into sub-specializations is the natural evolutionary process that ends up with fragmentation and growing knowledge management problems. Marketing is no exception to this phenomenon. The ability of the knowledge creators to view the system as a whole is limited by the sheer volume of research and its granularity. The potential for unintended externalities therefore increases with specialization. Further, the understanding of the social justification of the system often is lost from the purview of the researchers and sub-objectives become dominant as noted in the previous section. Finally, the complexity of the system as a whole, the lack of good measures at the societal level, and the challenges of modeling further drive researchers to the kind of manageable research that meets with favor in respected specialized journals and the academic reviews for merit, promotion and tenure. Wilkie and Moore (2003) provide an excellent in-depth discussion of this specialization and fragmentation phenomenon.

Even macromarketing, now a minor branch of marketing, has succumbed to compartmentalization itself. The most useful definition of macromarketing has been provided by Hunt (1977).

Macro-marketing refers to the study of:
1. marketing systems
2. the impact and consequence of marketing systems on society and
3. the impact and consequence of society on marketing systems.

To date, the vast majority of the papers in the *Journal of Macromarketing* and the Macromarketing Theory Seminars have involved the study of the impacts of marketing on the larger society and its stakeholders (# 2 above). Within the *Journal*, this work has been subdivided into major sections with section editors as follows:

- Competition and Markets
- Marketing and Development
- Marketing Ethics and Distributive Justice
- Global Policy and Environment
- Quality of Life
- Marketing History

Even macromarketing has splintered into separate formal organizations as follows:

- International Society of Quality of Life Studies (ISQOLS)
- International Society of Marketing and Development (ISMD)
- Conference on Historical Analysis and Research in Marketing (CHARM)
- Macromarketing Society

Study of the impact of society on marketing has been more the focus of the Public Policy and Marketing group with its American Marketing Association sponsored *Journal of Public Policy & Marketing* (#3 in Hunt’s definition).

While the work of the above specialized groups has suggested implications for the systems connecting micro and macro levels of analysis, comparatively little analysis of the total system has been published (#1 in Hunt’s definition). Thus, the field of macromarketing has not dealt adequately with the problems of aggregating externalities and developing appropriate methods for systems wide analysis. While there is a plethora of market behaviors and policy responses that need study, macromarketing cannot fulfill its promise if it does not provide an overall systems approach through which the pieces of analysis fit and in and in fact guide the filling in of the mosaic. Thus systems framework can help determine what is important and what is synergistic with the system. While this lack of focus is the single greatest failure of macromarketing, it remains its greatest opportunity. Compartmentalization is necessary for definitive research but may lead to inconsequential, or worse, counter-productive research relative to the macro system. Research is focused so far down the specialization hierarchy, that it is hard, if not impossible, to aggregate back to the system. Thus, inability to shed light on the most important mission of macromarketing has been its striking failure, yet is the key to the future impact of the field.
Systems Sustainability

It has been noted that macromarketing has had little impact since the start of the Annual Macromarketing Theory Seminars thirty years ago due to its locus within marketing and its acquiescence to the lure of specialization. Had the history of macromarketing been different, the issue of sustainability of the system might have had more prominence and impact. For the field to emerge now, it must effectively grapple with this key issue of systems sustainability. The concepts of systems level analysis and sustainability are linked.

Systems Level Analysis

In order to assess the sustainability of the system, the macromarketing agenda for the future should include:

- Constructing a dynamic model of the system.
- Analyzing the power and causal relationships driving the behavior in the system.
- Establishing metrics for the system’s performance in terms of stakeholder interests.
- Assessing the interconnection of and tradeoffs of the resultant stakeholder interests.
- Determining the impacts in terms sustainability and other societal goals - such as freedom, security, choice, merit, rights, and the like.

Included must be the forces that shape the system, economic, social, and political. Included must be an understanding of behavioral dispositions of humans and organizations of society, to the degree they are known, regarding what is of value, what to consume, and what strategies to pursue.

The task is Herculean in scope and will be built at the aggregate level with simplification, assumptions, and theories, each of which can be explored and filled in with research over time. However, making the simplifications, assumptions, and theories explicit provides a road map guiding investigation, particularly if sensitivity analysis can be performed on the model to indicate the value of the knowledge to be provided. Priorities for research can be established to fill in the mosaic where the piece has the most impact for the cost of obtaining it. At first, this priority setting will be very rough but a useful exercise, never-the-less. In time, the model might yield more refined priorities.

What macromarketing has to offer is the focus on society rather than any particular interest group. Therefore, it must break ties with any particular methodology, ideology, or discipline for it to have significant impact. In addition, inclusion of a variety of other areas would enrich macromarketing analysis. Such fields might be industrial ecology; social economics; sociology of markets; environmental biology, ecology, and law; etc.
Systems Sustainability

In 1990 the world woke up to a new reality, the principles of the market had won and the Soviet command systems had capitulated. Along the way, the notions of import substitution and isolation as development tools crumbled. Further, in 1997 the “Asian Way” of doing business collapsed in a spectacular set of economic meltdowns caused by anti-market business practices in the allocation of resources. Market reforms in China have long been driving significant economic growth.

It is tempting to declare the economic wars won and anticipate a bright world future. But, the victory creates two new problems. First, the market ideology does not match reality. Second, even if it did, it is not likely to be sustainable on a global scale. Each of these points will be described in turn.

Market ideology

The core ideology of free markets is simple and alluring. In a nutshell, consumer choice of products and services in competitive markets rewards their providers with revenue, causing dynamic innovation in products, services, and processes as all providers vie for consumer preference. This places real power directing economic and social policy in the hands of consumers. By their calculus of need/want and value they vote with their purchases every day. What theoretically results is a global, dynamic, innovative, and efficient system driven by self-interest of consumers and producers alike in open and competitive markets. Even though this ideology is never achieved in any pure sense, its logic is embedded to some degree in existing and emerging market systems.

However, in practice, the market ideology needs appropriate infrastructure to enable it to both operate and limit dysfunctional behaviors on both sides of the transaction. Before looking at this infrastructure, some problems on the producer and consumer side of the transaction will be reviewed.

On the producer side, constantly striving to do better than competition to win purchase votes in competitive markets is painfully hard when your competitors are trying to do the same thing to you. This restricts profits by causing constant investment, innovation and adjustment in products/services and processes and places the firm at the whim of customers/segments and their own calculus of value. Therefore, there is no natural business constituency supporting more rather than less competitive markets. Therefore, business strategy naturally seeks to destroy competitive markets, competitors in particular, to win profitable advantage.

Thus, what marketing destroying strategies do make sense for business? Lessen competition any way possible!

- Influence the competitive rules
- Restrict entry of new businesses
- Buy out competitors
- Harm competitors
• Steal competitors secrets
• Collude, share markets, and fix price with competitors
• Obtain government subsidies
• Obtain government protection

Head to head market competition is a useful philosophy professed by business, while competition limiting strategies are deployed where possible. In every case, business would prefer less competition rather than more, by whatever means.

On the consumer side, the ideal of consumer votes leading to desirable economic and social outcomes has problems too.

• Consumer choice cannot provide infrastructure such as the internet/communications, transportation, etc.
• Consumers cannot judge safety and in many cases efficacy.
• Consumers may choose consumption that impact on the well-being of others.
• Consumers may choose consumption that harms them, knowingly or not.

Thus, the value of market principles is dependent on the infrastructure imposed on the market system through collective decision processes. This market infrastructure would certainly include the following:

• Open and fair competition — elimination of a wide variety of anticompetitive strategies.
• The rule of law — especially regarding contracts and property rights.
• Accurate and open information — especially about business practices, product and service claims, and influence in the system.
• Independence of regulation and regulators from the regulated.
• Adequate communications, financial, and transportation infrastructure.

In reality, most developed nations fall short in providing all the necessary market infrastructure and in emerging/transition markets, the institutions which provide this infrastructure are generally weak or non-existent.

In addition, each nation has its own national priorities and is in competition with others for economic growth and well-being. Not unlike businesses, each country wants to tip the competitive balance in its favor with a complex mix of barriers and subsidies. With special interests being able to fund the political process, there is no shortage of influence between the regulated and the regulators. In fact, in the United States, there is a natural alliance to foster consumption between the three legs of the market equation as consumers always want more, business want sales, and government want employment and economic growth from increased consumption. Even in export focused economies such as China and Japan, internal demand is growing rapidly.
Sustainable Global Consumption

Global market driven consumption may exceed the world’s carrying capacity. On the one hand, consumption worldwide is mushrooming, and on the other hand, technology and the world’s endowment of resources may not keep pace over the foreseeable future. When about 16% of the world’s population (high income countries), account for about 80% of world private consumption (Mock, 2000), what will happen when the next 16% and the next 16% join that level? It is worth noting that the poorest 35% of the world’s population enjoy less than 2% of total private consumption (Mock, 2000). Not only is China driving world consumption with cheap output, but also is mushrooming as an internal market. Can every nation reach the level of the G-7? In a sense, the world is facing what Harding (1968) characterized as a “tragedy of the commons.” Individuals and nations pursuing their own self-interest (in this case consumption) will overwhelm the carrying capacity of the planet. Of course, this is a phenomena encouraged by the profit sector and facilitated by eager governments. It is not the point to prove here that the world is deteriorating under the weight of pollution and that demand for key raw materials is approaching supply. It is sufficient to suggest that the consumption level of the G-7 will not be available to most of the rest of the world’s inhabitants. Even incremental inclusion of increasing numbers of the world’s growing population is not sustainable. If this assertion is at all plausible, or even just possible, a systems approach is needed to chart the course of policy and elucidate the tradeoffs that will make a longer run difference to societal welfare. The alternative is to allow the market to drive the consumption over the brink — a true tragedy of the commons.

In many respects MM started as the analysis of the ways distribution and marketing enhanced society, was extended to development by Slater, Charles C. et. al. (1974), and was codified by Fisk (1974) as a provisioning technology. Thus, the early roots of MM fit in with the notion of business enhancing consumption — how does society provision itself effectively and efficiently with the implied enhancement of quality of life.

My thesis is that as we have extended this consumption driven model of development to the world, what Slater called Demand Driven vs. Supply driven model, we will meet the finite carrying capacity of the world, as large and technically expandable as that is. Our consumption driven model of creating wealth and well-being is simply not sustainable in a world where those outside the developed nation club are allowed or achieve the fruits of the already affluent. For those of us in the developed sectors of the world it has been a nice run, but our use of power to preserve our privilege has met the limits of consumption, the media abetted aspirations of many of the less fortunate majority in the world, and the technological means to attain voice in the process, whether it is the emerging globalization protests or terrorism.

Let me hasten to say that the voice of the rest is far from uniform, but most outside of the Arab world, and many within it, want a greater measure of ability to consume. This comes in the form of attacks on the levers that the privileged economies use to maintain advantage, subsidies, restricted markets, bribes in the way of aid payments, and downright political intervention. Getting a bigger share of the economic pie simply means getting a greater share of consumption. If the world capacity could
sustain such growth, then let the cry for fair markets win. However, if the growth of consumption would be greater than technology mediated carrying capacity, then the system is doomed to fail, perhaps slowly and perhaps catastrophically.

**Conclusion**

What then does this suggest for macromarketing? First, macromarketers need to break the chain to the managerial discipline of marketing. This is easier said than done as our lineage comes from marketing and our belief systems in marketing as an efficient and effective allocation process runs deep in our training. It is not suggested that marketing be abandoned, just used for what it can do within a larger sustainable system. Defining that role is part of the agenda.

Second, macromarketing must become the agenda setters that attempt to highlight the difficult tradeoff questions between stakeholders and between the present and a sustainable future. This is the real contribution that macromarketing can make to society and in the process make the field valuable in the minds of academics and policy makers alike. As difficult as this task is, it is a necessary step in a world where the present marginalizes the future by a clear unwillingness to pay the full price of current consumption. The world has muddled through to date, but the multiplier of population growth times consumption times the technology of expanding consumption does not give confidence that the muddling can continue unabated.

Finally, the material consumption model needs to be reexamined, not only for sustainability, but for its ability to really provide human value. Is material at the root of wealth and well-being or will society move on to other forms of richness?

- Life sustaining consumption
- Services
- Culture
- Capability enhancement

In other words if we tinker with the current system to make it better, we are serving a dysfunctional master with our well intended but compartmentalized and impotent discipline. In a sense, “we have met the enemy and they is us”. (Al Capp, Pogo cartoon)

Macromarketers need to refocus on sustainability in a true systems wide approach. That is, project a systems vision and then work on the parts, keeping the systems ramifications in focus. Only then will macromarketing make a significant contribution with the parts of the mosaic adding to a sustainable whole.

**References**


In this paper, drawing on the suggestion of Hunt (1977), I highlight the central role that the study of marketing systems should play in the discipline of macro-marketing.

Despite the importance of the concept, while often referred to, it has been left largely undefined. With this in mind, after exploring a number of examples drawn from a wide ranging literature in economic sociology, economic development, and related fields, a working definition is proposed.

The study of a marketing system will often turn on a consideration of one or more key questions. What is the essential economic and social structure of the marketing system — ranging from pure exchange to a more contemporary networked exchange? Can, or should the marketing system be studied in isolation, or are there a number of parallel or otherwise linked systems, such as those found in transitional economies (traditional and modern market structures coexisting), in shadow (grey or black) markets, or in cyberspace alternatives? Does interest centre on the marketing system in a holistic sense, or is the primary focus on one or more of the participants (a role based approach), or on flows such as those associated with ownership, possession, finance, risk and information? What can be said about the environment of the marketing system — specific aspects such as the institutional setting, or generic characteristics such as stability, growth, and turbulence — and the ways in which this impacts the workings of the system? Or vice versa?

Each of these and similar questions raise issues of modelling and measurement of system attributes, inputs and outputs. Methodologies may range from de-
tailed field studies or careful historical analysis, to the specification and testing of analytical models, to the study of computer simulations. The underlying philosophical frameworks may range from scientific realism to a qualitative, interpretivist approach. The end result may be one of careful, insightful description and analysis, increasingly often, a concern with system design alternatives.

The 'back to basics' view of macromarketing highlighted in this paper suggests that further development of the field will turn on a growing understanding of the structure, function and performance of marketing systems; and their interaction with an increasingly complex environment. While these issues lie at the centre of macromarketing research, they are also of increasing interest in emerging fields of cross disciplinary research such as economic sociology, behavioural economics, and strategic management. We need to be clear now as to the distinctive contribution that can be made by macromarketing per se — and this, I suggest, will turn on a deep understanding of the concept of a marketing system.

The purpose of this paper is to propose that the concept of a marketing system is central to our thinking about macromarketing. If exchange is central to marketing theory, then it is plausible that exchange systems, and more specifically, marketing systems (where the exchange involves an economic quid pro quo), will lie at the core of macromarketing. Where the outcome of an exchange is a sale or sales, the end result for a marketing system is an assortment. Where the success of an exchange is defined in terms of benefit or profit, the effectiveness of a marketing system can be identified in the contribution of the assortments generated by the system to the quality of life of the relevant community.

The importance of the role of the marketing system was recognised by Hunt (1977) in defining macromarketing as "the study of (a) marketing systems, (b) the impact and consequences of marketing systems on society, and (c) the impact and consequences of society on marketing systems." He restated this view in Hunt (1981) and noted that (a) allowed for varying levels of aggregation, (b) included work on social responsibility and economic development, and (c) picked up the impact of differing legal, political and social value systems.

Although central to our thinking about macromarketing, the concept of a marketing system per se has been little studied and, while often referred to, left largely undefined. Alderson (1965) saw the marketing function as playing a “vital role in the dynamic process of matching goods and needs and in organising institutions and processes to serve this ultimate purpose” (p94). His functionalist view was grounded in a total systems approach, devising “descriptive generalizations of marketing activities and institutions” in which organised behaviour systems played a central role. Fisk (1967) in his seminal work on marketing systems adopted an approach based on General Systems Theory and identified seven levels of organisation from the individual to the global or world economy. He noted that “marketing systems develop in response to the need for peaceful exchange of commodity surpluses.” He went on to say that “unique to marketing among these prerequisites for a marketing system are commodity surpluses for trade, physical distribution networks, markets and transactions...” (1967, pp. 3-4). Dowling (1983) in an application of general systems theory to marketing systems, defined a marketing system as “a complex social mechanism for coordinating production, distribution and consumption decisions”. Arndt
(1986) suggested that marketing systems could be thought of as relational networks, noting that “most transactions are effected not through ad hoc market encounters but in the context of stable relationships within networks.” Dixon (1989) argued for a new paradigm for marketing theory, one based on a functionalist approach, in which the system of action studied was “a nested hierarchy of systems of action in which system levels are differentiated in terms of their functions”. They went on to identify seven levels in such a hierarchy, ranging from the individual marketing role, through households and firms, markets, channels and the marketing system.

Meade and Nason (1991), looking back over the field of macromarketing, identified as a “covert theme”, a search for “understanding how exchange systems are coordinated and controlled”. They went on to note that “macromarketing is developed as the study of the complex coordination and control processes underpinning growth, evolution, and design of exchange systems”. In a review of marketing and development, Klein and Nason (2000) identified the structural and functional elements of a marketing system as including “methods of distribution, channel structure, products and services available, advertising and other forms of marketing information and pricing methods and policies.” Wilkie and Moore (1999) discussed the aggregate marketing system for a society, noting that “marketing is a social institution that is highly adaptive to its cultural and political context…easily go around the world to locate societies with very different marketing systems.” Dixon (2002) in a detailed historical review of the origins of macromarketing commented that “since society is structured by social institutions, the nature of the market and the role that it plays is interrelated with other institutions. Macromarketing is the study of such interactions.”

This brief sampling of references to the concept of a marketing system in the marketing literature points to commonality as well as diversity in our thinking about the underlying idea. There is I suggest broad agreement that marketing systems are complex adaptive social networks, that both structure and function are important, and that purpose derives from a dynamic matching of goods and needs. There is some diversity in the level of aggregation that might be involved, in an emphasis on structure or function, in the roles of coordination and control, in the link with broader exchange or economic systems, and in the identification of system boundaries and components.

Examples

Some examples from a range of economic and social settings may help to fix ideas.

Trade routes across aboriginal Australia

Some years ago I stood on the dusty bank of a dry river in Central Australia and, looking down, found that I was standing in the middle of an aboriginal camp site. Chipped stone artefacts, and other remnants of aboriginal life were all around, and it was likely that the site was one of many located on the trade routes that once crossed the continent. These complex long-distance networks that linked aboriginal societies
stretched from the Kimberley coast to southern Australia, from Carpentaria to Spencers Gulf. Along these routes high quality goods such as pearl and balar shell, red ochre, axe heads, boomerangs, softwood for shields, and the narcotic tobacco, pituri were traded. Although goods, stories and ideas, were exchanged across the continent, individual traders did not travel the whole distance, Exchange occurred at trade centres or markets, where people from several regions met regularly, exchange rates were worked out, and bargains agreed. Exchange also occurred at quarries and other sites where the manufacture of highly desired and scarce goods occurred. (Keen, 2004)

The Makola marketplace in Central Accra, Ghana

On Saturday, August 18, 1979 the Makola markets were bulldozed into a heap of rubble. This was partly due to failures in economic policy (widespread shortages, rampant inflation, corruption and incompetence) and the need for a suitable, visible scapegoat, and partly a consequence of a common resentment of the roles played by trade intermediaries, often stigmatised as parasites by both farmers and consumers. Within a week the traders were back, in the same place, but this time without a roof. Robertson (1983) in a detailed study of the markets and their role in the local economy, noted that the accomplishments of the traders “have been triumphs of intelligence, determination, and sometimes desperation”.

The Makola markets had evolved over centuries into a sophisticated wholesale and retail market. Together with other similar markets in Accra, the daily attendance of traders in 1966 was over 25,000 and some 70% of the food for Accra passed through the markets. (Lawson, 1971). The traders, mostly women, sold small quantities of fish, vegetables, grains, canned foods and some household items, in overcrowded, dusty conditions. Many traders were both retailers and wholesalers, and in some instances were also producers or manufacturers. All were intermediaries, linking farmers or producers scattered across the country with consumers in Accra. Illiteracy amongst the traders was high, business records were kept in the head, informal property rights to specific stall spaces had been established, and some respected merchants, called “queen mothers” filled the role of commercial judges. Credit was essential and bad debts common. Innovation was difficult, especially if it involved investment, as capital was scarce and interest rates high.

The Aalsmeer flower market

The cooperative flower markets in the Dutch village of Aalsmeer are the largest in the world and a significant hub in the global trade in flowers. “An average of 19 million flowers and 2 million plants change hands every day within a surface area of 1 million $m^2$. These are supplied by more than 6000 growers world-wide, and bought by 1100 wholesalers and exporters. Within a couple of hours they are exported to almost every country in the world. Aalsmeer Flower Auction’s market share is 44%. Our
1991 employees achieved an annual turnover of almost 1.6 billion euro in 2003.”

Auctioning at the market uses the ‘Dutch Auction’ system. A large clock runs from the highest to the lowest price, which is always per unit — i.e. per single flower or plant. The buyer sees the lights around the clock’s edge, indicating the current price, run backwards from 100 to 1. If a buyer wants to buy a product at a price which is acceptable, he quickly pushes a button and the clock stops at the desired price. If the number of the buyer appears on the clock face, it means that the buyer was the first to stop the clock and therefore he is the buyer. At the same time he tells the auctioneer, using his headset with microphone, how much of the consignment he wants to buy (the auctioneer determines the minimum amount). The details of the transaction are immediately entered in the central computer, from which the transaction information is sent to the buyer’s laptop, to the invoice system of the market, and to the system which determines payment to the growers. In this way, 1,500 transactions are processed per hour. (Details from www.vba.nl , accessed January, 2006)

Ito-Yokada and the 7- Eleven convenience stores in Japan

It is late at night and commuters are streaming out of a suburban railway station in Tokyo, heading for home. Many however stop first at a brightly lit 7-Eleven store where they can buy a late dinner chosen from a wide array of bento boxes and onigiri rice balls delivered fresh within the last few hours. Others are paying bills, buying concert tickets, choosing clothes, perhaps settling water, gas and electricity bills.

In 1973 Toshifumi Suzuki established the 7-Eleven store concept in Japan under licence from Southland in the USA. The concept was ideal for Japan, with a dense urban population, tiny kitchens, little storage space, crowded roads and myriads of small mom-and-pop stores. By 2003 there were 9,800 such 7-Eleven stores, about 25% of all combini or convenience stores, each carrying around 3,000 items or lines. The success of the 7-Eleven concept in Japan was such that in 1991 Ito-Yokado under the leadership of Suzuki, bought 70% of the American company.

Suzuki adopted a market dominance strategy, clustering stores in select areas. Franchises were offered to local stores, reducing funding requirements, and allowing stores to be located in the best positions. Franchisees benefited from access to a huge product range, strong buying power, coordinated deliveries, and advice from field counsellors. Distribution within each select area was outsourced to centralised warehousing and trucking firms, with deliveries coordinated by temperature to reduce spoilage. Marketing costs (primarily TV) were reduced through the concentration on select regional areas.

Underpinning this complex structure was a highly sophisticated information system. The company in 2003 was tracking sales in every store with a
POS that included a customer register, and using satellite-based ordering that provided detailed weather forecasts to allow store managers to know whether to order more hot noodles or fresh vegetables. Co-development links were established with manufacturers to improve quality and facilitate new product development on an exclusive basis. The key to the 7-Eleven success lies in the innovative management of information flows. As Suzuki noted, “We are not in the retail business but rather the information business” (Sources: Time Asia Special Report, 11 August, 2003; Ishikawa and Nejo 1998; Weill and Vitale 2001)

Salaula — second hand clothing in Zambia

“It is a hot, brain-stiflingly humid afternoon in the remote Zambian city of Chipata. In a nameless alley on the outskirts of a large open-air market, an extraordinary scrum is going on at my feet. Around 40 women are stooping over a pile of old clothes, pulling out shirts and tops and tossing them this way and that with appreciative squeals. Mary, the stallholder has just slit open a fresh bale of garments all the way from England.” The writer, Michael Durham, a Guardian reporter, was tracking a blouse that two months before had been hanging in a closet in Leicester in the UK.

From a charity bin near Leicester, the blouse went to a rag merchant, RagTex, who collected the garments left in the bin for the charity, paying the charity an annual fee for the opportunity. RagTex, which handles 95 tons of old clothes a week, sorts and bales the clothes for despatch around the world. From Leicester, the blouse went to Beira in Mozambique, once a centre for gold, copper, slaves and ivory, now a hub in the old clothes commodity trade. Its destination was Chipata where the dealer, Khalid, who had bought the bale from the rag merchant, was located. He buys up to 20 container loads a year from RagTex and sells to small traders who travel up to 150 kilometres out of the African bush. He finds that English clothes are the best — American clothes are usually worn out. His shop is a “bare whitewashed unit with bales stacked against the back wall and a wooden counter to the side where he sits, his knees drawn up, overseeing affairs.”

The bale with the blouse from Leicester was marked on a blackboard for sale at A$330. Several buyers showed some interest, but only one, Mary, had the cash. A porter picks up the 45kg bale and sets off down the street, fords a stream, climbs a small hill, and dumps the bale at Mary’s stall. Salaula, a Bemba word meaning “to rummage in a pile”, begins and the blouse is bought by Priscilla, a domestic science teacher, for about A$3.30. New, it had sold a year or so before in the UK for around A$110. (Sources: The Guardian, Wednesday, February 25, 2004; Hansen 2000)

These examples are chosen to illustrate the diversity of the contexts within which marketing systems can be found. Each is an example of a wider set of similar systems. Trading networks have been found in many early hunter/gatherer societies
and have played an important role in the economic evolution of these communities (Sahlins, 1974). The Makola market is just one example of the peasant markets, pasars or bazaars found in developing countries and which often continue to play an important role as an informal counterpart to a modern sector. The Dutch flower market at Aalsmeer highlights the increasing sophistication of trading mechanisms that have their roots in traditional bargaining and which are today at the core of markets ranging from eBay in cyberspace to the public auction of electromagnetic spectrum rights to the operation of the stock exchanges in financial markets. The 7-Eleven experience in Japan takes us back to the more traditional concerns of managerial marketing with a focus on strategic choice and strategy implementation in a competitive environment, shaped by social, economic and political change. And salaula generalises to any of the derivative or second hand markets associated with primary flows of cars, computers, and household goods, markets that may take on new significance in a world where sustainability is increasingly critical (Kilbourne, McDonagh, and Prothero, 1997).

Assuming for the moment that each is indeed an example of a marketing system, the questions have to be asked, “What is common to all of these and similar examples?” and “What is it that marketing is able to contribute to an understanding of these systems and their role in a broader social or economic context that cannot be contributed by other cognate disciplines?”

**What then is a marketing system?**

A working definition might run as follows:-

> A marketing system is a network of individuals and/or entities, linked directly or indirectly through sequential or shared participation in economic exchange, which assembles, transforms and makes available assortments of products, both tangible and intangible, offered in response to customer demand.

In this context an assortment is a set of products, tangible and intangible, differentiated by attributes, by location in space and time, or by factors such as cost, price or quality. A physically identical product, offered for sale at two different locations or at different points in time, might, depending on the level of aggregation, be treated as two distinct members of an assortment. Not all participants in a marketing system will have access to the full assortment generated by the system. An accessible assortment then is specific to each participant in the marketing system and may vary by place and time. The existence of a difference between an accessible assortment and a desired assortment is a major factor influencing the efficiency and effectiveness of a marketing system, and the inability of some (marginal or vulnerable) participants to access a desired assortment is a major source of concern on equity grounds (Hill, 2005). From the point of view of a participant then who may see only part of the wider assortment generated by the marketing system, perceptions of the variety offered by the accessible assortment are important factors influencing purchase
decisions (Hoch, Bradlow, and Wansink, 1999; Van Herpen and Pieters, 2002). Variety, in this setting, is one aspect of the value or potency of the assortment held by a participant, concepts introduced by Alderson (1965) and explored in some depth by Houston, Gassenheimer, and Maskulla (1992).

Economic exchange refers to exchange transactions that are voluntary, in that each party has a power of veto and freely agrees to the terms, and which involve an economic quid pro quo. As Alderson (1965) noted, exchange will occur if both parties are able to improve the value or potency of the assortments each hold as a result. To the extent that interest centres on the buyer-seller transaction per se the linkage in the marketing system is direct; where interest extends beyond the immediate transaction to the wider context in which it occurs, where participants in the transaction benefit from shared costs, risks, infrastructure or information, shared across many sellers and buyers, the relevant linkages are indirect as well as direct. In either case the strength of the linkages may range from the transitory or casual to long term relationships reflecting shared social, economic or political interests or commitments.

A market is a forum for carrying out such exchanges McMillan (2002) and will often in itself constitute a marketing system. While a market may simply emerge as a consequence of a flow of exchange transactions over time, it may also be considered to be a social construction that can be subject to purposeful design. McMillan suggests that market design would be concerned with “the mechanisms that organize buying and selling; channels for the flow of information; state set laws and regulations that define property rights and sustain contracting; and the market’s culture, its self-regulating norms, codes and conventions” (McMillan, 2002, p. 9). The internet is a contemporary example of the problems associated with design in an emerging market, where many of the design issues noted by McMillan have yet to be resolved (Weill and Vitale, 2001). Here, as in other markets where for example intangible rights are traded, technology is creating new contexts for marketing systems and raising new questions as to effective and efficient design.

A marketing system will often link many such markets in the assembly, transformation and dispersion of assortments in response to customer demand. It is possible that the marketing system may arise in a reverse format, where used goods are collected and recycled or otherwise eliminated. The relationships between the markets comprising a marketing system may be horizontal (e.g. shopping malls, main street, periodic markets, or geographically dispersed but related markets) and/or vertical (e.g. as in vertically integrated businesses, supply chains linking manufacturers, franchise systems, retailer dominated systems). This points to at least three ways of looking at a marketing system, the first being a horizontal or cross sectional view (the shopping center or mall perspective), the second following through the successive stages in a system (the vertical perspective) leading to the Aldersonian concept of a transvection, and the third a mapping of the systemic changes that occur over time (the historical perspective).

As Alderson suggests (Alderson, 1965; Wooliscroft, Tamilia, and Shapiro, 2006) markets may be discrepant, in that products desired by customers as part of an accessible assortment may not be offered or products are offered that are not sought by customers. Where this occurs, markets become dynamic, with assortment changing
over time as suppliers in the system add new products and delete existing products. Equilibrium in this context is an unlikely phenomenon. Perhaps the closest approach to this may be found in the zen-like quality of life said to be found at one stage amongst the Bushmen people of Namibia (Sahlins, 1974). In a world where technology, economic and social change are almost universal, discrepant markets are a commonplace and assortments will be continually changing. This raises the interesting question — under what circumstances will the variety of an assortment generated by a marketing system remain constant? Is it perhaps inevitable that assortments generated by a marketing system will over time widen and deepen, confronting us with the paradox of (unwanted) choice in a world where sustainability is an increasingly urgent concern?

Whether a marketing system is considered at a point in time or over time it is always part of and conditioned by an environment that provides the essential infrastructure — the social, political and economic frameworks — that, while often taken for granted, make possible the functioning of the system (Dixon, 2002). An appreciation of the importance of these frameworks has been strengthened by the work of economic sociologists such as Lie 1997; Smelzer and Swedberg 2005; Fligstein 2001; White 2002. While economists have tended to see participation in a marketing system as a consequence of rational choice processes, economic sociologists have been concerned with the politics of power, with the importance of social networks, with the cultural impacts, both of the system on the culture and vice versa, and with the flows of information within the system.

Flows in marketing systems

Fisk (1967), drawing on the earlier work of the functional and institutional schools in marketing, identified five distinct flows associated with the operation of a marketing system. These are the flows of ownership, possession, finance, risk and information (for an earlier and slightly larger listing see Vaile, Grether, and Cox, 1952). Underpinning these flows are elements of an economic, social, cultural and physical infrastructure. Ownership may or may not transfer within the channel depending on the nature of the products involved. Aboriginal trade may involve access to inalienable assets such as land, water or food sources without granting ownership rights; in contemporary markets leasing is common, and the problems associated with the transfer or preservation of intellectual property are well known. Codes of conduct, cultural norms and legal rules are essential elements in defining ownership. As Pryor and Grossbart (2005) notes, “rules of property are found in human societies at all stages of development.” Possession may or may not coincide with ownership and adds a logistics dimension (transport, storage, transformation, display and despatch) to the operation of a marketing system. Physical infrastructure is an essential element in the flow of possession and does much to determine efficiency and effectiveness. The FAO for example has been concerned for many years with logistics issues in developing countries, such as the loss of rice in a complex distribution system due to storage and transport defects (see also Etgar, 1983).

Underlying most if not all exchange in monetised markets is a flow of finance.
From the bank pasar in Indonesia (Dewey, 1962; Alexander, 1987) to the back alley informal banking networks of China (Tsai, 2002), to the microfinance networks of banks such as the Grameen Bank in Bangladesh (De Aghion and Morduch, 2005), to the routine financing of international trade at the present time, credit for producers, traders, and customers is an essential part of the operation of a marketing system. Closely linked to but separate from the flow of finance is the management of risk within the marketing system. This can be handled through the careful selection of trading partners and the creation of reciprocal relationships on social or economic grounds (eg guanxi in Chinese business networks, relationship management in Western marketing, or a considered choice between cooperation and competition), or more formally through insurance and risk management.

The last of the five flows is concerned with the flow of information in the marketing system. While less than perfect information is the norm for most transactions within a marketing system, asymmetric information is seen as a problem. This arises when some of the parties to a transaction are better informed than others and are able to favourably influence present or future outcomes. Where the costs of being wrong are high, specialist providers emerge to manage information flows. Advertising agencies, market research firms, public relations specialists, search agencies, venture capitalists, government bureaux, are some of the ways that deficiencies in information flows are addressed. The diffusion of information through social networks continues to be a major area of research in marketing, behavioural economics and economic sociology.

Researching marketing systems

One of the best known classifications is that due to Polyani, Arensberg, and Pearson (1957) who suggested that the social problem of providing people with desired assortments could be solved in one of three ways: (1) reciprocity, usually involving families, kinship groups or neighbourhoods; (2) redistribution, usually through allocations made by a central authority; and (3) exchange, in which distribution is achieved through price-making in markets. Of these it is the third that is of most interest here, although clearly both reciprocity and redistribution play an important role in the community interactions along a trade route and a redistributive model is critical to a central planning society.

Swedberg (2005) adopting a semi-historical approach based in economic sociology identified six different social configurations — external markets, internal markets, markets for merchants, national markets, modern mass markets and international markets. External markets emerge where the only trade permitted is trade between neighbouring communities, typically along trade routes; reciprocity or redistribution prevail within each community. Internal markets begin to develop when community members trade with each other and not only with foreigners, drawing on local producers for the bulk of traded goods. The Greek Agora (c.f. Dixon, 1995), and countless other local or community markets provide examples. In these markets specialist roles emerged such as the agoranamoi in Athens who had a responsibility to ensure fair dealing, money changers and bankers, together with specialist traders
in fish, vegetables, wine and countless other products. Markets for merchants developed as markets drew on more distant sources for goods to be traded. In these markets specialist merchants with links in many markets provided much of the variety and interest.

The many early and medieval European fairs in the region between Flanders and Italy or the great markets in Canton are examples of the intense commercial activity that characterised these occasions. In Europe, the lex mercatoria became widespread, bills of exchange facilitated trade, reputation and trust became crucial to participation. Power flowed with money and the merchants became increasingly influential. Guilds tightly controlled who was allowed to produce and sell in the markets. A national market only emerged as the State began to challenge the forces preserving fragmentation, establishing a foundation for a great burst of industrial development. This challenge, together with innovations in communication, travel and transport, created genuine national markets and led in the next phase to the emergence of the mass market, where competition replaced medieval regulation as the basis for trade. Mass production technologies, mass distribution through new channels of distribution, mass communication and the emergence of the multi-divisional enterprise, all contributed to the modern mass market. Finally, Swedberg points to the internationalisation of markets, where national markets become increasingly interdependent.

Both the Polyani et al. and Swedberg classifications deal primarily with markets. However our interest here is in marketing systems and with this in mind we need to go further and explore four key aspects or dimensions of such systems — including the economic and social structure of the linkages characterising a (suitably specified) marketing system, the possible existence and relevance of parallel or linked marketing systems that need to be considered, whether the primary focus is on the marketing system as a whole or on one or more specific components (such as locations, participants, roles or flows), and the distinctive characteristics of the relevant system environment, both specific and generic, that might influence the interaction between system and environment.

Before commenting on these key aspects of a marketing system, a further complication should be noted arising from the possibility, as El-Ansary and Liebrenz (1981) and, somewhat later, Dixon (1989), point out, of systems being defined at different levels of aggregation. The latter authors suggested seven levels of aggregation derived from a “nested hierarchy of systems of action in which system levels are differentiated in terms of their functions… (in which) … lower level outputs are the inputs for higher level systems.” Their classification began with individual marketing roles, then to households and firms, markets, unit flow channels, transvection channels, transvection channel groups and marketing systems.

An effort to characterize a marketing system could then apply to marketing systems involving households and firms (the second level of aggregation) and higher with the characterization changing at each level. The specification of nodes (individuals or entities) can change, with higher level nodes being lower level systems. For example, a study of fresh food marketing systems might at a high level centre on the roles and relationships among retail chains, major manufacturers, wholesalers, produce markets and producer groups. Dropping down a level, interest might centre on the complex supply chains established by a major retailer, or by a manufacturer,
or on the interactions amongst the many participants in a produce market. At a next level down, the focus might be on a specific product category where the relevant marketing system (a node within the supply chain or in a produce market) might be specified in terms of a pattern of committed relationships among individual firms as producers and/or buyers.

One important consequence of this point of view is that the task environment of a decision maker at one level is often dominated by the attributes of the marketing system at the next higher level. This points the way to a fresh approach to environment that moves away from simple lists of factors to be considered, to a conceptualisation based on an understanding of marketing systems at different levels of aggregation, one that draws not only on macromarketing, but also on work in economic sociology concerned with the idea of a field and on the continuing interest in the strategic management literature.

I turn now to the four key questions noted above.

1. What is the essential economic and social structure of the marketing system?

Implicit in a response to this question is a determination of the boundaries of the marketing system (what is “inside” and what “outside”), an identification of the participating entities (individuals, organisations, marketing systems — depending on the levels of aggregation involved), and a specification of the linkages between or among these entities. Working from these modelling choices, four alternative patterns can be identified — pure exchange, structured exchange, centralised exchange and networked exchange. Pure exchange, as the name suggests, includes exchange along trade routes where the assortments in existence at each point or trade centre are added to, transformed or reduced. It also includes the internal markets identified by Swedberg (2005), where trade occurs not only between but also within communities, often in central places such as a pasar or bazaar, usually involving local producers, traders and customers. Bargaining is common and money may or may not be in use. In structured exchange specialised intermediaries emerge, in response to transaction economics, to fill stable roles in the system, providing social and economic structure and standardising the processes underlying the flow of transactions. Examples include the markets for merchants identified by Swedberg, the Aalsmeer flower market, internet auctions, and the large wholesale/retail produce markets found in most major cities.

In a centralised exchange system economic or political power is used to direct flows of transactions in ways that contribute to the goals of the entity exercising power. The 7-Eleven case described earlier is an example; so too is the complex distribution structure created for the distribution of Hindustan Lever products in India (Prahalad, 2005). Most vertical marketing systems fall into this group, from simple structures involving a manufacturer/retailer relationship to the complex supply chains established by leading retailers such as Wal-Mart in the USA or Woolworths in Australia. Other important examples include the international franchising activities
of brands such as Starbucks or McDonalds (Thomsen and Sorensen, 2006).

In networked exchange systems the focus is on the relationships linking individuals and entities in the marketing system, relationships that underpin the flows of transactions. The strength of each relationship reflects the economic and social investment made in the relationship by the parties involved. The network as a whole (the individuals and entities that act as nodes and the links or ties between these nodes) has a structure where power or authority flows from position within the network and which is an important determinant of overall capacity to respond to external challenge or change. Cooperation and competition may coexist in networked exchange as individuals and entities (including centralised exchange systems) seek to build on existing links or to form new links with current or potential participants.

Networked exchange systems emerge as individuals and entities begin to realise the benefits arising from carefully managed relationships built around economic, social or cultural links. Access to assortments, matching flows of information, finance and risk, to infrastructure and resources, are all benefits that flow to well-connected network participants; the disadvantages to the marginal, weakly connected participants are simply exclusion from the benefits of participation. For this group, where differential access is an important concern, ‘out of sight’ may also be ‘out of mind’.

Examples range from salaula, the marketing system for second hand clothing in Zambia, where small scale networks of African agents and UK or US merchants compete in local city markets, to the broader apparel industry where small and large scale networks of firms have existed for hundreds of years. A small but successful Australian importer established a strong network of Chinese firms who will manufacture textiles and clothing to quality controlled specifications for the Australian market. Li & Fung, a Hong Kong trading company, established for over 100 years has links with over 8,000 suppliers/manufacturers in more than 40 countries, and acts as a supply chain coordinator for retailer customers, arranging for each stage of manufacture to occur in the most favourable location, responding to political and economic change by shifting production within the system.

In many cases a networked exchange marketing system has as major nodes centralised exchange systems, and is characterised by intense competition between nodes and cooperation within each nodal system (for a detailed discussion of networks in marketing, see Wilkinson, 2001). The airline industry, automobile manufacturing and retailing, the banking industry, universities, entertainment, media and communication, are just some of the major sectors that today constitute networked exchange marketing systems. The nodal marketing systems which as noted above may often be classified as centralized exchange systems might also be classified as networked exchange systems, depending on the extent of the economic or political power exercised. Whether centralized or networked the nodal systems could also be thought of as business ecosystems (Thorelli, 1986; Moore, 1996; Iansiti and Levien, 2004), drawing on the concept of a biological ecosystem. Accordingly, a business ecosystem can be thought of as made up of a large number of loosely connected participants, acting as a community, each relying for mutual effectiveness and survival on each other through a complex web of interdependencies. In most successful ecosystems “the appearance of richly connected ‘hubs’, at all scales, is almost inevitable” (Iansiti and Levien, 2004, p. 9). They go on to note, “these hubs take the form of active
keystones whose interests are aligned with those of the ecosystem as a whole and who serve as critical regulators of ecosystem health”. As Moore (2005) comments, “The ecosystem form of economic coordination has become pervasive on the business landscape. Business ecosystems surround, permeate, and reshape markets and hierarchies. Managers establish business ecosystems to coordinate innovation across complementary contributions arising within multiple markets and hierarchies. The activities of business ecosystems set the agenda for co-evolution of markets and hierarchies and their outputs.”

2. Are there relevant parallel or linked marketing systems that should be considered?

Parallel marketing systems are found where structurally distinct marketing systems coexist in serving the same or similar sets of needs. Examples include food marketing systems where an informal marketing system parallels a formal, modern supermarket system; the Other Path described by Hernando de Soto (2000) in his study of the shadow economy in Lima; the parallel development of state owned and private enterprise distribution systems; the growth of cyberspace marketing alternatives to the bricks and mortar of the shopping mall that was in turn an alternative to the local, mom and pop stores; and the uneasy relationship between the marketing of new and second hand automobiles. In each of these examples the existence of the parallel system is sanctioned by the community (or state). Other examples of parallel systems, that may lack community support, include grey markets involving unauthorised distribution channels, and black or criminal markets for goods and services that for one reason or another are restricted or banned.

In many of these situations, the relation between the parallel systems is changing, with one gradually supplanting the other. This is the case with the introduction of supermarket retailing in many countries such as Indonesia, where some 70% of food sales are through the traditional or informal network of pasars and small local stores, similar to those noted above in Accra. In China, both the state owned distribution system and the informal system that came into being as markets became accepted, are being gradually replaced by supermarkets, with the old ‘wet markets’ being auctioned off to regional supermarket chains.

Parallel systems often differ in terms of economic and social structure. The traditional or informal marketing system may be best characterised as pure or structured exchange while the emerging system is likely to begin as a structured exchange system and rapidly evolves into a centralised or networked system. The flows of possession, ownership, finance, risk and information are also likely to be very different depending on whether the system excludes or is expanded to bring in small, isolated farmer/producers and customers who may lack experience with the supermarket format.
3. Is the focus on the marketing system as a whole, or on one or more components?

In each of the examples outlined earlier the focus was on a marketing system as a whole. In many research settings however, the focus is necessarily narrowed to one or more aspects or components of the system. Specific studies might be concerned with one or more of the flows that are essential to the operation of the marketing system — flows of ownership, possession, finance, risk and information. While the flow of ownership and/or possession is often the starting point — from traded objects in aboriginal trade routes to cut flowers to second hand clothing — a full understanding of the primary system requires consideration of the interface with each of the secondary systems associated with the flow of ownership, possession, finance, risk and information.

For example, in the salaula marketing system, the primary focus was on the exchanges generating the flow of second hand clothing in Zambia. Important secondary systems are those associated with the physical logistics of the primary system, or with the provision of finance to participants, or with the flows of information needed to bring buyers and sellers together, or with the varying needs of participants to manage the risks of the transactions, or finally with the legal and other participants who determine ownership at each stage. Failure or breakdown in any of these secondary systems would affect directly the operation of the primary system. It follows that a full description of the primary system must also spell out the ways in which each of the flows is managed. Hansen (2000) does this for salaula in her richly detailed study.

In practice, many of the studies that are of interest will focus on system components at varying levels of detail. These include the study of a transvection (e.g. the travels of a T-Shirt reported by Rivoli (2005)), of a market that is part of a wider system (the Aalsmeer flower market), of ownership and possession in supply chains (Reddy and Reddy, 2001), of the flow of finance supporting a market (e.g. bank savings in Ghana Dadzie, Akaah, and Dunson (1989); informal back alley banking in China, Tsai (2002)) or of information in social networks (e.g. the role of guanxi in Chinese business networks, Gold, Guthrie, and Wank (2002)), the function of significant intermediaries (e.g. stock and station agents in rural distribution in Australia and New Zealand, Ville (2000)), or the politics of distribution (Palamountain, 1955; Hutt, Mokwa, and Shapiro, 1986). Some, like many of those mentioned, will be concerned with the system or system components at a point in time, others will focus on system change or dynamics. Examples include the emergence of a marketing system (e.g. the transformation of a freshwater fishery in China, Wang (2005), changing patterns of competition (e.g. Moore (1996) on the death of competition, Prahalad and Ramaswamy (2004) on the redefinition of markets in a world where the roles of the firm and the customer converge to co-create value), the operation of reverse channel networks, (Fuller, Allen, and Glasser, 1996), to studies where the focus is on collapse and recovery (Shultz, Burkink, Grabac, and Renko, 2005).
4. What are the distinctive characteristics of the relevant system environment, both specific and generic?

As noted earlier, an essential starting point in the study of a marketing system is a determination of the boundaries of the marketing system (what is “inside” and what “outside”), an identification of the participating entities (individuals, organisations, marketing systems — depending on the levels of aggregation involved), and a specification of the linkages between or among these entities. Implicit in these determinations is a specification of the environment of the system, sometimes taken as a given, but always important in shaping the past, present and future of the marketing system.

Just where the relevant system “stops” and the environment of the system “begins” is often difficult to decide. Boundary definition could and perhaps should be considered as a fuzzy concept, with participating entities and linkages sometimes in and sometimes outside the system. However the systemic boundaries are specified, macromarketing interest is clearly identified with an exploration of the interactions between the system and its environment and with the way these interactions are influenced by the structure and dynamics of the environment itself.

An exploration of environmental structure and dynamics could centre on specific characteristics (such as the physical, institutional, economic, and social setting), or on generic characteristics such as stability, growth and turbulence. The need for a detailed understanding of the specific environmental factors impacting on a marketing system is in a sense obvious and an essential precursor to the abstractions involved in a generic analysis. At a national level, Carman and Dominguez (2001), provide a detailed assessment of the links between marketing system transformation and characteristics of the institutional environment, highlighting the need to reduce market distortions and reform provisioning systems. In their analysis, the “devil is in the detail”. An alternative approach at an abstract level might explore the links between national or regional marketing systems and generic characteristics such as stability and turbulence, suggesting perhaps that traditional exchange works well under stable conditions, while networked exchange is likely to emerge where there is environmental turbulence and uncertainty (Urry, 2003).

Models, attributes and measurement

Models of marketing systems have tended to fall into two broad groups, the first being descriptive models of an existing system usually based on intensive and detailed field analyses, e.g. book length studies such as those by Goldman (1963); Hansen (2000); Tsai (2002); Wang (2005); Hohnen (2003); papers such as those by Speece (1990); Etgar (1983); Porter (1996); the channel mapping studies of Harrison, Henley, Riley, and Shatter (1974); the ethnographic main street studies of Pryor and Grossbart (2005); Pryor (2005c, b), and including the many detailed studies of agricultural marketing systems undertaken over the years by the FAO, USAID funded research (such as the LAMP studies from MSU), the World Bank and the ADB, research centres such as the Australian Centre for International Agricultural Research,
and many others. Also included in this group of descriptive models are the detailed comparative studies of economic sociologists such as Pryor (2005a), historians such as Braudel (1979); Brotton (2002); Jardine (1996), and in our own field the work of marketing historians such as Shapiro and Doody (1968); Dixon (1995); Darian (1985); Hollander, Rassuli, Jones, and Dix (2005); Mittelstaedt and Stassen (1994); Witkowski (1994). A third group of studies that might also be included are those reporting contemporary marketing systems, often from the distinctive points of view of disciplines such as strategic management, economics, architecture, and sociology. Examples include studies of the new market space created by the internet (e.g. Barwise, Elberse, and Hammond (2003); Weill and Vitale (2001)), work on health delivery systems in different settings, creating urban market centres in city planning (Calabi, 2004), and research into social networks (Gold et al., 2002). Although this work is scattered across many quite different disciplines each study could add to our understanding of a marketing system. Recognizing this and acting on it is a major challenge to our discipline of macromarketing.

The second broad group of models of marketing systems are more analytical in nature and range from relatively simple graphical models showing variables linked in a graph or flowchart, to more formal mathematical models of systems such as those derived from graph theory (e.g. Casti, 1995) or calculus (e.g. White, 2002; Ingene and Parry, 2004), to computer simulations (e.g. Arquitt and Cornwell, 2005), to abstract models drawing on work in game theory (e.g. Richartz, 1970) or complexity science (e.g. Wilkinson, 1990), to aggregate studies where sector or economy wide models are built using variants of input output and trade flows analyses (e.g. Layton, 1981). In each of these model types, interest might centre on the possibility of system equilibrium or, more often, on dynamic properties such as path dependence, system growth and possible collapse (e.g. Arthur, 1994). In each model type, the modelling may be abstract, looking at ways in which system attributes might impact system behaviour over time, or it may be empirical, concerned with both understanding and prediction for real world marketing systems.

Once a marketing system is suitably specified and modelling begins, interest usually turns to a study of relevant system attributes and outputs. Early studies of system attributes had focussed on the number of levels or members in the system (Wadinambiatchi, 1965), measures of concentration of economic or social power (Porter, 1980; Stern and Reve, 1980), and levels of distribution (Bucklin, 1967). Arndt (1979, 1981), Thorelli (1986) and Redmond (1989) drew attention to the growing interest of managers in stability enhancement, noting the growth in ‘domesticated markets’ and the importance of business networks that fall between markets and hierarchies. Redmond (1993) in a contribution to comparative marketing studies, used these ideas and related literature to suggest five important structural attributes or dimensions — centralization, heterogeneity, stability, configuration and scale — and went on to propose eight plausible links among these various attributes that could be the subject of further research. More recently, drawing on work in social networks, graph and complexity theory a number of system attributes have been suggested. These include centrality, strength of ties, local versus global, power, complexity, embeddedness, distance, density and degree of separation.

The study of system outputs goes directly to the study of assortment and more
generally to quality of life (Lee and Sirgy, 2004; Leelakuhlthanit, Day, and Walters, 1991) and the nature and extent of externalities. In recent years assortment has been of interest with contributions from authors such as Hoch et al. (1999); Van Herpen and Pieters (2002). The focus here has been on entropy based measures of assortment at the level of the retail store and it appears that very little has been done to look at assortment from a marketing systems point of view. Width and depth are imprecise but possible measures, limited by definitional issues arising from inherent complexity. A possible way forward is suggested by work in biodiversity, where measures based on the number of species (species richness), the idea of entropy embodied in the Shannon-Weaver diversity index and derivatives, and heterogeneity indices (similar to the Herfindahl index in economics) and derivatives have been explored.

Measurement of these and other system attributes raises yet another set of challenges. At the macro level where economy wide statistics are available, Cox, Goodman, and Fichandler (1965); Layton (1981); Sybrandy, Pirog, and Tuninga (1991) have constructed trade flow tables that provide broad insights into the nature and extent of marketing flows. Despite access to official statistics, the resulting estimates of flows are beset by specification and measurement problems. Sector specification is usually linked to production sectors with distribution being relegated to a secondary role with little available detail. Flows through the marketing system have to be inferred from data on prices and value added. The links between trade flow models and input-output models (both static and dynamic) have yet to be worked through in any detail.

At all levels of aggregation definitional issues dominate. The choice of the system to be studied, definitions of boundary conditions, nodes and link parameters, the extent of ‘drill down’ into system details, extension to related flow studies are some aspects of common specification, that are far from any standardisation in macromarketing research, to say nothing of the many studies that should be part of our field but are judged at present to lie outside.

Is design an option?

While drafting this paper two current issues caught my attention. The first centered on health delivery systems and concerned the use of trained nurses in a telephone system to deliver front line advice around the clock to households with a medical problem, hopefully reducing demands on hospital emergency facilities. Also in the health delivery system area, an article by Spar (2006) asked whether there was “a market in human fertility — sperm, eggs, hormones, surrogate mothers, embryos?” and concluded there was, but that it was highly imperfect. High prices, undersupply, undefined property rights, equity issues were just some of the difficulties. The second issue, quite unrelated, arose from the ‘oil for food” scandal that reached from the UN to a major Australian supplier of wheat, and involved many hundreds of millions of dollars in bribes.

In both sets of issues, marketing systems have a role to play. Is it possible to design marketing systems to meet social or political standards of effectiveness and
efficiency? Is design an issue in the delivery of health services, in the market for babies, in managing the consequences of an imposed sanctions regime? Clearly a marketing systems analysis is only a part, perhaps a small part, of the complex social and economic concerns raised by these and similar questions. However, do we have something to contribute?

McMillan addressed the question directly, arguing that the design of markets (and, by implication, marketing systems) has five elements — “information flows smoothly; people can be trusted to live up to their promises; competition is fostered; property rights are protected but not overprotected; and side effects on third parties are curtailed.” (2002, p. 135). He goes on to note that “market design’s most fundamental question is, where should the scope of markets end?”

The possibility of effective market design has been part of macromarketing since the work of Slater and his colleagues in the LAMP studies in Latin America (Harrison et al., 1974). It has been taken for granted by Abbott and his colleagues at the FAO, part of the United Nations, for over 40 years now, in a wide ranging series of studies directed towards improving food marketing systems in many developing countries. Prahalad (2005) showed how the “bottom of the pyramid” could be reached though effective system design, with examples ranging from Hindustan Lever and the soap market in India, to CEMEC in Mexico with an innovative approach to housing for the poor, to banking innovations such as the ICICI Bank in India and the Grameen Bank in Bangladesh. Arnould and Thompson (2005) added further weight to the “bottom of the pyramid” concept in their study of industry clusters using the example of leather workers in West Africa. The promise of “action research”, where the study is embedded in a change program, is being explored by Spriggs and Chambers (2005) and his colleagues in Papua New Guinea, Cambodia and Laos.

The need for effective design of marketing systems is not limited to developing or transitional countries or regions. Designing for sustainability is rapidly emerging as a major challenge for the developed world. Advances in technology creating virtual markets for intangibles that cut across national boundaries are part of the design issues emerging from the globalization of economic life. The need for effective regulation of marketing system growth and change is widely recognized. These and similar challenges from both the developed and developing economies add some urgency to our interest in understanding marketing systems.

Concluding comments

Many years ago, Paul Mazur suggested that the major societal task in the United States was to continuously improve the standard of living. This idea became embodied in a definition of marketing as being concerned with the creation and delivery of a standard of living. While the origin of the idea and the strength of the underlying logic might be somewhat controversial, Mazur identified a link between the output of a marketing system and the standard of living enjoyed by a society. This link is found in the concept of assortment.

In this paper I have suggested that the study of marketing systems is central to macromarketing, and that the output of a marketing system is an assortment of
goods, tangible and intangible, offered in response to customer demand. At the level of the societal marketing system the assortment created and delivered by the system has a direct bearing on standards of living (not infrequently defined in terms of consumer price indices based on a representative bundle of goods and service) and in doing so the system also generates a wide range of externalities that ultimately might challenge its very existence. While these effects are easily visible at the societal level, they are also to be found at each level of disaggregation as we ‘drill down’ through the nodes at each level, in the process, uncovering further levels of complexity.

The study of marketing systems at different levels of aggregation is not however restricted to the narrow discipline of macromarketing. Much of the work I have mentioned above comes from cognate fields such as economic sociology, economic anthropology, strategic management, behavioral economics and the mathematics of complexity. It also draws on the detailed, pragmatic studies that the FAO and similar bodies have conducted in many parts of the world for many years. This leaves open the question as to just what marketing in general and macromarketing in particular can contribute. I suggest that our contribution begins with a deep understanding of the decision processes followed by participants — individuals, households, managers and firms — and an appreciation of the subtleties associated with the marketing flows linking system participants. It should not however end there. It should be found in the full and informed implementation of Hunt’s original prescription for macromarketing and centre, in both a positive and normative sense, on the study of marketing systems. While the necessary emphasis on marketing systems per se may be seen as somewhat limiting, the range and variety of such systems, few of which have been the subject of macromarketing research, opens the door to an exciting and productive future for our discipline.

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Beyond the Service Encounter: Marketing Systems for Services

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For the last 25 years, the marketing of services has received considerable attention from marketing scholars, with most of the activity focusing on the service encounter and customer relationships. Little attention has been given to the systems that deliver services. This paper explores the reasons for this inattention, describes several characteristics of the marketing systems for services, and suggests research directions that might engage the attention of macromarketing scholars.

A recent cartoon shows a man entering the cabin of a commercial airliner and being greeted by a flight attendant who is saying, “Welcome aboard. First class or livestock?” The cartoon is symptomatic of a widespread perception that the airline industry, in the words of a 2001 survey by the Economist, is responsible for “increasing misery and dissatisfaction for travelers, especially in America and Europe” (Carson, 2001).

The airlines’ perceived service problems appear to revolve around delayed or cancelled flights, lost baggage, and cramped space. It is difficult to see that these problems could be eliminated, or even ameliorated, by the airline personnel who deal directly with the customer. Put differently, the perception of poor service by the airlines seems to result, at least in part, from problems within the system, and be beyond the confines of the service encounter and the usual tools of “relationship building.”

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Of course, airlines are only one service industry. As usually defined, services include, among others, banking, insurance, securities trading, medical care, communications, transportation, warehousing, electric power, travel, education, and entertainment in all forms.

The University of Michigan’s American Consumer Satisfaction Index (www.theasci.org) has been tracking consumer satisfaction in many of these industries since 1994. While there are inter-industry differences (e.g., satisfaction with public utilities is relatively high and has remained stable, satisfaction with cable television services started low and has declined), there has been relatively little change in the overall level of satisfaction with services in the past decade. In fact, the two industries tracked for the longest period, banking and insurance, have seen their ratings deteriorate moderately since 1994. Illustrative of the systemic nature of service marketing problems is a study by the ACSI for Business Week, which reported that customer’s perceptions of 28 large service-providing firms that were involved in major mergers between 1997 and 2002 “showed that customers were significantly less satisfied on average even two years after the deals closed than they were before” (Thornton, Arndt, and Weber, 2004).

In spite of the importance of services in the economies of all developed societies, marketing scholars in general and, as evidenced by the contents of the Journal of Macromarketing, scholars of our discipline, have given relatively little attention to the systems which bring services to the market. The purpose of this paper is to discuss the nature of services and service provision systems and suggest some directions for future research. The paper begins by looking at the reasons for the lack of attention to the marketing systems for services.

The Conventional Wisdom

Since the publication of the seminal article by Zeithaml (1981), it has become standard to begin any discussion of services marketing by contrasting the nature of goods and services. Four characteristics are said to distinguish services from goods. They are:

**Intangibility:** Services are said to be intangible because they cannot be seen, tasted, felt, heard, or smelled before purchase. Therefore services, unlike goods, are not owned by the consumer but are only consumed through an experience.

**Perishability:** Because a service is held to be an experience, it is argued that its life, or at least the life of one of its units, is bound to a time and place. Once the time has expired the opportunity to experience the service is gone, as is the potential revenue for the provider. Thus, the opportunity for a hotel to receive revenue from the rental of, say, room 307 tonight exists only for tonight; if the room stands vacant, the opportunity for that unit of revenue is lost forever.

**Inseparability:** It is held that services are produced only as they are consumed, and in the presence of the consumer. Frequently cited examples include having surgery or attending a concert.

**Variability:** A fourth characteristic that differentiates services from goods is said to be variability. Because of the human element in producing services, the quality of
the experience is likely to vary from time to time and place to place. For example, the service provided by a chain of hotels may vary widely from hotel to hotel and, even within a given hotel, from day to day — or even guest to guest. It should be noted that this distinction is confined to the contrast between services and most manufactured goods; many consumer goods are “naturally” variable from item to item and, intra-item, over time, e.g., food products such as raw apples, fresh eggs, cheese and wine.

Before going further, a recent article by Lovelock and Gummesson (2004) should be recognized. It reviews the literature of services marketing, describing the nearly universal acceptance of these four distinguishing characteristics, and argues convincingly, at least to us, that they are much more ambiguous and less generalizable than they seem on the surface.

However, our purpose is different and we are more interested in the generalizations about services marketing that often are drawn from these distinguishing characteristics. Many of these generalizations seem problematic and in need of qualification. To mention but three:

First, the most common conclusion drawn from the concept of inseparability is that it determines capacity, limiting the number to whom the service may be provided. It is true that there is a fixed number of seats on any aircraft and, while the limit is a bit more elastic, there is some maximum number of students who can receive a quality educational experience in one institution during one term. On the other hand, there appear to be very elastic limits to the number of people that can conduct business, on-line, with a given bank on a given day, and no practical limits to the number of people who can watch a particular event on television.

Second, the characteristic of variability is generally treated as a negative feature, and most discussions of services marketing conclude that service providers should strive to make their service uniform. On the other hand, it is easy to think of service providers (e.g., whitewater rafting guide services, interior decorators) that seek to make each encounter with the customer unique, or at least appear to be unique and, therefore, "authentic," "memorable" and/or “personalized.” In the U. S. even chain hotels seem committed to the proposition that the regular customer wants personalized service with each stay.

Finally, the concepts of intangibility, perishability, and inseparability are invoked to argue that services cannot be held in inventory and, therefore, intermediaries have no purpose in a system that provides services. Even the most casual observation of a world that includes travel agents and stock brokers shows this conclusion to be in serious need of qualification. It is the wide-spread acceptance of this last conclusion that may be the main reason that marketing scholars have chosen to ignore the systems that bring services to market and, instead, have focused on the so-called service encounter as the unit of analysis. The mainstream discipline's managerial orientation and the influence of consumer behavior research reinforce this focus.

Although the concept of a service encounter, and its conceptual partner, the relationship, may be robust bases for looking at the behavior of the interacting parties at the moment of either service purchase or service provision, encounters and relationships are essentially dyadic constructs and provide weak platforms for the study of service provision systems, for at least four reasons. First, many services are pro-
vided over time, sometimes an extended period of time, distorting the meaning of
the term encounter and, as the previously mentioned point about mergers and acqui-
sitions demonstrates, often distorting the meaning of the term relationship. Second,
the provision of some services is contingent on an event that may or may not occur
(e.g., loss or property, product failure.) Third, the actual provision of the service is
frequently outsourced to a non-employee of the nominal provider (e.g., adjustment
of an insurance claim, delivery of a pizza.) Fourth, the actual provision of the service
is likely to involve the efforts of many persons with whom the recipient of the service
has no meaningful contact (e.g., a concert’s stage hands, an airline’s mechanics, a
bank’s data entry clerks.)

Comparing Goods Marketing and Services Marketing Systems

According to Fisk (1967) all marketing systems require five “flows” to operate —
product, information, payment, title, and risk. We accept that as our starting point;
however, there are differences in the flows, in both kind and degree, between goods
systems and services systems. This section focuses on those parallels, and the section
that follows emphasizes other characteristics of service systems,

Product Flow: If we accept the traditional characteristics of services, there would
be no product flow other than the direct transmission of the service from provider
to recipient. On its face, this would seem to preclude the whole concept of a service
providing system. However, at least two points should be considered.

First, on examination, the tangible/intangible distinction is not entirely unam-
biguous. For example, consider electricity and natural gas. Clearly, gas is a good; it
is palpable and can be stored. By contrast, electricity is intangible and, in a techni-
cal sense, produced at the instant it is used, making it a service. However, for the
most part, the delivery systems for both are very similar with both products passing
through a complex of conduits and intermediaries. For many uses they are sub-
stitutes, and in many markets they are distributed by the same firm. In a different
vein, pure information, as a product, can exist in either tangible or intangible form (a
point elaborated upon in a later paragraph) with its tangible forms (e.g., books, CDs)
considered to be goods and its intangible forms (e.g., e-mails, television broadcasts)
considered to be services.

Second, nearly all services involve goods in their production, sale and/or use.
Service providers are like any other industrial producer; providing a service, nearly
any service, requires capital goods, equipment and supplies. More pertinent to ser-
vice providing systems, the provision of most services require the purchaser to own,
or at least have available, a good to make use of the service (e.g., electric appliances,
skis, text books) or to make a simultaneous purchase of a good. For example, it is
very difficult to conceive of way to enjoy the benefits of modern dentistry unless the
dentist leaves a physical product, even if it’s only Novocain, in the patient’s mouth.
In a similar fashion, to fly in a plane or ship a product by truck, it is necessary to, in
effect, purchase ones share of the fuel used. In many other cases, to make the ex-
experience of the service consistent with the expectations of the purchaser, incidental goods are made available by the service provider; e.g., beverages on a flight or an internet connection in a hotel room.

The point is that, by technological necessity or social custom, a service marketing system often, one might say nearly always, requires one or more parallel goods providing systems if it is to be capable of delivering a “complete package.” Thus, categories and even brands of products exist for the sole purpose of supplying service marketing systems, as do certain intermediaries, from the concession stand at the movie theatre to the wholesaler of janitorial supplies. All these become, in effect, part of the total service marketing system.

Before discussing the next flow, information, a few comments are in order about information as the product in the flow. Modern technology has made it possible to transmit information instantaneously in non-tangible form. For example, a live telecast of a sporting event is consumed as it produced — a service. But the images and sound may be stored by the consumer on tape or DVD — a good. Through the process of file sharing, this stored information may be transmitted to others — a service — and stored by the recipient on some medium — a good. The tangible storage media are goods and their marketing systems don’t appear to differ significantly from other marketing systems for goods. Note that similar extended channels exist for some “pure” information products such as electro-cardiograms, Power Point presentations and, most noticeably, money. An ATM accesses money stored as electric impulses, transmits it in this form, and converts it to its tangible form, currency. All of this may suggest to some, including Lovelock and Gummesson (2004) that information is a hybrid, requiring its marketing to be considered as a distinct category, separate from either goods or services.

Information flow: Product flow aside, just as in any goods provision system, services marketing systems have a need for information to flow, including an offer and the acceptance of that offer. However, the nature of the information in the offer may be somewhat different. Because of the simultaneous production and consumption of a service, services are either experience or, in many cases, credence products. Thus, in the marketing systems for services, evaluative information provided by agencies perceived by the consumer to be disinterested (e.g., word-of-mouth, blog postings, critical reviews, government grades) is likely to play a much larger role than in the systems for most goods.

Payment flow: Just as with the marketing systems for goods, there is a need for a flow of payments. However, because a service is consumed as it is produced, providers often demand and receive payment or a guarantee of payment before the service is provided. Examples range from the retainer for an attorney, to presentation of one’s insurance card before seeing the doctor, to the purchase of a ticket before entering the theatre.

Title flow: In the absence of a tangible good, one can say that there is no title involved, as in the marketing systems for goods. (Again, note the special problems of title flow when information is the product.) However, there is the issue of assigning responsibility for any failure of performance, including the failure of the provider to deliver a satisfactory service (e.g., interrupted on-line service, professional malpractice) and any failure on the part of the service recipients to fulfill their part of the
interaction. It should be noted that, related to the previous point, when payment precedes performance, the provider has the recipient’s money at the time the failure of either party is recognized. On the one hand, the perishability of the product makes the “no show” a special problem for the service provider. On the other hand, many services are perishable for the recipient (e.g., the cancelled flight, the electricity blackout) and the failure of the provider to perform can be the source of much vexation, and even damage, to the consumer. Any well run system has rules and methods for settling disputes that arise from the failure of either party to perform. Generally these rules and methods are more complex than the rather simple return policies that apply to many goods.

Risk flow: Finally, there is risk to be dealt with in any marketing system. In systems involving goods, we generally think of the risk of being in a “long” position, i.e., risk that derives from holding an inventory and the potential for impairment of the value of that inventory. In the marketing systems for services, long risk derives from the necessity to have the capacity to produce the service, and is intensified by the perishability of services. As in the case of goods, some of these risks are insurable. Further, when the service provider agrees to a price in advance of the provision of the service, a short risk is created. This point will be expanded below.

Differences in the Nature of Services and Service Marketing Systems

While there are similarities between the systems that provide goods and those that provide services, there are also differences, at least substantial differences of degree, if not of kind. This section discusses five.

First, compared to most goods producers, the cost structure of many service providers is weighted heavily with fixed, as contrasted to variable, costs. As noted above, all services are produced by some combination of labor and equipment. Some labor is skilled (e.g., performing neurosurgery or guarding the goal in a professional soccer match); some is not (e.g., cleaning a hotel room or answering a phone.) Sometimes the equipment needed to perform the service is substantial (e.g., a jet airliner or a university campus) and sometimes it is not (e.g., a chair and a pair of scissors or a computer keyboard.)

What is at issue is the relative proportion of each input in the cost of providing the service. As a rough generalization, the cost structure of a capital intensive service is weighted heavily with fixed costs. As a second, and related, rough generalization, the capacity of a capital intensive service production process is very difficult to adjust to fluctuations in demand. Thus, an airline must have the planes to handle peak periods of travel and an electric power company must have the generating capacity for periods of peak load. In these industries, managing the “load factor” is a central concern.

In general, in comparison to capital intensive service providers, labor intensive providers can more readily adjust their capacity to meet changes in demand. However, this generalization must be tempered by considering the skill level of the labor;
highly skilled labor is not only paid more but, in most market economies, can and often does command greater assurance of steady income. Thus, the labor cost represented by the surgeon’s fee or the salary of the soccer star is more likely to be a fixed cost to their respective employers than the wages of the hotel maid, house painter, or “call center” employee.

Cost structures affect the nature of the system providing the service. Because per-unit fixed costs are purely a function of the number of units sold, in a competitive market they cannot be used to set a price, except in the very short run. Per-unit variable costs set a “floor” for a price and, when they are very low, the floor can become very low, even ruinously low. Capital intensity only intensifies the perishability of the product, making it profitable, or at least loss-minimizing, for sellers caught with an unsold service to accept any price above marginal cost. In short, for many services price wars can be both very possible and very damaging.

Further, the absence of cost as a basis of setting prices leads to the possibility of price differentials for various buyers or, as it is more commonly called, price discrimination. Different charges, based on some method of classifying customers, are commonplace for the same flights, hotel rooms, movies, insurance policies, medical procedures, electric power, telephone service, etc. In fact, it is hard to think of a service provider that doesn’t offer essentially the same service to different customers at different prices.

Finally, as is true for goods, capital intensity usually leads to significant economies of scale; substantial capital requirements are one reason that some service industries are monopolies and/or regulated industries; in fact, most of the monopolies that come readily to mind are organizations that provide services, as contrasted to goods.

Second, because people use them together, goods and services are often bundled for sale. Ultimately, whether the focal product is a good or a service, the consumer is interested in the solution to one of life’s problems (Alderson, 1957). Even in the case of services, it is really the “package” (whether that be a medical procedure, an evening at the movies, a hotel room) that we desire and, in the end, judge. However, the ingredients of these packages may or may not be bundled. When they are bundled it may be a matter of necessity, or near necessity (e.g., repair services with replacement parts, surgery with intravenous solutions). In other instances bundling may be a matter of custom (e.g., restaurant service may be included in the price of a meal, as it is in many countries, or may be charged separately in the form of an “expected” tip, as it is in the United States; a passenger in the coach section of an airliner may pay for a beverage that is complimentary to a passenger in the first-class section.) In still other instances, products may be bundled by, in effect, coercion (e.g., for many years developing service was bundled with the purchase of Kodak film). Bundling may have the effect of closing competitors out of potential markets and it is for this reason that, in the U. S., tying sales (as they are called in the law) are a violation of the Clayton Anit-Trust Act “if the effect is to substantially lessen competition.”

The economic reasons for bundling generally revolve around the desire to reduce costs, to increase revenue, or both. Generally, bundling — relative to offering options — reduces the choices to the consumer and, in that sense, has the potential to reduce costs. That is the argument made in the United States when the proposal arises to offer cable TV channels on an ala carte basis. Whatever the validity of the reduced
cost argument, when a good and a service, or a service and a service, are bundled, one or the other is perceived by the buyer — often because it is promoted — as being “free.” (“Buy now — no interest until next year.” “Signup for two years of service and receive this cell phone for $1.”) Even though there is no separate charge to the consumer, it is obvious that the free component involves a cost to the provider and the recovery of that cost comes from its inclusion in the price of the other component(s) of the bundle. Thus, the marketing of all bundled goods and services involves a set of joint decisions based on the complimentary relationship between the good and the service and the marketing systems that provide the services must reflect this reality.

Third, for some services, the rights to the service can be, and often are, separated from the service itself. The most familiar examples are “tickets” for entertainment events or travel. The ticket represents a claim, by the holder, for the service indicated. It is sold in advance of the experience of the service, and not necessarily to the person who will experience the service. When the right to the service can be separated from the service itself, there can be channels of distribution for those rights — channels that includes agent or even merchant intermediaries. A familiar example would be the travel agent; merchants in the same channel would be the so-called consolidators that buy blocks of airline tickets for resale. Others may be agents for tour packages who act like merchants by guaranteeing a quantity of participants and/or a price to the airlines and hotels involved. Like the buyers of options in financial or commodity markets, these merchant and near-merchant intermediaries are, in effect, assuming risk. In the case of the travel industry, the provider’s long risk is intensified by the high proportion of fixed costs involved, and consolidators and tour operators are not only distributors of rights to the service, but also bear part of the provider’s long risk.

On the other hand, the separation of rights to the service from the provision of the service can lead the provider into a short position. Anyone who enters into a contract to deliver a good or service at a future date at an established price — and who has not yet purchased or is in possession of the inputs to produce that good or service — is “short” in the market. Again, an airline is a good example. It sells tickets in advance, including any to a consolidator, and only on the day of the flight does it purchase the necessary fuel. In the absence of a hedge, the airline is speculating that the price of fuel on which it based the ticket price will obtain or, even better, that the price of fuel will decline in the time period between ticket sale and takeoff. The short risk arises from the obvious fact that the price of the fuel may increase. Other instances of short risk arise from the possibility that the service provider will be unable to obtain the necessary resources to provide an agreed to service. Thus, a concert promoter is always at risk that the entertainer, for whatever reason, will not show up for the performance for which tickets have been sold.

Financial services are nearly pure cases of the marketing of rights. Most financial instruments represent, in effect, a claim on a future payment. It may be a claim on a very reliable stream of payments, as with a government bond; it may be a claim on an expected payment, as a share of a corporate stock represents a right to any declared dividend; or the claim may be contingent on a particular event, as with an insurance policy or a lottery ticket. Note that, by their very nature, these claims are valid only in the future and, as such, it is often difficult to tell just when the service is being provided — or sometimes even what the nature of the service is. As an ex-
ample, consider property insurance for an automobile. One purchases a policy that covers specified perils for a given time period. The purchaser is buying “protection” — shifting the risk of the loss of value that comes as a result of owning the automobile when an incident occurs, an incident that the purchaser truly hopes never happens. The insurer promises to provide for losses up to the replacement value of the automobile. Given a large enough base of insureds, the insurer can forecast fairly accurately the likelihood of auto accidents, at least in the aggregate, although unforeseen catastrophes occur and, to the extent they are possible, the insurer is in a short position. Further, while it is obvious that, with time, the value of any one automobile decreases; by how much is uncertain. To the extent future replacement values may be higher than predicted, the insurer is left in a short position.

The risks created in the marketing systems for services, both long and short, are challenges to the management of these systems. In financial services markets the ultimate product, money, is a fungible commodity. Further, there are participants whose natural trading positions are long or short or both. These conditions create an opportunity for many and varied standardized contracts — known in the most general term as derivatives and variously called by such names as puts, calls, futures, options, etc. — that allow participants to shift risk to those willing to assume it.

For non-financial service markets, the opportunities to shift risk are less apparent. Most risks of physical damage are insurable, as are those that arise from business interruptions and the loss of key personnel; as noted earlier, advance sale of rights shifts long risk. Short risks that involve commodity inputs, for example fuel costs for airlines, can be hedged. Other short risks that arise from uncertain cost and/or uncertain availability of inputs can be handled by some form of backward vertical integration through ownership or contract.

Ultimately, these risks affect the structure of the system in the way described by Slater (1968) who showed that market forces operate to shift risk to those agencies willing and able to absorb it. As an example take credit cards. Large capacity, high-speed computers and rapid electronic communication have made the wide spread use of credit cards very possible. Large card issuers can achieve economies of scale in credit investigations of individuals, processing and storage of transactions, and the pooling of the risk of bad debt loss over wide geographic areas and multiple demographic groups. Many retailers find that factoring their accounts receivable (i.e., selling them to a credit card company without recourse) is less costly than running their own credit operation. Of course there has always been a divergence of interest between a retailer attempting to maximize sales and a credit card issuer trying to minimize bad debt losses. Recently several large nationwide chain retailers have discovered that, by running their own credit operations, they can achieve similar economies of scale and retain control over the sales-expanding potential of credit extension at a cost approximating the fees charged by the credit card issuers. By contrast, the typical service provider is not large enough to run its own credit operation efficiently. Further, if credit were offered, bad debt losses may be higher for service providers because, as noted, once the service has been provided, there is no particular recourse for the provider (e.g., what would a funeral director do to collect a debt for services rendered?). All of this suggests that, compared to many goods providers, many service providers are likely to be somewhat dependent on credit card issuers.
In summary, what is suggested here is that part of the complexity of service marketing systems is the result of the separation of the rights to a service from the actual provision of the service itself. Not only does this create the opportunity, or even need, for intermediary institutions but also creates risk situations. A further elaborate set of institutions can arise to shift and absorb these risks.

Fourth, to the extent people seek results from service providers, within a given market, submarket, or segment it is difficult to differentiate among offerings, and competition among providers is intensified. The novel Anna Karenina begins: “All happy families are alike; each unhappy family is unhappy in its own way.” At the risk of doing an injustice to a great work of literature, we will borrow some of Tolstoy’s words to say “Every provider of excellent service delivers the same service; each provider of poor service finds its own way to do it poorly.” Thus, while not everyone uses a bank for exactly the same set of purposes, the expectations for any one purpose (e.g., a checking account) are likely to be convergent among bank customers. In a similar fashion, not everyone wishes to fly to the same destination or at the same time, but there is likely to be widespread agreement on what constitutes an excellent flying experience.

This convergence of expectations means that, within a given market or segment, if every provider were, in fact, providing excellent service, there would be almost no instrumental points of differentiation among providers. The only way for a service provider in this situation to avoid intense price competition would be to seek differentiating factors based on non-instrumental features, one of which might be the quality of the interaction with the personnel in most direct contact with the customer.

As noted there are many services for which there appear to be very limited economies of scale, leading to large numbers of very small firms. As a rough generalization, these are the same services for which the “personal touch” is likely to be important. This brings us to our last point.

Finally, in addition to the ability of a service provider to differentiate its offering, loyal (or quasi loyal) behavior is a function of the recipient’s switching costs. As a reading of the current marketing literature shows, the focus on the service encounter/relationship tends to emphasize the personal contact aspects of the interaction between provider and recipient. It may be argued, and often is, that personal relationships between service providers and customers tend to create greater loyalty. No doubt, most people have a favorite hair dresser or dentist or auto mechanic, but the argument a strong personal relationship leads to loyal behavior is hard to sustain for providers whose employee base turns over with considerable rapidity (e.g., fast food restaurants, banks) or where personal contact between consumers and the persons responsible for providing the service is infrequent or non-existent (e.g., satellite TV, banking by ATM machine, maid service in a hotel.) Yet, the notion persists, and one sees its evidence when service providers ask their contact people to provide customers with small questionnaires that often ask “How am I (the contact person) doing?”

By contrast, if we begin with the presumption that people purchase services, not to have a personal relationship but to achieve some result, the personal relationship becomes a secondary consideration and the outcome of the service interaction becomes the basis of the recipient’s satisfaction and, presumably, loyalty to a provider.
Of course, there are many reasons for repeat purchase behavior which might not be considered the result of “loyalty.” For example, there are markets in which there are institutional barriers to switching providers. As noted before, most of the monopolies that come to mind are service providers, many of which are guaranteed a monopoly position in return for some form of public regulation or public ownership. Even in deregulated industries, economies of scale still exist that limit the number of providers in any given market, e.g., airlines serving a particular city.

Institutional barriers aside, the cost to the consumer to switch providers plays a role, one that varies by the nature of the service. In general, switching costs are a function of the investment the service recipient has made in the relationship. For example, buying a particular make of automobile more or less commits the purchaser to using the repair services of a dealer of that particular make, especially during the period in which the warranty holds.

On the other hand, there are services that involve little or no switching cost. For some of these, there are opportunities to encourage loyal behavior with a combination of well performed service and a “personal touch,” e.g., a lawn service, dog grooming, travel agent. Note that some of these are services that one could perform for oneself, with the proper tools and a minimum amount of skill. By contrast, there are some services of a nearly commodity nature with low switching costs, e.g., homeowners’ insurance, a hotel room for the business traveler. While a personal touch may contribute to loyal behavior toward these providers, these are also the services that are most easily purchased through impersonal channels (e.g., the Internet) and price competition, some of which be in the form of rewards for repeat purchasing, are most likely to be found.

Summary and Research Questions

Useful as the focus on the service encounter and customer relationships may be, its dyadic nature tends to draw scholarly attention away from the systems that provide services. Although the nature of goods and services are different in several ways, the systems that deliver both have similarities. Some of these similarities are the result of the functions common to all marketing systems, e.g., the need to communicate offers and acceptances, the need to make payments. Other similarities result from the need for goods in the production and delivery of nearly all services. Of course, there are differences between goods and services that require institutional differences, large and small, between the two types of systems. All of these lead to differences in service providing systems.

At one extreme are those services characterized by the need for heavy capital investment and employment of highly skilled, and therefore highly paid, personnel. Economies of scale lead to large provider firms whose cost structures are heavily weighted with fixed costs. The delivery of the service itself requires much activity that involves little or no contact with the service recipient, and the “service encounter/relationship,” if it even involves contact with personnel employed by the service provider, is likely to be with employees or agents who have relatively little, if anything, to do with the actual provision of the service.
At the other extreme are many very small firms providing services that require neither great investment nor skill. For many of these services, the consumer is, in effect, a competitor and, while that may tend to hold prices down, competition among the small firms is largely on non-price bases, including the “personal touch.” However, these firms also require goods and services to produce and deliver their product and distribution systems involving intermediaries develop to provide these.

Suggested by this description are many research questions about the nature and operation of service providing systems. To note but a few:

First, a theoretical issue: What accounts for intermediaries in systems that deliver the rights to services? The standard explanation for the existence of intermediaries in the systems that deliver goods is that merchants with inventories reduce the number of transactions. However, most of the intermediaries in the systems that sell the rights to services are agents and the standard explanation does not apply. Alderson (1957) offered a more general explanation for the existence of intermediaries — one that, incidentally, helps account for the existence of agents and brokers, in addition to merchants — the efficiencies achieved by reducing the “discrepancy of assortments.” Service delivery systems would be an ideal context in which to test Alderson’s explanation.

Next, an institutional question with public policy implications: In the absence of a regulatory body and/or a sanctioned monopoly, what institutional arrangements are used to prevent severe price competition among large service providers? For example, it is widely claimed that, because most medical procedures in the U. S. are paid with health insurance, the patient has little interest in the price of the service. For some, including those whose voices are dominant in the Bush administration, this observation supports the conclusion that health insurance leads to higher prices for medical services than would obtain in a “free” market. They argue that making consumers more responsible for their own care by requiring higher deductibles and co-payments (but leaving medical insurance in place) would reduce overall health care costs. An alternative explanation, based on the observation that the health care industry literally needs some form of protection against ruinous price wars, would explain that insurance reduces price competition by making reimbursements uniform across providers, thereby acting as a de facto price agreement system. This would suggest that, as long as health insurance exists to standardize payment, attempts to make the consumer “more responsible” would have little or no effect on pricing in the health service delivery system. Further, it would predict that, in the absence of health insurance, some other price stabilization mechanism would emerge.

Finally, a question for cross-cultural study: How do the structure and functioning of service delivery systems differ in societies where the personnel in contact with the clients are more “professional?” Those who travel notice that, in many U. S. service provision systems, the least skilled, lowest paid and most temporary personnel have the most contact with service recipients, e.g., the wait staffs of restaurants, hotel reception personnel. In many other societies, comparable positions are filled by people for whom these positions are careers, with pay comparable to many alternative jobs. How does this affect, not only the nature of service encounters, but the permanency of the firms that employ them and, therefore, the structure of those industries?
References


Reconciling Marketing and Society: An Alternative Conceptualisation of Emergent Structure and Process in the Marketing System

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We argue that the general conceptualisations of the marketing system are flawed by their mechanistic rationality. This is demonstrated by a thorough review of the marketing systems literature and the general systems theory literature. We suggest an alternative constructivist approach that doesn’t erroneously separate system and environment, but rather identifies one in terms of the other. The micro-macro distinction is also critiqued, identifying several problems.

Our motivation for this analysis follows a recognition that the interest of marketing and of society have diverged. The former focuses on representing the firm to the customer, whilst the latter focuses on representing the customer to the firm (*Sheth and Sisodia, 2005*).

We indicate that a particular alternative definition of the marketing system will incorporate a sense of purpose, and that this is nearer to a humanistic sustainable economic development than to inter-firm competitive advantage.

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Introduction

The beauty of a marketing system — its conceptually impenetrable dynamism of interdependence, circularity and complexity — has fascinated many analytical minds. The concept interdependence, some may call it interaction, represents emergent and temporal complex structures that are a product of continuous metamorphosis of interactions among its conceptually constructed components. This complex interdependence between innumerable factors is at the heart of marketing (Meade and Nason, 1991). Nonetheless, it seems to be an utmost impossibility to capture its essence in full through conventional reductionist theorisations, as researchers note that “it has proven to be an extraordinarily difficult concept to express mathematically in a generalizable way” (Meade and Nason, 1991, p. 72). For example, Dixon (1991) gives a thorough historical account of early classic attempts to study an economic and distributive interdependence by such authors as Quesnay, Marx, Walras, and Leontief, which as he argues fail to recognise the important aspects of a marketing-system-in-operation. In view of this, the main problem he discovered with the studies is proved to be the tendency to overemphasise the material sources of value creation process. In the process of search for marketing in these classic analyses, he comes to the conclusion that “only when production is seen as the transformation of inputs into satisfaction rather than into material attributes can the place of marketing activities come within the scope of analytical effort” (Dixon, 1991, p. 17). Thus he heavily critiques the naturalistic and materialistic approach taken by the early thinkers.

Despite several centuries down the track, it seems that we are still heading toward fruitless simplification, that is, trying to tackle holistic, complex and unpredictably interactive systemic problems with a set of tools based on the logic of determinism and linear thinking. Even though this approach has heavily been criticised by Von Bertalanffy, the father of General Systems Theory, some systems theorists seem to be strongly inclined to the simplistic and mechanistic assumptions of Newtonian science. Price (1997, p. 7) argued that the “classical science is unable to describe the world as it is...objectivity becomes a more subtle concept as we come to recognize the complexity of social systems and the irreversibility of dynamics”. Not surprisingly, the complexity and chaos theories, which are newly emerging in the field of social sciences, contend the validity of assumptions based on a static and passive nature of world systems. On the contrary, the intense complexity and dynamism found in systems (physical, biological and social) suggests that the systems are far from being deterministic, rather they are proven to be unpredictable, non-deducible and non-aggregative. Systemic dynamics are unpredictable owing to the non-linearity of behavior and that a causal chain is impossibly unrecoverable to the extent that Wittgenstein’s “meaninglessness” becomes an appropriate term to describe attempts to derive the initial conditions of systemic cause-effect interactions (Eve, Horsfall, and Lee, 1997). Advancements in the fields of biology, psychology, philosophy and social sciences wn that systems are emergent in that any conceptualisation of a higher order phenomenon cannot be deduced from laws derived at the level of their components (Luhmann, 1995; Mihata, 1997; Staubmann, 1997; Varey, 2002a). The complex social systems are non-aggregative because a) the compositional elements are not inter-substitutable or/and easily inter-replaceable; b) of high intensity of inter-
action among components; c) the quality of the system is not retainable by decom-
position and re-aggregation of components; and d) the quality of the system is not
retainable by addition and subtraction of components (Smith, 1997). Subsequently,
a whole unity’s quality and behaviour cannot be explained through principles derived
at the components’ level. In the view of this, the reconceptualisation of the marketing
system that is compatible with the latest understanding of the systems perspective is
needed.

As we specifically opt to focus on the social character of the marketing system,
our intention in this work is to be able to answer certain basic questions about so-
cially constructed (contrived) marketing systems (Katz and Kahn, 1966). This kind
of inquiry has always served as the first stepping-stone into the systems world of con-
ceptualisation for researchers across different fields. Following the same tradition,
we would like to investigate several issues that revolve around clarification of what
is the system in question, what are its composing elements, and what is its role per-
se within its environment (Smith, 1997). Moreover, another concern of ours is to ex-
plore the most viable way to conceptualise the marketing system under the premises
of the General Systems Theory, as it became increasingly clear that the deterministic
(mechanistic) approach is not compatible with the systems thinking. So our intention
is to achieve greater understanding of how the marketing system needs to be theo-
retically constructed in order to avoid major epistemological conflicts in a marketing
inquiry.

The approach we take is the interpretive constructivist perspective. We believe
that marketing phenomena emerge as multiple (local and global) realities (unities)
subjectively co-constructed through marketplace actors’ interactions and consensus.
In consequence, we avoid the assumption that they exist autonomously in the nat-
ural world as aggregations of certain objectively defined factors (Guba and Lincoln,
2005). As social constructivists argue, people are involved in as much construct-
ing as knowing their world, which is never assumed to be left independently “out
there” to be grasped or attained (Schwartz, 2003). Knowledge of systems is per-
haps about matching the line of self-referential construction of systemic meanings.
In turn, meanings are built drawing on the available horizon of meanings, a prod-
uct of an evolving social, cultural, and historical discourse, which becomes available
through social interaction. In this sense, we argue that marketing systems are so-
cially constructed. Nonetheless, they tend to achieve an autonomy from the system
of human cognitive interactions by virtue of contingent objectification (Luhmann,
1995; Schwartz, 2003; Staubmann, 1997). We strongly believe that social constructivism allows much conceptual flexibility and prudence to represent the systems per-
spective. Von Bertalanffy (1972) spoke of a deep “humanistic concern” of General
Systems Theory as being in contrast to mechanistically-oriented theorisations. He
wrote:

This leads to systems epistemology. As is apparent from the preceding
this is profoundly different from the epistemology of logical positivism or
empiricism, even though it shares the same scientific attitude. The epis-
temology (and metaphysics) of logical positivism was determined by the
ideas of physicalism, atomism, and the “camera theory” of knowledge.
These, in view of present-day knowledge, are obsolete. As against physicalism and reductionism, the problems and modes of thought occurring in the biological, behavioral and social sciences require equal consideration, and simple “reduction” to the elementary particles and conventional laws of physics does not appear feasible. Compared to the analytical procedure of classical science, with resolution into component elements and one-way or linear causality as the basic category, the investigation of organized wholes of many variables requires new categories of interaction, transaction, organization, teleology, and so forth, with many problems arising for epistemology, mathematical models and techniques. Furthermore, perception is not a reflection of “real things” (whatever their metaphysical status), and knowledge is not a simple approximation to “truth” or “reality”. It is an interaction of knower and known, and thus dependent on a multiplicity of factors of a biological, psychological, cultural and linguistic nature. Physics itself teaches that there are no ultimate entities like corpuscles or waves existing independently of observer. This leads to a “perspective” philosophy in which physics, although its achievements in its own and related fields are fully acknowledged, is not a monopolistic way of knowledge. As opposed to reductionism and theories declaring that reality is “nothing but” (a heap of physical particles, genes, reflexes, drives, or whatever the case may be), we see science as one of the “perspectives” that man, with his biological, cultural, and linguistic endowment and bondage, has created to deal with the universe into which he is “thrown”, or rather to which he is adapted owning to evolution and history (Von Bertalanffy, 1972, p. 423).

Hence, we choose the assumptions of General Systems Theory (GST) as criteria to judge how genuinely systemic (holistic and dynamic) the conceptualisations of the marketing system are in the marketing literature. This work is perhaps not about building an alternative body of a marketing system theory but it should be viewed as a constructive frame of analysis that brings together the principles of GST and the latest thinking within the constructivist systems perspective to tackle inadequacies in the systemic analyses of marketing.

In the first part of the paper we will present a short summary of the prominent issues within the systems perspective and discuss the constructivist reconceptualisation of this approach. The second part will be devoted to an extended review of social and marketing literature that discusses social and marketing systems. The constructivist analysis is expected to reveal some inadequacies and confusions that we found in this literature regarding conceptual thinking on marketing systems. In the third part we will elaborate on the major differences between traditional and constructivist thinking so that a more analytically viable and GST-compatible concept of marketing systems is developed. In the last section we will outline some implications stemming out of the proposed redefinition of the issues.
GENERAL SYSTEMS THEORY

General Systems Theory

In this section a short summary of General Systems Theory (GST) and its principles are presented. Also, the prominent issues within this perspective are discussed under the constructivist reconceptualisation.

Deconstruction versus Organisation

The fundamental principles of systems thinking were first explicitly elaborated by Ludvig Von Bertalanffy in the 1950s. GST posits that scientific investigation should be directed toward a phenomenon in its wholeness, unity and organisation. Von Bertalanffy (1950) argued that problems will lose relevance if concepts and relationships were studied in isolation, or through the process of deconstruction, whereas the real life problems appear to be those of “organization”. He considered the perspective to be radically different to the analysis of isolated parts of phenomena, that is, deductive reasoning, which he calls “the mechanistic worldview”. A more detailed review of the main concepts of the theory can be seen in the Table 4.1. Moreover, a really good review of the systems principles can be found in the work by Kast and Rosenzweig (1974).

Additionally, the General Living Systems Theory has been developed by Miller (1991) and applied to marketing by Reidenbach and Olivia (1981). The focus has been particularly directed toward the various aspects of biological (living organisms) and social systems (organisations), particularly at functions performed by subsystems within a system. The General Living Systems Theory specifically analyses the processes of intra-system and system-environment relationships, while GST provides a perspective to look at the overarching principles to understand the similarity of all systems in nature.

Constructivist view on GST

An insightful review of GST’s implication to social phenomena has been developed by Luhmann (1995). He described the change of emphasis as a paradigm shift in a “Kuhnian sense”, which depicts that the main transformation is about shifting attention from the dialectic of “parts versus whole” to the one of “systems versus environment”. This change becomes a useful approach, particularly, in analysing the Enlightenment problem of a human being, as it is still considered problematic to conceptualise how a part, a human being, would accommodate the concerns of a whole, human society. A main difficulty with the logic that states that “the whole is more than the sum of its parts” is to explain and conceptualise the process through which this unity — the sum of parts and that of extra substance — is comprehended and given priority at the level of parts (Luhmann, 1995). Instead, the alternative, and perhaps more advanced, conceptualisation of this dynamic suggested by the aforementioned author is based on the notion of system differentiation, whereby a system differentiates itself from its environment by filtering down an environmental complexity, yet in turn behaving as an environment for its subsystems in a manner as much complex and un-
Wholeness (Gestalt) depicted in that a change in any element in a system is the result of the concerted change of all elements in the system and changes in subordinate and superordinate systems. It cannot be deconstructed into separate parts.

A non-summative character means that no system can be built up gradually, i.e. by bringing in a part at a time, rather they come into existence as a whole.

Progressive segregation refers to the process through which the system transforms from “undifferentiated wholeness to differentiation of parts...the more parts are specialised in a certain direction, the more they are irreplaceable, and loss of parts leads to the breakdown of the whole system” (Von Bertalanffy, 1950, p. 148).

Progressive centralisation is the process by which the system develops a leading central part around which other parts get reorganised.

Entropy in the physical world means a progressive shift downwards in the level of complexity, whereas negative entropy points at the effect of ever-increasing complexity in living systems.

A hierarchical order signifies that each component in the system may behave as a system by itself, so there is a hierarchy of systems.

Allometric growth means that the growth rates of the system’s parts are in a constant proportion and each part will get its share from the growth of the system according to its relative proportion in the system. There could be a positive allometry when a part grows faster than other parts thus seizing more proportion of the system’s growth, or a negative one when a part falls behind other parts in growth.

Finality represents the idea that the system will strive toward a final state to reach it in the future. The system’s present behavior is considered to be dependant on that final state. This character is called vitalism or directiveness. The related concept is true purposiveness, which in Von Bertalanffy’s words depicts “the actual behaviour [that] is determined by the foresight of the goal... It presupposes that the future goal is already present in thought, and directs the present action” 1950, p. 160.

Homeostasis refers to the process by which the system strives, controls and directs itself toward a constant structural order. The system struggles to maintain its steady state or a constant condition regardless of continuous change and exchange it experiences.

Equifinality describes the situation where different systems would always reach the similar steady rates, regardless of having totally different conditions at the beginning.

The system is called closed when there is no exchange with its environment, and it is considered open when the system imports, processes and exports substances from and to the environment.

Table 4.1: The main principles of General Systems Theory (adapted from Von Bertalanffy, 1950)
certain as the higher level environment. It means that systems actively construct both themselves and their relevant environments. The concept of “relevant uncertainty” (Dowling, 1983a) may have conveyed some insight to this process. The elements of the system are systems in themselves and they possibly may belong to other systems too if viewed from other perspectives. Thus the systems universe does not resemble a simplistic notion of a hierarchy of systems, rather it is a world of interconnected and interpenetrating systems which dynamically differentiate from others and build their own environments. Another “paradigmatically important” innovation was the introduction of the concept of autopoiesis, or in other words, the self-referential, self-observational, and self-descriptive quality of systems (Luhmann, 1995).

The concept autopoiesis refers to the “networks of productions of components that recursively, through their interactions, generate and realize the network that produces them and constitute, in the space in which they exist, the boundaries of the network as components that participate in the realization of the network” (Maturana, 1981, p. 21). In simple terms, systems reproduce themselves by autonomously creating and maintaining self-reproducing mechanisms and structures. On this basis, Luhmann (1995, p. 9) developed the sociological theory of self-referential systems, which states that “systems can differentiate only by self-reference.” This means that the systems employ and build upon system-environment differences to create self-descriptions. Thus the existence of the environment with all its complexity is a necessary prerequisite for the creation of difference through reduction of the complexity. The borders of the social systems are differences in communication and they are created through the development of meanings. Meanings are viewed as the product of self-referential adaptation to the complexity of the environment (Luhmann, 1995). The process of dissemination and circulation of system-unique meanings is called a self-referential closure or an autopoietic turn. Hence the issue of whether systems are open or closed, is resolved with, understanding the extent to which the system self-describes itself to be integrated or separated from, the environment.

In the following section we will review the prominent marketing literature on the systems perspective. Three aspects will especially be highlighted in each work under scrutiny: the definition of the marketing system, the description of its components, and the proposed role of the system within its larger environment. In the meantime, we will try to scrutinise these assumptions by looking at them through our GST and constructivist lenses.

The Marketing System

What is the marketing system?

To deal with the issue, a comprehensive review of different approaches to conceptualise the marketing system has been developed by the authors and summarised in Table 4.2. In this study, a body of systemic understandings that evolved in such domains as social sciences, management and macro-marketing has been found relevant to the marketing thought. As GST is thought to be an overarching worldview which could be applied to any field, its assumptions are set out in comparison with a range
of market system conceptualisations reviewed here.

GST provides us with a loose framework to define and describe a marketing system. Accordingly, the marketing system can be viewed as a whole of interrelationships among socially constructed components, which are systems in themselves. Though, in his writings, Von Bertalanffy did not give a precise definition of the lowest level element of social or economic (marketing) phenomena, it could be deduced that the element must be a) a (sub)system, which cannot be comprehended as a simple aggregation of separate parts, b) conceptually constructed, and c) in dynamic relation to other systems while participating in the constitution of a recognisable wholeness. In this regard, he wrote:

[A system] is definable only by its cohesion in a broad sense, that is, the interactions of the component elements. In this sense an ecosystem or social system is just as “real” as an individual plant, animal, or human being, and indeed problems like pollution as a disturbance of the ecosystem, or social problems strikingly demonstrate their “reality”. Interactions (or, more generally, interrelations), however, are never directly seen or perceived; they are conceptual constructs” (Von Bertalanffy, 1972, p. 422)

It is here Von Bertalanffy touches epistemological issues in a way that is compatible with the constructivist views. The physical as well as social phenomena become socially and conceptually constructed “wholes” which cannot be deconstructed into predictable factors. Moreover, he argues that the (marketing) system must demonstrate true purposiveness, that is, a fine quality to act in a way as though its own destiny or its final state is known or comprehended by the system. For example, we all may know (or construct) a final state of a tree, and a process through which any part of a plant (roots, seeds, branches), if left alone, strives toward becoming a real tree as if they know their “purpose” from the beginning. This process is called “vitality” by biological scientists. So what may represent vitality in the social domain? No research has given any indication to the vitality of the marketing system per se yet. Most researchers still tend to see marketing in terms of an ad-hoc collection of its “parts” (like roots, seeds, branches in a case of a tree) but never attempt to understand its holistic true purposiveness. Hence, this question remains open: what is the “vitality” of the marketing system?

Having performed the literature review, we have come to the conclusion that the views on the (marketing) system can be divided into two big camps: the macro-perspective and the micro-perspective. The macro-perspective thinks of the marketing system as a concept that transcends individuals and organisations to become a social mechanism of living (Bartels, 1970). The micro-perspective brings marketing down to the service of certain individuals and institutions thereby trying to link it to the macro-picture. The former approach views marketing as the function of society, whereas the latter one views it as a function of individual agents. However, the division of the reviewed thoughts seems not to be clear-cut as in the definition, because many works do not clearly specify their units of analysis.
Table 4.2: The various conceptualisations of the social (marketing) system (re)constructed by the authors based on the literature review

<table>
<thead>
<tr>
<th>Perspective</th>
<th>Theory</th>
<th>What is the system?</th>
<th>Fundamental elements of the system</th>
<th>System’s role as conceptualised</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Macro</strong></td>
<td>The General Systems Theory (Von Bertalanffy, 1950, 1972)</td>
<td>A system is a whole that cannot be deconstructed into parts</td>
<td>Conceptually constructed components</td>
<td>True purposiveness (vitality)</td>
</tr>
<tr>
<td></td>
<td>Hierarchy of Complexity (Boulding, 1956a)</td>
<td>A system is a complexity that is made up of lower-order systems</td>
<td>“Individuals” of analysis ranging from static structures to transcendental systems</td>
<td>Developing toward complexity</td>
</tr>
<tr>
<td></td>
<td>Contrived Systems (Katz and Kahn, 1966)</td>
<td>A social (marketing) system is the pattern of temporalised interrelationships among elements</td>
<td>Roles, norms, and values</td>
<td>Achieving constancy</td>
</tr>
<tr>
<td></td>
<td>Conceptual Approach (McInnes, 1964)</td>
<td>A marketing system comprises all market potential actualisation processes</td>
<td>Market potentials (separation and relationship); the processes of actualisation</td>
<td>Closing spatial, time, value, perceptional, ownership gaps between providers and users</td>
</tr>
<tr>
<td></td>
<td>Normative Theory of Marketing Systems (Alderson, 1964)</td>
<td>A marketing system is a function of organised behaviour systems</td>
<td>Organised behavior systems (Households, firms, and public institutions)</td>
<td>Survival and health of both given and larger systems</td>
</tr>
<tr>
<td></td>
<td>Managerial approach (Kelley and Lazer, 1962; Lazer, 1971)</td>
<td>A marketing system is a collection of certain latent marketing phenomena</td>
<td>Relationships, interections, cultural sentiments, environmental constraints, and marketing technology</td>
<td>A manageable part of the environment conducive to achieving maximum efficiency for a business firm</td>
</tr>
<tr>
<td></td>
<td>Three-in-One (Dholakia and Dholakia, 1982)</td>
<td>A marketing system is a system of three (sub)systems: a system of institutions, a system of actions, and a system of ideas.</td>
<td>Institutions, actions, ideas</td>
<td>A locus to navigate a changing world order</td>
</tr>
<tr>
<td></td>
<td>Behavioural theory (Dixon and Wilkinson, 1982)</td>
<td>A marketing system represents the behaviour of individuals and groups who are engaged in marketing activities.</td>
<td>Market behaviour</td>
<td>Satisfaction through rational decision making</td>
</tr>
<tr>
<td></td>
<td>Trade flows model (Layton, 1981a,b, 1989, 1991)</td>
<td>A marketing system consists of exchange networks that are studied as the aggregated flows of trade</td>
<td>Flows of transactions</td>
<td>Achieving optimal intersector trade and production structure to satisfy a final demand for a certain category of goods</td>
</tr>
<tr>
<td></td>
<td>Spatial Marketing System (Ingene, 1983)</td>
<td>A spatial marketing system is the collection of all service (goods)-providers in a certain geographical area to which consumers travel to get serviced</td>
<td>All service-providers in an area</td>
<td>Consumer satisfaction</td>
</tr>
<tr>
<td></td>
<td>Entropy (Reidenbach and Oliva, 1983)</td>
<td>A marketing system is a set of practices of provision and use of psycho-physical life-maintaining and life-enhancing products and services</td>
<td>Product (service) provision and consumption practices</td>
<td>Causing negentropy at micro-level and entropy at macro-level</td>
</tr>
</tbody>
</table>

Continued Overleaf
Table 4.2: (continued)

<table>
<thead>
<tr>
<th>Conceptualisations of the social (marketing) system</th>
<th>Marketing thought systems and their ideas</th>
<th>Develop insights to shed light into the complex world of market practice</th>
</tr>
</thead>
</table>

- **A system of thought** (Bartels, 1970, 1976; Sheth, Gardner, and Garrett, 1988)

  A marketing system is a collection of theoretical understandings of social market behaviour

- **Class-coercion** (Dawson, 2003)

  A marketing system is a set of techniques by agents of the rich to use corporate resources to coerce the non-rich into off-the-job habits that make the rich richer

- **Industrial Dynamics** (Forrester, 1958)

  A system is the unity of firm’s dynamic flow of operations

- **Socio-technical systems** (Emery and Trist, 1960)

  A system is an enterprise that turns inputs into outputs through its internal technological processes

- **Midrange (contingency) view** (Kast and Rosenzweig, 1974)

  A system is an organisation which is viewed as a total “configuration of subsystems”

- **Living organization** (Reidenbach and Olivia, 1981)

  A marketing system represents a set of critical (demand-creating and demand-serving) subsystems within a living social organisation

- **Homeostatic mechanism** (Dowling, 1983a)

  A marketing system is a complex subsystem along other subsystems within the larger system of the enterprise for coordinating production, distribution and consumption decisions

**The Macro Perspective: the societal system**

Having praised GST as “the skeleton of science”, namely as an overarching theoretical framework that would help to foster cooperation and unite nearly all fields of science toward creating a relevant body of knowledge, **Boulding (1956b)** proposed the hierarchy of the units of analysis (“individuals”). The levels, from the simplest to the most complex, were positioned as follows: static structures, dynamic systems, mechanisms
or cybernetic systems, self-maintaining structures, plant systems, animal systems, humans, social organisations and transcendental systems. In the field of management and economics (including marketing) Boulding (1950) calls for acceptance of higher levels of analytic phenomena. His concern was that many researchers are content with the lowest level of so called “individuals”, as economics was still being considered as “the mechanics of utility and self-interest” (1950, p. 207). He doubts the ability of simple mechanical models in management to represent the complex world of higher level of interactions and interdependency. Following the same line of argumentation, we could state that marketing might have also become the field of simple mechanistic units (Bartels, 1970; Varey, 2002b), and its transcendence toward more complex units, for example, social interaction and communication, is desirable.

Social organisations (and also marketing systems) can be categorised as open systems, as much like biological organisms, argue Katz and Kahn (1966). The authors quote Allport’s view that a social organisation is made up of patterns of behaviour and events. The only structure of the social organisation is a pool of activity which may expand enormously or disappear totally in a matter of a short time span. This process is called the “radical temporalisation” of the elements (Luhmann, 1995). Moreover, the social systems are “contrived systems”, that is, they are continuously constructed and reshaped in a chaotic and dynamic way:

Social structures . . . are made by men and are imperfect systems. They can come apart at the seams overnight, but they can also outlast by centuries the biological organisms which originally created them. The cement which holds them together is essentially psychological rather than biological. Social systems are anchored in the attitudes, perceptions, beliefs, motivations, habits and expectations of human beings. Such systems represent patterns of relationships in which the constancy of the individual units involved in the relationships can be very low. An organization can have a very high rate of turnover of personnel and still persist. The relationships of items rather than the items themselves provide the constancy (Katz and Kahn, 1966, p. 33).

The unique contribution of Katz and Kahn (1966) is that they view the social (marketing) system as being a unity of communicative interrelationships, thus de-emphasising the importance of entities (individuals, firms) as basic building blocks of systems. It means that they were getting at the clear distinction between a system that unifies social communication, in which interactive actions represent elements, and a system that unifies consciousness (a network/institution of ideas, values, and norms). The theory of contrived systems substantially echoes a constructivist view of the social world.

William McInnes (1964) defined a market as consisting of two elements, namely separation and relationship. These two elements were considered to be the main sources of a market potential. A marketing system would stand for a set of market-potential-actualisation-processes. Market behaviour as of actualisation, in an evolving understanding of market, was thought to be neither purely mechanistic nor strictly quantifiable. Not only the deterministic logic, but also deployment of creativity, intuition, and emergent imagination was thought to be necessary for this process.
Thus McInnes’s conceptualisation represents the early marketing systemic thought that views marketing in terms of an interplay of creative potential actualisations, which are the emergent, deconstructible, and unique patterns of market behaviour.

Marketing was defined as the system of external relationships of “organised behaviour systems”, i.e. forms of social units (Alderson, 1964). Households, firms, public and educational institutions were the major types of organised behaviour systems. Alderson (1964) stressed that systems were usually found in the condition of struggle between the steady rate and the disbalance in the steady rate. A system would try to maintain its steady rate in order to survive, however, it may have become stricken by illness, thus heading toward the disbalance. The goal of the behaviour system, as Alderson argued, was to avoid those maladjustments that endanger its survival. The ecological perspective of marketing advocated by him was supposed to deal with striking a fine balance between organised behaviour systems and the surrounding environment. As ecology looked at the relationship between an organism and its environment, the ecology of marketing (or the functionalist school) would look at improving the functions of organised behaviour systems vis-à-vis their external environments. His conclusion was that marketing should normatively be exercised by a behaviour system in such a way that it does not compromise its survival odds within the larger systems which it is embedded in. It has also been stressed that the persisting disbalance in the organised behaviour system might also emit damaging effects on its environment. Hence, marketing should become a force that serves the goals of survival, rather than becoming a means of behavioral tinkering to elicit financially favourable responses from a larger population at the same time totally ignoring the effect of related externalities. Here Alderson diverges with the systems thought, as true purposiveness rather than survival is seen as an inherent feature of the system under GST. This kind of blunder that is still recurrent in the systems literature is a case of how implicit naturalistic and deterministic thinking can afflict major confusions in the systems research.

According to Kelley and Lazer (1962), the systems perspective would allow managers to detect and solve marketing problems more efficiently. Their approach was to focus on facets of a marketing system which are more manageable, such as the marketing strategy and the marketing mix (4Ps) of a firm. Managing a marketing system to achieve efficiency for a particular market participator (in this case it is a business firm) was considered of the highest area of research interest. A marketing system was apparently conceptualised to be consisting of five elements, namely relationships among marketing institutions, interactions between users and providers, cultural sentiments, environmental constraints and the state of marketing technology. The network of relationships among market institutions and actors was the main element of the market system. Also, the marketing system enclosed market interaction including competition, cooperation, innovation and power dynamics. The other element which was thought to be present in the system was the purposefulness of marketing action, i.e. activities backed by deliberate objectives, intentions and beliefs. Legal, economic and social constraints would define the boundaries of the system, whereas the technology available for marketers would mediate the content of their action. Later, Lazer (1971) reviewed the list of elements of the marketing system, and the resulting changed model consisted of the following components: peoples
and activities, information, objectives and cultural symbols, institutional structures, control mechanisms, and a technological environment.

Dholakia and Dholakia (1982) suggest that we view marketing as a system of three (sub)systems: marketing as a system of institutions, marketing as a system of actions, and marketing as a system of ideas. Regarding the first component, the concept “institution” in the marketing context, if taken narrowly, could mean particular market participators, such as producers, agents, intermediaries, consumer networks, etc. Yet in general terms, institutions were referred to “a set of contexts, conditions and rules for economic transactions” and other interactions (Arndt, 1981, p. 37). The second component, seeing marketing to represent a system of actions, pinpointed the practical aspect of the system. Not only institutions, but also their functions, i.e. actual actions taken by market actors, were considered as a part of the system. The third component of the marketing system represented the knowledge context of market behaviour, as the marketing thought evolved hand-by-hand with the marketing practice and institutions. Although this analysis is a substantial step towards decoupling actions from thoughts, lacking perhaps is an emergent (constructionist) understanding of fundamental phenomena, as actions (or thoughts) do not have meaning in discreteness, they tend to form a coherent system of communication (or consciousness) at their own level.

There were several attempts to quantify the macro-systemic nature of market interdependence (Layton, 1981a,b, 1989, 1991), or in Dixon’s terms, the structure of the marketing system. One of the ways of measuring the market structure was to build a model that would comprise aggregate inter-industry trade flows. Layton (1981a; 1981b) built such an input-output model for the Australian marketing system using 1968 economic census data. Then he compared it to the analogous US marketing system model built by Cox, Goodman and Fichandler in 1947. The comparison revealed the fundamental similarities and differences between the structures of trade flows. The main implication of the model was that it allowed researchers to estimate the volume of inter-industry trade caused by a marginal increase in final demand. The main contribution of the approach was that the marketing system was conceptualised as a set of transaction flows rather than as comprised of marketing institutions (Sybrandy, Pirog, and Tuninga, 1991). In the same vein, several research projects explored the analytical potentials and implications of the model (Pirog, 1991; Sybrandy et al., 1991; Sybrandy and Tuninga, 1991; Tuninga, 1991). However, the model seems to have some limitations in terms of measuring market dynamics, and these limitations were reflected in a set of main assumptions (Layton, 1981a). The main assumptions of such an approach were that the macro-marketing system boundaries would match a nation-state’s boundaries, a certain product would be delivered by just one industry, no products would be created through inter-industry cooperation, and input trade flows in an industry would change proportionally to the level of output. These assumptions seem to take the model too far away from the systems thinking toward the mechanistic reduction. Having realised this, in his subsequent works, Layton (1989; 1991) tried to introduce dynamism and entropy measures to the model to render it more systems-compatible.

Reidenbach and Oliva (1983) explored the nature of the effect marketing that might have on the whole global system of life. The authors searched for solutions to
improve the marketing system, which was considered to be an open system within the closed global environmental system. They based their analysis on the laws of thermodynamics, i.e. the notions of entropy and negative entropy (negentropy). Marketing's two-folded effect was discovered. On the one hand, marketing is believed to boost the living standards higher, thus causing negentropy at the micro-level. On the other hand, it works to intensify anti-sustainable behaviour generation, which is viewed as the cause for increasing entropy at the macro-level. The indifference analysis, based on the assumptions that marketing drives a global entropy level and our living standards to change from low to high to maximum, showed that there exists a tradeoff between an economic measure of well-being and global sustainability. Reidenbach and Oliva (1983) called for marketers to understand the transforming aspect of consumer behaviour that consumers do not use up goods, but they actually transform them into waste. The conclusion was that marketing's task list should include “synchronising, maintaining, and even reducing and destroying demand” (Reidenbach and Oliva, 1983, p. 39). The implausibility of the common conception that citizens must “consume” their way out of social and economic crises became clear to these authors, as they contended that high consumption rates correlated with the high level of toxic waste generation. It was thought that there is high probability that increasing consumption may rather lead toward a social and ecological crisis, and it should not be viewed as a panacea for bad mismanagement of society.

Two concerns arise from the discussion that unfolded above. First, the notions of global entropy (ecological crisis) and marketing negentropy (rising standards of life) may represent some anthropocentrically conceptualised understandings pertinent to quite a small proportion of the planet’s population. Would it be wise to impose the views (constructed within distanced contexts) of the influential few upon the unheard and disenfranchised many, and possibly even worse than this, try to base a national and/or a global policy on this perspective? Second, marketing is perhaps not so simplistic an aspect of social life when it is taken at a macro-level. It would be more adequate to state what form of marketing is assumed when it is argued that its effect is conducive to putting the welfare of people at odds with the eco-health of the globe? Moreover, there exists a serious group of economic, social and psychological literature that insists that a human well-being is strongly linked (positively correlated) to the global and social welfare (Varey, 2005). Accordingly, there have been developed several views on alternative conceptualisations of the marketing system that oppose an orthodox view of marketing which may have been emphasised in Reidenbach and Oliva’s article (Bartels, 1970; Peattie, 2001; Varey, 2002b; Vargo and Lusch, 2004).

For Dixon (1982), the marketing system represented the behaviour of individuals and groups who are engaged in marketing activities. The study of behaviour would necessarily entail thinking about the psychological aspects of the system. So the authors analysed the marketing system by using a “planning model” of behaviour that attempted to look at the logical, rational, deterministic psyche of market participants. The market behaviour of individuals and groups was considered as a rational process consisting of two clearly delineated stages, namely planning and implementation. The system’s objective was thought to be that of satisfaction, whereas dissatisfaction with the outcome could lead to reconsideration of plans accepted previously. Though
this approach rendered the task of analysis of the marketing system much easier, it may have failed to recognise the emergent nature of social interaction. This approach to metacognitive modeling of behaviour reminds us of the great debate on the strategic planning process between Igor Ansoff and Mintzberg (Ansoff, 1991, 1994; Mintzberg, 1990, 1991). There is no need here to go deep into the content of the debate, however, Dixon’s planning model was close to the premises of the design school, the principles of which Ansoff tried to defend. The major issue in the debate was whether or not the strategy process is essentially rational or emergent. The clear delineation between the formulation and implementation stages in the process would become a sign of a rational model, which might dismiss the emergent character of social behaviour and action. As the systems thinking has originally opposed this kind of mechanical modeling of reality, the perspective taken by these authors to describe the marketing system might have fallen short of grasping the richness of systemic dynamics.

To introduce a substantially contrasting macro-view of the marketing system, Dawson’s commentary (2003) on Veblen’s contribution to the theory of marketing seems to be very useful a guide. Predatory was the very word used by Thorstein Veblen in 1920s, the father of the term “conspicuous consumption”, to describe the feudal society based on the total superiority of some few over the majority (Dawson, 2003). He observed that the same predative attitude, though skillfully made covert and concealed, was still being exercised by the class of wealthy investors through the use of marketing techniques to influence all others in order to change consumption habits in that way that it would maximise their profits. Veblen referred to marketing as being salesmanship, a means of class coercion, and being different from workmanship, which was regarded as a value-creation process. To Veblen, competition was the same process as a feudal rivalry and warfare to gain domination over more resources and people, and innovation resembled the search for new weaponry so to be effective in defeating other landlords. The social consequences, as he argued, are little financial benefits and comforts to a limited group and the heavy social and environmental losses for the majority of world population. He continued that even such popular claims as improved life standards for laypeople did not hold ground for a great proportion of humanity. It is here we can see how his view of the marketing system is in contrast to what understood and advanced by Reidenbach and Oliva (1983). Veblen expressed a fair concern that if a produced and marketed good wastes more effort, time, and material than it saves, how could we justify the prudence of such an activity? The notion of negative social value might be a feasible concept to explore in these circumstances. The negative social value would mean a long-term negative effect of a product that offsets the positive gains from using it.

Dawson extended Veblen’s analysis to the contemporary context. For him marketing exercised by big businesses represents “a systematic effort by agents of the rich to use corporate resources and management to coerce the non-rich into off-the-job habits that make the rich richer” (Dawson, 2003, p. 6). Dawson saw marketing to be a technology of human behaviour modification or as he calls it the “engineering” of “off-the-job habits” which is distinct, but comparable to the engineering of “on-the-job habits”, which stems from the Tayloristic perspective of management. Scientific marketing would be a suitable term to describe Dawson’s view of the marketing sys-
system. Corporative employees and managers were seen as the agents of the rich, whose personal goals are deliberately put in line with the objective of their patrons to get richer, thus ignoring other social causes. In this way, marketing became the method of nurturing unjust, uneven, dominative relationships in markets, where corporations exercise a great power due to the quite unlimited access to the pool of information, expertise and knowledge on product users, whereas product users have a limited access to a corporate decision-making. Dawson claims that available evidence suggests that corporate communications were deliberately used to plant the seeds of impairment regarding many life concepts, for example, well-being was consistently promoted to be about material possessions. The recent evidence partly supports this idea, as well-being in developed countries is increasingly being associated with the selfish physical and emotional fulfillment of bodily needs (Langham and Blakemore, 2005). People start thinking that well-being could be bought and possessed through financial means.

Thus, a weak social infrastructure that is unable to contend corporate dominative ambitions was the result of a marketing assault to culture and traditional lifestyle. In the light of this analysis, the marketing system emerges as a set of tools of promotion of totalitarian dominance structures that serve the interests of upper social classes to secure and maximise their level of income. However, here lies the paradox of this kind of analysis — as it itself is based on the view that the ultimate justice would be the redistribution of income, thus recognising that well-being is confined to material wealth, while diligently criticising materialism and the promotion of materialism implemented by big businesses. As high levels of monetary income appears to fail to bring happiness (De Graaf, Wann, and Naylor, 2005; Durning, 1992; Frank, 2000; Schor and Holt, 2000; Scitovsky, 1976), how successful would a new marketing system directed at fair redistribution of income be in making people happier and healthier? Is marketing reality just about the redistribution of capital among classes? Perhaps, it may rather more likely to be about finding and actualising a means of achieving happiness (Varey, 2006).

The Micro Perspective: the firm system

Forrester’s (1958) view on the system was that of the micro-approach, which allows for an analysis of the interdependent dynamism of a firm’s operations (flows). The firm was thought to be a small unified system where “the flows of information, materials, manpower, capital equipment and money set up forces to determine the basic tendency toward growth, fluctuations and decline” (Forrester, 1958, p. 52). The author argues that the objective of managers in this situation is to deal with these “flows” in an integrative way in order to bring about the realisation of broader systems’ goals, such as public interests. He saw that in future, executives will increasingly deal with “the basis for wise operating decisions” rather than daily routine operations. The job would become that of “the responsible manager” who is engaged in “a thoughtful process of weighing the past and present” to serve the wise cause of social welfare. The marketing system’s role, as a part of flow dynamics, has become that of linking the interests of the small (sub-)system (the firm) and a bigger system.
Kast and Rosenzweig (1974) analysed the research in the field to the date and identified several flaws with the application of the systems approach. The related problems described by these authors can be grouped into three domains: literal thinking, convenient practicality, and the confusion about system effectiveness. First, too literal anthropomorphism — relating the parts of biological organisms to the structural parts of organisations — was identified as one of the flaws. A material structure of biological organisms was often used as a literal analogy for complex social phenomena. A social organisation was rather viewed as having a loose dynamic structure. Furthermore, though all systems would exhibit some kind of organisation, not all of them would contain parts that have an ability to exercise free will. An organisation would consist of highly variable behaviour of free-willed subjects, hence the difference between organisation in biological terms and organisation in social terms. Second, convenient practicality refers to the practice of choosing a simplified view of complex phenomena for straightforward analytical purposes. This includes such practices as judging closed systems to be always bad, opting deliberately for lower levels of subsystem analysis, and picking few relationships for scrutinised analysis while leaving the whole picture untackled. Finally, there was confusion on system effectiveness, some stressing the capacity to survive, and others pointing to how well an organisation serves society. However, if the principle of allometric growth is recalled, then both measures would converge into unified meaning, as the system by serving its supra-system would increase the odds for its survival. Two points come out from this discussion. First, Kast and Rosenzweig (1974) see an organisational (marketing) system as a collection of individuals, which is itself a contradiction. Second, it is evident that regardless of Von Bertalanffy's critique of the notion of survival, many system thinkers emphasise the theory of “the survival of the fittest”. Instead, Von Bertalanffy originally proposed the principle of vitality or true purposiveness, which reflects the view that a system does not behave to survive, rather it acts as if it already knows its destination and goal.

Reidenbach and Olivia (1981) made another contribution to the theory of marketing systems, but this time it was at the micro level. Their conceptualisation was based on Miller's General Living Systems Theory (Miller, 1978), which was a more refined version of GST. A living system referred to a biological organism as well as a social organisation. Reidenbach and Olivia (1981) saw marketing as a subsystem, which mainly dealt with information exchange and processing within the organisation that is constructed socially. Out of 19 subsystems ascribed by Miller to the living systems, eight were thought to be related to the marketing function. The marketing system was likened to a set of subsystems which were divided into two sections — the demand serving and the demand creating. The demand serving section comprised four subsystems: ingestor (procurement), distributor (logistics), matter-energy storage (storage systems) and decider (marketing management). The demand creating section of the organisation included an input transducer, a decoder, an encoder and an output transducer. The input transducer was paralleled to the function of market intelligence and monitoring, the decoder to analysis and interpretation of market data, the encoder to development of internal and external communication, and the output transducer to generation of marketing communication.
In the same vein, Dowling (1983b) used the systems analysis approach in studying the dynamics of marketing evolution in a broad sense. It was thought that knowledge gained about the character of evolution would become helpful in identifying possible directions of marketing development in the future. The marketing system was defined by Dowling as “a complex social mechanism for coordinating production, distribution and consumption decisions” (1983b, p. 22). He also stressed the role of marketing as a “complex homeostatic mechanism” to mediate between a business enterprise and its environment. This view corresponds with the idea that marketing is a smaller subsystem along other subsystems within the larger system of the enterprise. A subsystem may happen to be in either a symbiotic or parasitic relationship with its supra-system (Reidenbach and Olivia, 1981). Here the marketing system was viewed to be in a symbiotic relationship with the enterprise with the purpose of helping it to survive and adapt to environmental changes.

Four types of exchange relationships, namely $L_{11}$ (relationships within the business system), $L_{1-2}$ (relationships between the business system and the environment dominated by the business system), $L_{2-1}$ (relationships between the business system and the environment dominated by the environment), $L_{22}$ (intra-environment relationships) were considered (Emery and Trist, 1965). $L_{22}$ represented the degree of turbulence in the environment. Depending on this measure the environment could be perceived in four ways: a placid randomised environment, a placid clustered environment, a disturbed reactive environment, and a turbulent environment. The placid randomised environment was the view that the character of “goals [target market] and noxiant [precipitating events] are relatively unchanging and distributed randomly throughout time and space” (Dowling, 1983b, p. 25). The placid clustered environment portrayed the understanding that target market and related emergencies are clustered and not dynamic as such. The disturbed reactive environment was the same as the placid clustered environment but enhanced with the risk of competition with other entering systems. The turbulent environment represented the view that the environment is dynamic, chaotic and uncertain. The notion of “relevant uncertainty” was introduced regarding this circumstance. The relevant uncertainty was the intra-environmental turbulence and chaotic dynamism that increasingly became relevant to the functioning of the system. A firm (thought of as a system) would respond to the changing understanding of the environment through the design of appropriate strategies and tactics. The whole view of this process is represented in Table 4.3.

Table 4.3 depicts the homeostatic character of the marketing system, through which the enterprise adapts to new challenges in the environment. Perhaps, the most interesting effect the study discovered was that the higher levels of perceived relevant uncertainty correspond with the move toward more consumer centredness and social responsibility. We name this pattern the Dowling’s effect. In other words, the effect specifies conditions for a trend of putting greater emphasis on interaction, socialisation, and human altruism. In relativistic terms, the conditions (context) are constructed not only as a direct consequence of “real” environmental turbulence, but also as a reaction to active cognitive construction/perception of increased levels of uncertainty.

To continue with Dowling’s analysis, it must be noted that he recognised the
<table>
<thead>
<tr>
<th>No.</th>
<th>Environment</th>
<th>Relevant Uncertainty</th>
<th>The normative response of the enterprise (system)</th>
<th>Analogous marketing management philosophies</th>
</tr>
</thead>
<tbody>
<tr>
<td>I</td>
<td>Placid Random</td>
<td>Low</td>
<td>Automatic Reaction</td>
<td>Production Concept</td>
</tr>
<tr>
<td>II</td>
<td>Placid Clustered</td>
<td>Low/Medium</td>
<td>Strategy</td>
<td>Selling Concept</td>
</tr>
<tr>
<td>III</td>
<td>Disturbed Reactive</td>
<td>Medium/High</td>
<td>Strategy, Tactics and Operations</td>
<td>Marketing Concept</td>
</tr>
<tr>
<td>IV</td>
<td>Turbulent</td>
<td>High</td>
<td>Initiate System Changes</td>
<td>Societal Marketing Concept</td>
</tr>
</tbody>
</table>

Table 4.3: Relationship between marketing and its environment (Source: Dowling (1983b)).

<table>
<thead>
<tr>
<th>Degree of Environmental Influence</th>
<th>Important system/environment connections</th>
<th>Marketing management philosophies</th>
<th>Goal of the Enterprise (Success through)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>$L_{11}, L_{2\rightarrow1}$</td>
<td>Product Concept</td>
<td>Quality Products</td>
</tr>
<tr>
<td>Low</td>
<td>$L_{11}, L_{1\rightarrow2}, L_{2\rightarrow1}$</td>
<td>Selling Concept</td>
<td>Sales Volume</td>
</tr>
<tr>
<td>Medium</td>
<td>$L_{11}, L_{1\rightarrow2}, L_{2\rightarrow1}, L_{22}$</td>
<td>Marketing Concept</td>
<td>Long-run Customer Satisfaction</td>
</tr>
<tr>
<td>High</td>
<td>$L_{11}, L_{1\rightarrow2}, L_{2\rightarrow1}, L_{22}$</td>
<td>Societal Marketing Concept</td>
<td>Long-run Customer Satisfaction and Public Welfare</td>
</tr>
</tbody>
</table>

Table 4.4: The evolution of marketing (Source: Dowling (1983b)).

Dynamic interrelationship between the processes of progressive segregation and progressive systematisation of the marketing system. He contends that the marketing system has undergone the process of progressive segregation by which it is rendered more complex. Different branches (schools) of marketing thought have been independent and robust to date, making marketing a field of knowledge consisting of an array of separate disciplines (Sheth et al., 1988). However, the progressive systematisation, seen in the attempts to construct a unified general theory of marketing, pointed to the tendency of a macroscopic synthesis of marketing-related worldviews. The progressive segregation and the progressive systematisation were thought to be occurring at the same time. As a consequence, the evolution of marketing occurred along with the evolution of marketing management philosophies (Table 4.4).

Dowling seems to be strongly influenced by Forrester’s analysis (1958) as far as the operationalisation of the marketing system concept is concerned. Nevertheless, we detected an inconsistency between the assumptions made about the marketing system at the beginning of the article, the stage of conceptualisation, and at the end, the stage of empirical operationalisation. On the one hand, the marketing system was thought to be a social phenomenon, a system on its own. The marketing system was defined and understood as a total of all market behaviour as opposed to social
behaviour in its supra-system, the view that corresponds to that of Bartels (1976), Fisk (1967) and Dixon (1982). On the other hand, in the next section of the article Dowling advances the view that marketing is an appropriated and partisan part of his business system. The description of the marketing evolution has also added more ambiguity, but clarity to the discussion, as it did not become clear what the subject of evolution was: whether it was a system of marketing thoughts, or an existing marketing system object, or a representational understanding of the marketing system. This paradox may have influenced the quality of conclusions drawn from this study.

Confusions, paradoxes and propositions

In this point we feel that we need to round up the main points that came up from this comprehensive review of the systems literature. In this section we will explore major differences (confusions) between ideas found in the marketing systems literature and the constructivist thinking perspective. We think that this comparison is necessary and very crucial in building a more analytically viable and GST-compatible concept of the marketing system. The alternative propositions are developed and presented.

Marketing System: Alternative Definition

We have reviewed a great number of differing thoughts on what the marketing system, its elements and purposes are. The common confusion is that the system is taken as a physical entity that consists of real, persistent and measurable attributes and elements. We would like, in contrast, to emphasise its de-ontological, temporal and emergent character. Consequently, we propose the following definition.

Proposition 1. The marketing system is the temporalised and emergent unity (wholeness) of marketplace communications, which are defined in reference to their unique function and differentiation.

To propose the relatively easy understanding of the term “unity”, we may use the term “mega-communication”. The system consists of smaller systems (or alternatively, it is equal to saying that the mega-communication is the product of interaction among communications), but it should never be taken as a collection of endogenously independent parts and fractions. The mega-wholeness of the marketing system is built upon two main concepts: differentiation and potentiality. The marketing system sustains its difference vis-à-vis the other types of systems. Differentiation is repeated at each level. For example, communications pertaining to an industry scope are differentiated into product category discourses, they are in turn are differentiated into brand systems, the brand systems are differentiated into smaller practice communities. At the same time, each level vertically repeats the hierarchy of mega-mini communications. In our view, the theory of chaos and fractals is perhaps in the best position to represent this complex nature of these happenings. Not only a unique difference, but also the horizon of potentiality, is actively developed by the marketing system. For any differential communication, the potential paths of development are instantly created and maintained within the system. In each of its
reappearances, the marketing system may go further selecting among alternative differentiations. This means that the autopoiesis may never repeat itself exactly, but a kind of a developmental process may be discerned. The potentiality allows for this kind of transcendental development. The system that keeps a wider horizon may become more robust than one with a limited potentiality. To understand the definition, we need to grasp the meaning of the following concepts: communication, unique function and distinction (binary coding scheme).

Proposition 2. Communication is a holistic, emergent, deconstructible operation that emerges and acquires meaning in the framework of similar communications.

Communication can be seen as the synergy of information, utterance and understanding (Luhmann, 1992). For example, utterance (recycling) can be understood (acquires meaning) as representing information (being sustainable). Utterance can be seen in terms of any action (e.g. the corporate Integrated Marketing Communications) done by agents, but it does not discern between producer and consumer, provider and user, or seller and buyer. All can be active communicators, whereas the identity perhaps is not fixed to a certain way of communicating. Actions are created in anticipation of others’ actions, so communication rises above discrete actions. This phenomenon is called “double contingency”. The intensive nature of double contingency will never allow us to understand the meaning of discrete actions. We will always need to look at a bigger picture, i.e. how understandings are linked to each other. A communication is an operation of the system, it has no meaning outside of the system. The marketing system perhaps is closed in an operative sense, as it never imports or exports any operation, rather it constructs and uses communications internally (autopoiesis). However, communications never persist in time. They are contrived and temporal. Therefore, the marketing system is driven to regeneration (autopoiesis), it is fully reconstructed in each occurrence. Consequently, survival is not an issue for the marketing system, but rather the purposeful directivity toward a certain stable end-state is the more suitable description of the case.

Proposition 3. Communications within the marketing system are characterised by two factors:

a) the unique function in society, that is, maintaining expectations of value acquisition through marketplace action;

b) the differentiation, that is, applying binary coding “value versus non-value” to each marketplace event.

A number of social systems has been discussed in the literature so far (Luhmann, 1995, 2004; Seidl and Becker, 2006). The social system is seen as operating on differentiation power/not-power, while the legal system distinguishes between legal and illegal, whereas the economic system is based on the distinction payment/non-payment. There exists no discussion of the marketing system in the constructivist literature. However, taking into account the latest definition of marketing given by
AMA, we may propose that the locus of meanings for the marketing system where communications operate represent the dimension “value”. The system cuts the reality into the value/non-value sides (for example, sustainable value/non-sustainable value).

**Systems Homogeneity versus Heterogeneity**

Should systemic elements be conceptualised as heterogeneous, as some researchers would argue? There seems to be no definitive answer to this question, however, interaction and interdependence is thought to be always occurring among homogeneous components. In view of this, we were able to observe that the literature tends to speak of two different types of marketing systems when referring to marketing: the marketing system (a locus of practice) and the system of marketing thought (a locus of thoughts). It seems astonishing that the self-descriptions developed in the field make an implicit assumption that the practice (the system of actions as a unity of communications) is quite different to the theory (the system of thoughts as a unity of psychic states) (the so-called practice: theory division). A great deal of behavioral and psychological research would also support the view that actions never exactly follow thoughts. So the best way to perform the systems analysis appears to be in treating the system of market communications and the system of market-related cognitive events as separate systems, not even mentioning the addition of the ecological system, which would render the matter even more complex. This is what has been meant by Georg Simmel in his *Philosophy of Money*, where he suggests that the emergent social phenomena “cannot be traced back to the environment from which it emerged, nor can it be explained in terms of that [psychological and biological] environment” (Simmel, 1978; Staubmann, 1997, p. 83). The relationship among the systems is not that of cause and effect, rather we might have to speak about “interpenetration” of different systems (Luhmann, 1995).

Proposition 4. The marketing system consists of homogeneous elements that operate on the different level of meaning construction compared to thoughts and bio-physical substances.

Thoroughness in differentiating between the types of the higher-level general systems would be of great help in alleviating a confusion that exists in the systems thinking in the marketing literature. Luhmann (1995) points out four types of mega-systems: social systems, psychic systems, organisms (biologic systems), and physical systems. The latter two could be combined into a single system that would underlie ecological processes in the nature. The social systems are viewed as consisting of communications (a unity of interactive social actions), whereas the psychic systems represent the unity of conscious states (interactive thought processes). Using the same line of logic, the ecologic (biological and physical) system may be described as the unity of organic and inorganic substance interactions. Our argument here is that any systemic analysis should respect these borders of delineation, that is, the social, psychic, and ecologic systems must be investigated as separate unities, and their *inter-action* should be treated as *inter-system relationships*. The confusion, one
might also call it an incommensurability, arises when an attempt is made to include all these phenomena, namely communicative actions (Varey, 2004), the interactive states of mind (Staudinger and Baltes, 1996), and ecological elements (Hart, 1997) into a single system for the purpose of analysing the effects of the marketing system.

This is not to argue that the marketing system is autonomous of the other two systems, it could not exist without them. However, the relation among them is as they are separate autopoietic systems. The marketing system does not operate on the level of thoughts, it cannot intrude into the minds of participants, and never be able to produce communications using thought structures. “Thoughts cannot become part of the network of communications, nor can communications become part of the network of thoughts” (Seidl and Becker, 2006, p. 21). Their relation is that of resonance, thoughts resonate in the form of communication, while communications might resonate in the form of thoughts within the network of thoughts. However, the analysis of this kind of interaction should be attentive to the issues how resonances these systems become limited and get transformed in causing irritation in each others’ network.

Macro-Micro Paradox

The literature reviewed seems to be viewing the phenomenon through the “whole versus parts” prism. Perhaps, this is rooted in the theory of functionalism advocated by Alderson (1964; 1965), where behavior of systems is thought of in terms of being a direct derivative of their lower level parts’ interactions. For instance, Alderson theorized in an attempt to explain and predict changes in the marketing system by looking at patterns of interactions among organised behaviour systems. To solve the problem of how parts at the micro-level would grasp the holism at the macro level, Alderson (1964) introduced the concept of a control group, i.e. a certain representative systemic part that operates within the organised behaviour system. The control group of the organised behaviour system was thought to be that very “magic force” that could be able to link local to universal by utilising power and communication structures. Moreover, we feel that the “whole versus parts” understanding is strongly associated with institutionalism, as emphasis is on individuals (parts) that make up a whole. Though many would agree that the marketing system is not just a simple collection of individuals or institutions, rather it is more about aggregated market behavior, their implicit assumption would be that a certain kind of behavior is statically linked to certain actors. In this sense, the conceptually constructed paradoxes such as the Tragedy of Commons, Prisoners Dilemma, and so forth, which are strikingly similar in reflecting the macro-micro problem, are being reiterated, investigated, and analysed endlessly, and without any success. The mega-division of the systems analyses into the macro and micro parts, which has been partly disclosed by our literature review, seems actually to indicate to the extent of difficulty and confusion the various researchers had in reconciliation of parts into the whole. We imagine that the main problem that tormented the researchers was to understand how micro-marketing behaviour at a business unit level, largely directed at growth and profit-making, could be equated to macro-marketing behavior which is conventionally directed toward
social welfare at the societal level.

Proposition 5. The marketing system should be analysed as self-differentiating and self-referential system that reduces the complexity of environment through internal operations rather than defining its operational nature in terms of “macro-micro” perspective

The deterministic solution such as that some part of a system takes control and “speaks” on behalf of others has been criticized by Luhmann (1995), who considers it to be a conceptual tautology. The logic of self-differentiating systems (system versus environment) has been proposed as a replacement. This logic looks at the phenomenon from a totally different social cut-through. A totality of factors, such as individuals (institutions), their intentions and cognitive worlds, actions and behaviour, are left out of the system within the environment, while arguing that the social (which marketing is to be a kind of) system is constructed through reduction of the aforementioned complexity into communications (behavioral changes). By following the same logic, we argue that the marketing system would homogeneously consist of marketing communications that are constructively represented and built upon the dominant understandings of the system’s relevant environment. The system and its related environment emerge at the same time, so for each particular marketing system there exists a corresponding view (understanding, discourse, constructed reality) of the environment. According to this view, the environment is equated to complexity. The complexity of consciousness (interplay of interactive minds and cognitions) and ecology is reduced by the marketing system into an event — communication — that represents a wholeness of marketplace actions, and vice-versa.

**Input-Output Fallacy**

Dixon (1991) argued that the marketing system consists of both process and structure. According to him, the process refers to procedures by which the system attracts inputs and turns them into outputs, whereas the structure implies the totality of interdependent events among system elements. In the same fashion, a great number of studies in the field examined the marketing system in the light of the logic of the input-output schema, which is, though useful, actually a reductionist, relatively mechanistic way of thinking. The argumentation to support our view is illustrated hereafter. First, the reality is artificially deconstructed into the three parts: input-provider, systemic structure, and output-receiver (Emery and Trist, 1960; Luhmann, 1995). As the domains of inputs and outputs readily accept elements from psychic, social, and ecological systems, whereas system processes and structure are underlined by communications. Analysing all at the same level might create the problematic of incommensurability among system elements. Second, the effect of an additional unit of incoming input is thought to be causing a respective proportional change in output, the view that contradicts systemic axioms such as complexity, the butterfly effect, equifinality, and purposefulness. Finally, external observers
(researchers) tend to enforce their views on the system, while perhaps totally ignoring self-referential descriptions developed by the system itself. The alternative logic would suggest that the input-output schema exists just for an observer, not for the autopoietically constructed system. The more complex is the system, the more complex is its environment, and the environment constructed by the system appears as a unified entity, rather than being divided into separate domains of “input-source” and “output-receiver” (Luhmann, 1995).

Proposition 6. The marketing system constructs and references itself as a unity, and in the same way, it self-referentially constructs and observes its own environment as a unity in order to serve its autopoietic purposes.

Survival versus True Purposiveness

As a direct outcome of the “whole versus parts” thinking, the notion of survival seems also to be based on the naturalistic and mechanistic understanding. The main assumption behind this concept was that systems are motivated to act to survive in a hostile environment (Alderson, 1964; Boulding, 1956b; Dowling, 1983b; Kast and Rosenzweig, 1974; Layton, 1989; Reidenbach and Olivia, 1981; Von Bertalanffy, 1950; White, 1981). As for Von Bertalanffy (1972), he considered the concept of differential reproduction (survival of the fittest) as a “circuitous argumentation”, or a mere tautology, as he thought that a self-reproducing system must fully function before even entering competition. As reductionism and evolutionism can only predict irreversible entropy, observations of the social and world phenomena indicate an ever-increasing complexity and negentropy. For instance, emergence of the body of socio-biological theories describing the “survival of the wisest” might be considered as a full systemic rendition of the concept (Salk, 1973). The concept of true purposiveness (vitality) has been proposed by Von Bertalanffy instead. True purposiveness suggests that the behaviour of the system is always directed toward a certain future goal that is at once known (constructed). We have strong reasons to suspect that the true purposiveness of the marketing system is reflected in the notion of marketplace wisdom (Kadirov and Varey, 2005).

Proposition 7. The marketing system is driven by true purposiveness rather than survival, and its true purposiveness is exhibited in the concept of marketplace wisdom.

Dowling’s Effect

Dowling’s effect points toward certain qualities of the marketing system that enables it construct (understand, emphasise, accomplish) a volatile, turbulent, uncertain nature of its environment, thus it differentiates itself by enacting more interaction, communication, and integration. This premise could also be supported by the results of a number of social studies, which studied the effects of feelings of uncertainty. Macneil (1980) noted that people who believe they face high levels of uncertainty sustain relationships into the future. Thus, market relationships and contracting
behaviour was observed to be moving toward more relationship, dialogue, and interaction bases with the increasing level of uncertainty. This was considered to be opposed to one-shot transactional marketing strategies. Carson, Madhok, and Wu (2004) studied the drivers of opportunism and governance modes in the context of contracting and exchange behaviour. They concluded that an increase in ambiguity would lead to a hierarchical mode to be preferred in governing relationships, and domination was the most expected interactional strategy in this case. The ambiguity was referred as difficulty in assessing accurately the events happening around, so the failure to judge correctly the level of the relevant uncertainty might have driven people to look at things in a mechanistic manner. An increase in volatility, on the other hand, was found to be the factor that would lead to relational strategies. The volatility was conceptualised as an unpredictable change in the environment, which was closely related to the relevant uncertainty as a concept. Also, a substantial volume of research in the field of social psychology has been done to explore the role of uncertainty recognition in the process of adopting wise decisions. Baltes and Staudinger (2000) explored the concept of wisdom, and concluded that the ability to recognise the relative unpredictability (indeterminacy) was one of the elements that should be included in the construct of wisdom. The uncertainty recognition was found to be in a positive correlation with wise decision making. To sum up, what we call Dowling’s effect shows that a greater extent of (constructive) recognition and management of uncertainty might possibly lead to the preference for integrative relationships with counterparts, which could become a strong base for the generation of behaviour which is consistent with caring for welfare for all and sustainability.

Proposition 8. The marketing system that can match and copy the environmental uncertainty into its own network of operations to a greater extent can possibly succeed in attaining sustainable existence.

So what is the implication of this effect? Due to domination of certain rhetorical issues in recent times, many researchers have become concerned with the issue of how marketing could be made sustainable (Dolan, 2002; Fuller, 1999; Peattie, 2001; Schaefer and Crane, 2005; Van Dam and Apeldoorn, 1996). We see sustainability as an important aspect of yet wider phenomenon — the true purposiveness of the marketing system — which is expressed in dynamics of attaining marketplace wisdom (Kadirov and Varey, 2005). As an increased level of recognition (construction) of uncertainty (complexity) is considered to be part of wise behaviour (Baltes and Staudinger, 2000), we argue that Dowling’s effect is a significant indication to the process of realisation of true purposiveness of the system. This is quite a different view to the concept of struggling to survive to become sustainable.

Implications

Defining the marketing system in terms of communications puts it at the heart of society, as the society is itself a mega-system of communications. So the marketing system is not separate from society, it is a subsystem that defines and makes up a
sheer portion of societal dynamics. There are numerous other systems that operate in societal level, such as legal, political, economic systems, and others. Each system has its own form of meaning differentiation, so each and every event that occurs in society is translated to respective language of systemic understanding.

Ecological problems are usually reactions at the bio-physical substance level, while their representation and rhetoric is situated within the psychic systems. Moreover, the social un-sustainabilities are inherently pertinent to the systems of consciousness. The guiding question in any research that focuses on how the marketing system can reflect the sustainability and environmental issues should become how these different systems couple with each other to create resonance in their respective levels of operation. Do environmental problems remain simply as “noise” in the environment of the marketing system? (Luhmann, 1989). The interaction among the systems should not be taken as granted and simplistically straightforward. The only thing at this stage we could propose is that the interaction among these systems is not deterministic and linear. We call for a more non-linear, complexity type of research to understand the problem.

The public policy would have to redefine its programmes completely if the value of the constructivist redefinition of the marketing system is understood to a full extent. The social programmes would be more effective if they are designed in terms of causing resonance in the network of marketing communications rather than causing resonance in the coupled system of thoughts. The social programmes designed to appeal to the reason and consensus would create an anxiety at the level of consciousness. As this kind of system cannot transcend its autopoiesis, the anxiety about environmental issues can only create more anxiety about environmental problems (Luhmann, 1989), but never get chance to be translated into operation of the marketing system. The public policy should be focused on injecting operationally meaningful communications into the autopoietic network of the marketing system.

References


Session II

Economic Development: Tuesday
11.00am-12.30pm
Paper 5

Introduction to the Special Session: Developments in Southeast Asia’s Transition Economies

Clifford J. Shultz, II
Arizona State University

The transition economies of Southeast Asia continue to evolve. These economies include Cambodia, Laos, Myanmar (Burma) and Vietnam. Though each country is transitioning or has transformed from central economic planning to market orientation, the models and outcomes vary considerably. These variances raise questions about “best” or “optimal” models of transition, to affect the best possible outcomes for the citizens of these countries, and other countries and citizens that increasingly interact with them. Cambodia has most fully embraced economic models championed by developed economies, but it struggles to overcome the legacy of genocide and increasingly autocratic governance; Myanmar is mired in dictatorship, isolation and ostracism, yet occasionally shows some signs of promise largely due to Chinese investment; Vietnam has produced some of the most robust economic growth in the world for more than a decade as the morphing Communist Party continues its experiments with market socialism, while trying to keep pace with an increasingly worldly and demanding citizenry.

These countries, with the possible exception of Myanmar, have made demonstrable, even remarkable economic progress. This progress often has been accompanied by societal improvements and gains in quality of life (QOL) for increasingly large numbers of people. In this special session we update longitudinal studies on three countries in the region: Cambodia, Myanmar and Vietnam. The objective is to share findings of interest to macromarketers and to generate debate and discussion about

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policy, measurement and interpretation, foreign direct investment (FDI), marketing systems and their effective management, (in)effective governance, and ultimately improved QOL. Consistent with earlier traditions of Macromarketing Conferences, the presentations will be relatively short presentations, 10-12 minutes. Our objective is to stimulate rich and meaningful discussion, with hopes to generate solutions to some of the challenges that will be presented.
This presentation is intended to introduce participants to Myanmar’s (Burma’s) political economy and market potential, while accentuating macromarketing issues and future implications for Myanmar and its people. Myanmar’s possible emergence from a period of inward-looking economic policies and integration into reputable associations (e.g., ASEAN) has been met with mixed international response. Despite extraordinary national wealth, strategic geographic location, a diverse society with rich cultures, familiarity with common law, and keen interest by foreign investors and nations wishing to have positive relations with Myanmar, most outsiders and certainly the supporters of Aung Sang Suu Kyi believe the nation is mired in ineffectual governance. These realities raise questions about the marketing system that is Myanmar and the role that macromarketing can play to affect better outcomes for the people of Myanmar, and those countries and other stakeholders that interact with this enigmatic country. There is some evidence to suggest some reforms ostensibly intended to open the economy could portend improvements to the economic and social conditions of the people. The broader impact on marketing systems and numerous

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stakeholders of them remains to be seen. These issues will be briefly discussed as a springboard to further discussion on macromarketing and transition in Myanmar, and implicitly other countries administered by regimes ambivalent about transition and more global integration.
Paper 7

Subjective Quality of Life and Market Activity in Vietnam: New Data and Extensions

Clifford J. Shultz, II
Arizona State University

M. Daniel Westbrook
Georgetown University

Nguyen Dinh Tho
Ho Chi Minh City Economics University & University of Technology-Sydney

In this paper we expand our earlier explorations of the association between improve-ments in perceived QOL in Vietnamese communities with changes in the intensity of market activity at the household level.

The Vietnam Living Standards Surveys (VLSS) of 1993 and 1998 and the Viet-nam Household Living Standards Surveys (VHLSS) of 2002 and 2004 are extensive multidimensional surveys. The survey data sets contain information about the de-mographic and economic characteristics of individual households, including data on households’ participation in labor markets and in goods markets as sellers of agricul-tural produce and output of household non-farm enterprises. They also contain information about the demographic and economic characteristics of each rural community, including the opinions of community leaders about changes in the quality of life in their communities over the previous five years, as well as the sources of those

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changes.

Nearly all community leaders believed that their communities were “better off” in each survey wave. Changes in agricultural production, pricing and distribution policies received almost universal credit as the “most important” reason for improvements. Liberalization of markets for agricultural inputs and outputs increased output and incomes of farming households. Other leading reasons for improvement include expansions in non-agricultural employment, improvements in ability to invest in human capital, and changes in the availability of social services.

We confirm community leaders’ responses by tabulating increases in household ownership of consumer durables, increases in educational attainment, and increases in overall household economic welfare measured by real per-capita household consumption expenditures.

With this research stream we aim to measure the increases in market activity induced by Vietnam’s economic transition, and to relate those changes to changes in economic welfare at the household level. We construct two indices. The first index measures the proportion of labor supplied as wage labor where the denominator is all labor, including that allocated to production for own consumption. The second index measures the proportion of household consumption (a measure of well-being) supported by selling labor, farm output, and output of household enterprises in markets. We expect to find a shift away from production for own consumption that is positively correlated with overall economic welfare.
Cambodia’s new open-door policy and recent inclusion in the WTO, following the 1993 UNTAC elections and flirtations with democracy, have created a gold-rush mentality in several economic sectors. Infrastructure projects, tourism, and agribusiness (especially textiles) have led the way, and FDI has been pivotal to Cambodia’s resurgence. Our principal interests in this research stream, which began in 1994, have been the dynamic relationships among policies, investment, tourism, and societal welfare. We have focused primarily on the investment in and development of Siem Reap, the city most closely located to the UNESCO World Heritage site, Angkor Wat. Using multiple methods, including naturalistic observation, depth interviews and survey research, our study largely has been framed vis-à-vis the effects of development on the marketing system of that community, and its catalytic potential for positive socio-economic development across sectors. We have also explored the extent to which initial policies that promoted development in Siem Reap have affected governance and transparency, peace and social justice throughout the country and region,
Cambodia’s integration into the global economy, and other countries’ responsible engagement with Cambodia.

We have been guardedly optimistic about Cambodia, arguing elsewhere that FDI has been and will continue to be paramount to Cambodia’s renaissance and inclusion in the global community. Recent field research has caused us to temper our enthusiasm and to add some caveats to working models, which will be shared and discussed as part of this presentation. While we still believe investment is paramount, and indeed measures of societal welfare in Cambodia and especially Siem Reap are markedly better than they were a decade ago, the type and source of investment now seem to be important factors for predicting whether Cambodia will make further progress or regress to a more autocratic society that creates wealth for Hun Sen and the ruling elite, or prosperity and welfare for a larger number of Cambodians. In this presentation we provide a very brief overview of Cambodia’s political economy and socio-economic conditions, expand our findings, and share new thoughts on Cambodia’s prospects for future peace, prosperity and societal well being.
The objective of the paper is about investigating the ethical motivations of the international businesses that were operating in the Myanmar market. In particular, a key issue is the controversy surrounding the operation of multinational corporations in countries ruled by governments with poor human rights records such as the military government of Myanmar. In the case of Myanmar, an important question has been whether or not it is ethical for multinationals to deal with an oppressive regime and to operate in a country upon which many governments from the West, especially the U.S. Government, have imposed various formal sanctions. The theoretical framework of the paper is based on Schermerhorn (1999)’s model entitled, “Contrasting Terms of Global Business Engagement in Ethically Challenging Environments.” It is an exploratory study, based on sixty face-to-face interviews in Myanmar with executives handling international consumer brands. This study is a sub-set of a doctoral study which examines market entry and business development strategies of international businesses in the Myanmar market.

**Myanmar: Brief Background Information**

Following political and economic upheaval and the brutal repression of dissidents in 1988, the State Law and Order Restoration Council (SLORC) took control of the
nation, ending the Ne Win government’s 24-year reign. SLORC abandoned the system of “the Burmese Way to Socialism” stating a public preference for moving the nation towards a market economy and international trade flows (Kyi, Findlay, Sundrum, Maung, Nyunt, and Oo, 2000). This change of policy on international trade by the SLORC government was a historic change in economic development strategy and marked “a symbolic end to self-imposed isolationism” (Sabesan, 1996).

Since gaining power, the regime government has been plagued by a series of economic and political problems. Although Myanmar is rich in natural resources and was once considered to be the ‘rice bowl’ of Asia in terms of agricultural productivity, economic mismanagement during the Ne Win government, followed by the successor SLORC/SPDC government, has severely damaged the country’s economy, and has seen Myanmar ranked among the poorest countries in Southeast Asia (McCarthy, 2000).

Aside from these severe economic problems, the regime’s domestic and international legitimacy has eroded because of its refusal to implement political reforms. In particular, the regime has been opposed by the National League for Democracy (NLD), led by Daw Aung San Suu Kyi, the daughter of the legendary nationalist hero General Aung San. In 1991, SLORC suffered a major political humiliation when the NLD achieved a landslide election victory (Business Asia). Since this election, the SLORC/SPDC has refused to transfer power or to recognise the NLD as the legitimate government of the country. Furthermore, the regime government of Myanmar has placed Suu Kyi under house arrest on several occasions since 1989 and has severely repressed the activities of pro-democracy activists in the country (CIA). As a result, the junta government of Myanmar has been represented as “the most brutal and oppressive in Asia. . . also the most corrupt” (Ball, 1999). Myanmar has remained under authoritarian government since the Ne Win regime gained power in 1962 (Alamgir, 1997).

In July 1997, the regime government won a degree of international legitimacy when the Association of South East Asian Nations (ASEAN) accepted Myanmar as a full member (Tin Maung Maung Than & Than 2001). In the same year, however, there was an important countervailing development when President Bill Clinton banned U.S. businesses from making new investments in Myanmar, justifying the investment restrictions on the grounds of the exceptionally poor human rights record of the regime government (Finch, 1997). Myanmar sanctions, however, only prohibited ‘new investments’ made by U.S. companies in Myanmar, and they only applied to U.S. citizens and companies registered in the U.S (Finch, 1997). Myanmar sanctions have been considered unilateral because the United Sates has been the only country which bans new investment in Myanmar, although a few European countries have imposed some restrictive measures on trading with Myanmar (Preeg, 1999, p. 3).

The sanctions on Myanmar were renewed in mid 2000 (Oil and Gas Journal). In July 2003, the United States government appeared to have stepped up its ‘isolationist’ policy stance on the Myanmar regime, when U.S. President George Bush “signed the Burma Freedom and Democracy Act of 2003 into law”, following the crackdown on political dissidents and detention of Daw Aung San Suu Kyi, the leader of the National League for Democracy (NLD) (O’Connell, 2003). The new sanctions law on Myanmar prohibited all Burmese imports to the US, suspended the U.S. assets
controlled by the Myanmar Government and individual officials associated with the regime. The new measures also included disincentives for the provision of any major loans to Myanmar, and intensified existing restrictions on granting U.S. visas to Myanmar Government officials and their immediate family members. Similarly, the European Union reportedly warned of tough sanctions on the Myanmar Government, and called for the immediate release of Aung San Suu Kyi (The Economist).

International Business Ethics

The public around the world, and in the West in particular, have been increasingly interested and engaged in the question of the moral and ethical standards of international businesses. International business corporations have faced new dilemmas and new pressures as the process of globalisation continues. In many ways, these dilemmas relate to the complexity of international business operations, which operate in a vast range of countries that have unique political, social, and economic traditions, often having differing cultural values and norms. Ethical dilemmas increase “when you overlay the complexities of different cultures and values systems that exist throughout the world” (Haas, 1994).

With reference to situations where international managers are faced with different ethical standards between home and host countries, Donaldson (1996) has noted two types of conflict:

- “a conflict of relative development”, which means the existence of divergent ethical standards are due to uneven stages of economic development between the home and host countries (e.g. developing countries may accept wages and conditions that are lower than labour market standards in developed countries because of their greater need to attract foreign investors and facilitate economic development);

- “a conflict of cultural tradition”, which means the conflict arises due to different cultural traditions between the home and host countries (e.g. the tradition of gift giving within business networks in Japan).

Attempts to define international business ‘ethical’ standards must, therefore, take into account the comparative ethical traditions of both the ‘home’ and ‘host’ countries and regions. As De George (1994) notes:

Business ethics is still a young field, and its international dimensions have scarcely been raised, much less adequately addressed. . . international business ethics might refer simply to the comparison of business practices and their ethical evaluation in different countries; it might investigate whether there are in fact ethical norms commonly recognized in all countries that should govern internal business and economic transactions, and if there are variations in ethical norms, whether multinational firms are bound by the ethical norms of their mother country, by the ethical norms of their host countries, by either, by both, or by neither.
With regards to developing an appropriate managerial response to divergence between the ethical norms of the home or host country, the discussion will begin by presenting two 'extreme' responses to this strategic dilemma: 1) “cultural relativism” and 2) “cultural imperialism/absolutism”. Donaldson (1996) summarises these two views as follows:

**Cultural relativism:** Cultural relativists believe that “no culture’s ethics are better than any other’s.” Endorsing the view of “when in Rome, do as the Romans do”, cultural relativists accept local standards and practices (e.g. bribery and corruption issues) even if they conflict with the legal or social conventions of their own community, government or nation. Cultural relativism is “morally blind” because, according to Donaldson (1996)’s view, there are fundamental human values transcending cultural or national boundaries that are present in the governance and traditions of all the cultures of the world. In this respect, corporations, regardless of their cultural and/or geographic origins, must stand by such ‘global’ values. In other words, opponents of cultural relativism maintain the view that certain practices and values, regardless of their cultural origin, are a violation of the standards and norms of any given culture. Corporations, therefore, must take responsibility for recognising these universal values and ensure that they do not contravene these standards in their global operations.

**Cultural imperialism/absolutism:** Cultural imperialism or absolutism stands at the opposite end of the philosophical spectrum from cultural relativism. Rejecting the norms and practices of other cultures that differ from the normative understandings and traditions of their own culture, cultural imperialists require people from the host country to conform rigidly to the ethical and procedural norms of the home country. Donaldson (1996) outlines the following three principles that give rise to cultural imperialism, or absolutism:

- Cultural imperialists call for everyone in the world to act in the same way due to the absolutist belief that “there is a single list of truths, that can be expressed only with one set of concepts”, ignoring the fact that other cultures often prioritise culturally specific traditions and practices and place different degrees of emphasis upon various value orientations (e.g. the emphasis upon loyalty and stability within workplace relations in Japan as opposed to a priority on liberty and flexibility in America)

- Cultural absolutism presumes that moral truth can be shown through only one set of concepts and principles, which are often themselves culturally specific (e.g. some cultural absolutists postulate that “the language of basic rights” should be used as overarching framework for ethics, although the concept of a “right” is not present in, for instance, some societies with Confucian or Buddhist ethical-religious traditions)

- Cultural absolutists also require that exactly the same standard should applied in judging ethical practices around the world, without taking into consideration the nuances of different local social contexts and demands for culture specific standards and evaluation of ethical/unethical behaviours (e.g. in cases where
the people of a country are suffering from severe famine, the government’s decision to allow increased use of fertiliser to combat food shortages should be viewed as ethical, although such a decision compromises the level of environmental threat in terms of water pollution).

The discussion will now focus on literature concerning international business ethics issues specifically relating to engagement/non-engagement with Myanmar. Scholarly studies focusing on such issues have been rare given the country’s comparatively small economy and its recent openness to international trade.

In terms of various responses of international businesses to the issue of trade sanctions, Schermerhorn (1999) developed a model to show four modes of operations by international businesses with respect to what he termed “ethically challenging environments” such as Myanmar. Schermerhorn’s model appears to be the most closely aligned with the current study in terms of its focus on the three dimensions of foreign participation in the Myanmar market: 1) market entry, 2) operational challenges, and 3) market exit. More specifically, there are two aspects of the model that make it particularly suitable for the current study, and they are: 1) the model’s focus on and application of the in-country operational realities and challenges of foreign corporations operating in Myanmar to the ‘core’ theories in the study of international business ethics, and 2) its application to the question of evaluating trade sanctions in relation to various ethical frameworks.

The model, entitled “Contrasting Terms of Global Business Engagement in Ethically Challenging Environments”, shown in Table 9.1, puts forward two kinds of engagement with Myanmar (“unrestricted engagement” and “constructive engagement”) and two kinds of non-engagement (“principled non-engagement” and “sanctioned non-engagement”). These various forms of engagement/non-engagement are analysed based on three variables — ethical framework, social change strategy and cultural orientation.

According to Schermerhorn’s model, “Unrestricted engagement” refers to a situation where foreign businesses adopt a “business as usual” approach in an ethically challenging environment, without being restrained in any way. Quoting De George (1993), Schermerhorn suggests that the underlying ethical framework in this mode of engagement is “individualism”, in that foreign businesses pursue and attempt to maximise their own interests. The implied social change strategy is “natural selection”, which means that businesses’ pursuit of economic interests in the foreign market “is not guided by corporate goals for specific economic and/or social contributions to the host country.” The cultural orientation in this mode of engagement is “relativism”, meaning foreign businesses accept and follow local practices, regardless of whether or not these practices are in line with what is acceptable in their respective home countries. The inherent ‘danger’ associated with this mode of engagement, however, is that there is a tendency for the business to leave the responsibility of setting moral standards and guidelines to their host country government. Such an attitude on the part of business leaders is termed as “learned helplessness” because failing to develop their own principles to guide the corporation’s investment decisions, they rely on the government to make ethical decisions on their behalf.

As shown in Table 9.1, “Constructive engagement” is described as “purpose-driven”
### Table 9.1: Contrasting Terms of Global Business Engagement in Ethically Challenging Environments (Schermerhorn, 1999)

<table>
<thead>
<tr>
<th>Terms of Engagement</th>
<th>Ethical Framework</th>
<th>Social Change Strategy</th>
<th>Cultural Orientation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unrestricted engagement</td>
<td>Individualism view</td>
<td>Natural selection</td>
<td>Cultural relativism</td>
</tr>
<tr>
<td>Business as usual</td>
<td>Follow self-interests</td>
<td>Survival of the fittest</td>
<td>Anything goes</td>
</tr>
<tr>
<td>Constructive engagement</td>
<td>Utilitarianism view</td>
<td>Shared power</td>
<td>Cultural tolerance</td>
</tr>
<tr>
<td>Purpose-driven investment</td>
<td>Seek broad positive impact</td>
<td>Change takes time, comes from within</td>
<td>With dialogue comes understanding</td>
</tr>
<tr>
<td>Principled non-engagement</td>
<td>Virtues view</td>
<td>Rational persuasion</td>
<td>Cultural rejection</td>
</tr>
<tr>
<td>Value-driven business disinvestment or refusal to invest</td>
<td>Act consistent with organizational values</td>
<td>Good reasons to change exist</td>
<td>New directions can be pursued</td>
</tr>
<tr>
<td>Sanctioned non-engagement</td>
<td>Rights view</td>
<td>Force-coercion</td>
<td>Cultural absolutism</td>
</tr>
<tr>
<td>Business investment prohibited</td>
<td>Support declared universal values</td>
<td>Failure to change will be penalized</td>
<td>What is wrong must be corrected</td>
</tr>
</tbody>
</table>
because economic development brought by foreign investment and the “engaged” local presence of international businesses are expected to contribute to the country’s general social benefit and institutional progress. Quoting De George (1993), Schermerhorn defined the ethical framework in this mode of engagement as “utilitarianism” in that businesses “seek at any given time the greatest good for the greatest number of people.” The implied social change strategy is “shared power” in that foreign investors and the government of a host country communicate and co-operate with the possible aim for the host government to change behaviour and improve social and economic conditions. Foreign investors in this mode of engagement exhibit a high degree of tolerance for cultural differences between them and the host country. However, it is argued that, due to a lack of a clear definition or practical guidelines as to what constitutes “constructive engagement”, it would be difficult to measure the expected outcomes and contributions of international business which considered themselves to be operating in this mode. Therefore, in practice, a meaningful distinction could not be made between those that adopted a ‘business-as-usual’ approach and those who regarded themselves as “constructively engaged” and making a gradual social contribution.

“Principled non-engagement” derives from corporate leadership and values ingrained in a firm, and assumes that these values influence the decision not to enter a particular country or to withdraw from it. In other words, it is firm-specific and corporate “codes of ethics” steer the business decision making process. The ethical framework in this form of non-engagement is “a virtue approach” because the corporations’ core values are applied in all situations regardless of specific local contexts. The “principled non-engagement” approach is purposeful because it is intended to change certain behaviours of the targeted government by withholding or withdrawing investment in the country. In this sense, the social change strategy is “rational persuasion”. This approach does not accept the particular social context of the host country or policy orientation of the local government because these are deemed not to fit the shared organisational values of the corporation, thereby adopting or adapting to the cultural and institutional practices of a host country is “rejected” in favour of the organisation’s specific values and norms. While this approach may only have a limited direct effect in terms of changing behaviour on the part of the host government and potentially detract from economic development, it is argued that this approach may indirectly contribute to institutional reform and social development in the target country.

As discussed above, a “Principled non-engagement” approach is internal to the firm while “Sanctioned non-engagement” is initiated by forces external to the firm. There are two types of external forces: “sanction by government regulation” and “sanctions by market regulation” (i.e. human rights and other activist group’s campaigns for boycotts of companies that are doing business in the target country). The ethical framework of the “sanctioned non-engagement” approach is a “rights view” in that the sanctioning government adopts the view that core values and basic human rights are universal throughout the world, regardless of cultural differences between nations. This approach also imposes values and standards from outside on the target country. Quoting Chin and Benne (1996), Schermerhorn defined the implied social change strategy in the approach as “force-coercion” in that social and
economic consequences resulting from the withdrawal of foreign investment in the target country is thought to bring behavioural and institutional change. To achieve this, economic progress, at least in the short term, is sacrificed in order to facilitate social and political reforms. Quoting Donaldson (1989), Schermerhorn defined the underlying cultural orientation of “sanctioned non-engagement” approach as “absolutism”, in which the sanctioning government imposes their “external” expectations and standards on the target government or community and expects these authorities or groups to abide by them.

**Methodology**

The project was exploratory, and guided by the principles of the grounded theory approach (Glaser and Strauss, 1967) in that the methodological design of the study did not contain an a priori hypothesis. Such an approach, as opposed to engaging the participants with a pre-designed structured survey instrument, was appropriate given the exploratory and sensitive nature of the research. The data collection process involved semi-structured face-to-face interviews in Myanmar with executives handling international consumer brands. In total, over sixty interviews were conducted for the study. The transcripts were subsequently content-analysed using NUD*IST (Non-numerical Unstructured Data* Indexing Searching and Theorizing), a computer software program for qualitative data analysis.

This study is a sub-set of a doctoral study which examines market entry and business development strategies of international businesses in the Myanmar market. The findings in this study were outcomes of the interpretative processes involving qualitative data analysis. The findings were reported only generally, in order to preserve the participants’ anonymity and confidentiality.

**Implications of Schermerhorn’s model to market entry strategies into Myanmar**

The conceptual framework provided by Schermerhorn’s model on ethically challenging environments is applicable to the findings on factors influencing the market entry strategy of international businesses into Myanmar. In particular, the ethical framework of the “sanctioned non-engagement” approach, which is the “rights view”, suggests that the sanctioning government adopts the view that core values and basic human rights are universal throughout the world, regardless of cultural particularities and institutional differences between nations. The U.S. government imposed trade sanctions on Myanmar because it did not approve of the Myanmar government’s treatment of the opposition leader Daw Aung San Suu Kyi and the government’s poor human rights record. In other words, the U.S government considered that the regime government of Myanmar had breached universally accepted core values and basic human rights, and thus prohibited U.S. businesses from making further investments in the country. Human rights and labour activist organisations within
MARKET ENTRY STRATEGIES INTO MYANMAR

as well as beyond the U.S. appeared to share this “rights” based view. Their call to boycott corporations operating in Myanmar has indeed been instrumental in discouraging potential market entrants. As decision making processes for non-entry are not a matter of public record, it is difficult to estimate or measure the impact of the rights view on discouraging potential market entrants. However, the extremely low level of subsequent investment from businesses based in Western nations was clearly related to this “rights” based ethical framework.

From an vigorously individualist/profit maximising perspective, the “rights” view on market entry in Myanmar is rejected in favour of the notion that businesses should have virtually unlimited prerogative over allocating international investments. Moreover, within this “individualism” ethical framework, even unorthodox or legally questionable methods of business activity and market penetration (such as border trade) could be viewed by such actors as acceptable given the over-riding belief in the legitimacy of pursuing profit and a “business as usual” approach. However, the normative and ‘social contract’ pressures in regard to such views are considerable and the findings indicate that very few international businesses openly advocated this individualism view. Instead, market entrants and participants, including highly visible corporations such as Unocal, typically represented market entry in Myanmar as an example of “constructive engagement”.

Indeed, the “utilitarianism” ethical framework of the “constructive engagement” approach appeared to be the most favoured ethical framework utilised by businesses and governments who favoured market entry into Myanmar and rejected the “rights” view upheld by the U.S. government and pro-democracy activists. For instance, the findings suggest that Asian businesses from neighbouring countries and European businesses, to a lesser extent, have continued to enter Myanmar and have made significant investments. Contrary to the U.S. government, the governments of neighbouring Asian countries have encouraged and supported business investment and market entry in Myanmar, utilising the “constructive engagement” framework to argue that such activity ultimately contributes to economic development and, reflecting utilitarian ideals, that this works to the betterment of a majority of the local population. The fact that the European Union did not follow suit with the U.S. government in sanctioning Myanmar and preventing market entry also weakened the U.S government’s stance motivated by the “rights” view and suggested a moderate degree of support for the utilitarianism ethical view.

The ethical dimensions of market entry into Myanmar are complex. From a general point of view, given internationally recognised concerns about human rights violations and given the extent of the ‘dubious’ sources of foreign investment in the Myanmar economy (i.e. the allegation that the regime government has helped launder drug money by allowing the profits of drug exports to be invested in Myanmar (Eisenstodt, 1996), there are clear and direct ethical implications for individual organisations in engaging in such a business environment. If a corporation makes a decision not to enter Myanmar taking the virtue approach (which is the ethical framework of the “principled non-engagement” in Schermerhorn’s model), the decision is motivated by its belief that market entry into Myanmar would clash with the corporations’ core ethical values.

Certainly, there are examples of corporations that have claimed to have taken
such a stance as a matter of organisational principle, although in this regard it would be virtually impossible to determine whether such a decision was motivated by “principled non engagement” or by the “sanctioned non-engagement” pressures provided by the US government and activist organisations. Moreover, as indicated in this study, it was possibly the case that some firms may have allowed their brands to reach the market by alternate means, in particular through border trade conducted by smuggling networks. From a “principled non-engagement” perspective, this would be an unethical behaviour on the part of the brand principals involved because they failed to uphold their ‘declared’ ethical values concerning non-engagement with Myanmar. On the other hand, brand principals, even if there was a clear intention to prevent engagement by all possible means, would find it hard to restrict smugglers who were determined to bring the goods to the Myanmar market and, in this sense, brand principal’s corporate ethical code may not have been breached. In these regards, it has been difficult to determine the corporations’ intentions, and thus, their underlying ethical motivations.

**Implications of Schermerhorn’s model to operational strategies and practices in Myanmar**

In terms of the broader question of how ethical considerations have shaped corporate strategy and organisational objectives, it is relevant to apply Schermerhorn (1999)’s model on alternative terms of global business engagement in ethically challenging environments.

Application of Schermerhorn (1999)’s model to the interview data in this study on the operational strategies and priorities for international businesses in the Myanmar market provided some indication that businesses were operating more in the mode of “Unrestricted Engagement” (which refers to a situation where foreign businesses operate in a "business as usual" fashion in an ethically challenging environment), rather than “Constructive Engagement” (which is described as “purpose-driven” because economic development assumed to be associated with foreign investment is expected to contribute to the country’s general social benefit and institutional progress). However, lack of data on social benefit and institutional progress was somewhat related to the fact that interviewees were understandably reluctant to discuss social and political issues. On the other hand, a lack of additional evidence supporting an orientation towards “Constructive Engagement” could also be explained by the fact that the interview data for this study was collected with managers and executives who, by design or because of unique environmental circumstances, were consistently engaged with a series of ‘ground level’ difficulties and practical operational challenges. That is, had the interviews been conducted with more senior executives who were explicitly concerned with corporate regional development or general strategic considerations, the data may have contained more evidence of the corporations’ broader objectives of being in Myanmar, which might include social or political aspirations for the country.

Nonetheless, it can be argued that the majority of businesses in Myanmar were
more pre-occupied with practical operational matters including efforts to manage import restrictions and bans and the complicated currency exchange system, rather than reflecting on how their businesses could be contributing towards social and political development in Myanmar. Therefore, in terms of the corporations’ ethical behaviour, the data suggested that most businesses seemed to be operating within the ethical framework of “unrestricted engagement” approach (which is “individualism” in that businesses pursue their own interests), rather than that of the “constructive engagement” approach (which is “utilitarianism” in that businesses “seek at any given time the greatest good for the greatest number of people).

However, there were examples of executives interviewed in this study who made occasional references to their investment and operations in Myanmar creating employment for local people. In this sense, there were exceptions to the general tendency towards operating in the “individualist” ethical framework. It was found that a few expatriate interviewees felt that their engagement with the Myanmar market had been widely beneficial for the people of Myanmar in terms of contributing towards general economic development in the country, thereby echoing in their responses the “utilitarian” concept of business ethics. For example, a Japanese expatriate in the study's sample viewed that foreign businesses, especially Asian businesses, should enter and continue to operate in Myanmar in order to support the people of Myanmar if they truly ‘cared’ for the country. Similarly, even tobacco companies were thought by some interviewees to be contributing to the local community in terms of sponsoring sporting events and providing employment. Furthermore, according to an Asian expatriate in charge of a Western company, the company's presence in Myanmar has contributed towards “the greater interest of our humanity.” Therefore, it can be argued that a few businesses showed a degree of enthusiasm for shifting to the “utilitarian” from the current “individual” ethical mode.

Likewise, it is also difficult to distinguish between the “individualist” and the “utilitarian” ethical frameworks due to lack of specific criteria concerning qualifications of “constructive engagement”. As suggested by Schermerhorn (1999), a firm that could be adopting the “utilitarian” view (in that businesses “seek at any given time the greatest good for the greatest number of people”) could be mistaken for merely following the “individualist” approach (in that foreign businesses pursue own interests) or vice versa.

The study’s data, however, yielded relatively less evidence to support an assertion that companies withdrew due to moral or ethical concerns that led to a reluctance to continue working in an environment that did not fit with the firm’s cultural and ethical orientations. In this respect, an argument can be made that many withdrawals, while appearing to be examples of ‘principled’ action, have not been in accordance with the ideal type of “Principled Non-engagement” in Schermerhorn’s (1999) model on alternative terms of global business engagement in ethically challenging environments. The “Principled Non-Engagement” approach is firm-specific and a corporate “code of ethics” is thought to guide business decision making as to whether to enter a particular country or to withdraw from it.

Interview findings indicate that operational difficulties in the Myanmar business environment have played a significant role, and in certain cases a predominant role, in ‘forcing’ companies out of the Myanmar market. These findings contribute to a
critical understanding of the “rights view” ethical framework of “Sanctioned non-engagement” in Schermerhorn (1999)’s model, which suggests that the sanctioning government adopts the view that core values and basic human rights are universal throughout the world, regardless of cultural differences between nations. The U.S. government imposed trade sanctions on Myanmar because it disapproved of the Myanmar government’s treatment of the opposition leader Daw Aung San Suu Kyi and the government’s poor human rights record. However, in reality, as suggested by anecdotal empirical evidence in the current study, many withdrawals appeared to have been a response to operational difficulties in the Myanmar domestic market, rather than necessarily reflecting corporations complying with or embracing the moral values of the “rights view” ethical framework adopted by the sanctioning U.S. government or activist groups. In this regard, while sanctioning bodies may claim victory because corporations (especially from the West) apparently responded to the call to divest from Myanmar, it was doubtful that the ‘victory’ has been entirely secured by these strategies because there have been other fundamental causes (such as a generally poor operational environment and limited market opportunities in Myanmar).

If market exit decisions had resulted from moral or ethical concerns regarding operating in an environment where local practices and values did not fit with the corporation’s own ethical values, this would be in accordance with the “virtue” ethical framework of the “Principled non-engagement” approach in Schermerhorn’s (1999) model on alternative terms of global business engagement in ethically challenging environments. The “virtue” ethical framework proposes that corporations’ core values are applied in all situations regardless of specific local contexts. However, because it is difficult to determine with any degree of finality the actual decision making processes underlying market exit, it is similarly difficult to determine the corresponding ethical framework (either “rights view” or “virtue approach”) utilised by corporations that have withdrawn from the Myanmar market. In part, these difficulties are related to the possibility that corporations exiting the market are likely to have a degree of self-interest in representing these decisions as motivated by a “virtue approach” above all other concerns. Moreover, as indicated above, the findings indicate that market exit is often related to operational difficulties and the local business environment, which suggests that the “individualist” approach (“business as usual”) is also a determining factor. In these respects, the interaction between decision making processes and ethical frameworks are polycentric in nature, in that the decision to exit the Myanmar market has not been influenced by one factor alone and the findings suggest that a dynamic combination of three ethical frameworks (individualist, rights, virtue) were relevant to these processes.

**Conclusion**

While it has been difficult to determine the corporations’ underlying ethical motivations with regards to market entry and business development in Myanmar, most businesses in the consumer goods sector, in the study’s sample, appeared to reject the “rights” view (which is the ethical framework of the “sanctioned non-engagement”
approach in that the sanctioning government adopts the view that core values and basic human rights are universal throughout the world, regardless of cultural differences between nations) upheld by the U.S. government and pro-democracy activists. The anecdotal evidence suggested that many businesses seemed to be operating in practice within the ethical framework of “unrestricted engagement” approach (which is “individualism” in that businesses pursue their own interests), rather than that of the “constructive engagement” approach (which is “utilitarianism” in that businesses seek at any given time the greatest good for the greatest number of people”). However, the findings indicate that very few international businesses openly advocated this individualist view. Instead, businesses typically represented market entry and business development in Myanmar as an example of “constructive engagement” (utilitarian ethical framework). Moreover, some businesses demonstrated genuine enthusiasm for shifting to the “utilitarian” from the current “individual” ethical mode.

References


Session III

Modelling: Tuesday 2.00pm-3.30pm (Parallel Stream)
Paper 10

A Role for System Dynamics Modeling in Macromarketing

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Meade and Nason (1991) made a case for the application of “uncommonly hard interpretation” of systems theory to provide analytical concepts for understanding the causes of poor system performance (such as externalities), and for designing policies for improvement. We propose that the school of systems theory known as “system dynamics” can answer Meade and Nason’s call. After a brief description of system dynamics principles we present an example model which focuses on a specific environmental externality and mitigative policy. Our example comes from the global shrimp aquaculture industry. We conclude with general remarks about the applicability of system dynamics to macromarketing.

Introduction

In a 1991 paper Meade and Nason make a strong case for the application of systems theory in macromarketing research. The authors write that “systems theory can provide the explanatory philosophy missing from macromarketing” (Meade and Nason, 1991, p. 74). Moreover, the authors call for an “uncommonly hard interpretation” of systems theory to provide analytical concepts for understanding the causes of poor system performance (such as externalities), and for designing policies for improvement. The authors propose a more activist agenda for macromarketing research and place this agenda in the context of a systems perspective:
It is now time to widen the intellectual space of macromarketing beyond social pathology to the study of exchange system regulation. The main thrust of systems theory goes beyond explaining failures. Systems theory is about building a hard analytical understanding of systems to allow the components of a problem to be recombined in apt — even fortuitous ways (Meade and Nason, 1991, p. 81).

We propose that the school of systems theory known as “system dynamics” can answer Meade and Nason’s call and provide a valuable theoretical and methodological toolset for macromarketing research. Cornwell and Drennan (2004) and Arquitt and Cornwell (2005) have earlier proposed the use of system dynamics for modeling micro-macro linkages in consumer behaviour. First developed by Jay Forrester at MIT in the late 1950s, system dynamics is a theory and methodology to understand and manage complex feedback systems. From the beginning, system dynamics has been a problem-focused method that seeks to understand the causal structure underlying undesirable system behaviour and design effective policies to improve the behaviour. The method emphasizes explicit model formulation and simulation, which answers the call for “hard interpretation” of system theory (Meade and Nason, 1991, p. 81).

Meade and Nason (1991) put forth the proposition that macromarketing is the study of externalities, or poorly performing exchange systems. They believe that systems theory can deepen analysis of externalities and proceed to develop an example that characterizes an environmental externality using concepts from systems theory (Meade and Nason, 1991). In this paper we introduce a system dynamics model which addresses an externality, damage to coastal ecosystems associated with expansion of the market for farmed shrimp. Our purpose is to demonstrate that system dynamics is a useful methodology for the study of externalities in particular, and for macromarketing in general.

After a brief description of system dynamics principles we present an example model which focuses on a specific environmental externality and mitigative policy. We conclude with summary remarks about the applicability of system dynamics to macromarketing.

System Dynamics, Theory and Methodology

System dynamics had its beginnings at MIT in the 1950s when Jay Forrester began to experiment with applying the feedback and control principles of electrical engineering theory to social, business, and economic systems (For in-depth description of the foundation of system dynamics see Forrester’s seminal text Industrial Dynamics (1961). For a more recent and comprehensive description of system dynamics see Sterman (2000)). Since then the method has been applied to a host of social, economic, and scientific problems. An indication of the range of applications can be gleaned from the special issue topics of System Dynamics Review over the past decade. These include: supply chains and networks, environmental and natural resource systems, small-medium enterprises, health and health care dynamics, and sustainable
development. Despite the wide range of applications there are several key principles that apply to all system dynamic models:

- **Feedback.** The first principle is that all system behaviour is created by structures of interconnected feedback loops. Feedback loops are of two types, positive and negative. Positive loops are self-reinforcing and when unconstrained, lead to runaway growth or collapse. Negative loops are controlling or “goal seeking” and tend to resist change in the state of the system. The central principle of feedback in system dynamics appears to conceptually mesh with a role of feedback implied in points 2 and 3 of Hunt’s definition of macromarketing:

  Macro-marketing refers to the study of (1) marketing systems, (2) the impact and consequence of marketing systems on society, and (3) the impact and consequence of society on marketing systems (Hunt, 1977, p. 56).

- **Stocks and flows.** System dynamics is a stock, or state variable, based modeling approach. Sterman writes in his text on system dynamics that: “Stocks characterise the state of the system and generate the information upon which decisions and actions are based.” (Sterman, 2000, p. 192). The values of stocks change only through their associated flows or rates. Feedback loops are the information pathways connecting the stocks with decisions that then change the value of flows and, consequently, the stocks.

- **Realistic modeling of decision making.** System dynamics seeks to model decisions as they actually occur. Information delays and distortions are explicitly accounted for. Decisions are assumed not to be globally optimal, but boundedly rational (Sterman, 2000, p. 26). Decision making is not limited to human agents, but can also include the responses of plant or animal populations, or physical objects (Sterman, 2000, p. 514).

- **Holistic explanation.** System dynamics seeks a holistic explanation of system behaviour. Behavior manifests itself as a function of the interrelationships of the elements of the system.

- **Simulation.** Experimental research has shown that humans, even highly trained mathematicians and scientists, have very limited capacity to intuit the behaviour of dynamic feedback systems (Paich and Sterman, 1993; Sterman, 2000; Stern, 1989). Computer simulation is necessary to understand the implications of even moderately complex dynamic feedback systems and is the only reliable means of testing dynamic models.

**A System Dynamics Model for Environmental Policy Design**

The model presented here draws on a generic system dynamics model of environmental mitigation banking developed by Saeed (2004). Mitigation banks receive
credits from an issuing authority in return for restoring depleted natural resources, such as wetlands or forests, to ecological functionality. The restoration credits are then bought by economic enterprises to fulfill legal obligations to restore environmental assets damaged by construction or operation of the enterprise. Under an ideal arrangement of this system net environmental damage is zero because environmental damage is balanced by equal restoration. Our model adopts and extends the principles of Saeed's model to a specific case, the restoration of coastal mangrove forests in Thailand that have been cleared in large part by expansion of the commercial shrimp farming industry. We will use the term “restoration banking” rather than “mitigation banking” because our objective is the restoration of depleted environmental resources over and above the current rate of consumption. The example model is apt to macromarketing for at least two reasons: (1) the problem focus of the modeling study is an externality manifest by market failure in an exchange system; the costs of environmental damage wrought by shrimp farming is not reflected in production costs or in the price for farmed shrimp, and (2) the proposed policy, restoration banking, is itself an exchange system implemented for the purpose of forcing externalized costs back to the production system.

Problem description

In the mid 1980s the global shrimp aquaculture industry began a period of remarkable growth driven by growing international demand for shrimp and stagnating catches of wild shrimp (Csavas, 1995). In Thailand investors seized on the opportunity and rapidly transformed thousands of hectares of coastline into shrimp ponds. By the mid 1990s Thailand had become the world’s leading producer and exporter of farmed shrimp generating some US$2 billion in foreign exchange in 2000 (FAO, 2002). Shrimp ponds were constructed within mangrove forests as well as on areas above the intertidal zone directly adjacent to mangroves. During this period Thailand lost roughly half of its extensive mangrove forest, and it is estimated by some researchers that half of the loss was caused by expansion of the shrimp farming industry (Barbier and Cox, 2004). “Mangrove” refers to a tropical coastal ecosystem type that is alternately inundated and exposed by tides and dominated by species of salt tolerant trees (Hogarth, 2002). Mangroves are valuable natural capital for coastal aquaculture and fisheries, and their restoration and sustainable management can provide significant long term economic benefits. Another important natural service provided by mangroves is shoreline protection from storms and high-energy wave events, which has been tragically demonstrated by the tsunami disaster of December 2004. A recent study by Dahdouh-Guebas, Jayatissa, Di Nitto, Bosire, and Koedam (2005) compares damage caused by the tsunami in areas with intact mangrove forest with areas where mangroves had been cleared or heavily degraded. The authors conclude that mangroves play a critical role in protection against ocean surges, and strongly make a case for restoration and protection of mangroves.

Shrimp farming is both highly pollutive and strongly dependent on abundant supplies of clean intake water. Mangroves function as natural capital by assimilating waste, and are a vital constituent of the environmental carrying capacity for coastal
shrimp farming. If the industry outstrips the carrying capacity over a region organic wastes accumulate and production crashes can occur due to the effects of pollution and shrimp diseases that become epidemic under polluted conditions. Huitric, Folke, and Kautsky (2002) have documented sequential production crashes in Thailand in which the industry has migrated from one coastal region to another after depleting mangrove stocks. As the industry has shifted from one region to another large areas of denuded mangroves and abandoned shrimp ponds have accumulated. In 1991 the Thai Fisheries Act enacted a ban on all shrimp farming within mangrove areas and prohibited loans for farms in mangroves. The rate of mangrove clearance now appears to be greatly reduced; however, mangrove regeneration efforts have had little impact thus far (Szuster, 2003).

Due to the growing difficulty of obtaining clean intake water in coastal areas a large fraction of the shrimp farming industry has relocated to interior regions of central Thailand, relying on seawater brought in by truck (Flaherty et al. 1999). Based on figures from Flaherty, Vandergeest, and Miller (1999) and Szuster (2003) it can be estimated that about half of Thailand’s shrimp production now occurs in the interior. However, problems with salinization of surrounding land and conflicts with neighbouring rice and fruit farmers have prompted an official ban on interior shrimp farming (Szuster, 2003). It appears now that the future success of the Thai shrimp farming industry will depend on the adoption of less environmentally damaging farming practices and on the restoration of coastal mangrove ecosystems.

Proposed policy

Mangrove restoration projects undertaken in Thailand and other countries have typically taken the form of publicly funded development projects. Szuster (2003) reports that these projects in Thailand have been implemented on a small scale and have made little progress toward restoring degraded areas. We propose that restoration banking is a possible means of restoring coastal mangroves and revitalizing the coastal shrimp farming industry in Thailand. The proposed restoration banking system would be an institutional arrangement linking the environmental resource with economic activities in perpetuity, thereby securing a lasting source of funds for restorations. As economic activities develop, funding for environmental restoration increases. If economic enterprises benefit from restorations, then it is possible that a reinforcing feedback loop could be put into place in which economic growth and environmental restoration are mutually supportive.

System dynamics model

We present the model in two phases: first the “base model” that represents the existing situation, and then the policy design model. The full model contains approximately 150 equations and parameters. Rather than presenting detailed descriptions of each formulation we present the organization of the model subsystems (“sectors”) and discuss key assumptions and structure of each individual sector. Model behaviour modes are exhibited in simulated time paths of selected variables. The
simulated time paths should not be interpreted as “predictions,” but rather as outcomes of controlled experiments undertaken to test model assumptions. The linkage between model structure and behaviour is explained in terms of the underlying feedback structure, making use of “causal loop” diagrams. Model parameters and initial values are based on values obtained from the literature and on consultations with experts. In instances where no values could be obtained from these sources we have relied on intuitive estimates. The model has been developed in Vensim Professional Version 5.4.

**Base model: Business as usual**

The base model offers an explanation of the “business as usual” scenario of coastal shrimp farming in Thailand. Three interacting model sectors have been developed, the Shrimp production sector, the Mangrove sector, and the Eco-footprint sector, represented by circles in Figure 10.1. The arrows indicate the information cues exchanged between the sectors. Each sector includes sets of decision rules that dictate how received information is perceived and processed; rendering decisions that are in turn communicated to other sectors.

Each sector contains its own internal stock and flow and information structure, briefly described below:

The *Shrimp production sector* is based on dynamic commodity modelling structures described in detail by Sterman (2000). Shrimp farmers expand or contract farm area in response to their expectations of future profitability. A supply chain structure captures delays associated with planning, farm construction, and decommissioning. Farming intensity, a measure of the degree of usage of variable inputs such as feed, water treatment chemicals, and shrimp hatchlings, is adjusted on the basis of the mark-up ratio, formulated as expected revenue divided by expected variable costs. Yield is a function of farming intensity and is impacted by ecological effect.

The *Eco-footprint sector* models the interaction between shrimp production and the mangrove stock, which serves as the natural capital base. The sector draws on research by Kautsky, R/"onnb/"ack, Tedengren, and Troell (2000) and R/"onnb/"ack (1999) that quantifies the area of functional mangrove required to assimilate shrimp farm waste and sustain shrimp production. This area is considered the shrimp farm’s ecological footprint and is directly related to farming intensity. In our model the
eco-footprint is an aggregated footprint of the coastal shrimp farming industry and is therefore a function of shrimp farm area and average farming intensity. When the footprint increases beyond the mangrove area, the rate of waste production rises above the assimilation rate and organic pollution levels increase. Yields are adversely impacted by the pollution and by increased incidence of shrimp disease associated with the pollution. We further assume that waste discharge from shrimp farms adversely affects the mangrove stock. The pollution level is modelled implicitly with a time lag that mimics delay of effect associated with accumulation and assimilation of waste loads.

The Mangrove sector tracks the stocks of functional and degraded mangrove. The mangrove stock begins to decay and accumulate into a stock of degraded mangrove when the eco-footprint exceeds the mangrove area. The decay fraction induced by the footprint effect is an uncertain but behaviourally significant parameter. No estimates were identified in literature or from expert opinion, necessitating an intuitive estimate.

Base model behaviour

The model is simulated over a time horizon of 75 years, a period of time long enough for the full dynamic pattern to unfold. Figure 10.2 shows time paths representing the area of functional mangrove, the area under shrimp farms, and shrimp production. From year zero the variables decline gradually. The initial production level of 150,000 metric tons corresponds with our rough estimate for Thai coastal region production (total Thai production is currently around 300,000 metric tons).

Figure 10.3 is a causal loop diagram that explains the model feedback structure underlying the erosion of mangrove, shrimp farm area and production. Each causal linkage in the diagram is assigned a plus or minus indicating the direction of influence. Positive feedback loops are designated with “P,” negative loops with “N.” A circular arrow indicates the direction of the loop.

Negative loop N1 describes the effect of environmental limits on the shrimp farming industry. The shrimp farm area is adjusted after a time delay in response to profitability expectations. Expected profitability is influenced by price (an exogenous parameter in this model) and yield. If expected profitability is attractive the farm area will increase, increasing the industry eco-footprint and the eco-footprint to mangrove ratio. When this ratio increases above one, farm wastes accumulate and force yields down. In isolation from other influences loop N1 would cause the farm area to stabilize. However, waste accumulation also adversely impacts the mangrove resource base that sustains production. When wastes accumulate the fractional man-

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2Causal loops diagrams are a set of tools widely used in system dynamics and in systems thinking to communicate the feedback structure of a dynamic problem. When interpreting causal loop diagrams it is important to adhere to a ceteris paribus assumption. Consider two variables A and B. If a linkage from A to B is positive, then an increase (decrease) in A will cause upward (downward) pressure on B. If the linkage from A to B is negative, then an increase (decrease) in A will cause downward (upward) pressure on B. Connected chains of causal linkages create feedback loops. Negative feedback loops resist change in the state of a system. Positive feedback loops cause self-reinforcing change. For more on causal loop diagramming see Sterman (2000), and Richardson (1986, 1997).
Figure 10.2: Simulated time paths for functional mangrove area (in hectares), shrimp farm area (in hectares), and shrimp production (in metric tons) under business as usual scenario.
Figure 10.3: Causal loop diagram showing key feedback loops in base model. Plus and minus signs indicate the direction of influence. Positive feedback loops are designated with “P.” Negative feedback loops are designated with “N.”
grove decay rate increases, increasing the gross rate of mangrove decay. As the stock of mangrove declines, the eco-footprint to mangrove ratio increases, completing the self-reinforcing feedback loop P1. As long as the fractional decay rate remains positive, the mangrove stock will decay exponentially through the negative loop N2, dragging farm area and production down with it.

**Restoration banking model**

The purpose of the restoration banking model is to design and test restoration banking policies for (i) restoring depleted mangrove resources, and (ii) expanding an environmentally sustainable coastal shrimp farming industry. The restoration banking model adds three additional sectors to the base model as shown in Figure 10.4.

The *Policy sector* contains hypothetical decision rules that characterize institutional implementation of restoration banking policies. Agents within the sector monitor the stock of degraded mangrove and set yearly restoration credit requirements which shrimp farmers are required to purchase. As the stock of degraded mangrove is depleted the credit requirement is gradually reduced. The policy sector also sets the price for restoration credit based on estimated restoration costs. Estimations of degraded mangrove stocks and restoration costs would involve significant updating.
delays in the real world; these delays are explicitly accounted for in the model.

The Restoration banking sector mimics decision making processes of the restoration banking company. The essence of these rules is to maintain balances of cash and restoration credits at desired levels. Cash is accumulated through the sale of restoration credits at the credit price set in the policy sector. Credits may be earned credits which the restoration banking company acquires upon completion of restorations, or advance credits which must be settled by future restorations. Advance credits are sold only when earned credits are unavailable. The advance credits are necessary because: (1) start-up of restoration banking would otherwise require a large initial subsidy of operating cash or restoration credits, and (2) unavailability of credits could lead to farmer non-compliance and abrupt failure of the restoration banking system. To provide incentive to settle advance credits promptly, a fraction of the sales proceeds is deducted at the time of sale. The deduction is later credited to the restoration bank when the advance credit is settled. The cash balance is drained by overhead expenditures and restoration expenditures. We assume that scale economies reduce unit restoration costs via a learning curve effect. However, restoration costs are driven upward as the stock of degraded mangrove is nearly depleted, on the assumption that the most difficult areas to restore will be targeted last. The balance of earned credits accrues through completing restorations and is drained through sales of earned credits. The restoration bank’s desired rate of credit acquisition is set by the gap between the desired balance of earned credits and the actual balance plus recognized total credit sales (Inclusion of recognized sales in the desired credit acquisition is an important element of stock management preventing the occurrence of steady state error (Sterman, 2000).) and is influenced by cash availability. The desired credit balance is assumed to equal one year of recognized credit sales.

The Compliance sector tracks the balance of credits held by farmers and generates farmers’ demand for credits. Farmers’ credits are acquired through purchase from the restoration bank. Credit usage is the yearly credit requirement multiplied by the total shrimp farm area. Farmers’ demand for credits adjusts to maintain the farmer credit balance at a desired level.

The Mangrove sector in the restoration banking model closes the loop between degraded mangrove and functional mangrove by adding two stocks which track mangrove under management of the restoration bank and maturing mangrove. Initiation of mangrove restorations simultaneously decreases the degraded mangrove stock and increases the mangrove under management stock. We assume that newly planted mangroves remain under management for a period of five years after which the restoration bank is granted restoration credits. Mangroves then mature for another five years before becoming fully functional.

**Behaviour of policy model**

Figure 10.5 shows the simulated time paths of functional mangrove, shrimp farm area, and shrimp production when restoration banking is implemented at year five. The time paths under the restoration banking policy are compared with the base scenario in the diagrams.
Figure 5A: Functional mangrove area

Figure 5B: Shrimp farm area

Figure 5C: Shrimp production.

Figure 10.5: Simulations of functional mangrove, farm area, and shrimp production with mitigation banking in place compared with base run simulation.
Shrimp farm area
Eco-footprint
Ratio of eco-footprint to functional mangrove
Credit demand
Credit requirements per unit farm area
Recognized degraded mangrove
Mangrove restorations
Fractional mangrove decay rate
Mangrove decay rate
N1
N2
P1
P2
P3

Figure 10.6: Feedback structure underlying restoration banking policy.

Functional mangrove, farm area, and shrimp production exhibit a pattern of s-curve growth after implementation of restoration banking. Shrimp production starts to increase sooner than shrimp farm area because farmers are able to adjust their farming intensity upward more quickly than expand their farm area. Figure 10.6 offers an explanation of the patterns in terms of feedback loop structure.

Positive feedback loop P2 is responsible for the increases of mangroves, farm area and production. When the requirement to purchase restoration credits is imposed upon shrimp farmers the functional mangrove area increases after a time lag. This reduces the ratio of eco-footprint to mangrove and allows yields to increase. The farm area expands in response to improved profitability expectations, which in turn increases credit demand and the rate of mangrove restorations. As the stock of recognized degraded mangrove is depleted, the credit requirements are reduced, slowing restorations and levelling out growth of functional mangrove. Shrimp farm area and production are still limited by the amount of functional mangrove, but are now sustained at much higher levels than without mitigation banking policy in place.

Sensitivity testing

Sensitivity testing was undertaken to assess (1) the general robustness of the model, and (2) the influence of uncertain parameters on the model behaviour. The present model appears to be reasonably robust as it does not exhibit illogical behaviour when parameters are set to extreme values. Two uncertain parameters important to the restoration banking policy were tested in detail. These were the initial value of de-
graded mangrove and the unit cost of mangrove restoration.

- **Initial value of degraded mangrove.** We have found no estimates of the area of degraded mangrove in Thailand in academic literature, government reports, or personal communication with mangrove restoration experts. There is, however, a prevalent belief that the area is extensive (Barbier and Cox, 2004). Our base model value of 100,000 hectares is an intuitive estimate based on better known figures for Indonesia, which has witnessed similar patterns of shrimp farming induced mangrove degradation (personal communication with R. Lewis 2005). Sensitivity simulations demonstrated that the growth potential of functional mangrove area, shrimp farm area, and production are all directly related to the initial area of degraded mangrove. The simulations also show that the mangrove stock and shrimp production system can be made sustainable through restoration banking even when the initial stock of degraded mangrove is zero; however no growth is then possible. The implication of the sensitivity testing in this case is that coastal shrimp farming rehabilitation is in large part dependent on the area of potentially restored degraded lands and, in the case of Thailand, this parameter should be carefully estimated.

- **Initial unit restoration cost.** In the restoration banking model restoration cost was initialized at US $1,000 per hectare. This figure was provided by a mangrove restoration expert with experience in Thailand (personal communication with R. Lewis). Restoration costs, however, can vary widely (Lewis, 2005), calling for sensitivity analysis to test the influence of the parameter. Sensitivity testing showed that restoration cost has a strong effect on farmers' profitability expectations, potentially forcing some farmers out of business and slowing mangrove restoration due to reduced demand for credits. Assessments of the viability of restoration banking will require accurate estimates of unit restoration cost in particular settings and understanding of how costs are likely to change through time.

**Model insights and limitations**

The simulation experiments described above suggest that restoration banking may in this instance be a viable policy for environmental restoration and long term sustainability. The results of sensitivity tests appear to be reasonable and provide confidence in the robustness of the model structure. The model, however, has a number of limitations:

1. The model does not take into account costs to establish and maintain regulatory institutions. These institutions are necessary to monitor the status of environmental assets, mitigation banking activities, user compliance, and restoration costs; and to impose credit requirements on users. Future work could incorporate these costs into the model to more fully assess the practicability of restoration banking in particular settings.
2. The model assumes that all farmers comply with restoration credit requirements; when credit requirements and costs are excessive farmers close operations. Non-compliance is likely in cases where the price or required amounts of credits are excessive and should be addressed in further modelling studies.

3. Only the shrimp farming sector is assessed for mangrove restoration in the present model. In fact, other industries potentially benefit from mangrove restoration, for example, other forms of aquaculture, fisheries, and tourism, and could be included in future models.

4. The model assumes that credit prices are set by a policy-executing agency on the basis of perceived restoration cost. Delays associated with updating perceived costs are likely to be lengthy (Saeed, 2004). Experiments with the model showed market determined prices to be extremely instable in the early stages of mitigation banking development. More study is needed to assess price-setting strategies, in particular during the transitional start-up phase of restoration bank development.

5. Successful policy for restoration of mangroves and rehabilitation of coastal shrimp farming is likely to involve a policy mix, perhaps including restoration banking, licensing and zoning, and eco-certification and labelling which has been investigated by Arquitt and Cornwell (2005). Models examining the efficacy of policy mixes should be investigated for more realistic solutions.

The model at this stage is a work in progress. The limiting assumptions listed above are potential directions for further research that can be incorporated into the model for further testing. System dynamics modeling is first and foremost an iterative learning process in which model assumptions are tested via simulation. Assumptions that are both uncertain and influential on model behaviour are candidates for further investigations. The model is then updated with more accurate estimates or more realistic structures and re-simulated. Model boundary assumptions can also be challenged. In these ways the system dynamics modeling process can help coordinate a research agenda and build consensus among investigators and other involved stakeholders.

Discussion

The model presented in this paper demonstrates two benefits of system dynamics modeling in macromarketing research. First, the model demonstrates the application of analytical tools of system dynamics, such as feedback, stocks and flows, and information delays in characterizing the structure of a system. Model sub-systems representing decision making processes of human, institutional, and biophysical agents were developed and interlinked with information feedbacks to develop a hypothesis of system behaviour. Also, information delays, accumulations, and non-linearities that give rise to dynamic behaviour were explicitly modeled. Second, simulation experiments were conducted to examine how a proposed policy intervention might
improve the system behaviour. In macromarketing research, in particular when investigating externalities and mitigative policies, “real world” experimentation is likely to often be impracticable due to geographic scale, expense, ethical issues, or long delays between perceived causes and effects. For example, in our model production crashes due to environmental damage do not occur until after a delay of several years. Also, regeneration of mangrove resources under the restoration banking policy requires decades for completion. In other systems, for example with externalities associated with global warming, delays can be on the order of many decades. In these cases virtual experiments conducted through simulation are the only viable means of investigation outcomes.

Despite Meade and Nason’s 1991 call, few works have forth come that apply systems theory in macromarketing. System dynamics provides highly flexible yet rigorous analytical tools with which to characterize the structure of systems and test system behaviour. The method is also strongly problem focused and places emphasis on testable policy solutions grounded in understanding of system structure and behaviour. We believe that system dynamics can be valuable to researchers in conceptualizing problems relevant to the concerns of macromarketing and in investigating practical solutions to those problems.

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This paper utilizes a systems dynamics view to examine the development of tourism in Kenya. The haphazard development of ecotourism in many developing countries has resulted in unanticipated effects. It is argued that these negative impacts have resulted from a reductionist view of tourism development. We suggest that a systems dynamics may present better solutions for tourism development through the examination of the total system and the impacts to all relevant stake holders. It is further argued that the balancing of impacts with the goal of benefit maximization while minimizing negative impacts to the community presents the best long term solutions for public policy makers.
has “justified the setting aside of about 7.5% of the country’s total area for the conservation of wildlife. Today, Kenya has about 52 protected areas (Sindiga, 1995). In recent years, tourism has been one of the leading foreign exchange earners for the country. For example, it has been estimated that an adult male lion in Amboseli Game Reserve, Kenya will during its lifetime earn US $515,000 in foreign exchange (Thresher, 1981). It is estimated that “one lion is worth $7000 per year in income from tourism and an elephant herd can be valued at $610,000 annually” (Honey, 1999).

It is clear that the potential to generate a lot of economic benefits exist with the development of eco-tourism. However, researchers have noted that there are few examples where there has been successful management of tourism (eco-tourism) on anything approaching a symbiotic basis (Butler, 1991, p. 207). In many cases, the “cart is before the horse” (Wallace, 1992, p. 2), that is visitation and tourism have preceded appropriate management and planning. This is especially true in developing countries such as Kenya where the push for foreign exchange earnings has resulted in haphazard planning. This has resulted in tourism that has had negative impacts on the environment, wildlife and the people of the regions where eco-tourism has been developed. We begin this section by providing an overview of eco-tourism development in Kenya. In our paper we illustrate some of the negative impacts that have resulted from the haphazard development of tourism and we illustrate how a systems dynamics view might resolve some of the current dilemmas facing Kenyan tourism. By utilizing the systems view we provide some suggestions for public policy makers as well as tour developers.

Eco-tourism Definition

Many researchers use the terms eco-tourism and nature tourism interchangeably. For our purposes, we shall distinguish between these two concepts. Consistent with Valentine (1992), nature tourism is seen as tourism that is “primarily concerned with the direct enjoyment of some relatively undisturbed phenomenon of nature”. This type of tourism lacks any conservation motives (Hvenegaard, 1994). To be termed eco-tourism, nature tourism must enhance or maintain some natural system (Farrell and Runyan, 1991). Ceballos-Lascuarain (1991) were among the first to coin the term and they define eco-tourism as: “that segment of tourism that involves traveling to relatively undisturbed or uncontaminated natural areas with the specific object of admiring, studying and enjoying the scenery and its wild plants and animals, as well as any existing cultural features (both past and present) found in these areas.” (p. 25).

Eco-tourism is environmentally sound and sustainable tourism which may secondarily include viewing nature (Miller, 1978). Eco-tourism usually refers to non-consumptive natural history-based and/or wildlife related recreation activities such as bird watching, wildlife watching, nature photography, whale watching, botanical study and wildlife treks or safaris (Duff and Dearden, 1990; Whelan, 1991). The above definitions of eco-tourism emphasize the dependence on nature for certain types of activities. Other definitions of eco-tourism have centered on the individuals
who are engaged in this type of tourism. These researchers have defined eco-tourism as “an activity which is characterized by first-world country citizens visiting natural sites in the poorer countries in the tropics” (Laarman and Durst, 1987). In 1991, the Eco-tourism Society added an ethical component to the definition of eco-tourism and they defined eco-tourism as: “purposeful travel to natural areas, to understand the culture and natural history of the environment, taking care not to alter the integrity of the ecosystem, while producing economic opportunities that make conservation of natural resources beneficial to local people” (p.1). This definition was subsequently shortened in 1993, when the Eco-tourism Society defined eco-tourism as: “responsible travel to natural areas which conserves the environment and improves the welfare of local people” (Western, 1993). This is the most popular definition of eco-tourism and we adopt this definition in our subsequent discussions.

There have been several frameworks of ecotourism that have been developed and the most comprehensive framework of eco-tourism was developed by Fennell and Eagles (1990). This framework consists of three interrelated components, the visitor, the service industry and the natural resource tour. Although this framework made a significant contribution, its overall weakness stems from the fact that it does not incorporate the attitudes of the local people. More recent research has examined the impact of eco-tourism on the local people and we review some of this literature with a specific focus on the Kenyan context.

**Eco-tourism Studies of Kenya**

When a tourism destination becomes very popular with tourists, the location can exceed visitor carrying capacity, and the location may lose its appeal and this could in turn threaten the conservation of wildlife. Whelan (1991, p. 11) notes that the ecological carrying capacity of an area is ‘reached when the number of tourists and characteristics of tourists start to affect the wildlife and degrade the system’. A 1996 article in the Economist magazine examines the compatibility of mass tourism with wilderness degradation. In this article, the authors pose an important question

Is mass tourism compatible with preservation of wilderness? Experience in some of those other countries suggest an uneasy fit. In and around the Masai Mara, Kenya’s most famous reserve the number of beds available for tourists has jumped sevenfold over the past five years. Many complain that this has spoiled the sensation of wilderness. Often the most visible herds migrating across the plains are neither zebra nor wildebeest, but minibuses. Their tracks crisscrossing the park, have caused significant erosion. And research in the reserve has shown that some animals are changing their behavior in response to the disturbance. Lions now hunt late at night, to avoid the evening tourist rush-hour. Cheetahs, which are notoriously highly strung, have become less active altogether under the stress.

As early as 1984, research by Sindiyo and Pertet noted the deterioration of the national parks. Sindiyo and Pertet note “with increased traffic in the parks, drivers tend
to take their vehicles to all parts, thus destroying the habitat.” It has been noted that animals in the parks are experiencing harassment because of some tourist behaviour. “The species mostly affected are carnivores and in particular lion and cheetah which because of their diurnal habits attract visitors. It is not uncommon to see several mini-buses surrounding a pride of lion or a cheetah with the result that often these animals are prevented from making a kill through tourists' interference” (Sindiyo and Pertet, 1984).

**Impact on the Locals**

As the population of Kenya has continued to grow there has been an increase in conflict between the locals and the tourism industry. This is due to the fact that the people in the areas where the land has been set aside have not derived meaningful benefits from the conservation efforts and indeed as documented by several researchers the communities have born substantial costs. A 2006 article by Roselyn Okech notes that the local communities are significantly vulnerable to the deleterious effects of tourism development. For example, when the national parks were developed, there was no consideration of the social-economic, cultural, political and ecological realities of these regions (Lusigi, 1978, p. 81) and there was no regard for the livelihood of the African communities (Graham, 1973; Lusigi, 1978). The communities living near the protected areas often get little economic benefit from those tourist activities (Okello, 2005). In fact, the communities where the national parks were developed resent these wildlife sanctuaries because the locals were displaced from their native lands and were excluded from utilizing the natural resources for their livelihood (see the case of the Maasai in Kenya, Okello 2005, p. 568). Dapash and Kuday (2005, p. 5), have indicated that the tourism industry in Kenya is now responsible for widespread and growing environmental and cultural damage, including contributing to forest depletion, water pollution, soil erosion, habitat destruction, wildlife harassment, economic exploitation, and cultural degradation of indigenous communities. The collective activities of many tour operators and lodges are unsustainable and degrade natural systems, particularly in and around the parks and wildlife reserves.” They further note that “while tour operators profit, the Maasai and the wildlife that they protect — the very essence of the tourists’ African experience — rarely profit financially or otherwise from contact with the tourists” (Dapash and Kuday, 2005, p. 6). The Maasai, a nomadic people of Kenya have had on-going conflicts with the governments, the park authorities and large ranchers. In his study of the wildlife conservation in Kenya, Akama (1993) found that the local people bear most of the costs of wildlife conservation with 90% suffering wildlife property damages, forgone opportunity costs of not cultivating the land. Further the locals had little or no direct influence on decision-making processes and institutions of wildlife conservation. In his study, 80% of the respondents indicated that there was a bad relationship between park management and the local community. A disturbing finding of this research was that the locals viewed the elimination of wild animals and eventual human settlement in the national parks as solutions to local food shortages. These findings are alarming and necessitate some new policies with regards to
tourism development. There is now some new research that is suggesting some new ways of developing eco-tourism in Kenya with the goal of maximizing benefits to the communities while resulting in the minimal amount of damage to the communities. It is evident that in order for eco-tourism to thrive in Kenya, the Kenya Wildlife Service must initiate alternative wildlife conservation policies and programs that ensure that wildlife will play a positive role in the life of those sharing the land with the wildlife. Omondi (1995) has suggested some ways of integrating wildlife conservation with human needs such as: community wildlife-damage-control, compensation for loss, sharing of tourism benefits with local people, conservation education, and local participation in wildlife conservation policy. Other researchers have called for the development of community wildlife sanctuaries (Okello, 2005) and diversification of tourism through the development of non-wildlife based tourism such as cultural tourism (see Ondimu, 2002).

All of these efforts of incorporating the local communities’ perspective are all steps in the right direction. However, it is important to note that any new policies that may be implemented will definitely benefit from examining the development of eco-tourism using a holistic rather than a reductionist view. As noted elsewhere, future policy will be beneficial if all of the relevant stake holders to the tourism development are incorporated in the decision. We introduce the system dynamics thinking in this section.

**Systems Dynamics**

Although systems dynamics has been around since 1950’s when it was developed by Jay Forrester at MIT, many researchers agree that a systems view of the world is still rare (Sterman, 2001, p. 24). There are many schools of systems thinking championed by the works of Peter Senge, the Fifth Discipline and for a review of systems thinking see George Richins (1991). In general systems thinking seeks to understand the world as a complex system. Sterman (2001, p. 9) suggests that the solution to understanding these problems lies in systems thinking i.e. “The ability to see the world as a complex system, in which we understand that “you can’t do just one thing”, and that “everything is connected to everything else.” With a holistic worldview, it is argued, we would be able to learn faster and more effectively, identify the high leverage points in systems and avoid policy resistance. A systemic perspective would enable us to make decisions consistent with our long-term best interests and the long-term best interests of the system as a whole.” The most common tools that are utilized by system dynamics researchers include among others: a) feedback processes; b) stocks and flows (accumulations); and c) time delays (c.f. Sterman, 2001).

*Feedback processes*: “All dynamics arise from the interaction of just two types of feedback loops. Positive (or self-reinforcing) and negative (or self-correcting) loops. Positive loops tend to amplify or reinforce what is happening in the system. Chemists call these autocatalytic — self-stimulating processes that generate their own growth. Negative loops counteract and oppose change. For example, the less nicotine there is in a cigarette, the more the smokers must consume in order to get the dose that
they need. These processes are self-limiting, processes that create balance and equilibrium” (Sterman, 2001). For any system to be in balance, it must contain both positive and negative feedback loops.

**Stocks and flows:** This refers to the accumulation and dispersal of resources. (Sterman, 2001, p. 192) notes: “Stocks characterize the state of the system and generate the information upon which decisions and actions are based.”

**Time Delays:** “Time delays between taking a decision and its effect on the state of the system are common and particularly troublesome” (Sterman, 2001, p. 12). Ignoring the time delays can lead to erroneous decision making and interventions.

We have highlighted some of the problems associated with tourism development in Kenya. The problems have stemmed from the fact that tourism development have not considered the needs of the local community were in many instances unaccounted for. It is suggested that a systems dynamics view would result in tourism development that was beneficial to all stake holders.

### Tourism and Systems Dynamics

Systems approaches have been used to study tourism since Leiper (1979) applied soft systems methodology to develop a model of a tourism system. Leiper conceived of tourism as an open system best amenable to analysis by the soft system methodology developed by Professor Peter Checkland (1981). Leiper distinguished between four geographic and social elements which he viewed as comprising the tourism system. These components are 1) the traveler generating region, 2) the transit region, 3) the destination region, and 4) the tourists, and tourist business operators comprise the social element. Leiper’s work provides a close parallel to the conceptualization of tourism in the current paper, particularly as regards his componentization of the system as a whole.

Further work on Tourism from a systems perspective has been done by Alberto Sessa (1988) and Jack Carlsen (1999). Carlsen’s 1999 analysis of island tourism destination management also took a soft systems methodology approach to the analysis of the tourism system. Sessa (1988) focused on the concept of a tourist region or regional tourist system. Sessa defined the tourism system as a global system connecting a variety of tourist regions throughout the world. While the dominant application of systems analysis within the field of tourism has been that of soft systems methodology, the authors here propose that systems dynamics can in fact provide useful insights to the analysis and conceptualization of the tourist system. This is particularly the case with respect to developing an understanding of the feedback processes that exist between the various components of the tourism system. For this purpose the tourism system is viewed at a level of abstraction approximating Sessa’s (1988) regional level rather than at a global system level. Thus, the national tourism industry can be viewed as a system comprised of five interconnected sectors:

1. **The natural resource:** This is comprised of the parks, the animals and the plant life contained within them. The natural resource is critical from an economic standpoint as it forms the foundation of the tourist industry, without which
the industry would not exist. Creating a sustainable tourism industry necessi-
tates the establishment of effective preservation and conservation policies with
regard to natural resources.

2. **Industry**: the industry comprises the commercial aspect of tourism including
hotels, tour operators, travel agents etc. The primary objective of the industry
is profitability

3. **Tourists**: The tourists can be local or foreign in origin. Their primary objective is
to enjoy the flora and fauna, take pictures and generally experience the exotic.
Foreign and local origin tourists may have differing objectives and sensitivities
to monetary cost, insecurity and availability of alternative destinations.

4. **Local Community**: This is comprised of the human community around the
tourism destinations. The impact of tourism on the local community will be
primarily economic and cultural. Negative impacts may take the form of loss
of land due to the establishment of parks. Other impacts are economic losses
and damage to property by protected wildlife emanating from the parks. Also,
the local community may be priced out of the market for goods and services
or land. These impacts may also be seen in the erosion of cultural and social
values as a result of exposure to tourist behavior. The locals could experience
the imposition of alien consumption patterns due to dominance of tourist con-
sumption patterns over those of the local community. Positive impacts may
take the form of job creation in the hotels, parks and other tourist areas. Other
positive impacts may come from increased investment in the local economy.

5. **Government**: This sector comprises both local and national governments. The
main objective of the national government may be to secure the maximum
tax and foreign exchange receipts from tourism. As such the interests of the
national government may thus align more closely with those of the tourism
industry as opposed to those of the local community.

**Stocks, Flows and Feedback Loops in the Tourism System**

“Much of the art of systems dynamics modeling lies in discovering and representing
the feedback processes and other elements of complexity that determine the dynam-
ics of a system” (Sterman, 2001, o. 17). One objective of this paper is to explicitly
identify important stocks, flows and feedback loops within the extant tourism sys-
tem. It is recognized that thousands of such feedback loops, stocks and flows will
exist in the real world system. However, it is posited that the systems dynamics can
be understood and accurately represented through modeling of a smaller subset of
key relationships.
Stocks

Three principal stocks can be readily identified within the tourist system:

1. *The number of tourists.* The overall level of tourist visits is a key factor in achieving the goals of key sectors within the system, in particular the government and industry sectors. As stated before the goal of government is to maximize foreign exchange and tax receipts, while the goal of industry participants is to maximize economic benefits such as profitability and earnings from tourism. Both goals can be achieved by maximizing the number of tourists who visit the particular destination. As noted elsewhere, the Kenya government has developed the eco-tourism industry and tourism plays a significant role in the economy and generates needed foreign exchange (Central Bureau of Statistics, 2003). Further, every year, the number of tourists as well as available hotel beds has continued to increase (Central Bureau of Statistics, 2003).

2. *The state of the natural resource* is represented by the number and availability for viewing of animals, and the quality of the physical environment. Increasing the stock of natural resources may well be a goal of government and industry, though perhaps more so of the government. If the natural resource is well conserved then the number of animals will continue to increase and the physical environment will not be destroyed.

3. *The net benefits of tourism* accruing to the local community. As has been noted previously the local community, in many instances, bears many of the costs of tourism while reaping few of the benefits (Okello, 2005; Koch, De Beer, and Elliffe, 1988). The effects of inadequate planning in Kenya have been documented elsewhere, therefore, the following discussion focuses on how various policies might impact the outcome of the eco-tourism development.

Feedback Loops

It is proposed that policies directed at attaining desired levels of each of these stocks will establish and impact the various feedback loops between them. For example government sectors’ goal of maximizing foreign exchange earning, may lead the government to pursue policies designed to attract increasing numbers of visitors to national tourist destinations. Such policies that seek to maximize the stock of tourists will set up positive feedback loops as the number of tourists increases. These self-reinforcing loops will, absent any external adverse shocks, lead to ever increasing numbers of tourists until the carrying capacity of the natural resource (and indeed the industry sector as well) is met and exceeded.

This eventuality will then lead to a decrease in the natural resource stock, through adverse events such as overcrowding, littering, modification of animal behavior due to tourist harassment and competition amongst tourists to view game etc. (Okello, 2005). At the same time increased numbers of tourists beyond the carrying capacity of the local community sector will lead to a decrease in net benefits of tourism accruing to that sector. This may occur through increased conflict between tourists,
the tourist industry and government on the one hand and the local community on the other. Tourist cultural values and the services the tourists demand of locals, such as sex tourism, may clash with local cultural norms and practices, fueling additional conflict.

Such adverse events as discussed above will establish negative self-correcting feedback loops in the sectors that have exceeded their carrying capacity. In the examples given above the negative feedback loops will serve to reduce the numbers of tourists arriving at the destination as the natural resource degrades and the local community becomes less hospitable.

The critical aspect of policy making that aims at sustainable and beneficial tourism outcomes is to recognize the patterns of feedback loops that arise from policy, and their effect on the various stocks.

Time Delays

Amongst the most difficult aspects of modeling such a tourist system is modeling the effect of time delays on the dynamics of the system. It is likely that policy actions aimed at correcting aspects of the system will experience delays in time between when the action takes place and when its effect is observed in the system. As such it is imperative to time actions correctly if the desired effects of policies are to be obtained. For example policy interventions to reduce the numbers of tourists are essential before carrying capacity is reached. However, early intervention would have undesirable effects as would late intervention.

Discussion and Conclusion

The dynamics of the tourism system are a product of the interaction of the activities of the stakeholders comprising each sector. The actions of stakeholders within each sector will be driven primarily by their own self interested attempts to maximize their share of the benefits and minimize their share of the costs emanating from the tourism system. At various times the interests of different sectors will coincide and diverge, leading to either concerted or disconcerted action across sectors.

The development of tourism in Kenya provides us with some useful insights into the state and development of eco-tourism. Due in large part to massive state efforts to attract tourists to Kenya, the number of tourists visiting Kenya increased from under one hundred thousand in the 1960s to close to one million annually by 2003 (Central Bureau of Statistics, 2003). This increase was achieved through substantial investment in parks, hotels and marketing efforts. Indeed, it has been documented that East Africa has one of the highest densities of wildlife and national parks. Initially the government was able to generate a lot of positive returns from the tourists. However, over a period of time, there has been serious adverse effects on the local community around the parks, and in the parks themselves on the animals. Locals have found themselves in competition with the park animals for grazing and farm land, with farmers often killing elephants that entered their farms and destroyed their crops. A systems view suggests that over a period of time that the destruction of
the parks will result in fewer tourists visiting the country which will ultimately affect
the revenues generated from increased numbers of tourists. As such the government
must carefully monitor the number of tourists and type of tourists in order to avoid
overcapacity.

The director of the Ecotourism Society of Kenya has recently described the ex-
periences of the Maasai people where the Maasai have been taking their cattle into
areas that were now sold because these areas have historically been grazing, as well
as watering grounds, for their livestock. There are also many instances where the
locals have been harmed and have had property destroyed by the animals without
compensation, which results in the locals resenting the animals. As the population
of animals increases then the government must find better ways of dealing escaped
animals in order to minimize damage to the community. Researchers have called for
the establishment of community wildlife sanctuaries as a way to increase community
involvement in the development of eco-tourism (Okello, 2005). Ultimately, in order
for eco-tourism development to be valued by the local community, the community
must derive benefits from tourism.

It is taken as axiomatic that the goal of public policy with regard to tourism out-
comes is to maximize system wide benefits while minimizing system wide costs and
assuring an equitable distribution of the costs and benefits amongst the sectors. In
order to achieve these desirable public policy outcomes it is necessary to understand
the interaction between the sectors that comprise the tourism system. It must be
realized that the outcomes of the system as a whole are dependent upon the various
feedback structures established within the system. Therefore achieving beneficial
public policy outcomes will depend on establishing beneficial feedback structures
between the different sectors. As such, Kenya policy makers would benefit from the
utilization of a systems dynamics modeling since systems dynamics modeling enables
us to understand the system as a whole composed of a number of interconnected and
interdependent parts.

We have demonstrated the usefulness of the systems dynamics in examining the
tourism development. Future research should attempt to simulate the complexities
represented by the development of eco-tourism in any destination. Certainly, it is
clear from our application of systems dynamics that the development of eco-tourism
in Kenya could benefit from an examination of all the complexities inherent in the
system.

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Marketing operates in a complex environment, using models to understand this complexity. The predominant type of model is based on sets of equations that express relationships between variables. Generally, these equation-based models focus their attention at the level of group behaviour rather than individual behaviour. They are, by necessity, considerably simplified models of the actual phenomenal reality.

Computational science can be used to simulate phenomena too complex to be reliably predicted by theory. Computational marketing can be defined as the application of computational science techniques to marketing theory and practice. One application of computational science is the methodology of agent-based modelling, which provides a means by which the autonomous agency nature of consumers can be incorporated into marketing theory. It is suggested that this technique provides mechanisms for marketing to develop a more scientific basis for coping with the complexity of its substantive domain.

The paper presents a brief introduction to agent-based modelling and presents some examples of applications in marketing theory and practice.
Introduction

It is a truism to say that marketers operate in a complex environment (Arthur, Durlauf, and Lane, 1997; Holland, 1988). Modern economic markets have evolved from simple limited exchange activities between individuals or small groups into complex systems of interactions between individuals, large and small corporations, and government agencies, extended in both time and space. Until the start of the twentieth century, these economic markets were mostly physically based, dependent for their operation on the physical movement of products or service providers, and limited in their scope by the available technology. More recently, additional complexity has arisen from the development of electronic commerce as a virtual market extension of these earlier physical markets. Such factors have lead to the development of a complex and dynamic marketing environment (Polonsky, Suchard, and Scott, 1999).

Marketing has adopted a number of strategies to obtain information to help understand and control this complex environment, ranging from simple linear models to knowledge-based systems (Rangaswamy, 1993). A survey of marketing practice found the most widely used marketing models were frequency and cross-tabulation counts and graphs, followed by regression-based multivariate techniques (Hussey and Hooley, 1996).

These types of models are examples of variance-based or equation-based modelling (Edmonds and Hales, 2005; Parunak, Savit, and Riolo, 1998). In this methodology the system of interest consists of entities, such as consumers or organizations, that are measured through some form of observation. Variables are measurable characteristics of interest in these entities, collected at an individual entity level, but analysed as groups of individuals. Consequently, equation-based models usually focus their attention at the level of aggregated group behaviour rather than individual behaviour. Most equation-based models are, by necessity, considerably simplified models of the actual phenomenal reality found in a market.

Computational Science

Since the dawn of the modern scientific era in the late 1600s, there have been two basic approaches to conducting scientific activities — theoretical and experimental. A classical science such as physics has been using these two approaches to make spectacular advances in our understanding of the world. A modern science such as marketing has also used both approaches, generating theoretical explanations of consumer and market behaviour, and using a range of experimental and quasi-experimental techniques to test these theoretical explanations.

However, a level of experimentation equivalent to that of the physical sciences has not been possible in marketing for the same reasons it has not been possible in all the social sciences. Practical, logistic and ethical considerations have placed restrictions on the use of experimental science in marketing. Since the 1940s, these two approaches of theoretical science and experimental science have been joined by a third approach, computational science. Computational science is used to simulate “phenomena too complex to be reliably predicted by theory and too dangerous or
expensive to be reproduced in the laboratory” (Gropp, Lusk, and Skjellum, 1994, p. 1).

**Agent Based Modelling**

Computational marketing can be understood as the application of computational science techniques to modelling market behaviour. It overlaps with computational economics (Arthur, 1991; Caldas and Coelho, 1994; Edmonds and Moss, 1997; Lettau, 1997; Stender, Tout, and Stender, 1993; Terna, 1997), but extends the economic focus to consider other market mechanisms, such as the satisfaction of consumer needs and the development and use of social networks (Choudhury, 1996). In addition, the role of memory in consumer behaviour can be explicitly studied with this methodology (e.g. the probability of future transactions can be influenced by the memory of outcomes of previous transactions). Computational marketing can contribute to the discipline of marketing in both the development of marketing theory and in practical applications.

Computational science has opened up the possibility of using a modelling methodology with a radically different approach, agent-based modelling (ABM) (Edmonds and Hales, 2005; Sichman, Conte, and Gilbert, 1998). This approach provides a means by which the autonomous agency nature of consumers can be incorporated into any theoretical models developed. It is however, worth making the point that to distinguish between equation-based and agent-based models is to some extent artificial. Agent-based models often use equations to control the agent’s behaviour, and the models can often be written in the form of an equation, although they are usually too complex to solve analytically (Leombruni and Richiardi, 2005).

**Agents and Agent-Based Systems**

Agent-based modelling (ABM) addresses the problem of modelling complex systems, such as markets, from a perspective that is quite different to traditional approaches (Balzer, Brendel, and Hoffmann, 2001; Davidsson, 2001; Doran, 1996; Hegselmann, 1998; Krischke, 1999; Liebrand, Nowak, and Hegselmann, 1998; Moss, 2001; Sichman et al., 1998). Rouchier, O’Conner, and Bousquet (2001, 2.2) describe the ABM approach to modelling as one where agents are:

> [E]ntities that are autonomous and active and have a representation of their environment. Each agent is then defined by the way it perceives its environment and builds a representation of it, the actions it can perform and the processes through which it chooses its actions according to its knowledge. Among the actions that the agents perform, some are interactions with others (for example sending messages, giving, asking, acting upon). A simulation is a series of time steps during which the universe evolves and the agents act and have their representation evolve by perceiving their changing environment.
The environment can contain artifacts (resources, obstacles, etc.) and other agents. Agent based modelling uses agents as the basic entities in an artificial social system in which the agents interact with each other and the environment in reasonably realistic ways. Agents can be monitoring other agents (Garrido, Brena, and Sycara, 1998; Tambe and Rosenboom, 1996; Reich, 2004). They can also be trying to achieve goals, such as increasing wealth or prestige.

These systems can be developed from solid theoretical precepts and can have their behaviour examined by straightforward experimental methods. Agent-based models are as rigorous than equation based modelling, as they are validated against formal logic and mathematics rather than mathematics alone. This characteristic enables agent based models to capture much more of the richness of variety of the system under study.

**Characteristics**

Agent-based modelling techniques can be used to model the transactional and information structure of a market (Goldspink, 2000). Artificial societies built using this approach can model several real world characteristics of market systems (Casti, 1997b). These include such characteristics as bounded rationality of consumers, market heterogeneity, differential access to information, and the linking of micro level actions to macro level effects, where macro level outcomes “emerge” out of micro level activities.

A number of authors have developed models of economic agents who exhibit **bounded rationality** rather than perfect rationality (Edmonds and Moss, 1997; Lettau, 1997). Edmonds and Moss (1997) suggested that the model they developed does show characteristics of the real world. One phenomenon observed in their model is that the economic agents sometimes get “locked” into inferior courses of action for a considerable length of time. Edmonds and Moss (1997) compared this with locking behaviour in consumers. A consumer’s early positive experience with a brand may mean that they never try other brands — their limited experience will never disconfirm their initial choice of brand, even though another brand might be preferable to them. Lettau (1997) modelled the behaviour of mutual funds investors and was able to demonstrate that the same investment patterns were exhibited by the software agents in the model as were exhibited by investors. He concluded that his approach “produces behavioural patterns which are consistent with most aspects of mutual investor’s strategies in real financial markets and thus provide a simpler and better fitting theory of observed behaviour than standard theories with rational agents” (Lettau, 1997, p. 1146).

The **heterogeneity** of agents operating in a market, largely ignored by traditional economics, is of vital interest to marketing (Allenby and Rossi 1999). The study of the different motivations and knowledge of consumers and their subsequent effect on purchase behaviour and satisfaction, is a major activity of the marketing discipline. This heterogeneity has been shown to emerge from the learning processes operating within the agent and the communication processes operating between the agents. Edmonds (1999) has demonstrated how this heterogeneity emerges in an artificial
society of creative artificial agents.

In traditional economics, the effect of information in trading markets is usually held constant (i.e. all economic agents are assumed to have perfect knowledge of the activities of all other agents). In contrast, the information diversity that economics ignores is the substantive domain of the marketing discipline. This diversity arises from the different levels of access to market information possessed by consumers, the pattern of interactions between consumers and providers, and the effect of these interactions on the cognitive structures of consumers. This diversity can be modelled by ABM approaches (Banathy, 1999). For example, the agents modelled by Edmonds and Moss (1997, p. 32) “do not have perfect information about their environment, in general [they] will only acquire information through interaction with [their] environment which will be dynamically changing.”

Finally, ABM can produce outcomes that emerge out of the interaction between the agents in the model, that is, these outcomes are obtained from the dynamics of the model and not included in the initial assumptions (Casti, 1997a; Gilbert, 1998; Goldstein, 1999; Holland and Miller, 1991; Mihata, 1997). Terna (1998, p. 81) captures the essence of emergence in the question: “How does the heterogeneous micro-world of individual behaviours generate the global macroscopic regularities of the society?” In marketing, Kemp (1999) presented a simple dynamic model of consumer choice, which produced unpredictable emergent switches in the patterns of demand. Other examples of emergent outcomes include the development of socially defined reputations (Rouchier et al., 2001), collective identity (Lustick, 2000) and belief systems (Bhargava and Branley, 1995; Doran, 1998).

An important example of emergent outcomes is that many complex systems, such as economies, exhibit a power law relationship between the quantity and size of objects in the system. This relationship was first identified by Pareto in 1896, and is considered a statistical signature of such systems (Bak, 1997). Moss (2001) has demonstrated the presence of a power-law relationship in the number and size of information traders in an artificial market using an ABM. He showed that an economic modelling base such as game theory is unable to produce this same statistical signature. He further suggested that traditional models don't have a framework for recognizing emergent properties, let alone producing them.

## Applications

The management and marketing literature is beginning to reflect an interest in the agent-based approach (Chang and Harrington, 2000; McGeary and Decker, 2001; Schwartz, 2000). In this section, we present a review of some of the applications of agent based modelling in marketing. This brief review will consider two areas — the network structure of markets and strategy and scenario testing. These application areas demonstrate how computational science can extend the benefits of experimental science into new phenomena that are not suited to traditional experimentation.
Network Structure of Markets

A number of studies of various characteristics of the market have appeared in the literature (Goldberg, Libai, and Mueller, 2001; Jansen and Jager, 2001; Pujol, Flache, Delgado, and Sanguesa, 2005; Terano, 2000; Yamamoto, Okada, Kobayashi, and Ohta, 2002). Jansen and Jager (2001) demonstrated through an agent-based model that consumers do not function as single independent units following their own course, but are influenced by other consumers. The spread of fashions and fads, and the success of some products and services compared to others, quite clearly shows this phenomenon in the market. Yamamoto et al. (2002) studied the impact of the number of information channels on consumption variety. Their simulation demonstrated that developing interactive information networks tended to strengthen winner-takes-all outcomes in market competition.

One specific application of network structure models is the analysis of word-of-mouth promotional strategies (Goldberg et al., 2001; Terano, 2000). Pujol et al. (2005) presented a social model grounded in social exchange theory. They argued that such an approach is more realistic than the more abstract small-world and power-law models that are appearing in the sociological literature. The research showed that the type of network structure that emerges depends on the characteristics of the exchange and the memory capacities of the agents. The paper also showed that the extensive literature developing in sociology using the ABM approach has considerable implications for the development of theory in marketing.

Strategy and Scenario Testing

An application of ABM that is starting to appear in the literature is the testing of marketing strategies through a form of scenario analysis (Ivashkin, Shcherbakov, and Rogozhkina, 2005; Tay and Lusch, 2005; Robertson, 2003a,b). Robertson (2003b) extended Porter’s two-dimensional model of strategy space into an n-dimensional model. Following Porter, companies can be placed in the strategy space, depending on the company’s characteristics on a range of strategic variables. Agent-base modelling can than be used to explore this strategy space. Robertson (2003b, pp. 185-186) identifies some of the advantages of this approach:

[T]hey allow for heterogeneous agents, firms with different attributes such as profit, size, strategic location and dynamics can be modeled at the same time. Different types of agents, such as banks and customers can be modeled simultaneously. Systems can be ‘open’, that is agents can be created and destroyed according to the rules of the simulation; bounded rationality of agents can be incorporated: agents can be simulated whereby they have limited cognitive ability that can be different for each agent. The dynamics of the system need not be at equilibrium (a supposition of models such as those early strategy models whose roots are in neoclassical microeconomics); and emergent phenomena (such as self-organization) can be explored.
Robertson (2003a) illustrated this approach in a study of the different strategies in the banking industry. Among other findings, he showed that if a bank follows a strategy of follow-the-leader, its success depends on the satisfaction level of the customers. However, there were clear benefits in adopting a customer-centric strategy in a turbulent environment.

Other research has concentrated on more in-depth studies of single strategic variables. For example, Ivashkin et al. (2005) explore the impact of various pricing strategies on profit and market share in an oligopolistic market. The technique can also be used to study more abstract theories of competition. For example, Tay and Lusch (2005) tested Hunt’s General Theory of Competition (2000) in complex and ill-defined environments. They showed that competition leads to disequilibrium in the market, and that innovation and organisational learning are major sources of competitive advantage. Both findings are consistent with Hunt’s theoretical predictions.

Conclusion

This necessarily brief review of the theory and applications of the agent-based modelling methodology is designed to raise awareness of the new techniques that are available for more realistic studies of the complex and dynamic nature of modern markets. The conference presentation will show further examples of the type of studies and outcomes that are being produced by this exciting new approach.

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The Service-Dominant (S-D) logic of marketing (Vargo and Lusch, 2004) highlights service oriented opportunities and constraints that relate to reinterpreting the historical disconnect of ‘service’ with the micro economic origins of the goods-dominant (G-D) market logic. The S-D logic also brings to the fore the casual way in which the marketing community has historically borrowed terms and concepts to explain and understand its purposes and progress. In this paper, Geoffrey Vickers’ theory of social systems is suggested as a suitable lens for developing a fuller, compatible, more reflective marketing lexicon, one compatible with an S-D theoretical structure for marketing. Drawing on General System Theory (GST), Vickers’ Appreciative System is an inter-subjective mental construct in which ‘appreciation’ is located as an essential part of any judgment. We argue that Vickers’ concept of appreciation resolves many marketing problems relating to perception and value, and their underlying goal-seeking assumptions.

Introduction

The dominant marketing orthodoxy sees the process of selling and delivering things linked with a priori notions of efficient resource allocation. In its most neo-classical
and sophisticated goods-dominant version, customers are valued as assets but distilled into units of resource value accruing to the supplier firm. The blind spot in this calculus is that the value perspective of the customer and the future potential of the customer’s value creating processes are not taken into account. The assumption is that value is exchange value, determined at point of sale (see for example the customer equity perspective of Blattenberg and Deighton 1996). In other words, traditional goods-dominant logic says nothing about value judged by the customer to accrue in service interactions, or about value yet to be determined by the customer through actual use of the product in the customer’s value creating processes as value-in-use.

The alternative explanation sees marketing as a mode of business activity that senses market requirements and responds, or perhaps leads and then adjusts. The Service-Dominant (S-D) logic however goes further, asserting that service experience is what customers want to buy. This is based on service interaction and its consequences but in addition, goods are seen as carriers of service experience. It follows that customer-judged value is determined in the use of goods (Vargo and Lusch, 2004).

In November last the Otago School of Business set up The Otago Forum to discuss these issues more deeply. As a consequence of the Forum, a special issue in Marketing Theory on the S-D logic will issue in June 2006 and another in the Journal of the Academy of Marketing Science in 2007. Clearly the marketing discipline is undergoing a further service-oriented challenge but this time the challenge reaches back to the very foundations of micro-economic theory and its emphasis on market clearing behaviour and production efficiencies (Vargo and Morgan, 2005).

The essence of S-D logic is expressed succinctly by the Marketing Theory special issue editorial team (Aitken, Ballantyne, Osborne, and Williams, 2006):

The S-D logic emphasises that customers create value through service experiences and relationships. What a supplier firm does essentially is offer value propositions and bring resources together for customers. Rather than firms marketing to customers they can market with customers (an interaction process). In this the customer is the arbiter of value co-created in service interaction, and the arbiter of value-in-use of any goods sold. Put another way, goods are service appliances which offer the customer value-in-use. The bottom line is that services are exchanged for services.

It is this broadened range of possibilities for exchange of service value, both social and economic, that excites thinking about the Service-Dominant logic, and its role in creating sustainable value.

Of course, the S-D logic could be seen as just another restatement of ideas from earlier phases in the development of marketing thought. However, the alternative logic does seem to have potential to shift the marketing focus away from transactional point-of-sale to a broader appreciation of service and sales relationships — indeed, set in a networked social environment. Its theoretical base involves a departure from goods based micro economic theory, and if this gains in appreciation, marketers’ notions of efficient resource allocations will change as well.
Sir Geoffrey Vickers is important in reminding us that “human systems are different” (Vickers, 1983), and has propounded an idea of appreciation that helps to explain marketplace experience and the source of value. In this paper, Vickers’ theory of social systems is suggested as a suitable lens for developing a fuller, compatible, more reflective marketing lexicon, one compatible with an S-D theoretical structure for marketing. We also argue that Vickers’ concept of an Appreciative System (Vickers, 1983, p. 55) resolves many marketing problems of perception and value that are related to goal-seeking assumptions.

Marketing lexicon in transition

The S-D logic attempts to go back to basics and raises fundamental questions about what is marketing for? Is it to create value-in-exchange (distributes goods with time, place and possession utility)? Or is it to establish and facilitate co-creative service interactions that enable value-in-use? The S-D logic also focuses marketing attention on the consequences of expanding the notion of service: opportunities for co-created value, developing innovative business solutions and sustainable relationships. Lusch and Vargo (2006) have outlined some of the cognitive shifts involved and set out the basics for a marketing lexicon for transitioning to S-D logic (see Table 13.1).

The problematic nature of value and perception is embedded in popular and scholarly discourse, as well as in discussions of a service logic for marketing (Vargo and Lusch, 2004; Vargo and Morgan, 2005). The S-D logic recognises the evaluation of the worth of goods and services in a number of ways, thus (Vargo and Lusch, 2004):

• resources viewed as dynamic functions of appraisal (p. 2)
• value as defined by the consumer (p. 6)
• “comparative appreciation” (p. 7)
• value created at the point of consumption (p. 11)
• “perceived (sic)² benefits” (p. 12)
• “value perception” (sic) (p. 14)

As Vargo and Lusch have called for an updated marketing lexicon, we argue that Vickers’ Appreciative System theory provides additional clarity and completeness. His notion of appreciation — the recognition of the value or significance of a situation or condition — is located in communicative interaction, in which context various judgments or opinions (propositions) are formulated, expressed, interpreted, evaluated, and acted out (see Vickers 1995, for example).

Alderson counselled that “what is needed is not an interpretation of the utility created by marketing, but a marketing interpretation of the whole process of creating

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² This noting of the need to correct an error of terminology will become clear as we discuss a more precise alternative conception of “perception” and extend the explanation to include “appreciation”.
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Table 13.1: Transitioning marketing concepts Lusch and Vargo (2006)
utility” (1957). In the same spirit, we propose not an interrogation of the Appreciative System using marketing theory, but rather a re-examination of the notion of marketing using Vickers’ Appreciative System explanation. This allows us to address holistically the problems of judgment and communication in marketing principles and practices.

The S-D logic emphasises mindful (or conscious) experiencing and valuing of the actions and interactions of people in the social process of economic want-fulfilment. If we take this as “goal-seeking” behaviour, there are a number of consequences. For example, the social process of marketing can be explained as human interactions in a network of relationships that bring about resource exchanges in pursuit of goal accomplishment. Similarly, management can be explained as the rational allocation of limited resources in pursuit of corporate goal accomplishment. Marketing management, then, is the allocation of resources to produce market offerings (that can be valued by buyers) in pursuit of corporate goal accomplishment.

Decisions, decision, decisions! In any situation, how do we choose a course of action in conditions of resource scarcity and/or uncertainty? How is this treated in the marketing discipline? A dictionary points out that a decision is a conclusion reached after some consideration, a formal judgement, a resolution. Questions are asked, options are considered, a choice is made. What course of action is the best of the available alternatives? Choice is a central concept in goods-dominant transactional marketing. Of course, both buyers and sellers make recognisable choices. Consumer behaviour theory explains the consumer purchase decision process and the purpose of the corporate purchase decision-making unit — in each case this is taken to be motivated by goal-seeking.

One explanation for this is Herbert Simon’s rational choice model for solving problems by finding the best means to a given end (Simon, 1960, 1969). This is a process of problem searching, developing possible courses of action, and making a selection. The decision-maker collects information, processes this information through a cognitive ‘perception filter’, then makes a rational decision. Both goals and values are implicit in stating the problem and in the selection of choice criteria, and it must be said, they become perverted in our efforts to measure them using common units of expression. In other words, the ‘facts’ are made to fit the pre-existing criteria.

Vickers on the other hand, reminds us that “human systems are different” (Vickers, 1983), and offers the concept of appreciation — an important idea that helps to explain marketplace experience and the source of value. In re-reading Vickers on the Appreciative System in the light of reading the S-D logic article and commentaries, it is evident that some clarifications are needed.

Vickers recognised that any judgement is inherently value-laden, and that values played out through the decision-making process are not contained within a goal-setting starting point. Decisions may have to take account of both economic and ethical values. Decision-making then, has three points of judgement: a reality judgement (appreciation) of the situation (the defined system and its environment), a value judgement (evaluation) of the desired outcome, and an action judgement in which what to do is decided. Organised social groups are more than rational goal-seeking collectivities: they are relationship-maintaining structures of roles within a system of purposeful activity (Vickers, 1995, 1983).
The further problem is in the commonsense use of the term ‘perception’. Almost daily, we hear about “the consumer’s perception of magazine advertisements...”, or “the customer’s perception of value...”, or “the market is perceived to be...”. This is incomplete as an explanation of a complex cognitive process of sensing a situation and deciding on a course of action. What is missing? Is it the judgement that is made, and the necessary interpretation and evaluation?

Vickers showed that judgements we make are always value-laden, making human systems much more than rule-following mechanisms. All human action stems from appreciative judgements made under conditions of ambiguity and uncertainty about the meaning of the rules, obligations and goals that seem so important if we carelessly adopt the maximising behaviour model from economics.

The Appreciative System

According to Vickers (1968), human communication has the central role in the regulation of social groups. Nearly all that we know comes from communication, rather than from observation or direct experience. Our activities depend on communication: ways of clarifying experience, interests, standards, influence of others, and so on.

A social system is a set of ongoing relationships between people and ‘organisations’, governed by mutual expectations, which are usually embodied in roles. Each Appreciative System has two sets of intimately linked relationships: functional — members to each other, and metabolic — the social unit to its surroundings. Human communication as the regulator of the system has three functions: noticing things about the situation (receiving information); evaluating the information (comparing it to a standard); and, acting on the interpretation (selecting a response). Each Appreciative System generates meaning, derived from information. Regulation is necessary to deal with problems of apportionment of scarce resources between conflicting claims, and problems of conflicts between objectives. Thus, policy-making deals with conflict as an important regulator of society, by constantly re-structuring problems.

Regulation is a process of mutual self-determination among conscious, communicating members (Vickers, 1983). Limits to regulation are due to the inevitable limitations of human communication to generate an agreed view of a situation; reach consensus on a course of action to pursue; and arrive at common action to achieve it. Acceptance arises from the apprehender’s choices, not the initiator’s intentions (i.e. under the S-D logic, value is defined by the customer. This also begs other questions, for example, as to where a “brand” resides). Participants to a communicative event take part in a process of creating common meaning. First we interpret the situation, then act, influencing one another.

The social process

The work of Vickers on a general theory of the social process has largely been ignored by academics. He refused to adopt the reductionist thinking of the establishment of
In considering corporate human governance and management decision-making, Vickers identified an additional aspect of human systems missing from the orthodox mechanistic perspective of scientific measurement. Vickers argued that a human system operates within a network of relationships that makes judgements rooted in history (past) and culture (present), which in turn influence decisions made in the system. The appreciative framework of the human system develops a unique way of looking at the world with its own values (Vickers saw these as explicit general concepts of what is humanly good and bad, what is acceptable or unacceptable) and standards. Because this is unique to human systems, argued Vickers, such systems cannot be subsumed within other kinds of systems. He also rejected the teleological or goal-seeking model of human behaviour (see for example March, Simon, and Guetzkow, 1958; Simon, 1960, 1969) as being “too poverty-stricken to match the richness of life as we experience it” (quoted in Checkland and Holwell, 1998, p. 47).

Vickers argued that judgements have three reciprocally interacting strands:

- A judgement of ‘reality’ based on notions of cause-and-effect and beliefs.
- An assessment of what might be, could be, or should be (value judgement) based on self-interest, moral constraints, and individual and group goals.
- The instrumental means for getting from ‘what is’ to ‘what could be’ or ‘what should be’, within the constraints of available resources. (Vickers, 1995).

The Appreciative System determines what facts we select from all of those apprehendable in a situation (i.e. what is perceived), the meaning we give them, and the means we use to reduce the mismatch between existing and desired situations. Vickers realised that we did not have a name for the state of mind which is the outcome of past communication and the target and interpreter of present communication. This state accounts for almost everything we do and are — in terms of feelings, thoughts and actions. Vickers called this state of mind an Appreciative System. The term appreciation captures the connotations of interest, discrimination, and valuation. Thus in the exercise of judgement the categories and criteria which tacitly determine what we notice, how we discriminate situations from the general confusion of ongoing events, and how we regard them, constitute a system because they are mutually related — a change in one affects the others.

Appreciative settings lead to particular features of situations, and the situations themselves, being noticed and judged in particular ways by standards built up from previous experience. In ensuing social discourse, accommodations are reached which
lead to action, and the settings and standards themselves may be altered. Thus there is no fixed social reality — it changes through the social process. Appreciative settings apply to the individual, to the group, to the corporation, and to society as a whole. The notion that all members share the same settings and are thus able to collaborate unambiguously is rather naive. Traditionalist rationalistic scientists would ignore much of this world-view because it cannot be measured; yet to ignore the effect of history and culture in decision-making is to remove the possibility of understanding how our belief systems affect our decisions.

**Relating**

The popular notion of message senders and receivers in the transmission or transportation model of human communication is outmoded for most social situations in human systems. The initiator begins the process of communicating with an intention, whilst the apprehender is drawn into a joint system of communication when they try to interpret the other person’s intention and the situation, and from this derive a meaning for the event. Vickers would term this appreciation.

Every observed act of a person is interpreted by those observing, and becomes communicable only when meaning is attributed to it by the other(s), i.e. when it is perceived and appreciated. Vickers could find no accepted term to describe the attaching of meaning to perceived data to create communication (Vickers, 1983). He thus referred to this mental activity and social process as ‘appreciation’, the code it uses as its Appreciative System and the state of the code as the ‘appreciative setting’. This is how governing relations (or norms) are decided, executed, and changed.

Vickers had clarified the nature of the problem (Vickers, 1983): in his view, culture and communication cannot be separated. For us to communicate and cooperate, we must have some communal assumptions about the world we live in, and some common standards by which to judge our own and each other’s actions. These common epistemological assumptions must correspond sufficiently with reality to make common action effective. The common ethical assumptions must meet the minimal mutual needs that the members of a particular society require of each other. ‘Culture’ is the common basis of appreciation and action in which communication develops (i.e. a firm or a market is a sub-system of wider society).

We all have concerns, in response to each other, so we construct an inner representation of the situation that is relevant to that concern. The Appreciative System (Vickers 1983, especially p. 55) is a process — a pattern of concerns and their simulated relevant situations, constantly revised and confirmed by the need to correspond with reality sufficiently to guide action, to be sufficiently shared among people to mediate communication, and to be sufficiently acceptable for a ‘good’ life.

The Appreciative System is thus a mental construct, largely inter-subjective (i.e. based on an agreed subjective judgement), constantly challenged or confirmed by experience. Only if the appreciative mind classifies the situation as changeable or in need of preservation does the person devise possible responses and evaluates them with criteria determined by their other concerns. Thus ‘problems’ are discerned, and ‘solutions’ sought. Action may or may not follow.
Vickers emphasised interdependence, realising that this highlights the rights and responsibilities inherent in membership of a healthy community. This can be seen as the emerging socio-economic context for ‘the new management’ and ‘relational turn’ and as a defining force for the role of the manager as a steward of creative and productive capability. Of course, interdependence means that there is no ultimate freedom or autonomy, but rather ‘man-in-society’. Interdependence both liberates and constrains. Yet, freedom itself is not simply absence of restraints (Mulgan, 1997).

Vickers saw any system in terms of processes and reciprocal interactions. This led him to examine the effect of rapid technological advance on social systems (Vickers, 1968) and what he saw as a threat to stable relationships between human society and its ecological milieu (Vickers, 1970). An ecosystem is a community of organisms interacting with one another and with the environment that supports them. ‘Green’ governance is not an idea of the 1990s, and Vickers has much to say about sustainable development in the 1970s (Vickers, 1995). The Appreciative Systems concept is of importance to managers who must understand their own value systems and those of the people whom they look to for productive contribution. Leadership must respect and welcome diversity, yet bring to the fore those values that will build the team spirit for effective and satisfying co-operative performance. Leaders and followers, managers and managed, seller and buyer — all are interdependent — in reciprocal relationships. It is this mutuality that regulates relationships, and can build mutual knowledge and understanding, and create initiative and enterprise.

Whereas Simon’s managerial model (Simon, 1960) has managers seeking goals, Vickers saw managers as setting standards or norms rather than goals. The focus on goals is replaced by a focus on managing relationships according to standards generated by the participants’ previous history. Those who participate in the discussion and debate that leads to action are said to be making appreciative judgements. Social action, then according to Vickers’ interpretive approach, is based on personal and collective sensemaking, and like Karl Weick, he takes organisation to be a process (Weick, 1990).

Vickers’ work has not been as influential as that of Simon’s, however Peter Checkland, Margaret Blunden, Guy Adams, John Forester, Bayard Catron, and others, are helping to change that by exploring puzzle-solving management in a more humanistic frame outside the conventional positivistic hypothesis-testing norm. Essentially, the view is taken that organisation is a network of conversations or communicative interactions in which commitments are generated (see Checkland and Holwell, 1998; Ciborra, 1987). Compare this with the notion of promise-making conversations and promise-keeping performances (Grönroos, 2000).

The relational turn in marketing

When the level of uncertainty is judged to be high, we apply greater emphasis to interaction, socialisation, and altruism. As in many other fields of knowledge, marketing has shifted from a total focus on distributing ‘product’ to, at least in part, recognition of the value of co-creating interaction (Vargo and Lusch, 2004). This is particularly manifest in Relationship Marketing, a development that emerged in the
early 1980s in the service sector. It has to be recognised, however, that most of the discussion of Relationship Marketing is not really about relationships and the marketer’s ‘relationship’ concept is not relational! A trading relationship is mostly treated as a structural binding of a buyer to a seller through efforts by the seller to increase the cost of switching to an alternative supplier.

Also, the dominant form of marketing communication is unidirectional, impersonal at a distance message making rather than relational communication, which requires interaction. It is commonplace for marketing advocates to accept the decoupling of interaction and communication, and this is carried over into relationship marketing practices that are then not authentically relational (Varey, 2002). Authentic dialogue, as an interactive process of learning together (Ballantyne, 2004) on the other hand, fits well with the re-ascendant notion of relationships in marketing.

What should prove of interest to marketing specialists is Vickers’ attention to relationship maintenance or elusion as the alternative explanation to goal-seeking as the primary motivator of social action (Vickers, 1983). Almost all marketing textbooks are managerial in character, even if they don’t carry the term in the title. That is, marketing is understood as the application of marketing technology and knowledge skills, assuming “economic behaviourism” (Bartels, 1965). This leads students of marketing to believe that marketing is a management tool, and no more, even though a range of alternative marketing ‘schools of thought’ can be distinguished on ‘economic — non-economic’ and ‘interaction — non-interaction’ dimensions (Sheth, Gardner, and Garrett, 1988).

It would not be unfair to say that almost all marketing texts promote instrumentally rational managerial decision-making practices of control of technical functions in pursuit of goal accomplishment for self-interest. Non-human aspects of distribution (objects, prices, costs, location, brands, etc) and impersonal aspects (institutions, markets, etc) are emphasised, and buyers are to be understood as information processors, choice makers, and as units of sales revenue — ‘economic man’ rationally maximising his/her welfare. Products are distributed, functions performed, institutions managed, and markets served. Yet, a moment of reflection reveals that people use marketing techniques within an interpersonal relations process. What people do is also affected by many non-economic factors.

Marketing action is not merely an act, it is an interaction. The marketing process is not only some co-ordinated acts for the achievement of self-determined corporate goals, it is, rather, co-operative interactions motivated by the interrelated expectations of all participants in the marketing process.

The valuation of value

The discussion and debate over a service-dominant logic for marketing has resurfaced considerations of value in the marketing process (Vargo and Lusch, 2004; Vargo and Morgan, 2005). In S-D logic, the marketing system is understood as a creator of resources which are valued by customers, and the role of the firm is to make value propositions and deliver on them in the ‘estimation’ of customers. There is no inherent assumption that value must only be economic, because value is determined by
the customer in interaction, or, when goods are involved, as value-in-use after sale.

In discussions of market value, customer value, shareholder value, and so on, it is understood that values somehow guide the judgement of value (valuation), and resource exchange is motivated by calculations of anticipated surplus acquired value (benefits) over sacrificed value (costs). However, Smith (2004) points out that in a materialist culture, “value is not spoken of as a subset of . . . values” but that paradoxically, “the pursuit of value without reference to values” is highly problematic for society (2004, p. 2). There is a divergence between values and value, and a societal need to reconnect them. Smith explains that values are not beliefs in themselves. They are the product of our beliefs, actions, attitudes, and speech concerning how we see life among other people in our habitat. Values arise from a “rich fabric” (2004, p. 61) of relationships, shared fates, roles, status, ideas, resources, and purposes.

“Value” is a descriptor for the consequences of interaction between buyers and sellers. We understand this term as meaning a ‘preferential judgment’ (Holbrook, 1994), whilst ‘values’ are the criteria, or guiding principles, by which the judgment is made. We find this distinction helpful.

Vickers assists with the highlighted problem of “perceived value” and valuation by shifting our language from “perspectives” and “perceptions” to “values” and “judgements”. In valuing some thing for its acquisition and/or use, we compare what is noticed to standards and desired conditions — in evaluation — in light of scarce resources and possibly conflicting alternative courses of action. Thus, our valuations are social, even relational. They are a form of negotiated/ethical interaction. Of course, every “choice” of goods and services, whether economically motivated or not, excludes (deselects, devalues) whatever must be given up in order to have it. Valuations follow from the way in which ‘things’ provide meanings and are understood in our social situation.

Implications for sellers and implications for buyers

The two examples mentioned earlier are each of policy-making (the setting of rules for what to do) in the market, each demonstrating the mental activity and social process of judgement by which decisions, or conscious choices, are made and assessed. Rather than decision-making, the term deliberation process seems more appropriate. Rather than goal-directed tasks, marketing can be understood as dynamic accommodation between different interests. The setting and resetting of standards and courses of action is a form of regulation or policy making in which appreciation determines how situations are seen and valued.

The buyer as appreciator has to decide whether to buy or not, and what to buy, or indeed in some cases whether to make or buy. They have to judge the acceptable price to pay for an offered benefit, and consider the exchange value in acquiring ownership, as well as the value-in-use of the offering. In shopping, the buyer is concerned with the management of resource expenditure, acquisition, and consumption, in the role of controller of a life comprised of a bundle of roles, some interlocking and some partly inconsistent, and requiring a series of acts of conscious choice. In every act of choice, the situation is interpreted, options evaluated, and a course of action chosen.
The seller as appreciator faces decisions around whether to sell or not, and what to sell, on what terms. They may also have to decide whether to use or sell a resource. Market research is a process of noticing a situation, understanding what it means in terms of standards of desirable outcome, and choosing a course of action.

The appreciative setting of mainstream marketing is the goods-dominant logic of economic value-added, involving efficient resource allocation, competition, persuasion through message-making, and so on. The appreciative setting of the Service-Dominant logic, on the other hand, is service through serving, co-creation of value, reciprocal value propositions, interaction, relationship, and so on.

Whereas economic and scientific treatments of decision-making account for only the instrumental judgement (how to act), appreciation does not take the epistemological and ethical as given. It is meaning, not information, that is the basis for constituting human activity, and goal setting is the regulator, producing responsible action. We see a number of significant issues that emerge from thinking of marketing with the S-D logic clarified with the concept of Appreciative System:

- Decisions are invoked in any situations that call for action.
- The decisions we make are on how to act to maintain, or modify, or to elude some forms of relevant relationships.
- Limitations restrict the courses open to us.
- Judgement operates in the domains of factual reality, aesthetic preferences, and ethical obligations, and is more and other than rational calculation.
- We can reflect on the nature of values in a world of facts, and how this looks different from the nature of facts in a world of values.
- Evaluations that do not reference values are potentially dangerous.
- Norms are standards derived from values.
- What others expect of one is recognised as a fact by a judgement of reality, whereas what one expects of oneself and others is a value judgement.
- Marketing can be explained as both responsible and response-able. The S-D logic repositions the firm from make and sell, to sense and respond.
- Marketing can have a role in sustainable development, as developmental marketing. Materialism and over-consumption on the “Spaceship Earth” may need a major re-valuation of marketing.
- What are the set of rules neglect of which would suggest irresponsibility? One major challenge is to properly account for costs — there is usually a beneficiary and a ’loser’ (who bears the cost), yet the former are often treated as variables to be manipulated, and the latter treated as externalities to be ignored. We have a choice — invest in the future or borrow from the future.
CONCLUSIONS

• Our initiative or inertia will partly determine the degree and kind of choice that will be open to the next generation.

• A culture is a common appreciative system — a network of communication. Do citizens, when acting in respective roles of seller and buyer, share an appreciative system?

• In contrast to pre-industrial times, so much of our communication today is with people we don’t know on subjects that are not familiar to either — we don’t have shared places, life paths, and fates, yet we may have shared purposes. Our knowledge of each other derives from roles, rather than from open, persistent relationships, and this produces assumptions about values.

• An open system is a network of regulatory relationships, not a “thing”. Vickers reminds us that “systems are tools of understanding devised by human minds for understanding situations” (Vickers, 1983, p. 17).

Conclusions

To survive and prosper a co-operative community needs a common Appreciative System, or a set of compatible Appreciative Systems, that can turn data about phenomena, events, relationships, and expectations into decisions on how to act. The concept of ‘perception’ is incomplete, omitting from sight the crucial interpretations and evaluations that we make in our decisions and choices.

Is the marketing discipline a complacent knowledge community? Do the explanations properly account for the appreciation that we perform in perceiving some of the total of reality, making some judgements about that, contributing back into the stream of ideas about our reality, which then leads to actions which become part of the stream of events? “Perception” of market situations seems to miss much of what we do by obscuring the essential interpretation and the transformation of perceptions into actions.

The link missing from the orthodox marketing model of selling-buying is judgment. We propose a re-formulation of the Appreciative System for the S-D logic of marketing. Market choices prompt judgments of reality, value, and action. This differs from strategic choice, in that the primary aim is not the control of one’s own destiny through long-term goal-setting to gain competitive advantage.

Transactional goods-dominant marketing logic always emphasises customer choice and the profitability of satisfying needs and wants. Vickers points out that choice is the exercise of preference. He also considered internalised standards to be commitments. These standards may be concerned with obligations, whilst choices are made between a commitment and enjoyment.

In a world of business, marketing is often taken to be a managerial or economic technology. We can, with Bartels, explain marketing as a process of social interaction, a network of role relationships, and as a type of management responsibility (Bartels, 1965). More broadly conceived, in a world of economic, social, and ecological values,
marketing can be explained as an Appreciative System, one that produces value for participants in relation to other social institutions, firms, and actors.

Vickers would have seen that marketing need not be mechanistic. We can for example, understand marketing more positively as a service-dominant logic, as a particular kind of behaviour in relationships. Less positively, if we could have a conversation with him, we would ask Sir Geoffrey to reflect on the growing buyer-seller interaction management industry perversely called Customer Relationship Management (CRM), where the only relationships managed are the correlations between data points.

The modern marketplace, where buyer and seller interact to exchange, is a complicated complex (i.e. difficult as well as messy), an adaptive living system (Miller, 1978) in which agents follow local rules as they change in response to their limited knowledge of circumstances as they understand them. Marketers make decisions in relation to others and to objects, situations and circumstances. Goods and services are means to courses of action with valuable outcomes. But there are no stable, fixed rules that allow predictability in behaviour and thought. As much as any other part of life’s experience, the marketing field needs the art of judgment. Thus, we propose that the lexicon for the S-D logic of marketing be elaborated with the inclusion of explicit and internally consistent concepts of value, values, valuation, and appreciation.

References


REFERENCES


Session IV

Consumer Vulnerability: Tuesday
2.00pm-3.30pm
(Parallel Stream)
Paper 14

M-technology, Consumption and Gambling: A conceptualisation of consumer vulnerability in an m-gambling marketspace

Josephine Previte
Queensland University of Technology

Judy Drennan
Queensland University of Technology

Gillian Sullivan Mort
Queensland University of Technology

Technology imbued m-marketing systems influence the consumptive lives of citizens, by facilitating anytime, anywhere business-to-consumer interactions. Business pundits’ enthusiasm towards mobile services (m-services) has been driven by the promise of a marketspace context involving seamless, business-to-consumer interactions that can be simultaneously impulse-driven, highly entertaining and omnipresent. Arguably, gambling too is impulse-driven, exciting and easily accessible. An important question that needs to be addressed is: how the convergence of mobile technology and gambling will impact the millennial consumer. The authors address this question by examining the contextually bounded interactions between internal and external factors that make mobile phone users potentially vulnerable during m-gambling interactions. By examining key themes that describe the convergence of m-technology and gambling, we clarify the experiential nature of m-gambling and its relationship to consumer vulnerability.

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Consumer Culture Theory (Arnould and Thompson, 2005) is used to contextualise the conceptual model presented which incorporates consumption experiences and aspects of extended self-concept (Belk, 1988) involving gambling and m-technology consumption.

**Introduction**

Devices based on mobile technology are now commonplace in everyday life, and mobile services (m-services) are becoming increasingly important for consumers and firms. Watson, Pitt, Berthon, and Zinkhan (2002, p. 333) describe this current business environment as “Über-commerce” (u-commerce) in that it transforms our view of business by changing the interaction with customers as a result of ubiquitous, universal, and union access to information and services, and the possibility for unique and personalised exchanges of information and m-services. Network-driven firms have created a new context for business to consumer interactions involving a seamless, mobile marketspace — based on marketing transactions with customers anytime, anywhere. A new m-service that illustrates u-commerce is gambling via mobile devices — m-gambling, which has received both enthusiastic and critical responses from marketplace and policy commentators. M-gambling, for example, can involve text-based gambling services whereby it is possible to gamble on sporting and racing events by sending SMS messages on mobile phones. The opportunity for gambling enterprises is that betting can be offered 24 hours a day, seven days a week in a global marketplace. Critics however believe that accessibility to gambling anytime, anywhere will led to a greater risk of problem gambling (e.g. Australian Productivity Commission, 1999; Griffiths and Wood, 2000; Netemeyer, Burton, Cole, Williamson, Zucker, Bertman, and Diefenbach, 1998). Such arguments implicitly suggest that some individuals cannot navigate the marketplace — the m-gambling context creates vulnerabilities for individuals in the gambling marketspace.

Ringold (2005, p. 202) points out that marketplace navigation is purposeful, goal-directed behaviour which requires consumers to understand what they want to achieve and have the wherewithal to do so. Underlying an understanding of marketplace navigation of m-gambling services then is an assessment of the state of consumer competence. Ringold (2005) emphasises that adolescent and adult consumers are typically competent, because they are informed and able to use commercially provided information and products effectively, especially mature products (such as gambling). We argue however that m-gambling is not a mature product, and therefore consumers have minimal experience and marketplace knowledge about m-gambling consumption. In her commentary on vulnerability in the marketplace, Ringold (2005) argues that the consumer’s ‘experience counts’. Therefore, an important question that requires answering is: How will the convergence of mobile technology and gambling impact the millennial consumer, whose lived experiences are imbued with new technology-based services?

The objective of this article is to discuss and clarify certain implications of mobile technologies in the gambling marketspace. The objective is not to provide a detailed understanding of m-gambling experiences, nor to produce a long-range forecast of
consumer adoption rates of m-gambling, or marketplace revenue garnered from gambling; this would be overly ambitious given the dynamic nature of technological evolution and rapidly changing adoption of technology infused consumer devices. Instead, we address three general questions in this article. First, how does the m-gambling marketspace change the basic nature of space and time in the context of consumer behaviour, specifically experiential consumption of m-gambling services? Second, how should consumer vulnerability be conceptualised based the consumption behaviour of m-gambling? Without a clear conceptualisation, it will be difficult to introduce effective social marketing prevention strategies and policy responses to marketplace activity. Finally, how can m-gambling services be classified? Should we only be thinking of m-gambling as harmful to consumers and society when developing prevention strategies and gambling policy? Arguably current gambling policy unduly focuses on problem gambling; however the principle of consumer sovereignty and choice should be equally as important when devising gambling policy (Australian Productivity Commission, 1999). This statement is not meant to imply that there is no role for government in trying to alleviate the harms from problem m-gambling; rather, we argue that sound policy and prevention strategies need to take a holistic approach that attempts to balance net community costs and net community benefits. The next section will address m-technology consumption, and describes consumers' integration of mobile devices and m-services into their everyday life experiences.

Consuming M-technology

More than 1.5 billion consumers, or approximately 25 percent of the world’s population, owned a mobile phone in June 2004, generating in excess of $1.5 trillion in service revenues (The Insight Research Corporation). Alongside consumer adoption of m-services, distinct behaviours unique to the mobile platform have emerged including: convergent communication — one, hand-held device can communicate data, voice, and video exchanges; multitasking between the environmental “real” present and the mobile “conversational” present (Sugai, 2005); temporal and spatial liquidity — some m-service activities gain flexibility (Balasubramanian, Peterson, and Jarvenpaa, 2002) and empowerment of the everyday, mobile user over the ebb and flow of daily life activity (Geser, 2004). These behaviours demonstrate that m-technology — like the mobile phone is more than a technological artefact and has become a domesticated technology regularly used by the millennial consumer. Domestication of technology implies that the technology has been harnessed by the needs of the people who sustain it — who keep the device “safe” from damage by placing it in a personalised case and keep it electrically and financially “charged” for communication and interaction at all times (Green, 2002). Relatable to these constructions are overtones of predictable, reliable services that connect people through the mobile phone, to networks of people and m-services. At the center of the following discussion is a belief that “technology”, and thus mobile telephony, includes not only the built devices themselves, but also the practices and knowledge related to them, along with the social relationships that form around those devices, practices and knowledges (MacKenzie and Wajcman, 1999). Integral to the present research is
understanding that mobile devices have evolved to be personal technologies — even intimate technologies, that enable users to access ubiquitous, m-services which offer entertainment and content anytime, anywhere. We argue that mobile phone users attach personal and social meaning to their mobile device (Geser, 2004; Lacohee, Wakeford, and Pearson, 2003) and that in the context of the current research that the relationship between the consumer and the technological device potentially leads to vulnerability in a gambling marketspace. Belk’s (1988) consumer research explains this understanding of consuming products by suggesting that one’s possessions are actually an extension of one’s self; that is, mobile phones are tools that allow users to do things they would otherwise be incapable of doing. Additionally we believe that mobile phones also symbolically extend self (Belk, 1988, p. 145). For example, mobile users purchase the latest technology to convince themselves that they are a different person than they would be without that latest upgrade. The mobile device — a possession — contributes to the users capability of “doing” (ubiquitously connected to networks) and “being” (“cool” and “cutting-edge” via consumption of the latest technology). These technological constructions are relevant to the current research in that it reveals experiential element in the consumption of gambling entertainment. Furthermore, the explicit addition of self as an essential actor in understanding vulnerability in the m-gambling marketspace provides advancement in the broader study of consumption behaviours involving “sin products”, which have rightly or wrongly come under increasing attack as being harmful. The following section therefore turns to gambling consumption experiences and addresses them in the context of Belk’s (1988) extended self-concept.

Gambling: Reinforces and Enhances Self-concept

The widely accepted industry terminology for gambling is “gaming”. This nomenclature positions gambling more as pleasurable and entertaining activity that distances the industry from a biased construction of gambling as problematic and harmful to society. Messerlian, Deverensky, and Gupta (2005) for example argue that gambling is no longer considered a vice accompanied by negative connotations and stigmatisation, but that public perception constructs gambling as a legitimate form of entertainment. For some people, certain gambling products (e.g. bingo and lottery) are considered “cheap” entertainment. For other gamblers, products also offer hedonic consumption experiences by engaging the consumer’s senses (e.g. psychologically — dreams; physically — excitement and arousal), fantasies (e.g. escapism), and emotions (e.g. ecstasy) (Holbrook and Hirschman, 1982). Loroz (2004) brings to light that these consumption encounters impact a gamblers self-concept in significant ways. For example, she proffers three self-concept constructions related to participation in gambling activities. These include the:

- construction of high-risk persona. Participation in high-risk leisure activities may lead to identity change through the creation of a high-risk persona. Whilst Loroz’s (2004) study focuses on senior gamblers and argues that seniors do not perceive gambling as a high-risk activity, other consumers, such as young
people and low-income gamblers, might consume gambling products as a high-risk activity to manufacture a high-risk persona (Griffiths and Wood, 2000).

- contemplation of a rational or emotional self-classification. People can use gambling to classify oneself as a certain type of person — a variety seeker, a rebel, or a casino pro. These identities have multi-level influence on gambling behaviour at both intrapersonal level (individual self-definition and cognitive self-classification) and an interpersonal level (social networks, family and peers perceptions of the gambler's persona).

- opportunity for self-renewal. Arnould and Price (1993) discuss consumption of extraordinary experiences as a means of self-renewal, whereby a unique opportunity enables a person to try something new and the experience leads to personal growth and new knowledge. Loroz (2004) points out that for the majority, gambling is not an extraordinary activity; however, dreaming of the “jackpot” offers gamblers a chance to remove themselves from their everyday environment (Casey, 2003).

These three self-concept constructions highlight the value that individuals can gain from the gambling identity and experience. The next section examines gambling benefits and consequences more specifically.

**Benefits, Costs and Consequences of Gambling**

Gambling research in the past has been criticised for it limited assessment of value, which results from a natural tendency to focus on the financial and social costs of gambling (Collins and Lapsley, 2003). In response to this criticism, we take a holistic view of gambling activity, with the aim to better understand the basis of a benefit exchange process that may inform the development and implementation of social marketing strategies. The key benefit identified from liberalisation of the gambling industry is the customer satisfaction experienced from accessing what for many consumers is a desirable form of entertainment (Australian Productivity Commission, 1999). In addition to individual customer benefits, the gambling industry contributes to wider society through employment and charitable activities.

**Costs and Consequences of Gambling**

In spite of research that emphasises the positive and psychological benefits of gambling (e.g. Australian Productivity Commission, 1999, 2002; Collins and Lapsley, 2003), the vast majority of existing analyses of gambling behaviour, especially in the macromarketing and marketing and policy fields, focuses on psychological and economic interpretations that position gambling as a “deviant” and “dangerous” activity that is harmful to society. Historically, gambling has also been perceived as a class issue, specifically in respect to affordability. This is because a high income gambler who loses $10,000 a year out of an income of $200,000 will probably not suffer significant adverse consequences. By comparison, the same expenditure out of an
income of $20,000 is likely to entail highly problematic outcomes. When gambling is contrasted with other “sin product”, such as alcohol and tobacco, high income can be seen as an antidote to the ill-effects of high consumption (Australian Productivity Commission, 1999).

Pathological and problem gambling has a range of social, public policy and marketing issues associated (Netemeyer et al., 1998, p. 156). Arguably, these existing consumer vulnerabilities will be further compounded with the introduction of m-gambling services. Several vulnerability issues, directly related to problem gambling, that continue to be addressed by policy makers and marketers include:

- financial costs to society versus economic benefits, and the question of whether increased availability of gambling contributes to the level of problem and pathological gambling. In Australia, the costs associated with problem gambling are conservatively estimated at $1.8 billion (with a higher estimate of $5.6 billion) each year (Australian Productivity Commission, 1999, 6.5). These costs are associated with financial costs — family debts and bankruptcy; effects on productivity and employment; crime — theft, litigation and imprisonment, treatment costs (Collins and Lapsley, 2003; Netemeyer et al., 1998). There are also associated social costs, which include personal and family impacts such as divorce and separation, depression and suicide.

- gambling behaviour of lower socio-economic segments and related advertising issues. Netemeyer et al. (1998, p. 157) highlight research that states that lower socio-economic segments spend proportionally more of their income on gambling than do the middle and upper classes, because they are less educated and tend to overestimate the chances of winning. Action strategies have been implemented to try and restrict gambling advertising to prevent undesirable consumer behaviour in this segment (Youn, Faber, and Shah, 2000).

- increased teen gambling. Research has revealed that in addition to increasing rates of youth gambling, young people are also at higher risk for gambling related problems. Past research has indicated that adolescents tend to misuse gambling more than their adult counterparts (Messerlian et al., 2005; Shaffer and Bethune, 2000).

With the introduction and wide diffusion of interactive technology, the challenge facing regulators and marketers has been to understand and assess the impact of new technologies on the gambling marketspace. The following section briefly overviews issues that have emerged sense the introduction of online gambling, and then turns to a discussion of m-gambling services.

**Costs and Benefits of Interactive Gambling**

The “millennial consumer”, who seeks experience, entertainment, exhibitionism and evangelising (Holbrook 2000), can combine m-technology and their pursuit of “fun, fantasy and feeling” to access new entertainment-based m-services. Table 14.1 outlines some of the potential consumer benefits in an m-gambling marketspace.
Table 1: Hypothetical M-gambling Consumption Experiences

<table>
<thead>
<tr>
<th>Experience</th>
<th>Entertainment</th>
<th>Exhibitionism</th>
<th>Evangelizing</th>
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<tbody>
<tr>
<td><strong>Intrapersonal Characteristics</strong> (Individual experiences)</td>
<td><strong>Interpersonal Characteristics</strong> (Experiences formed through social network exchanges)</td>
<td></td>
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</tbody>
</table>

**Escapism** making the best out of a subordinate economic situation (i.e. poverty); escaping from the routine of everyday life.

**Emotions** – fun, fantasy and feelings.

**Excitement** – based on risk-taking and frequent opportunities to participate in gambling “anywhere, anytime”.

**Ecstasy** – in “dreaming about the jackpot” and indulging in dreams of instant wealth.

**Express** – mobile devices describe personality (part of the extended self).

**Expose** – via consumption of m-services – consumers manipulate their own social image as “cutting-edge” technology user and risk-taker.

**Educate** – marketplace offers encourage consumers to “opt-in” friends through peer-to-peer networking offers

**Endorse** – “cheap” form of entertainment for some consumers.

Table 14.1: Hypothetical M-gambling Consumption Experiences
In a gambling context, consumers are active participants in the experience. This means the experience is not created for a passive consumer — which is the case during consumption of other types of experiential products like movies or the performing arts. Arguable, the introduction of technology in the gambling experience could enhance consumer satisfaction, because of a sense of control over gambling activity and ease of access to an entertainment experience. The context of this extended purview of experience-oriented m-service is where we aim to explore consumer vulnerability during gambling exchanges. This research is important because regulators and some commentators are concerned that greater access to interactive gambling products will increase problem gambling and harm to society.

Griffiths and Wood (2000, pp. 216-217) have found that internet users, who may or may not be problem gamblers, are more likely to engage in internet gambling. In the context of gambling as a problem however, they argue that interactivity potentially transforms gambling from a social activity to being asocial. They point out that problematic gambling often involves forms of asocial activity (e.g. slot machines) and interactive technology essentially turns gambling from a social pastime enriched by social interactions with friends, family and other gamblers, to an asocial activity where interactions occurs between the gambler and the technological device. Countering this perspective however, is the argument that interactive gambling provides an alternative reality to the user and allows them feelings of immersion and anonymity which may be a psychologically reward (as outlined in Table 14.1). This immersion via technology, also know as a flow experience (Hoffman and Novak, 1996), may actually lead to an elated state of consciousness, which in itself may be highly psychologically, and/or physiologically rewarding (e.g. Bromberg, 1996; Griffiths, 1995, 1998).

Recent Australian research (Department of Communication, Information Technology and the Arts, (DCITA), 2004) has revealed that when assessing interactive gambling, specifically internet gambling, gender and income continue to impact participation rates. For example, results of the Roy Morgan Internet Monitor indicate that those aged 18 to 24 tend to be 69% over-represented as internet gamblers — relative to the adult, internet user population. Additionally, people with high discretionary income were also found to be 125% over-represented as internet gamblers. Of more concern however is the problem of adolescent gambling that is becoming established, “especially because the technologies involved in gambling, videogame playing and internet use are slowly merging and adolescents already living and interacting in a multi-media world are discovering that leisure opportunities are becoming more easily accessible and widespread” (Griffiths and Wood, 2000, p. 217). This concern is transferable to an m-technology environment; with arguable heightened concerns because of the potential increase in event frequency. M-consumers will be able to “opt-in” to subscription m-gambling services, with anytime anywhere access, and enhanced personalised service options.

The introduction of technology in the gambling experience enhances consumers’ active participation in gambling consumption. Currently, the latest technologically advanced slot machines are fast, involve rapid event frequency, are aurally and visually stimulating and rewarding and use technology and structural characteristics to encourage active and repetitive play which may become habitual for some (Griffiths
and Wood, 2000). Similar use of advanced technology is capable of enhancing other gambling products, as with bingo and keno, in producing new gambling products like interactive television gambling (Griffiths, 1999). The next stage of technology convergence involves delivering many of the advanced technology features of new gambling products and services with the internet and accessibility through mobile devices and handsets.

Fundamental to these technological constructions is individual self-efficacy; that is m-consumers’ beliefs and sense of efficacy in mastery of mobile technology, which is demonstrated via their technical capabilities in producing commercial and social exchanges using mobile devices. We hypothesise that m-gambling services will aim to leverage consumers’ technological self-efficacy to motivate exchanges which may range from transient, compulsive, or loyal exchanges depending on consumer involvement in the gambling services offered. The assumption underlying this hypothesised relationship between gambling services and self-efficacy is the concept of cognitive and affective priming. Priming draws upon an m-consumer’s past experience and preferences for technology to act as a contextual cue in m-gambling. We therefore believe that cognitive and affective priming contributes to experiences of consumer vulnerability. The following section now turns to a detailed discussion of consumer vulnerability in an m-gambling marketspace.

**Consumer Vulnerability to M-gambling**

Traditionally consumers have been considered vulnerable on demographic grounds, because of age, race, income, education and/or gender. In addition, Brenkert (1998) identified four categories of vulnerable consumers: the physically vulnerable, the cognitively vulnerable, the motivationally vulnerable and the socially vulnerable. Other research (Morgan, Schuler, and Stoltman, 1995) has suggested consumers’ level of sophistication in the marketplace must be taken into account, while Hill (2005) has recently identified the need to address vulnerability as a function of both individual characteristics and structural or systematic attributes of the marketplace.

This article focuses specifically on vulnerable m-consumers. As such, these consumers are likely to differ from the traditionally defined “vulnerable consumer”, who has previously been described as those who have difficulty understanding information and making well reasoned decisions because of cognitive or social deficit associated with age, mental capacity, income or social circumstances. Recently Baker, Gentry, and Rittenburg (2005, p. 134) provided a more useful marketing definition that is consumer-driven, stating that consumer vulnerability is:

a state of powerlessness that arises from an imbalance in marketplace interactions or from the consumption of marketing messages and products…. The actual vulnerability arises from the interaction of individual states, individual characteristics, and external conditions within a context where consumption goals may be hindered and the experience affects personal and social perceptions of self.
To conceptualise the m-gambling experience, a model (Figure 14.1) that summarises the contextually bounded experience of consumer vulnerability is presented. This model draws upon an understanding of m-gambling as an experiential product involving experiences, entertainment, exhibitionism, evangelizing which affects personal and social perceptions of individual self-concept during m-gambling interactions. We do not believe that m-consumers are at all times vulnerable during m-gambling transactions, rather we agree with Baker et al. (2005)’s argument that consumer vulnerability is dynamic in nature and contextually bounded.

Baker et al. (2005) point out that no one chooses to experience vulnerability. In fact research (e.g. Bagozzi and Dholakia, 2002; Stewart and Pavlou, 2002) has documented that technology users typically feel empowered and in control when they use technology in marketing exchanges and relationships. This occurs because technology allows the user to choose what information they absorb and when, with reduced barriers and costs (Watson et al., 2002). However, an m-consumer may experience vulnerability owing to a lack of control during the gambling exchange process related to personal characteristics (e.g. high-risk persona) and cognitive priming from past technology-based gaming experiences. Past technology-imbed exchanges may encourage m-consumers to play for longer periods of time because they are focused on accumulating as many points as possible. However, in other m-gambling situations, m-consumers may experience frustration because they are unable to accomplish set goals in the gambling consumption situation (i.e. winning) — this potentially leads some gamblers to a temporal vulnerability, which is then compounded by a sense of feeling out of control (e.g. negative mood state), or disoriented (i.e. event frequency
can be very rapid, particularly if the m-gambler is subscribed to several betting services). This behaviour is compounded when a consumer lacks a goal in the short run (e.g. gambling limit) and is also removed from a transaction of cash reality because the monetary exchange is intangible.

Situations will arise where m-consumers find themselves faced with marketspace conditions in which they are uninterested in protecting themselves from the occurrence of intentional inequities in marketplace relationships. For example, interactive gambling poses significant new risks for problem gamblers in that it represents a quantum leap in accessibility to gambling (Australian Productivity Commission, 1999). Twenty-four hour accessibility will be construed positively by problem gamblers, who will be able to have anywhere, anytime participation in gambling entertainment. Additionally, the quantum leap in accessibility to gambling through m-services will likely involve new groups of people participating in gambling. Promotional offers for example, using product bundling and m-gambling activities as an incentive, will encourage new consumers to trial m-gambling services. These offers, which are potentially unsolicited, could be delivered to a mobile user during a personal state (e.g. in transitional state), when their individual agency and control is reduced.

Clearly, different interactions between individual m-consumers and the marketspace will influence a consumer’s state of vulnerability. Future assessment of vulnerability in the m-gambling marketspace then should be reliant upon a “transitional perspective” of life course, rather than on a trajectory perspective which is a “steady-state” of existence (e.g. youth, gender, etc.). Baker et al. (2005, p. 136) describe a transitional perspective as having “knowledge that both exit and entry processes must be handled by the individual”. When considering an m-service regulatory environment for example, decision-makers could be overly focused on entry processes; resulting in legislation the overly regulates the marketspace, quashing innovation in m-services, as well as underestimating the benefits that accrue to individuals that choose to participate in gambling entertainment. We believe that the current state of the m-gambling debate is locked into a trajectory perspective of consumer vulnerability. The risk in sustaining this perspective is that decision-makers will develop and implement policy and prevention strategies that are patronising and overly paternalistic. Furthermore, social marketing strategy will be ineffective because prevention strategies do not create an appropriate marketing exchange when engaging m-consumers in responsible gambling behaviours. The following section now turns to a discussion on framing policy and prevention strategies for m-gambling.

Discussion

Increasingly, western governments have supported greater access and distribution of legalised gambling activities as a means of raising money without incurring the wrath of most taxpayers. Competing with global expansion of the gambling industry has been increasing concern for the potential problems and abuses surrounding gambling. Specifically, some commentators are alarmed by the potential of interactive gambling, and the resulting impact that the gambling industry will have on local and
national economies (Youn et al., 2000). The seriousness of this issue and how severe it could become are concerns for legislatures, policymakers and social marketers. Implementation of policy and prevention strategies however, need to treat m-gamblers as they wish to be treated when dealing with legal products and services, and not as well-meaning others think they should be treated (Baker et al., 2005).

How vulnerable are m-gamblers?

Consumer researchers in the past have studied the influence of negative consumer behaviour and highlighted theories that construct consumers as “smart” or “dumb”. Calfee and Ringold (1992, p. 557) explain that the “dumb consumer” model of behaviour positions the consumer as a passive receiver of marketing messages, who on receipt of persistent and well crafted messages, will submit to an unconscious impulse to purchase. Combined with this disempowered state, is the assumption that “all sellers can routinely deceive consumers”. The “smart consumer” model on the other hand, describes consumers who instinctively mistrust marketing in the absence of sufficient information. Calfee and Ringold (1992, p. 558) posit that “smart consumers” are at one and the same time sceptical of marketing in general, yet willing to use marketing and advertising when they provide useful information. We believe that perceived vulnerability of m-consumers to interactive gambling has biased policy and prevention decision-makers toward a “dumb consumer” model when implementing gambling policy and prevention. Arguably, the momentum driving a decidedly regulated approach to interactive gambling is the concern that young consumers are high technology users, who aggressive seek out interactive, gaming experiences using technology-infused service. This prevention approach however is counterintuitive to a profile of technology users described as being better educated and having easy access to information, which can be use to make informed decisions.

Future Research

Eadington (2004, p. 217) points out that studying and evaluating current interactive gambling is challenging because it is largely an invisible industry. This is also true for m-gambling where the industry conflation between gaming and telephony creates a situation of questionable legal status in some countries (e.g. Australia) and the absence of regulatory bodies in some markets to which commercial gaming operators must report. Critics, at this stage of industry development, it is important that evidenced based research is used to inform policy and prevention decision-making. Furthermore, prevention strategies should rely on a balanced view of net community costs and net community benefits. Future consumer research however is needed to understand and assess the net benefits for the consumer (e.g. greater entertainment choices for consumers, lower prices for gambling products, greater convenience) and society (e.g. export opportunities and local employment), as well as the net costs (e.g. problem gambling, supplier integrity, access by minors, tax revenue losses). Additionally, cross-cultural studies should also be undertaken to understand the environmental impacts of culture, government regulation and technological develop-
ment in the consumption of m-gambling and consumer vulnerability. Finally, future research is needed to explain when m-consumers are and are not vulnerable and when the gambling context studied presents individuals with vulnerabilities.

References


Based on a household probabilistic sample of 450 low income individuals living in poor districts of the city of São Paulo, the relationships between materialism, socio-economic variables, buying habits and consumption habits were tested. The proposed logistic regression model confirms materialism as a useful behavioral variable for forecasting the probability of an individual entering into installment plan agreements in order to consume, in some cases almost doubling the chance of the occurrence of this event; the predictor variables age, gender and income complete the model. Impacts of these results for marketers and public policy makers are discussed, followed by possibilities of new studies involving materialism, a central construct to the literature on consumer behavior albeit little used in empirical studies in Brazil.

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2 This article is one of a series of field research analyses carried out within the “Integrated Research Program: Microcredit for Low Income Families in the city of São Paulo”, supported by financing from GVpesquisa (Getulio Vargas Research) of FGV-EAESP (Getulio Vargas Foundation São Paulo School of Business). The authors would like to thank GVpesquisa for funding this research. The authors would also like to thank the Department of Marketing at the University of Otago and Professor Sarah Todd for academic support during the development of this work.
Introduction

The population of the city of São Paulo was 10,435,546 in 2000, which corresponded to 3,131,389 families (Brazilian Institute of Geography and Statistics, 2000). Of this number around 30% were living on low incomes, understood as being a family monthly income not greater than 4 minimum salaries (the equivalent of R$ 604.00 — approximately US$ 330.00 — at the time).

When we look at data on consumption from IBGE's (2004) Survey on Family Budgets, carried out in 2002 and 2003 (and summarized in Table 15.1), we can see that percentage expenditure on non-essential goods and services, such as entertainment and sport, manicure and pedicure, and ceremonies and parties is greater among families that have a larger monthly income.

If we accept that the desire to consume non-essential goods and services does not depend on income (Belk, 1999; Belk, Ger, and Askegaard, 2003), from the data given in Table 15.1 we can infer the existence of a large number of people who, although they want to consume these goods and services, do not do so because of income limitations.

On this issue we reproduce below an excerpt from an article recently published in a newspaper that is widely-read in the capital city of São Paulo State:

\[\ldots\] We give a moral connotation to the act of consumption. And condemnation falls precisely on those who, not having the income, have to submit to punitive interest rates as the only way of having access to consumer goods.

A few years ago, my daughter’s nanny wanted to take my daughter to her home on the outskirts. They went by bus. We went in the afternoon to fetch her. We went into a house they had built themselves on top of another construction. There was a living room, a bedroom and a bathroom. The living room was impeccable, with its new, shiny and cheap furniture, a simple TV and a refrigerator. Everything had been acquired from one of these popular stores that sell on seemingly never-ending installment plans.

The young girl had managed to buy them because, since she was in full-time employment and could prove her income, for the first time in her life she had access to credit. What we saw there was not the sinful figure of the spendthrift, but the genuine happiness of someone who, having access to consumer goods, was experiencing the taste of citizenship. Even though she was paying an exorbitant rate of interest\ldots

In this country\ldots, we worship the market economy, but every form of consumption is condemned; usury is justified, but the victim is condemned. Moralism for moralism’s sake; even the centuries-old ethics of the church have been turned on their head. Usury has become a virtue; the inability to defend oneself from usury has become a vice. (Nassif 2005, B4, translated by the authors).
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<th>Total</th>
<th>Up to 2 MS</th>
<th>More than 2 to 3 MS</th>
<th>More than 3 to 5 MS</th>
<th>More than 5 to 6 MS</th>
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<th>More than 8 to 10 MS</th>
<th>More than 10 to 15 MS</th>
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<td>37.90</td>
<td>37.66</td>
<td>33.75</td>
<td>35.58</td>
<td>31.53</td>
</tr>
<tr>
<td>Clothing</td>
<td>4.94</td>
<td>5.13</td>
<td>5.42</td>
<td>5.66</td>
<td>5.98</td>
<td>5.49</td>
<td>5.76</td>
<td>5.12</td>
<td>5.51</td>
<td>4.28</td>
<td>3.94</td>
</tr>
<tr>
<td>Transport</td>
<td>19.26</td>
<td>9.16</td>
<td>5.98</td>
<td>11.82</td>
<td>12.97</td>
<td>14.83</td>
<td>15.98</td>
<td>19.82</td>
<td>22.65</td>
<td>22.44</td>
<td>24.02</td>
</tr>
<tr>
<td>Hygiene / Personal Care</td>
<td>1.91</td>
<td>2.09</td>
<td>1.85</td>
<td>2.21</td>
<td>2.30</td>
<td>2.22</td>
<td>2.88</td>
<td>1.73</td>
<td>1.91</td>
<td>1.44</td>
<td>1.69</td>
</tr>
<tr>
<td>Health</td>
<td>6.75</td>
<td>4.87</td>
<td>4.34</td>
<td>5.72</td>
<td>5.21</td>
<td>5.87</td>
<td>6.50</td>
<td>5.75</td>
<td>6.18</td>
<td>7.10</td>
<td>8.90</td>
</tr>
<tr>
<td>Education</td>
<td>4.87</td>
<td>0.20</td>
<td>0.91</td>
<td>1.14</td>
<td>1.37</td>
<td>1.99</td>
<td>3.68</td>
<td>4.54</td>
<td>4.99</td>
<td>7.35</td>
<td>7.75</td>
</tr>
<tr>
<td>Entertainment &amp; sports</td>
<td>1.45</td>
<td>0.18</td>
<td>0.49</td>
<td>0.67</td>
<td>0.61</td>
<td>0.78</td>
<td>1.23</td>
<td>1.44</td>
<td>1.92</td>
<td>1.94</td>
<td>1.84</td>
</tr>
<tr>
<td>Manicure &amp; pedicure</td>
<td>0.21</td>
<td>0.08</td>
<td>0.07</td>
<td>0.14</td>
<td>0.06</td>
<td>0.15</td>
<td>0.22</td>
<td>0.16</td>
<td>0.26</td>
<td>0.25</td>
<td>0.26</td>
</tr>
<tr>
<td>Ceremonies &amp; parties</td>
<td>0.58</td>
<td>0.17</td>
<td>0.13</td>
<td>0.30</td>
<td>0.64</td>
<td>0.59</td>
<td>0.75</td>
<td>0.31</td>
<td>0.57</td>
<td>0.95</td>
<td>0.62</td>
</tr>
<tr>
<td>Other consumption categories</td>
<td>5.47</td>
<td>4.67</td>
<td>4.45</td>
<td>5.45</td>
<td>5.76</td>
<td>5.46</td>
<td>4.87</td>
<td>4.70</td>
<td>6.09</td>
<td>4.58</td>
<td>6.55</td>
</tr>
</tbody>
</table>

Table 15.1: Distribution of Monthly Average Consumption Expenditure for Families in São Paulo State (%)

Data selected and treated
The amount considered for the minimum salary (MS) was R$ 200.00 (the equivalent at the time of US$ 57.00), effective on 15 February, 2003, the reference date of the research mentioned.
In just a few lines the text paints a picture of the daily situation of low income families in the city of São Paulo: consumer desire, the difficulty of having access to credit and moralism, with regard to the question of indebtedness.

In recent years, the Brazilian government has managed to control inflation, but at the expenses of high interest rates. One of its consequences is the high rates of interest charged to finance consumption, which restricts consumption particularly for low income individuals (Brusky and Fortuna, 2002). By means of comparison, at the time this study was conducted, the average interest rate on bank overdraft products was 148.3% per year; the average interest rate on personal credit was 69.4% per year; and the average interest rate to finance consumption goods excluding new automobiles was 56.1% per year, for a total inflation rate of only 5.7% during 2005 (Brazilian Central Bank, 2006; Brazilian Institute of Geography and Statistics, 2006).

Given that low income consumers place their financial health at stake when entering into high interest rate debts in order to consume, and that their acquisition of certain goods such as furniture and electronics may not be possible via lump sum payments, this research context is characterized by a frailty relationship between low income individuals and consumption sources. This “state of powerlessness that arises from an imbalance in marketplace interactions . . . ” is an example of what Baker, Gentry, and Rittenburg (2005, p. 134) call consumer vulnerability.

In seeking to better understand the demand for consumer credit and assuming that socio-demographic and psychological variables may contribute in a significant way to understanding the level of debt for consumer financing (Moura, 2005), we investigate in this article how materialism, defined as the importance attributed to the possession and acquisition of material goods to reach life objectives or well-being (Richins and Dawson, 1992, p. 304), influences the use of credit installment plans within the context of low income consumers in São Paulo.

Objective

The objective of this study is to measure the impact of materialism on consumer decision to enter into installment plan agreements with payment booklets, within the context of low income consumers in the city of São Paulo.

Financial institutions are interested in knowing the demand for credit products so that they can better structure their marketing strategy for the services they offer (Brusky and Fortuna, 2002; Rocha and Mello, 2002; Parente, 2003; Moura, 2005). The interest in studying those with low income is underpinned, on the supply side, by huge market potential, and on the demand side by the possibility of greater social inclusion (Parente, 2003; Moura, 2005).

The installment plan payment booklet — a form of payment in which the consumer agrees with the seller the specific conditions of the transaction, such as rate of interest, number of payments and period of financing; and this is all combined in a set of pages called a payment booklet — was chosen as the subject of this study because (i) it is one of the most popular consumer financing alternatives used by Brazilians who have a low income; (ii) it is characteristic of consumer indebtedness; (iii) it is difficult to gather consolidated statistics of its use because of the fragmented
character of the retail sector (Brazilian Central Bank, 2005).

While carried out within different socio-economic contexts, previous studies have pointed out that materialism may be high, even in the case of individuals who have restricted economic power (Richins and Dawson, 1992; Micken, 1995; Watson, 2003). For these people, loans are an alternative to the problem of budget restrictions and may allow them to fully satisfy their consumer desires (Richins, 1994).

The co-variables, age, gender, level of education, and income, commonly present in articles on materialism (Belk, 1985; Richins and Dawson, 1992; Micken, 1995; Watson, 1998, 2003), will also be controlled.

Relevance

Recent research observations have been diverging from Maslow’s motivational model (Maslow, 1954), according to which the search to supply physiological and security needs necessarily precede the search to supply needs of esteem, social recognition and self-actualization. Developed from observation of the still fledgling North American consumer society, the model has proved to be inefficient when it comes to accommodating certain consumer practices, such as the purchase of the latest generation of cell phone, or expensive brands of trainers, in substitution of food or family hygiene (Ger, 1992; Belk, 1999); these studies provide evidence that the search for dignity by means of consumption of luxury goods is a strong motivating factor for human beings. For Belk et al. (2003), desire for consumption and search for happiness through consumption are intimately present in the minds of consumers, including those who have a low income.

Historical analyses have presented diverging theories about the origin of the contemporary patterns of search for happiness through consumption (Belk, 1985). However, there is a consensus of opinion that consumption to achieve happiness has reached a high level and a central importance in industrial and post-industrial life (Belk, 1985; Richins and Dawson, 1992; Webster and Beatty, 1997). This leaning towards consumption, called materialism, is of great interest to academics, social analysts and the shapers of public policies. Since 1992, more that 100 empirical studies have examined this construct and countless articles about materialism in North American society have been aired by the media (Richins, 2004). In Brazil, however, we have not identified any record of previous empirical studies about materialism, as defined by Belk (1985) or Richins and Dawson (1992).

To the extent that consumption almost always involves monetary spending, entering into credit agreements may happen in order to make it feasible. For Lea, Webley, and Levine (1993), the two most interesting topics on the theme of indebtedness are: which factors induce some people to enter into and use credit more intensely than others; and which factors cause difficulties when it comes to paying off the credit, thereby transforming it into a debt that is difficult to liquidate and, in extreme cases, causing a credit crisis. In this study we are interested in the first of these topics. Examining the role of materialism in the use of installment plans will help clarify the indebtedness process of the low income consumer from the city of São Paulo.
Literature Review

The main concepts used in this work are presented below.

Materialism

There are various references to the meaning of materialism in literature (Moschis and Churchill, 1978; Belk, 1984; Rassuli and Hollander, 1986; Richins and Dawson, 1992). The two definitions most widely adopted within the context of consumer behavior, as well as the two scales most widely used to measure materialism, were suggested by Belk (1984, 1985) and by Richins and Dawson (1992).

For Belk (1984, p. 291), materialism is “the importance a consumer attaches to worldly possessions. At the highest levels of materialism, such possessions assume a central place in a person's life and are believed to provide the greatest sources of satisfaction and dissatisfaction in life”.

For Richins and Dawson (1992, p. 304), materialism is the importance attributed to the possession and acquisition of material goods when it comes to achieving life's objectives or desired states. According to Richins (2004) material goods are used by people to characterize and communicate their values.

The materialism scale of Richins and Dawson (1992) has its roots in an understanding, both theoretical as well as popular, of the term (Fournier and Richins, 1991); and it is organized around concepts of possession and acquisition. It includes three dimensions (Richins and Dawson, 1992):

- **Centrality** — a construct that indicates the position that possessions and acquisitions have in the life of people; possessions and acquisitions are central elements in the life of materialists;

- **Happiness** — a construct that indicates the degree of hope an individual has that possessions and acquisitions will bring him or her happiness and well-being;

- **Success** — a construct that indicates the tendency of a person to judge others and himself as a function of the quantity and quality of his possessions.

Unlike the understanding of Belk (1985), for whom materialism is a personality trait, Richins and Dawson (1992) understand materialism as a cultural value.

In a recent study, Richins (2004) reviewed works that used the Richins and Dawson (1992) materialism scale and, starting with 15 sets of data, examined its reliability in terms of content, dimensionality, internal consistency, construct validity and response bias. The results were considered satisfactory and clearly superior to those obtained from the Belk scale. Richins (2004) proposed a reduction of the original scale, made up of 18 items, to 15 (five items per dimension). She also suggested scales of 9 and 6 items to measure materialism as a whole. The scale of 9 items was recommended for studies that need to work only with the global indicator of materialism, and for this reason we chose it for this research.
Materialism and the Use of Installment Plans

Materialistic individuals have been characterized as excessive consumers, driven by the pleasure associated with the next acquisition (Belk, 1985; Fournier and Richins, 1991; Richins and Dawson, 1992). For these people, getting into credit agreements for consumption purposes may bring about, or even make feasible, excessive consumption. According to Watson (1998), behavioral and socio-economic variables are commonly tested in models on indebtedness, but few studies try and understand the relationship between materialism and indebtedness.

Reference groups also have an influence on the consumption decision of individuals. The consumption theory of Duesenberry (1949) placed social comparisons at the center of consumption decisions. Individuals would consume what they imagined to be normal or valued by their reference groups. As a consequence, if an individual had sufficient money to acquire all that he/she imagined necessary then they would probably save any excess capital; if not they would be more liable to get into debt (Warneryd, 1989). Richins and Dawson (1992) suggested that people with high levels of materialism take as their reference point people with a higher socio-economic level than their own. Therefore, to accompany these consumption demands materialistic people would be more liable to get into debt.

From this discussion and in line with Richins (1994), for whom the materialist’s heightened appetite for consumption results in a favorable vision of indebtedness, we can infer that:

Hypotheses: In the low income bracket, the greater the level of materialism of an individual, the greater the probability of using installment plan agreements with payment booklets.

Methodology

Below we present the operational aspects of the main variables focused on in this study. Definitions and the operational aspects of other concepts used in the research — emphasized to facilitate their identification — can be seen in Appendix B of this work.

Operational Aspects of the Study Variables

The level of materialism of those taking part in the study was measured using Richins’ (2004) version of the materialism scale that has 9 items.

The items were measured on the Likert-type scale of 5 points, varying from 1 = “I totally disagree” to 5 = “I fully agree”. The sum of points obtained indicated the individual’s level of materialism. This procedure is precisely the one suggested by Richins (2004).

To adapt the original scale (in English) to the context of this research 2 researchers translated the items into Portuguese independently. The two resulting scales were then compared and merged into a single scale after discussion on the divergent terms.
A pre-test, with a convenience sample of 55 low income individuals from the city of São Paulo, allowed the final version of the scale (shown in Table 15.2) to be definitively adjusted.

Information relating to consumption debt was collected in a broader context, in which we asked those taking part in the research to list all their debts (payment booklet from a store or installment plan; finance house or bank loan; credit or store cards; use of overdraft facility and others). For each installment plan payment booklet identified we asked the number of installments outstanding, the amount of each one, which goods had been acquired and, most importantly, if the decision of taking the credit was made by the respondent himself/herself. This approach allowed us to obtain a picture of the volume of debt held by the respondents at the time of the interview.

The variables, age, gender, level of education and income were collected, in accordance with the definitions in Appendix B.

Data Collection, Sample Size and Composition

The data used in this work were collected in household research, carried out in the city of São Paulo in August, 2005. Based on the sample plan of a recent research developed by the SEADE Foundation Research into Life Conditions — PCV (SEADE Foundation, 2005), we chose at random low income families resident in the São Paulo districts of: Itaim Paulista, Vila Curuçá, Cidade Tiradentes, Sapopemba, Capão Redondo, Jardim São Luís, Brasiliândia, Cachoeirinha and Jaçanã. The criteria used in choosing them and the consequent definition of the universe of this research were: (i) households mapped and interviewed in the PCV, (ii) monthly family income below four minimum salaries, (iii) households connected to the main electricity network by means of individual meters, and (iv) dwellings occupied by only one family.

The total number of households in the nine districts mentioned is 550,598 and the total of inhabitants is 1,915,468 (nearly 18% of the population of São Paulo); based on data from the PCV (SEADE Foundation, 2005), which allowed the size of the target population of this study to be measured, it can be seen that this research will supply information on approximately 160,000 families and 500,000 inhabitants from the districts studied.

The size of the sample considered the data needs of several researchers. For reasons of cost and precision (Kish, 1965), we defined 450 households. The data collection itself was supervised by the group of researchers and carried out by a research institute.

The data collection instrument was a questionnaire filled in by the field interviewers, who had to visit the households chosen and ask to speak to the head of the household; in the absence of the head of the household, they could interview the spouse of the head. If it was impossible to find either of them, they could return to the household up to twice more, and if they were still unsuccessful, they should visit a substitute household. The average time for completing the questionnaire was 23 minutes. Of the 450 questionnaires completed and returned 14 were rejected for various reasons that were neutral to the objectives of the study.
The following section gives the statistics of the data collected, as well as analyses relevant to the work.

**Analyses**

Following completion of data collection, the first analytical step was to test the reliability of the materialism scale. Table 15.2 summarizes its statistics.

Because the materialism scale is of the reflexive type, in other words, one in which the indicators observed are manifestations of the construct (Jarvis, Mackenzie, and Podsakoff, 2003), it is to be hoped that its items are correlated between themselves; to test the reliability of the scale we calculated Cronbach’s alpha and arrived at a coefficient of 0.7330, which is satisfactory, mainly because it is a scale adapted to a context that is different from the one for which it was developed (Nunnally, 1978; Churchill, 1979). Examination of the variation caused by the exclusion of each item from the scale revealed that the scale that was complete was the one that provided the largest Cronbach alpha.

Of the 436 respondents, 256 (58.7%) had no installment plan payment booklet whatsoever at the time of the interview; 133 (30.5%) had 1 installment payment booklet; 39 (8.9%) had 2 installment payment booklets; 5 (1.2%) had 3 installment payment booklets and only 3 respondents (0.7%) had 4 installment payment booklets. The average number of installments yet to be paid was 6.7 per installment payment booklet, while the average amount of each installment was R$ 72.51 (approximately US$ 30.73 at the time). These numbers consider the elimination of information relating to 2 installment payment booklets, whose only purpose was to settle other debts. Table 15.3 classifies the goods acquired using installment payment booklets into consumption categories.

The data in Table 15.3 are in line with the conclusions of Brusky and Fortuna (2002), for whom furniture, electrical household goods, clothes and footwear are the goods most consumed by the population with a low income by means of installment plans. The authors also state that the installment plans offered by large stores are the form of credit most used by the population with a low income in the cities of São Paulo and Recife (Brusky and Fortuna, 2002, p. 21).

With the aim of explaining how materialism and the other variables considered in this study (age, gender, level of education and income) help to explain buying behavior by means of installment plans, Table 15.4 shows the results of the dependency tests of each variable, measured with the characteristic of having or not having an installment plan payment booklet.

At the significance levels highlighted in Table 15.4, the hypotheses are accepted that there exists a dependency relationship between the variables, age, gender, and materialism and the act of having, or not, an installment plan payment booklet.

With the idea of making generalizations and forecasting behavior in the population, the data summarized in Table 15.4 (disaggregated) were adjusted to a binary logistic regression model, whose qualitative response variable has two possibilities of occurrence: the respondent has or does not have an installment plan payment booklet. These cases were codified with 1 and 0, respectively. Table 15.5 summarizes the
Table 15.2: Selected Statistics for the Materialism Scale

<table>
<thead>
<tr>
<th>Item</th>
<th>Description</th>
<th>Count</th>
<th>Min.</th>
<th>Max.</th>
<th>Mean</th>
<th>Std. Dev.</th>
<th>Alpha</th>
<th>if Item Deleted</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Eu admiro pessoas que possuem casas, carros e roupas caras. (S)</td>
<td>636</td>
<td>1</td>
<td>5</td>
<td>2.59</td>
<td>1.53</td>
<td>0.7259</td>
<td>S</td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Eu gosto de gastar dinheiro com coisas caras. (C)</td>
<td>636</td>
<td>1</td>
<td>5</td>
<td>1.71</td>
<td>1.23</td>
<td>0.7101</td>
<td>S</td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Minha vida seria melhor se eu tivesse muitas coisas que não tenho. (H)</td>
<td>636</td>
<td>1</td>
<td>5</td>
<td>3.76</td>
<td>1.47</td>
<td>0.7127</td>
<td>S</td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Comprar coisas me dá muito prazer. (C)</td>
<td>636</td>
<td>1</td>
<td>5</td>
<td>3.26</td>
<td>1.55</td>
<td>0.7095</td>
<td>S</td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Eu ficaria muito mais feliz se pudesse comprar mais coisas. (H)</td>
<td>636</td>
<td>1</td>
<td>5</td>
<td>4.11</td>
<td>1.26</td>
<td>0.7128</td>
<td>S</td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Eu gosto de possuir coisas que impressionam as pessoas. (S)</td>
<td>636</td>
<td>1</td>
<td>5</td>
<td>1.67</td>
<td>1.28</td>
<td>0.7107</td>
<td>S</td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Eu gosto de possuir coisas que me impressionam. (C)</td>
<td>636</td>
<td>1</td>
<td>5</td>
<td>1.79</td>
<td>1.24</td>
<td>0.6949</td>
<td>S</td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Me incomoda quando não posso comprar tudo que quero. (H)</td>
<td>636</td>
<td>1</td>
<td>5</td>
<td>3.18</td>
<td>1.54</td>
<td>0.7052</td>
<td>S</td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Gastar muito dinheiro está entre as coisas mais importantes da vida. (S)</td>
<td>636</td>
<td>1</td>
<td>5</td>
<td>1.75</td>
<td>1.30</td>
<td>0.7017</td>
<td>S</td>
<td></td>
</tr>
</tbody>
</table>

Dimensions: (C) — Centrality; (H) — Happiness; (S) — Success.

(c) Cronbach’s alpha for the scale as a whole was 0.730.
(d) The original items from the Richins (2004) scale can be found in Appendix A.
(e) Table 15.2: Selected Statistics for the Materialism Scale.
### Categories of Goods Acquired by means of Installment Plans

<table>
<thead>
<tr>
<th>Category</th>
<th>Occurrence (*)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electrical household goods, electrical and electronic goods</td>
<td>107</td>
<td>42.3</td>
</tr>
<tr>
<td>Furniture in general (bed, sideboard, mattress, others)</td>
<td>73</td>
<td>28.9</td>
</tr>
<tr>
<td>Domestic appliances (decorations, kitchen, others)</td>
<td>14</td>
<td>5.5</td>
</tr>
<tr>
<td>Clothing in general (clothes, accessories)</td>
<td>14</td>
<td>5.5</td>
</tr>
<tr>
<td>Cell phones</td>
<td>12</td>
<td>4.7</td>
</tr>
<tr>
<td>Footwear in general</td>
<td>5</td>
<td>2.0</td>
</tr>
<tr>
<td>Others</td>
<td>13</td>
<td>5.1</td>
</tr>
<tr>
<td>Refused to answer</td>
<td>15</td>
<td>5.9</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>253</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

Table 15.3: Categories of Goods Acquired using Installment Payment Booklets ((*) Some payment booklets were classified in more than 1 category)

Figure 15.1: Probability of Using Installment Payment Booklets versus the Logistic Regression Model Predictors

The main information of the final model.

The regression equation found was the following:

\[
\text{logit}(p_i) = -0.6024 - 0.0151 \cdot \text{age}_i - 0.9566 \cdot \text{gender}_i + 0.0011 \cdot \text{income}_i + 0.0330 \cdot \text{materialism}_i
\]

Or, expressed in another way,

\[
p_i = \frac{1}{1 + e^{-(-0.6024 - 0.0151 \cdot \text{age}_i - 0.9566 \cdot \text{gender}_i + 0.0011 \cdot \text{income}_i + 0.0330 \cdot \text{materialism}_i)}}
\]

where: \( p_i = \) probability of individual \( i \) entering into installment plan agreements using installment payment booklets \( \text{age}_i, \text{gender}_i, \text{income}_i \text{andmaterialism}_i = \) value of these variables measured for individual \( i \).

The G statistic that tests if all the coefficients of the regression model are equal to zero was 23.98, significant at the 0.001 level. So there is sufficient evidence that at least one of the regression model coefficients is different from zero. Observing the p-values of the coefficients of the variables, age, gender, income and materialism, we can see that there is sufficient evidence that each of them, individually, is different from zero at the 5% level.

The goodness-of-fit tests of Pearson and Hosmer-Lemeshow had p-values of 0.432 and 0.975, respectively, indicating that there is no evidence to state that the model does not adjust to the data in an appropriate way. In other words, the tests do not reject the null hypothesis that the model provides a suitable adjustment.

Figure 15.1, Graphs 1a, 1b, 1c and 1d illustrate the sensibility of the probability of using installment payment booklets to changes in age, gender, income and materialism.
Table 15.4: Descriptive Statistics of the Sample and Dependency Tests with Possession of an Installment Plan Payment Booklet

<table>
<thead>
<tr>
<th>Variable</th>
<th>Total in sample (%)</th>
<th>Has (%)</th>
<th>Does not have (%)</th>
<th>χ²</th>
<th>Sig.</th>
<th>D. F.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materialism</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25% least materialistic (9 to 19)</td>
<td>99 (23.7)</td>
<td>40 (40.4)</td>
<td>59 (59.6)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25% most materialistic (28 to 45)</td>
<td>99 (23.7)</td>
<td>49 (49.5)</td>
<td>50 (50.5)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>328 (75.2)</td>
<td>147 (44.8)</td>
<td>181 (55.2)</td>
<td>6.82</td>
<td>0.009*</td>
<td>1</td>
</tr>
<tr>
<td>Female</td>
<td>328 (75.2)</td>
<td>147 (44.8)</td>
<td>181 (55.2)</td>
<td>6.82</td>
<td>0.009*</td>
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<td>Income</td>
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<tr>
<td>No income</td>
<td>143 (32.9)</td>
<td>54 (37.8)</td>
<td>89 (62.2)</td>
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<tr>
<td>From R$ 0.01 to R$ 150.00</td>
<td>89 (20.5)</td>
<td>37 (41.6)</td>
<td>52 (58.4)</td>
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<tr>
<td>From R$ 150.01 to R$ 300.00</td>
<td>53 (12.2)</td>
<td>22 (41.5)</td>
<td>31 (58.5)</td>
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<tr>
<td>From R$ 300.01 to R$ 450.00</td>
<td>47 (10.8)</td>
<td>22 (46.8)</td>
<td>25 (53.2)</td>
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<td>Age</td>
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<td>18-25</td>
<td>203 (48.5)</td>
<td>77 (37.9)</td>
<td>126 (62.1)</td>
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<tr>
<td>26-35</td>
<td>215 (51.5)</td>
<td>88 (40.9)</td>
<td>127 (59.1)</td>
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<tr>
<td>36-45</td>
<td>48 (11.2)</td>
<td>22 (45.8)</td>
<td>26 (54.2)</td>
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<tr>
<td>46-54</td>
<td>28 (6.7)</td>
<td>12 (42.9)</td>
<td>16 (57.1)</td>
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<td>Education</td>
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<tr>
<td>Never attended</td>
<td>37 (8.5)</td>
<td>8 (21.6)</td>
<td>29 (78.4)</td>
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<td>Basic education — normal</td>
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<td>114 (59.4)</td>
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<td>39 (44.3)</td>
<td>49 (55.7)</td>
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<td>High school — normal</td>
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<td>27 (46.6)</td>
<td>31 (53.4)</td>
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<tr>
<td>Male</td>
<td>328 (75.2)</td>
<td>147 (44.8)</td>
<td>181 (55.2)</td>
<td>6.82</td>
<td>0.009*</td>
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<tr>
<td>Female</td>
<td>328 (75.2)</td>
<td>147 (44.8)</td>
<td>181 (55.2)</td>
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<td>12 (42.9)</td>
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<td>Materialism</td>
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<tr>
<td>25% least materialistic (9 to 19)</td>
<td>99 (23.7)</td>
<td>40 (40.4)</td>
<td>59 (59.6)</td>
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<tr>
<td>25% most materialistic (28 to 45)</td>
<td>99 (23.7)</td>
<td>49 (49.5)</td>
<td>50 (50.5)</td>
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</table>

χ² — value of the chi-square statistic; Sig. — significance; D. F. — degrees of freedom. (*) Significant at the 0.01 level; (**) Significant at the 0.05 level; (ns) not significant. (a) In the income variable we found and discarded 2 missing values. (b) The materialism variable was divided into quartiles, and only the two extremes were considered for the above mentioned test; this procedure is identical to the one used by Watson (2003).
Table 15.5: Binary Logistic Regression: Possession of Installment Plan vs. Age, Gender, Income and Materialism ((*) 2 missing values. (a) Age, income and materialism came into the model as co-variables. (b) Gender came into the model as a factor (2 levels, 0 — female; 1 — male.).)

It can be observed from the Figure 15.1 Graphs 1a and 1b, respectively representative of females and males, that when income is fixed, the probability of using installment payment booklets increases as materialism increases and age decreases. For the same levels of materialism and age, these probabilities are smaller for men than for women.

Figure 15.1 Graphs 1c and 1d, respectively representative of females and males, show that when materialism and income grow (with fixed age), the probability of using installment payment booklets also increases. For the same levels of materialism and income, these probabilities are higher for women than for men.

Results

In the logistic regression model proposed, materialism was a predictor variable of the probability of entering into installment plan agreements using installment payment booklets, significant at the 0.023 level, confirming the hypothesis that in the low income population the greater the level of materialism of an individual the greater the probability that he or she will use installment plan payment booklets for consumption purposes. The estimated coefficient of 0.0330 represents the variation in the logarithm of the odds of possessing an installment payment booklet, caused by a variation of 1 point in the materialism score of the individual (all other predictors of the model remaining constant). As an example, according to the model the probability of a woman aged 40, with a monthly income of R$ 150.00, possessing an installment plan payment booklet increases by 89.3% when her materialism points go from 9 to 45.

According to the model, the older the individual, the smaller the probability that he/she will have installment plans. Considering that materialistic individuals have a greater probability of having installment plans this result is coherent with those discovered by Micken (1995) and Watson (2003), who detected a significant and negative linear correlation between materialism and age. In this study, however, we
detected no significant dependency associations between materialism and the socio-demographic variables we tested.

The model also states that income affects positively the probability of an individual possessing an installment payment booklet. According to Moura (2005), among individuals that live with low incomes, those who have higher income have more access to credit and thus have more opportunities to enter into installment plan agreements than those with lower income.

As did Richins and Dawson (1992), Micken (1995) and Watson (2003), we found no relationship between materialism and income.

**Discussion, Limitations, and Possibilities for New Studies**

This study that was carried out on 450 households, characterized as being home to families on low incomes, and located in 9 districts in São Paulo, allowed us to test the influence of socio-demographic and psychological variables on purchasing and consumption habits, in particular on the possession, or not, of installment plan agreement payment booklets. The findings confirm the thesis that it is not only adverse economic factors that lead people to get into debt (Katona, 1975; Belk, 1999; Brusky and Fortuna, 2002) and that the study relating to the demand for credit for consumption purposes must, of necessity, consider variables of these nature (Belk et al., 2003).

The findings also suggest that there are many individuals desiring to consume, but do not do so because of low incomes combined with high interest rates and lack of access to credit; this marginalization from the consumer society shapes a scenario that urges for attention from marketers, public policy makers and vulnerable consumer researchers.

As the experience of consumer vulnerability depends not only on external conditions such as consumption financing alternatives, but also on individual characteristics and states (Baker et al., 2005), it is difficult to access the impact of consumption restrictions derived from low income, scarce financing alternatives, and high interest rates on the population focused in this study. Nevertheless, previous research have empirically associated high levels of materialism with low levels of happiness and life satisfaction (Belk, 1985; Richins and Dawson, 1992; Kasser and Ahuvia, 2002); it should be expected that the materialistic low income consumer would experience feelings of powerlessness and of exclusion from the consumer society due to gaps between his or her Ôwanting' and Ôhaving'.

Given this scenario, market or policy responses with the potential to increase the individual's control over consumption financing alternatives, thus reducing threaten of vulnerability, should be encouraged. For example, some sort of tax compensation would allow retailers to offer low income consumers cheaper financing alternatives. Not only would the low income consumers benefit from such policies, reducing their lack of control over consumption contexts, but also the marketplace as a whole would benefit with a considerable amount of marginalized consumers able to join the con-
sumer society. Such practice, although allowing for greater equity distribution among society and even favoring economic growth, could face resistance from those individuals with higher incomes, as similarly reported by Hill (2005) when arguing about unconditional basic income for each citizen.

Market segmentation exercises and studies for collecting information regarding the size of markets may benefit from the findings of this work, since some of the variables studied (age, gender, and income, for example) are relatively easy to get hold of.

Richins (2004) materialism scale, translated into Portuguese, and used in this study, proved to be very successful and calls for other work to be done in this area. Another important point to highlight is that age, gender, and income, alongside materialism, are significant variables in estimating the probability that a low income consumer will enter into installment plan agreements.

Among the limitations of this work, we would highlight: (i) because the household research was carried out predominantly during working hours, 75.2% of this sample comprised female respondents, who do not work (55.7%); the proportion of women in the sample is considerably higher than what was verified in the target population being studied, which was 51.6% (SEADE Foundation, 005); (ii) information about debt with installment plan agreement payment booklets, because it was self-declared, may have been underestimated (Moura, 2005); and (iii) the difficulty of communicating with the target public, as a result of the research using terms that may not form part of their day-to-day vocabulary, is a potential source of response bias.

In future research we suggest the following lines of action: (i) a test, using the materialism scale presented in this study, of how materialism manifests itself in other segments of the Brazilian society (for example, among university students, workers in the financial markets, blue collar workers and the like) and in other Brazilian geographical locations, in order to allow for a comparison of how materialism manifests itself in different contexts; (ii) a check on how excessive materialism influences default levels in the financial services area; (iii) studies that measure the actual consumer vulnerability (see Baker et al. 2005 for a review on this concept's definition) among the target population of this study; and (iv) the preparation of longitudinal and/or comparative studies on the topics mentioned, between cities and countries.

References


REFERENCES


Appendix A: Items in Richins (2004) Materialism Scale

1. I admire people who own expensive homes, cars, and clothes. (S)
2. I try to keep my life simple, as far as possessions are concerned. (C) (R) (*)
3. My life would be better if I owned certain things I don’t have. (H)
4. Buying things gives me a lot of pleasure. (C)
5. I’d be happier if I could afford to buy more things. (H)
6. I like to own things that impress people. (S)
7. I like a lot of luxury in my life. (C)
8. It sometimes bothers me quite a bit that I can’t afford to buy all the things I’d like. (H)
9. The things I own say a lot about how well I’m doing in life. (**) (S)

Dimensions: (C) — Centrality; (H) — Happiness; (S) — Success. (R) Reverse scaled item.

Based on the conclusions obtained from the pre-test of the scale, the following adjustments were made:

(*) Item 2 was placed in the direct order.

(**) Item 9 was exchanged for the following item from Richins (2004) complete (15-item) scale: 9. Some of the most important achievements in life include acquiring material possessions. (S)

Appendix B: Definitions and Concepts Used in the Field Research

- ** Household**: a dwelling, made up of one or more rooms, with an independent entrance and separation. Independent entrance: direct access to the dwelling, without going through rooms that are used as a residence by other people. Separation: a dwelling place bounded by inner or outer walls, or a fence, in addition to having a roof, thereby allowing those who live there to isolate themselves from other people.

- ** District**: “a territorial and administrative division, over which a certain administrative, judicial or fiscal authority exercises its jurisdiction” (SEADE Foundation, 005).

- ** Individual Meter**: an instrument for measuring the electricity used by a single household.

- ** Head of the Household**: a male or female dweller, considered by the others as the main person responsible for the household.
APPENDIX B: DEFINITIONS AND CONCEPTS USED IN THE FIELD RESEARCH

- **Family**: a group of people living in a household, linked by bonds of parentage (consanguinity, adoption or affinity), as well as a person who lives alone.

- **Income**: the sum of gross income (before taxation) coming from work, a pension, government and public social security programs (such as minimum income, school grants, unemployment benefit, etc.) and rent of any type. Measured in R$.

- **Family Income**: total family income (the sum of incomes of members of the family).

- **Age**: the number of competed years of life of the respondent.

- **Gender**: the respondent is either male or female.

- **Education**: amount of education received by the respondent, according to the categories never studied, adult literacy course, pre-primary school, basic education (adult education or regular), high school (adult education or regular), college education (or above).
Marketing’s Role in Coping with Community Vulnerability after a Tornado

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*University of Wyoming*

David M. Hunt
*University of Wyoming*

Natural disasters often leave markets incapacitated and people vulnerable because of losses of lives, security, or possessions central to their self definitions. This paper explores the role markets play in helping people cope with their consumer vulnerability. By tracing the distribution of recovery resources through the processes of production, acquisition, consumption, and disposition, we make three contributions to the literature. First, we illuminate the dynamic nature of the social, regulatory, and market processes that help people rebuild their lives and reduce their vulnerability. Second, we highlight how forced role transitions necessitate that actors move through liminal identity phases where they encounter ambiguous role expectations that can perpetuate their consumer vulnerability. Third, we show how external forces, including public policy, both facilitate and impede a community’s ability to recover from its vulnerability. We conclude the paper by offering implications for public policy makers as well as how the field of marketing is defined.

Natural disasters, such as tsunamis, hurricanes, tornados, firestorms, floods, and

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2A slightly different and longer version of this paper is available from the authors.
earthquakes, disrupt normal market functions and consumption rituals of the communities they impact. Markets that normally provide a community with valued goods and services often are left incapacitated by a natural disaster. And, at times, community members are left with few if any material possessions that have been central to their definitions of self (Belk, 1988). In response to natural disasters, markets emerge to provide impacted communities with the resources needed for recovery. Despite the apparent role markets and consumption play in the impact of and recovery from a natural disaster, the topic has rarely been discussed in the marketing and public policy literatures.

Research exploring identity reconstruction and the renegotiation of possession meaning after a firestorm (Sayre, 1994) and after an earthquake (Ikeuchi, Fujihara, and Dohi, 1999), suggests that consumers dealing with the aftermath of a natural disaster experience vulnerability. Consumer vulnerability occurs when a person is “powerless, out of control, and dependent in a consumption situation that has negative ramifications on one’s identity” (Baker, Gentry, and Rittenburg, 2005, p. 134). Victims of natural disasters have to cope with the unexpected loss of human lives, the involuntary loss of collective landmarks and personal possessions, and fears for their own and their loved ones’ safety.

On August 12, 2005, the community of Wright, Wyoming (population 1300), was hit by an F-2 tornado with winds of 113 to 130 miles per hour (Gulley, 2005). The entire community was affected by the event and nearly one quarter of its population was left homeless. Nine months after the disaster, residents of Wright continued to experience vulnerability and to face the challenge of restoring control to their community and to their individual lives.

Drawing on the context of the ongoing recovery in Wright, this paper explores the role markets play in recovering from a natural disaster and in helping individuals cope with their vulnerability. Specifically, this study examines the managerial and socio-economic activities directed at distributing the resources needed for a rural community to recover from a tornado. By tracing the distribution of resources through the processes of disposition, production, acquisition, and consumption, this study shows how basic market functions both facilitate and hinder the process of restoring community and individual control (i.e. reducing consumer vulnerability).

The paper begins with a brief review of the literature on consumer vulnerability and the behavioral and managerial processes underlying the movement of goods and services. After the context and qualitative methods of data collection are described, the paper shows how market activities mandated in response to the recovery both facilitate and impede control. The paper concludes with a summary of implications for marketing theory and public policy.

Background

Consumer Vulnerability

After an extensive review of the literature on or related to consumer vulnerability, Baker et al. (2005) conclude that consumer vulnerability is complex, domain spe-
Figure 16.1: Simplified Conceptual Model of Consumer Vulnerability
(For a detailed illustration and discussion of a conceptual model to define consumer vulnerability, see Baker et al., 2005)

cific, and not necessarily enduring. Specifically, the authors (p. 134) define consumer vulnerability as “a state of powerlessness that... occurs when control is not in an individual’s hands, creating a dependence on external factors (e.g., marketers) to create fairness in the marketplace.” This definition emphasizes the experience of vulnerability and notes that vulnerability is a state not a status. Although vulnerability is a state and not a status, it can be experienced by members of a social group over a relatively extended period of time. That is, communities of consumers may collectively experience an extended state of vulnerability, such as after a natural disaster. Just because individuals experience vulnerability for a time, it does not mean that experience has to be enduring. In fact, most people actively work to reduce vulnerability and get their lives back to normal (Baker et al., 2005).

In a state of disequilibrium, vulnerable consumers have difficulty navigating the marketplace because navigation requires these consumers to understand “what they want to achieve (i.e., their preferences) and have the wherewithal (i.e., knowledge, skills, and freedom) to do so” (Ringold, 2005, p. 202). When vulnerability is experienced, consumers attempt to adapt by using one or more of a variety of cognitive, emotional, or behavioral coping mechanisms (Baker et al., 2005; Hill, 1992; Stephens, Hill, and Gentry, 2005). If external institutions recognize a group or individual as vulnerable, the market or policy response may either facilitate or impede the restoration of control (Baker et al., 2005). In this paper, we look at the market and policy responses to consumer vulnerability arising from the natural disaster context to explore how these responses influence a community’s experienced vulnerability. This study particularly examines the market response and feedback mechanism depicted in the Baker et al. (2005) conceptual model of consumer vulnerability (Figure 16.1).
The Process of Transforming the Value of Goods and Services

In exchange economies, a social and behavioral system exists that classifies and reclassifies goods and services as their value evolves (Appadurai, 1986; Kopytoff, 1986). Systems of exchange in complex societies such as the United States are characterized by multiple spheres of value that vary in degree of commodification from the entirely fungible to the entirely singular (Kopytoff, 1986). By examining the biography of a good or a group of goods, one can witness the process of value classification and reclassification (Appadurai, 1986; Kopytoff, 1986). A good’s biography follows it through the processes of production, acquisition, consumption, and disposal, while recognizing that some goods may rise again in value after disposal (Thompson, 1979). This biographical process can be visually depicted as a continuous “circle of consumption” (Arnould and Price, 2004, p. 11) (Figure 16.2). Representing the biography of an object or set of objects and activities can make salient phenomena, such as the role markets play in rebuilding a community after a natural disaster, that otherwise could remain obscure. Previous research has suggested that individuals’ consumption activities and managerial processes work in concert to set social value (Appadurai, 1986; Kopytoff, 1986). The present empirical research enhances this understanding by showing how the processes of moving from consumption to involuntary disposition to production to acquisition participate in a community’s coping with its vulnerability after a tornado.
METHOD

Method

Interviews

Data were collected through focus groups and individual interviews with citizens of Wright. We intentionally sought to identify information-rich informants who represented different segments of the community affected by the disaster. The interviews were carried out five months after the tornado to minimize emotional trauma of the informants and to elicit reflections that were still reasonably fresh.

Three focus groups, consisting of five to eight participants, were conducted, lasting approximately 90 minutes each. Focus group one consisted of city officials and emergency personnel, such as fire fighters and law enforcement officers. Focus group two was made up of community members affected by the tornado, who had no official role in disaster response. Focus group three was comprised of business people from the community, with a purposeful attempt to include businesses pertinent to the disaster response, such as the insurance industry. Ten additional in-depth interviews were conducted as follow ups. These interviews allowed us to explore specific ideas identified in the focus groups, and to probe more deeply some topics that may have been sensitive for people to express in a focus group environment.

Informants were told that the purpose of the study was to learn how they coped, both personally and as a community, after the tornado and how they perceived the emergency response efforts. All participants provided informed consent. The focus groups and interviews were transcribed verbatim.

Analysis

The analysis was conducted in three stages. First, data from individual interviews and focus groups were analyzed independently of one another. Data were coded into one of the four coding categories outlined by the circle of consumption: production, acquisition, consumption, or disposition (Arnould and Price, 2004; Kopytoff, 1986). Attributions and emerging themes were recorded in this process. During phase one of the analysis, neither a priori nor emerging themes were compared across data sets. During phase two of the analysis, coded data were compared across the various depth interviews and focus groups. Commonalities and differences among the different data sets were interpreted and recorded. Finally, commonalities among the data sets were interpreted in light of the a priori framework of four market functions to tie the emerging themes together in a unified conceptual model. This analytical process is consistent with procedures suggested by Thompson and Haytko (1997) and used by Wallendorf and Arnould (1988) and Curasi, Price, and Arnould (2004).

This analytical approach recognizes that there is as a great deal of variation both within individuals (i.e., variation in experiences and responses to different aspects of tornado recovery) and between individuals. All residents experienced loss of personal property, housing, and even loss of life. While the type of loss varied greatly, there were numerous commonalities among informants’ experiences.
Contextual Background

Wright, Wyoming, was established only within the last 30 years, and not incorporated until 1985. Atlantic Richfield mining company developed Wright as a “company town” in hopes of attracting a non-transient population of miners. The population is primarily employed in the coal mining industry, while other area residents work in ranching and various private and public services that support the community. Recent booms in the mining economy have made the county in which Wright resides one of the wealthiest counties in the state. Despite its economic prosperity, the geographic location and its small size limit the resources available to the community. Wright has a town newspaper, post office, medical clinic, one motel, three restaurants, one grocery store, one gas station, a secondhand store, one insurance agent, and one general contractor. Towns with full services nearest to Wright include Gillette (39 mi.), Casper (87 mi.), and Douglas (77 mi.). The community has one Red Cross volunteer and a community assistance center funded by grants and the state. Four deputies and two state troopers are assigned to Wright, of which usually one of each is on active duty at any given time. With the exception of two full-time firefighters, the fire department is entirely volunteer. In total, there are typically four emergency response personnel on duty at a time.

Despite being located in a region where tornadoes occur fairly regularly, Wright lies outside the Doppler Radar System, and uses spotters to watch for funnel clouds. On August 12, 2005, the National Weather Service asked for tornado spotters an hour before the tornado touched down. Once law enforcement officers spotted the tornado, they sounded the town’s siren and, if they heard it, residents had approximately five minutes’ warning that a tornado was headed toward their community. The tornado took two lives, left more than 100 homes uninhabitable, and left 85 families, about a quarter of the town, homeless (Gulley, 2005). On August 16, 2005, Wright was declared a disaster area by the State of Wyoming (Freudenthal, 2005). By August 22, President Bush declared a major disaster for the State of Wyoming, initiating the process of releasing federal recovery assistance (Enzi, 2005). The Red Cross, Salvation Army, various church and civic organizations and many nearby towns and residents also offered aid.

Findings

The research question addressed in this study is how do market and policy responses to a natural disaster influence community vulnerability? Specifically, our approach is to explore how a community performs the market functions necessary to distribute resources needed to recover from a disaster and to restore a sense of community and individual control. An individual’s sense of control is grounded in experiences embedded in a social context that can both prevent and provide opportunities for people to exercise control (Skinner, 1995). The social context of interest to this study is the managerial and socio-economic activities that facilitate the exchange of the diverse assortment of resources employed by the community in the tornado recovery process. Resources lost in the tornado and those employed in its recovery span the spectrum
FINDINGS

of value from resources valued as pure commodity such as cash to resources valued for their singular meaning such as family pictures and heirlooms. The various types of resources that were lost in the tornado and involved in the market activities mandated by the recovery process are summarized in Table 16.1. Orienting the analysis around the distribution of resources, as opposed to orienting it around the various lives of the actors, allows all forms of value of the resources and all of the market-related roles to emerge from the data (Kopytoff, 1986). The findings are divided into two categories. First, a description of the managerial and socio-economic activities of recovery, including consumption, involuntary disposition, production, and acquisition, is provided. The diagram depicted in Figure 16.2 illustrates the conceptual model that framed our analysis. This a priori framework allowed us (a) to focus the analysis on a market perspective and (b) to look at how market activities were managed by the community and how those activities, in turn, influenced community members. Second, an interpretation is offered of three interrelated themes that emerged from the data. In sum, the findings present a holistic picture of the role of markets in a community’s recovery process.

Managerial and Socio-Economic Activities of Recovery

Consumption. The tornado that struck Wright had a significant effect on the lives of all community residents. Informants’ comments and reflections on consumption activities were primarily directed at consumption before the tornado. Many informants reflected on the routine experiences and day-to-day life activities they were pursuing just prior to the tornado. These reflections on the enactment of established roles provided a benchmark of control to frame and contrast the chaos inflicted by the tornado.

In the normal cycle of consumption, consumers dispose of possessions only after the utilitarian and/or symbolic value has been depleted or substituted by a replacement possession (Jacoby, Berning, and Dietvorst, 1977). However, the tornado halted normal and familiar consumption patterns. Many could no longer find or did not have possessions they had previously used for utilitarian and expressive purposes. And, even if they could find some of their possessions, the objects had taken on new meanings. This forced change left residents struggling to find new rituals and consumption patterns.

Involuntary Disposition. Over the course of approximately $6\frac{1}{2}$ minutes when the tornado moved through the community, the everyday routine of life and the enactment of established roles was dramatically disrupted. Informants reflecting upon the event spoke of the loss of personal property, residences, and family and community symbols. Many informants spoke of the involuntary nature of losing possessions that were valued and often still in use. The involuntary nature of these losses sharply contrasts disposition activities associated with the traditional cycle of consumption.

When speaking of the immediate response and recovery from the tornado, people spoke of chaos and the desire to regain control. During the initial response to the disaster, efforts to regain control were directed primarily at saving lives and accounting for people. However, nearly immediately, efforts also were directed at controlling
Table 16.1: Market Activities, Resources, and Policy Responses Associated with Community Recovery after a Tornado (These market activities demonstrate the managerial and socio-economic activities associated with a community's recovery from a tornado.)
the vast amount of material scattered by the storm. Depending on the role informants were enacting within the community, they spoke differently about the sorting and accounting of materials. Individuals who lost possessions spoke of the singular meanings imbued in the lost objects. They referred not to the material objects themselves but to the symbolic characteristics they represented. For instance, an informant discussing lost souvenirs spoke only of losing the memories associated with those trips. Speaking of the loss of the memory rather than the loss of the object itself is consistent with Belk’s (1988) notion of possessions as self-extensions. This sharply contrasted the way individuals enacting established recovery roles spoke about the disposition of materials scattered by the tornado. People enacting recovery roles were primarily designated emergency response personnel. The imperatives of enacting their official roles mandated that they view people’s possessions as commodities. Rather than reflecting upon the singularized meaning of possessions, emergency response personnel spoke of clearing debris that could potentially endanger residents. Similarly, they spoke of finding valuable personal property that could potentially be reunited with its rightful owners. In both accounts, their perceptions of material objects were entirely commoditized. This commoditized perspective of value seemed to help emergency response personnel focus on their official responsibilities by helping them detach from the psychological trauma associated with the involuntary disposition of possessions.

*Production.* The tornado forced the community to assess the resources most immediately needed. In the hours after the tornado, many residents were left without proper attire for the weather conditions, without food, and/or without shelter. Initial efforts were directed at meeting the needs of residents who had lost such basic necessities. These immediate needs were met by a very loose, but highly effective, ad-hoc network of communication. Through coordinated efforts, residents’ immediate needs for food, clothing, and shelter were met on the first night of the storm.

In the process of assessing loss and producing and acquiring resources needed in the recovery, control objectives varied. During the early stages of recovery, efforts were primarily directed at gaining control over self, family, and community. Similar to reflections upon the experience of the tornado itself, when speaking of the initial recovery effort, informants who had suffered individual losses spoke mostly of assessing the needs for basic necessities of themselves and their immediate family members. However, informants who had established recovery roles within the community (e.g., EMT, law officer, fire fighter), spoke first of trying to get control of the situation by accounting for people and establishing barriers to protect victims and their belongings, and then of ensuring that their own personal lives were still intact. Over time, efforts were directed away from producing items of basic necessity and toward managing relationships among Wright residents and between Wright residents and the numerous external organizations donating their time and/or goods and services. This process paralleled the process of managing internal and external relationships in traditional marketing channels.

The assessment of resources needed in the recovery process informed the process of securing those resources and making them available for distribution. From the perspective of the community, this is a production process because the resources had to be secured for the specific purpose of recovering from the disaster. Resources
needed by victims included counseling, basic necessities (water, food, baby formula, diapers, school supplies, clothing, heavy coats, personal hygiene products, blankets, pots, pans) and comfort items (stuffed animals, toys, electronics, small appliances, furniture, home decor).

Actors involved in the function of producing and making available resources included a mix of people enacting established roles and those enacting roles mandated by the disaster. For instance, the function of distributing donated goods already existed in the community before the tornado. However, the demands placed on this system by the disaster taxed it beyond its designed capacity. As such, additional community members were recruited to assist in the production of resources. Control in this function was directed toward meeting the immediate needs of Wright residents. Over time, control in this function was directed toward meeting the long-term needs of Wright residents in helping them re-establish their lives and individual identities. Members of a grass-roots community organization trained in crisis counseling played an important role in the latter process as they listened to individual stories and helped individuals cope with the process of reconstructing their identities.

Acquisition. Soon after the tornado, The Red Cross provided residents with vouchers to Wal-Mart or K-Mart in Gillette (39 mi.) so they could acquire things to meet their immediate needs. To prepare for the longer term and to facilitate the disbursement/acquisition of donations, the community temporarily rented two large buildings for storage of donations and a former hardware store, which became the Tornado Distribution Center where items were displayed and acquired.

The Center tracked what was disbursed and who took what so that it could be reported for a grant and to ensure that donations were disbursed equitably. By around the first of February, the Center had disbursed 10,000 non-food items and 7,000 food items. The community had also received and disbursed around $400,000 in cash, which primarily was paid directly to providers for residents’ medical and utility bills.

One distinct difference between acquisition in response to this disaster and everyday acquisition of consumption goods and services involves the nature of the exchange. Most of the traditional acquisition heuristics that guide everyday consumption were not applicable in the acquisition of resources for the recovery. For instance, most people were just trying to meet basic functional needs and not trying to “shop” to build their identities, which is a more typical approach to shopping (Baker, 2006). However, some informants reflected on the desire to individuate, for example, by deciding how to use their money themselves, versus having their utilities directly paid. That is, acquisition on the part of some community members was guided by a desire to consume objects with singular meaning. This objective was often in conflict with the objective of equitably distributing commoditized resources.

Emerging Themes

Three interrelated themes emerged from the data and are discussed next. The three emerging themes, together with the thick description of the managerial and socio-economic activities of recovery, help unify the findings in a single theoretical model of market activities in response to consumer vulnerability (Figure 16.3).
Figure 16.3: Conceptual Model of Market Activities in Response to Community Vulnerability
**Liminality and consumer vulnerability.** Liminality, an identity state characterized by feelings of void or of “being in a tunnel,” occurs when individuals experience transitions in states or social positions (Turner, 1974, p. 232). For instance, plastic surgery (Schouten, 1991) and grief (Gentry, Paul, and Hill, 1995) have been shown to produce liminal identity states. The present research shows how the involuntary loss of possessions and fears for safety brought on by a tornado produce liminal identity states. Transitions occur in three phases: separation, margin, and reaggregation (Turner, 1974; van Gennep, 1909). Separation requires detachment from a stable identity. Values and attitudes toward past identity markers must be re-negotiated in order to fully detach. In the margin an individual or group is in a betwixt and between phase (i.e., in a liminal phase). Identity in a liminal phase is actively negotiated between the old stable identity and a new, yet unknown identity. In essence, the liminal phase is a state of perpetual process. In reaggregation, individuals often assume an identity perceived to be superior to the identity prior to the transition in state or social position (Turner, 1974; van Gennep, 1909).

The tornado that hit Wright, forced upon residents changes in states and social positions. These transitions required the community and its members to renegotiate their attachment to previous identity makers (e.g., community symbols and personal possessions). Members of the community recognized this process of change and discussed being on their way somewhere else.

*We want to move forward as a community around us in spite of it all... The new normal I suspect will be about the first anniversary... Each community has its own rhythm so we’re not sure what’s really going to happen. We’re just hoping that that’s how we’re moving... The new normal is higher than where we started... and hopefully we’ll create something better in the long run of how to be... The normal gets to be decided by the community. I think the new normal... This is actually not my word. It’s a word given to us by the people who made this model, which is the crisis counseling, um, FEMA people. From our perspective, it would be a community that feels more involved, that is more aware of itself, and [individuals] can make choices based on who they want to be as a community member.* [Recovery Team Member, interview]

This community member has acknowledged that the old normal cannot be achieved. To get to the new normal, the community must go through a recovery process that mandates passage through liminal identity states.

Liminality was experienced at both the individual and the community level. Community members discussed where they were in recovery in terms of percentages: “we’re 50 percent there” or “we’re half way there.” Those who suffered little or no damage of personal property still expressed feeling the psychological pain accompanying the community’s liminality.

*FG Participant 1: A lot of people are missing what they’ve lost, as far as their homes and their possessions, and that sort of thing... They’ve got some issues that are not going to go away in a real short time.*
**FG Participant 2:** And you can’t expect it to. You — These people who have lost everything, yeah, they’ve got their brand new FEMA trailer, it’s got furniture, it’s got appliances, they’ve got the clothes they need. But, if you walk into one of those places, it’s not a home. [Several chimed in: It’s not a home.] Exactly, it’s not a home. Their — all their — all their personal belongings — you can’t [interrupted]

**FG Participant 3:** No pictures on the wall.

**FG Participant 2:** [later] What’s the first thing a kid does when he moves into the dorm room? He puts stuff on the wall, there to remind himself — reminds him of who he is. They don’t even have the opportunity to do that, because they don’t have it. [City Officials and Emergency Personnel, focus group]

Many informants spoke of their replacement items as reminders of the transitional process they were going through. This was particularly true of informants who discussed living in trailer houses provided as temporary living quarters by FEMA. Residents of FEMA trailers are not permitted to permanently or even temporarily attach anything to the inside or outside of the trailers. As a result, all FEMA trailers virtually look identical. A home that, before the tornado, was an important vessel of singularized meaning was replaced by a structure with commoditized meaning and fungible value. The stark contrast of before and after living situations kept the sense of liminality perpetually salient. The inability to imbue singularized meaning in the FEMA trailers precluded victims from identifying with their living situation as “home” or “me” or “mine” (Kleine, Kleine, and Allen, 1995; Kopytoff, 1986), thus perpetuating the liminal identity state.

**The influence of external forces on recovery-related market activities.** Many federal and state agencies, neighboring communities, and non-profit and church organizations offered immediate and continued assistance to aid Wright in its tornado recovery efforts. These efforts were essential to the community’s recovery. Informants reflected both positive and negative experiences with individuals and organizations external to the Wright community. Starting immediately after the tornado, community members established points of distinction to delineate insiders from outsiders. Such distinctions facilitated judgments of whether efforts of outsiders facilitated or hindered the recovery process. Outside influences came from diverse domains including individuals, organizations, and macro-societal forces such as the weather and the rhythms and rituals of the calendar year.

These external forces influenced market activities in a manner similar to the influence of non-market stakeholders under normal market conditions. However, individual residents and managerial systems involved in the recovery were rendered by the tornado ineffectual in their interactions and exchanges with many external forces. Specifically, decision heuristics familiar to residents under normal consumption circumstances were not valid in the system of exchange that usurped monetary metrics of value and precluded freedom of choice. Further, actors performing managerial activities were forced to abide by artificial criteria of equity in the distribution
of recovery resources. Together, these factors introduce inefficiencies into market activities directed at reducing community vulnerability that may not be present under normal market conditions. These inefficiencies were primarily in relation to recovery of psychological states/identity, versus in relation to meeting needs for basic necessities (food, clothing, shelter).

Among community members there was awareness and acknowledgement of the influence of external forces. Liability for the city in not meeting insurance industry standards for declaring losses had to be considered. Also, the wait for insurance adjusters in ambiguous loss situations had the potential to impede the community’s efforts to remove reminders of the storm from view, which they hoped to do to begin to feel in control again. From early on and continuing throughout the recovery process, the awareness of external forces governed many of the market activities associated with the recovery.

If the homeowner was satisfied and signed off on the waiver that’s all that we were concerned about. Some of the insurance adjusters didn’t show up for a week. Some of them were there within 36 hours . . . Um, but when the house is reduced to a pile of rubble, and sitting 200 yards away from where it was located, we didn’t find any adjusters who were going to argue with us about whether that home was damaged or not. [City Official, individual interview]

Community members took ownership of the clean-up efforts, recognized that they did not have to do everything on their own, and knew the recovery process was not entirely up to them. Insurance, labor and service availability, governmental regulations and a host of other factors impacted recovery efforts.

The calendar, or passage of time, forced people to make decisions about how to spend the holidays (e.g., temporary Christmas tree or replacement tree) or the passage of time post-tornado forced people to think about what they wanted to do for permanent housing (FEMA housing is provided only for 18 months). These external mandates forced people to make decisions in this time of vulnerability when making decisions is difficult. Decision-making is impaired because people do not know what they want to achieve, nor are they entirely free to make decisions on their own (Ringold, 2005). This contrasts decision-making processes under conditions of normal acquisition. In normal situations, like many shopping encounters, individuals make choices freely and use experiences and products to help define themselves (Baker, 2006).

External forces, such as weather changes, can contribute to feelings of vulnerability (Baker et al., 2005; Hill, 2001). But, external forces, such as donations or volunteer efforts, can also help dissipate feelings of vulnerability. These external forces affect residents’ movement through the liminal phase, their ability to regain control, and the roles that they must take on as a result of the tornado.

Over time, dynamic and ambiguous managerial roles mandated by the recovery process become more stable. The tornado required the Wright community to generate and distribute a large amount of recovery resources to residents. Much of the production and distribution of recovery resources was performed by community volunteers enacting roles with which they were unfamiliar. Over the course of the recovery,
demand for volunteers to perform these managerial activities varied. At times, the established managerial system was capable of distributing the needed recovery resources entirely. At other times volunteers shouldered much of the responsibility. As a result, community members were continually moving in and out of various roles with differing responsibilities. In the consumer behavior and marketing literatures, the activities involved in disposition, production, acquisition, and consumption are assumed to be relatively stable. In contrast, our data suggest that many managerial roles, at least in response to a natural disaster, can be emergent and dynamic. Further, the ad hoc process by which these roles are defined renders the role responsibilities ambiguous and ill-defined.

We formed a grass-roots group, and we didn’t know what we were doing at first. It was kind of like a feel-your-way type of thing. And we had a trainer come in… We worked on door to door, personal touch, basically, and we called this group “On the Ground” and… we all took part in it. That means that we’d go up and knock on people’s doors and say, “Hi my name’s XX and I live here too. I noticed you are living in a FEMA trailer, and how are you doing?” … It felt weird and odd and was not something I wanted to do but after I did it the first couple of times I realized how needed it really was. Because, guess what? People don’t come out of their houses for help… So, this program has given us an opportunity to ask people “is this the kind of community you want to live in?” So it’s not only take care of the impact of the tornado, but it’s also community development, like who are we and how we want to move forward as a community around us in spite of it all. [Recovery Team Member, interview]

Because people “don’t come out of their houses for help,” this resident took on a new role to help victims process their grief. Though she took on the role willingly, she notes her trepidation in performing a task that she felt was somewhat outside of her comfort zone. This quote illustrates how roles were created and defined on the fly. This resident described her organization as “feeling its way” in defining its role in recovery. It was not until after counseling residents that this person recognized the importance of this role in the community’s recovery.

In fulfilling the community’s needs for people to perform managerial duties, ad hoc attempts were made to match the responsibilities of specific roles with the specialized skills of volunteers. As a result, many Wright residents were called upon or volunteered to share skills they had developed in other contexts. Emergency personnel and law enforcement officers helped manage crowds and traffic, as they do in other situations. A Red Cross volunteer set up a shelter just as she does when weather precludes travel through the community. A social service worker used skills from her previous jobs to create a venue for people to view and find replacement goods. Area mine employees relied upon their disaster training to aid in the initial rescue efforts. Though these people found familiarity in the tasks, many acknowledged that their roles enacted because of the tornado were more personal and intense.

The dynamic and ambiguous nature of the managerial roles was sometimes a source of conflict. The new managerial role required individuals to be fair and equitable to individuals trying to reconstruct their identities, and the individuals trying to
reconstruct their identities desired to singularize goods and strive for individuation. These goals were incompatible and often a source of conflict between community members. This conflict contributed to some community members’ feelings of vulnerability. Although the dynamic and ambiguously defined roles perpetuated vulnerable states, people within the community began to assume new roles (i.e., the emergent roles depicted in Figure 16.3) that were more stable and more clearly defined. For example, in the quote above, the informant has now taken on the role of a leader in community development. This process, in turn, will lead to the restoration of control and the reduction of felt vulnerability.

Summary of Findings

After the tornado, individuals and the community were forced to redefine themselves. This transitional process required people to move through a liminal phase that exposed them to greater vulnerability. Although they knew they were on their way to somewhere else, they were not exactly sure where that somewhere else was. Vulnerability was experienced because of uncertainty about where one was going, how one should get there, and what roles one needs to perform and how to perform them. At the same time, external forces kept residents from freely making decisions. To adapt to experienced vulnerability, community members went through a process whereby they re-established control over their lives. The end point of that process is a system of new roles that are more stable in their expectations (Figure 16.3).

Implications

Theoretical Implications

This context of a natural disaster allowed us to look at adaptation to vulnerability as a holistic market process (production, acquisition, consumption, and disposition). By tracing the distribution of recovery resources, we were able to witness the movement of value and the importance of resources in the process of adapting to vulnerability. The market was effective in restoring material resources, but relatively ineffective in restoring identity. To reduce vulnerability, people need access to material resources, but also need to freely choose among alternatives to reconstruct their identities. Data in the present study suggest that the current system of response may not effectively accommodate victims’ needs to individuate. The response system is set up to achieve equity, perhaps rightly so. But, the last thing people want when they experience vulnerability is to feel like a commodity/non-person, which is what a person feels like whose home or possessions are just like everyone else’s or not “me.” This is not entirely driven by an imperfection in market or regulatory processes; rather, it also is driven by the fact that when people experience vulnerability, they have trouble knowing where they are headed and figuring out how to get there (Ringold, 2005).

The context of natural disaster illuminates how social groups (communities) can experience vulnerability for a characteristic they share in common. While Wright residents are still in a transitory state, they are actively and constructively using the
social, market, and regulatory resources available to them to move out of that state. Our study illuminates how market processes and external forces interact to facilitate and inhibit this transitional process.

The marketing literature tends to assume that the managerial and socio-economic processes of markets progress in a relatively steady state. Yet natural disasters mandate that those activities and processes be dynamic. Marketing and consumer research literatures also tend to assume that consumers’ decision heuristics and consumption rituals are relatively stable over time and across diverse consumption contexts (Baker et al., 2005; Gentry et al., 1995; Schouten, 1991). However, transformations, such as those brought on by natural disasters and other catastrophic events, significantly affect markets and the consumers within them. Such cataclysmic events have long-lasting impacts that may change the function and nature of everyday consumption, including its meaning. The market and its actors will never be exactly the same. New identities emerge in the process of transition and recovery.

Forced role transitions necessitate that actors move through liminal phases, and liminality can perpetuate vulnerability. Basic market functions (production, acquisition, consumption, disposition) are ritualistic in nature. The rituals of the market and the associated behavioral rituals help people move through liminality. People need these market functions and need to participate in these market functions so they can get back to normal (see also Baker, 2006). Our data suggest that the behavioral rituals are an adaptive mechanism that individuals use to overcome their vulnerability and move them through liminal phases. The self transformation is cathartic in that people can maintain positive notions about their old self (van Gennep, 1909), but also witness that they are stronger because they were able to adapt and overcome their vulnerability.

Public Policy Implications

Not everyone experienced the tornado in the same way, but all community members, whether in their official roles as emergency response personnel or in their roles as residents, shared one thing in common: they experienced vulnerability and wanted to regain control. Governmental agencies and nonprofit organizations that facilitate the movement away from vulnerability do not mandate people’s roles; instead, they provide people with information designed to make it easier for them to take control themselves. When external values and procedures are imposed, it takes control away from community members. To recover, control has to be in their hands. As such, efforts must be directed at understanding the unique identity of the community and recognizing the importance of internal community processes.

Public policies can facilitate restoration of control when they provide a mechanism for resources to be distributed equitably. For example, FEMA averted conflict over the equitable distribution of temporary housing by having all temporary homes look exactly the same. Ironically, these policies focused on creating fairness also impede control because of restrictions on use. But, the restrictions on use are not necessarily a bad thing. The restrictions keep the trailers in a temporary state, reminding residents that they are in a transitional phase and eventually they will have
to make decisions about their futures. However, restrictions on maintaining equity can create conflict within the community that may in part be averted by educating people on both “sides” what each is trying to accomplish. For example, educating residents on the external mandates of distributing resources equitably and on the required reporting procedures may avert some conflict. On the flip side, educating people who distribute the resources on why residents who lost their homes and possessions want non-commodity items to get their individual identities back also may avert some conflict.

Finally, technologies, or lack thereof, contributed to vulnerability. Because Wright is off the National Weather Service’s radar, they had to rely on spotters who had limited time to alert the community (Associated Press, 2005). These factors increased the community’s likelihood of experiencing vulnerability before the actual tornado hit. To be equitable, public policies should ensure that all communities are on the radar, especially when a community is in an area prone to tornados. In addition, technologies that coordinate efforts between organizations offering assistance could facilitate the restoration of control. For instance, there was a great deal of confusion over the multitude of agencies and where, when, and how to sign up for assistance. Mandating coordination would ensure that no one would suffer additional hardship.

Concluding Remarks

This study provides a novel approach to showing how people experiencing vulnerability adapt to their circumstances, and the role that markets and public policy play in this adaptation process. Consuming, deciding, searching, disposing, sorting, moving, networking, coordinating, acquiring, tracking, and so forth are all activities typically thought of as falling within the domain of marketing. These managerial functions are very much a part of a social process of rebuilding people’s lives by, for example, negotiating new roles and identities. The Model of Market Activities in Response to Community Vulnerability demonstrates that marketing is not just a management function; it is also an important social process. In sum, these findings suggest that definitions of marketing that do not recognize marketing as a social process fall far short of specifying the role markets and marketing play in individuals’ lives.

References


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Session V

Economic Development: Tuesday
4.00pm-5.30pm
(Parallel Stream)
Buyers’ Marketing in an Electronic Environment

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Earlier marketing literature had been attentive to both sellers’ and buyers’ facilitation of exchanges, whereas contemporary marketing works focuses on the former. However, information technology has significantly enabled business buyers and consumers to make buying overture on sellers, which necessitates reemphasis on buyers’ facilitation of exchanges. Building on the value chain model and an influential e-marketing theory, we modelled a marketplace of sellers, buyers and consumers and proposes that consumers as marketers may have businesses their advocates throughout demand chains. The rapid rise of technology empowered consumers may have contributed to the overt organisation of marketplace.

Introduction

Many businesses that subscribe to online auctioneer services by providers such as e-Bay and Alibaba are experiencing growth in sales. It appears that because information technology has enabled customers to freely articulate their demands, exchanges that otherwise would not occur, have occurred and recurred. Online consumer forums, which are largely Google searchable, connect consumers into powerful buyers’ communities with which consumers sort and assort suppliers’ offer. It appears that information technology empowered consumers are facilitating exchanges with those who are supposed to be marketers.

This phenomenon somewhat agrees with some early marketing works (e.g. Kotler and Levy, 1973) but disagrees with mainstream contemporary ones, especially those that are underpinned by the definition of marketing by American Marketing Association (2005). There appear to be a lack of recognition and understanding of buyers’ initiative towards facilitating exchanges, or buyers’ overture, which we fear could

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hinder further understanding the rationale of marketing. This paper will start by contrasting early marketing works with contemporary ones, with a perspective of their focus or lack thereof on buyers’ overture. Then non-mainstream literature with a focus or interest on buyers’ overture, especially reverse marketing and supply chain management (SCM) will be presented. Finally, we will propose a model built on the value chain model and an influential e-marketing theory. The proposed model delineates an electronic marketplace of sellers, buyers and consumers, which helps visualise consumers’ critical role in marketing and its contribution to the overt organisation of marketplace.

**Early vs Contemporary Literatures on Buyers’ Overture**

Wroe Alderson (1957; 1965) asserts that the basic function of marketing is the facilitation of exchanges, which involves not only selling to a buyer, but also buying from a seller. In the 1970s’, many other authors (Ammer, 1974; Farmer, 1978; Kotler and Levy, 1973; Porter, 1975) also noted the importance of buyer’s facilitation of exchanges. Kotler and Levy’s (1973, p. 54) proposition that “buying is marketing, too” essentially suggests that the rationale and means of selling as well as buying are of marketing. Early marketing literature is based on the premise that as well as a seller that pursues marketing by facilitating exchange with a buyer, a buyer can pursue marketing by facilitating exchange with a seller. Figure 17.1 demonstrates these two overtures as the duality of exchange facilitation.

Seller’s overture of exchange facilitation has gained currency and predominance in later marketing literature. Kotler and Levy (1973) observed a predominant focus on selling, which was probably embarked on by managerial marketing academia in answering the intuitive calls from businesses to deal with increasingly abundant supply of products. Literature reviews (e.g. Ellram and Carr, 1994; Sheth, Sisoda, and Sharma, 2000) conclude that the presumption that marketing’s inherent focus is customer had become predominant. The current definition of marketing by American Marketing Association (2005) formalises this on-going predominance:

Marketing is an organizational function and a set of processes for creating, communicating and delivering value to customers [emphasis added by
this author] and for managing customer relationships in ways that benefit the organization and its stakeholders.

Given the weight and prestige of AMA, this definition demonstrates a prevailing business focus on customers. The duality of exchange facilitation became singularity — seller’s overture is recognised as the only aspect from which an exchange should be facilitated. “Buyer’s facilitation” in Figure 17.1 is absent in the mainstream marketing literature.

The word buying is used in this paper to denote giving up money for the purpose of acquiring goods and services from a supplier. The words buying, purchasing and procurement have been used interchangeably without qualification. Buying includes but is not limited to:

- purchase — buying solely for consumption purposes
- acquisition — buying plant and equipment
- procurement — buying product ingredients and other production necessities
- recruitment — buying human resources, the people element of service
- other procurement — buying for non-production purposes, such as buying business locations, advertising spaces, financial supplies, etc.

The above clarification also opens this discussion to areas that are not traditionally of marketing. The above list coincides what literature (e.g. Gaddle and Håkansson, 1993) suggest as the wide range of purchasing work. However, the broadness of buying need not confound the issue. Instead, variance in suppliers’ characteristics necessitates scholarly recognition, investigation and understanding by marketing academia.

It appears that there is paucity of literature on employing the rationale and means of marketing to buy on the part of a buyer, possibly because buying is not currently perceived to be of marketing. The rise and proliferation of marketing disciplines such as buyer behaviour materialise this single overture. In marketing pedagogy, customers and consumers are seen to be at the receiving end of the marketing organisation’s facilitation of exchange (McCarthy and Perreault, 1990). The discipline of buyer behaviour for example, only concerns the behaviour of buyers. Amongst marketing disciplines, very few match the discipline of buyer behaviour in prestige, influence and popularity. Its counterpart, seller behaviour is not known to exist. This single overture is also materialised in many other marketing disciplines. For example, business to business marketing concerns the means of selling to organisational buyers, including the understanding of organisational buyer’s behaviour (Ellram and Carr, 1994).

SCM is one of the literature areas that concern but do not focus on employing the rationale and means of marketing to buy on the part of a buyer. It concerns selling to consumers through coordinating procurement with distribution (Dyer and Singh, 1998; Ellram and Carr, 1994; Håkansson and Waluszewski, 2005). Buying which explores and exploits available inputs, and selling which explores and exploits viable
outputs are seen to jointly determine the conception, production and modification of product. Within SCM, there has been no known investigation into seller’s behaviour. The objective of managing supply chain is to sell product to end consumers (Ellram and Carr, 1994). SCM as a marketing literature area that partly concerns facilitating buying from an organisational buyer’s perspective, sees buying as a means to the selling end.

Reverse marketing (Blenkhorn and Banting, 1988; Blenkhorn and Leenders, 1988; Leenders and Blenkhorn, 1988) contradicts the view that an exchange can only be facilitated by sellers. Being aptly named, reverse marketing is the only known marketing literature area in this regard. As Leenders and Blenkhorn (1988, p. 2) stated:

Reverse marketing is an aggressive and imaginative approach to achieving supply objectives. The purchasing takes the initiative in making the proposal.

Reverse marketing differs from the academic discipline of purchasing, in that it uses the rationale and means of marketing to buy. Reverse marketing observes instances in which supplies are scarce which warrant buyers’ initiative to pursue exchanges. For example, reverse marketing proposes the investigation and understanding of seller’s behaviour as well as the applying of marketing principals and tools to achieve better buying (Leenders and Blenkhorn, 1988). Symmetrical to buyer behaviour the decision maker, the influencer and gate keeper roles of sellers in new task selling, modified “re-selling” and straight “re-selling” may need to be investigated. However, discussions within reverse marketing are under the presumption that managing buying is also necessarily an organisation’s means of improving selling to the organisation’s customers (Sheth, 1996). Consequently, reverse marketing may not be applicable to consumers who normally do not on-sell what was bought. SCM and reverse marketing are overlapping literature areas that concern facilitation of buying; however both regard buying as a means to the selling end.

What has been established in these literature areas can help model a marketplace of sellers, buyers and consumers. The model we propose should depart from the above theoretical origins and aim at recognising practices of both businesses and consumers in the information technology environment. Our proposed model differs from its theoretical origins in that it subscribes to the philosophy that both buying and selling are means to an end. For business, it is financial performance (Hunt, 2003). The profit drive of business as for-profit organisation determines that gains achieved from buying may not necessarily be passed on to facilitating selling at all times. One of our preconceptions is that financial performance can be produced through strategic selling as well as strategic buying utilising the rationale of marketing. As for end consumers, the ultimate objective is satisfaction, which can be better elicited when feasibility of making comprehensive and sophisticated buying overture on sellers increases.
The Proposed Model

There are three preconceptions of our proposed model (the Model). Firstly, the Model should relate buyers’ practices of facilitating buying to what has been established in marketing academia, which according to Hunt (1976), is the science of exchange. Secondly, the Model should embrace what has been established in e-marketing literature, because we see electronic environment as what empowers buyers’, especially consumers’ buying overture. Thirdly, the Model should be based on at least one existing marketing concept that describes the marketplace of sellers, buyers and consumers. The following are elaborations of each of the three preconceptions and the explanation of the Model.

Customers as Marketers

The successes of online auctioneer e-Bay and Google enabled buyers’ forum are evidences that customer facilitated exchanges are feasible. That customers use information technology to conduct product search and investigate supplier attributes have been extensively published. Information technology also enables customers to determine terms of exchange. E-Bay, for example, provides a keen customer with sophisticated means of search, evaluate, soliciting and materialise an exchange. E-bay customers can automatically bid (i.e., a bidding process that increase a buyer's bid by a small increment until the buyer's predetermined maximum bid is reached). Collaborating with online secure payment specialist PayPal, e-Bay also reveals an exchange dyad’s financial credibility, which is otherwise unknown to each other. The information technology enables an e-Bay customer to make the entirety of his or her demand known to many suppliers and the peer buyers, as if a full fledged buying campaign is taking place. This buying demand is quite symmetrical to a selling offer campaigned by a business.

Reverse marketing could explain this phenomenon, if consumers substitute businesses buyers as marketers. In Law and Wensley’s (1979) term, a party that pursues marketing is the marketer, whereas the party on whom marketing is performed is the marketee. When contrasting the consensus of early and contemporary marketing literatures, earlier in this paper, we indicated the lack of attention on buyer’s facilitation of exchange. There seems to be a convention within the marketing field that a seller is invariably the marketer, a buyer the marketee. If this convention were to have any merit, “wanted to buy” newspaper advertiser, a keen real estate buyer and his buying agent would not be parties that facilitate exchanges, because they were not supposed to be marketers. This convention is clearly flawed and needs to be examined.

There is no reason why a business has to be a marketer. The adjective “reverse” suggests that buyer's facilitation of exchange is opposite to seller's facilitation of exchange. We expanded the notion of reverse marketing by perceiving a consumer as the party that performs marketing on many businesses in order to achieve satisfaction that arises from the consumption of a product. We propose that a party that pursues marketing, albeit a seller, a business buyer or a consumer, is a marketer.
Underpinning of an E-marketing Theory

Works by e-marketing authors (e.g. Hoffman and Novak, 1996) from the early days of the internet’s proliferation suggests that the most substantial change electronic media brings to the scene of marketing is that it makes the connection between buyers and sellers far easier and better. Hoffman and Novak’s (1996) work conceptualises marketplaces in electronic environment. They suggest that information technology facilitates a many-to-many environment in which many buyers and many sellers are concurrently connected in a way that is far more efficient and effective than in a non-electronic environment. In a non-electronic environment, they suggest, a buyer is usually in a one-to-one situation in which the buyer has not many more than one connection with a seller, who achieves this connection by exerting its selling overture on the buyer. In a many-to-many situation, a buyer, amongst many other buyers, is better connected with many sellers. A marketplace which contains many, rather than one eligible seller emerges. A buyer becomes able to facilitate its own buying, mainly because electronic environment helps connect the buyer with a sufficient number of sellers on whom the buying overture can take place.

The power of wider and better connection enables an otherwise under-resourced buyer, such as a metropolitan consumer in a developing nation to drive rather than being driven to buying. It is true that buyer’s overture towards an exchange exists in traditional auctions and the spirit of “want to buy” ads. This overture may have and may be growing in the electronic environment. Buyers’ attitude towards an exchange may have changed from being merely cooperative with sellers to being proactive towards an exchange in terms of motivating sellers to sell. The significant rises of consumer driven buying overture through the internet may have revealed that buyer’s facilitation of exchange is a significant blind spot of knowledge on the part of marketing academia. Our proposed model should address issues that arise from this blind spot. As a model that conceptualises the electronic marketplace, Hoffman and Novak’s (1996) work can provide theoretical underpinning to our proposed model.

Hoffman and Novak’s (1996) model is essentially what is depicted in Figure 17.2. It strikingly resembles what we conceptualised in Figure 17.1 as the essence of early marketing literature from a dual buying and selling overtures perspective. As shown
in Figure 17.1, an exchange can be facilitated by either a buyer or a seller. Hoffman and Novak’s (1996) model, incorporates the essence of Figure 17.1, especially buyer’s overture towards an exchange.

**Extrapolation from Supply Chain**

The Model should have the provision of extrapolating from existing marketing models, because it claims to be of marketing. We focus such extrapolation within the three literature areas we revisited earlier in this paper. We discovered that the notion of SCM may serve as the blueprint for such a model.

The field of SCM is built on the strength of Porter’s (1985) value chain concept (Walters and Rainbird, 2004). A business as a value chain creates value by aggregating and synthesising what the business intakes in resources (Porter, 1985). These resources include product ingredients, auxiliary inputs such as electricity and finances, and human resources vital for especially a service organisation. The notion of SCM is based on the concept that a buying business’s orchestrating of a supplier’s and the supplier’s suppliers’ value adding should enhance the buying business’ value adding ability (Walters and Rainbird, 2004).

The notion of SCM essentially suggests that better selling can be partly achieved through better buying. Our proposed model (shown in Figure 17.3) delineates a market place of sellers, buyers and consumers. There are three chains of value chains (Chains). From the perspective of a business (indicated as “the business concerned”), a normal Chain is shown as what is aligned horizontally, which indicates a “normal” supply and demand relationship. A Chain can be divided into a supply chain half and a demand chain half (Walters and Rainbird, 2004), which indicates that its suppliers are at the upper stream, whereas the customers (including consumers) are at the lower stream. Any effort of managing the whole or part of the supply chain is what we referred to as a buyer’s facilitation of exchange. In that sense, SCM aims at creating better value at the lower stream by managing upper stream, or the supply chain.

SCM creates an effect as if a business buying from the upper stream advocates for the lower stream. The overture made by a buying business on its suppliers fulfils the objectives of the business and its buyers. It is not difficult to understand how customers’ needs, wants and demands are better advocated through this process than a process in which only selling overtures are made. A business practising SCM could serve as an agent for its customers to its suppliers.

It is not difficult to envisage how Figure 17.2 which originates from Hoffman and Novak’s model may apply to Figure 17.3. As shown in Figure 17.3 and based on the previous discussions, an end consumer is at the end of the Chain, facing the choices of buying from all three retailers. In a non-electronic environment, the end consumer would have been connected with fewer Chains than in an electronic environment. The feasibility of connecting and being connected with many Chains has rampantly increased. The quality of these connections has improved as well, not only because information are made more available by sellers, but also because what is unlikely to be made available, such as latent product and service defects can be made available.
Figure 17.3: Consumer Driven Chains of Value Chains (Adapted from Walters and Rainbird, 2004)
by peer buyers. As an outcome, “The consumer concerned”, does not buy from the normal retailer, which is a concern of “The business concerned”. The arrows of three different greyscale levels indicate three different actual flows of products comparing to their respective normal flows. This suggests that a consumer buying overture may influence the configuration of a Chain.

What applies to an end consumer may apply to all businesses along a Chain including the natural endowment producer at the beginning of the Chain. As we indicated earlier in this paper, better buying may not be solely for the purpose of better selling. For example, cost saving on business inputs including product ingredients achieved through managing supply is not necessarily passed on to a sale aiming at greater sales. These business inputs are for a business's own consumption. In other words, a business can sometimes be in the same situation as an end consumer who usually does not sell what was bought. A Chain can terminate at any “Value Chain”. When this is the case, the business can benefit the way an end consumer does.

The scene of marketplace in an electronic environment could be explained by the Model. As is the case with an End Consumer who is connected with many retailing businesses in an electronic environment, a business is also connected with other businesses and end consumers along other Chains, which enables it to manage its suppliers and customers. The scene of a marketplace in electronic environment could be viewed as a constellation of Chains interconnecting an array of natural endowment producers and businesses as well as billions of end consumers around the world. It would be difficult for this constellation to emerge if businesses or end customers were not enabled to make their buying overture on sellers.

**Macromarketing Implication and Concluding Comments**

That buyers have been significantly empowered to make buying overture on sellers has its macromarketing implication. Information technology has not only transformed and transcended the way products are sold, but also how products are bought. The traditional selling overture which is to understand, inform and persuade customers may not be the only way to facilitate exchanges. The buying overture which is now made feasible to even an average consumer could be an alternative way of exchange facilitation. Some negativities of micromarketing may have been alleviated.

The field of macromarketing has been long concerning with the mostly negative impact of micromarketing (Hu, 2003). In Hunt’s (1977) elaboration of the definition of micromarketing, it concerns the interest of businesses. The conclusion of Reidenbach and Oliva’s (1983) reasoning suggests that each business’s advancing of their own self-interests underlie the inherent entropy waste within a modern marketing system. They further recommend entities that conduct macromarketing to synchronise, maintain and even destroy demand. The spirit of their work is echoed by many (Monieson, 1988; Tamilia, 1992, e.g.) in the macromarketing field.

One of the most important changes information technology may have made to the marketplace is the empowerment of buyers to make buying overture on sellers. As is discussed and delineated in this paper, information technology empowered end consumers have made lower stream suppliers their advocates to upper stream sup-
pliers, was shown in Figure 17.3 as Information Flow. When consumers are not only connected by their kinship, neighbourhood and social class, but also online peer buyers, the aggregation of consumers make businesses that are connected to them their advocates. When connected consumers made businesses in their great numbers, willingness, ability and relevance their advocates, the acrimony between business and consumer advocacies may be alleviated. A harmonious relationship between micromarketing bodies and macromarketing bodies, which Sheth (1992) recommended, may have been created by the rise of information technology. Instead of Keynesian or Reidenbach and Oliva (1983) style overt public policy recommendations, we propose a covert support of information technologies that further enables proactive buyers in greater numbers.

References


Diagnosing Customer Satisfaction and Dissatisfaction Over Incidents with Finance Service Providers in Malaysia

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High quality financial services are critical for a nation’s development and the welfare of consumers within those nations. This study diagnoses the causes of both satisfaction and dissatisfaction over service failure and recovery efforts of finance service providers. This is imperative since customer satisfaction is a key “societal welfare” issue as a consequence of employee development, which increases “enterprise welfare” in the service-profit chain. We found 145 critical incidents. Content analysis of these incidents yielded eleven a priori categories. They fall into three incident groups, the largest group (54.5%) being incidents related to “employee response to service delivery system failures”. The second and third largest groups of incidents found involved “unprompted and unsolicited employee actions” (29.0%) and “employee response to customer needs and requests” (16.6%), respectively. This study is significant in examining the drivers of consumer welfare and the outcomes of marketing on effectiveness and

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efficiency.

Shostack (1985) defined the service encounter as “...a period of time during which a consumer directly interacts with a service...” (including its personnel, physical facilities and other visible elements of the service provider). Effective management of the service encounter is important since for the customer, this moment of interaction, as an observable symptom of quality, is the service itself. Yet not many front-line employees are trained at all, or trained well enough, to relate to customers in ways that ensure competent service, which leaves a favorable, memorable impression on their overall experience with the service provider. As such, making the service right after it has gone wrong and pro-actively avoiding service failures, become very much a service manager’s duty. To do this, one has to diagnose first, what went wrong. It is filling this gap — understanding the meaning of “(dis)satisfaction” using an incident-based measurement, that this study hopes to accomplish, besides also contributing to the research methodology of the service failure-recovery issue, through the C.I.T. approach.

“Service recovery strategies are well-documented as playing an important role in a consumer’s final level of satisfaction” (Warden, Liu, and Lee, 2003, p. 442). If no attempt is made to recover from the failure, the consumer will remember the experience negatively, thus evaluating the service as relatively low (Hart, Heskett, and Sasser, 1990; Warden et al., 2003). A failure incident may actually pose an opportunity to obtain higher customer evaluations than if the failure had not happened in the first place (Tax and Brown, 1998). There is a need to examine this issue for specific service contexts. “...To be able to study quality in service companies, one must first be aware of the characteristic features of services and service production” (Edvardsson, 1997, p. 491). This requires adaptations in the approaches to study different types of service industries. In view of this, there have been a growing interest to examine the service failure-recovery link with satisfaction, in various service sectors. This includes the U.S. hospitality service setting (Bitter, Booms, and Tetreault, 1990), restaurants (Warden et al., 2003), housing societies, healthcare, public transport, job agencies and academic education (Warden et al., 2003) and professional services (Odekerken-Shroeder, van Birgelen, de Ruyter, and Wetzels, 2000).

High quality finance services are critical for a nation’s development and the welfare of consumers within those nations. Financial services are transacted either at a service counter in direct contact between the institution’s employees with the customer, or by telephone, or by having the customers interact with it’s automatic teller machines. Simultaneity in delivering and receiving a service is therefore, a common characteristic in financial services marketing. Finance services being highly intangible, warrant a close scrutiny, because of the great impact of self-service technologies that are revolutionising the way retail finance institutions deliver their core service (personal loans, deposits and money transmission products). The global market that on-line payment mechanisms are able to reach, thus improving services delivery, definitely poses a great opportunity to improve service quality. While banks commonly try to achieve a high service quality by providing error-free service, the bank-customer interaction is influenced by uncontrollable factors (Michel, 2004). In their study of 254 bank customers, Grace and O’Cass (2004) revealed that the core ser-
vice, employee service, the servicescape and entire ‘service experience’ significantly affected customer feelings of satisfaction and their brand attitudes. Furthermore, Michel (2004) found that ‘perceived acceptability’ of service failures has significant impact on consumers’ satisfaction and loyalty. The study also indicates that the negative effects of ‘unacceptable’ or ‘absolutely unacceptable’ failures are not only significant but also of large magnitude. As a consequence, every service encounter must be perceived as a ‘moment of truth’ that bears a potential damage to lost customers and bad word-of-mouth (Carlzon, 1987). The above bear important implications because of the potential negative aspects of customer behaviour for unsatisfactory encounters. For example, dissatisfied customers may switch accounts to competing banks and cause devastating effects of negative word-of-mouth. A study of sales explanations found “the corresponding explanations’ impact on loss of revenues from such encounters (to be) profound” (Dunning, O’Cass, and Pecotich, 2004, p. 1542). Also, there is a need for banks to be more pro-active in educating their customers and encouraging complaints, rather than letting dissatisfaction spread by negative word-of-mouth (Hart et al., 1990).

In conclusion, a “macro” perspective studying effects of service failure and recovery on customer evaluations (i.e. the customer welfare issue) are prevalent in other service sectors, but not in finance. Furthermore, studies on the finance sector are confined mainly to “micro” issues, for example, in identifying determinants of general dimensions of service quality (See Jun and Chai’s (2001) study which identified 17 dimensions of internet banking service quality, while Mattson and Helmersson (2005) web survey using the C.I.T and follow-up interviews, found a diverging pattern of e-competency among a sample of new Danish internet banking users). Anderson, Fornell, and Rust (1997) study, furthermore, suggested trade-offs to be more likely for services than goods, when computing impacts of customer satisfaction on productivity. They call for future studies further examining the nature of customer satisfaction and on appropriate strategies for each one. Thus, there is a dire need for research — (a) to delineate specific incidents with their outcomes, and (b) to explore what causes consumers’ evaluation of the effectiveness of service recovery strategies in practice (Lewis and Spyarakopoulos, 2001). This is indeed the focus of this present study.

**Research Questions**

We have not found any study examining the link between service failure and service recovery with critical incident outcomes from service providers in Asia. We suspect that Asian (especially Malaysian) service consumers have higher zones of tolerance for services, and complain less than their Western counterparts (Snellman and Vihtkari, 2003). Hence this makes the need for quality improvements a vital challenge for managers here. Neither have there been incident-based measures used to explain customer satisfaction with finance service providers, when such an issue has significant implications for societal welfare. This is pertinent for Malaysia (marked with above 5 percent annual growth rates and fast-changing lifestyles) seeking to reach a developed nation status by 2020 (Aliah, Che Aniza, and Pecotich, 2006).
We could not find a “macro” perspective in studying effects of service failure and recovery on customer evaluations in the finance sector, since they have predominantly been “micro” in approach; for example, studies identifying determinants of banks’ service quality (see Lewis and Spyarakopoulos, 2001; Mattson and Helmersson, 2005; Snellman and Vihtkari, 2003).

To fill this gap in the literature reviewed above, our study is designed to seek answers to three research questions as follows:

1. What specific events led to satisfying and dissatisfying service encounters with finance service providers?

2. What did contact employees do that caused these events to be remembered with joy, or distaste?

3. What is the nature of relationship between incident outcome (satisfactory/ dissatisfactory) and C.I.T. groups and categories?

The Critical Incident Technique

The critical incident technique (“CIT”) is an inductive grouping procedure or classification technique, which through interviewing or observation, employs content analysis of stories or critical incidents in the data analysis stage (Flanagan, 1954). As a research method, similar to the content analysis technique, CIT combines ‘rigour’ and ‘vigour’ by using both qualitative and quantitative examination of personal communications, what used to be thought as “antithetical forms of analysis” (Weber, 1985). In line with this, we view critical incidents as specific service encounters which customers found memorable, because they proved to be particularly satisfying or dissatisfying. The focus is on the interpersonal elements of the service performance. Incidents are judged to qualify for inclusion in this sample if they meet the following criteria — (1) involving employee-customer interaction, (2) very satisfying or dissatisfying from the customer’s point of view, (3) being a discrete episode and (4) having sufficient detail to be remembered by the customer to be visualised by the interviewer (Bittner et al., 1990).

The Questionnaire and Data Collection

MBA students enrolled in service marketing and marketing management classes in a Malaysian public university were trained on the principles of C.I.T. This is to ensure finding incidents that conform to the above criteria, to qualify as a critical incident. Training on the procedure of conducting interviews, supported by written instructions was also given. The interview method has been done in past studies of this nature (see Palmer, Beggs, and Keown-McMullan, 2000; Snellman and Vihtkari, 2003; Warden et al., 2003). To collect “critical incidents”, they sought customers who voluntarily described their experiences. These respondents were contacted via convenience sampling methods. The students were to ask customers to focus on
memorable events that enabled these customers to describe them fully. Researchers ensured that it is the researcher's responsibility to perform the abstraction and inference and not the respondent's responsibility. As such, the respondents were not made to identify the underlying causes of dis/satisfaction.

Questions asked with answers recorded on standardised questionnaires included the following — (1) Think of a time when you had an experience of using a service in this country, where you encountered a problem/or a mistake was made and the service personnel tried to correct that mistake, but made a poor or good job in solving your problem/correcting that mistake. Please describe the nature of that incident. (2) What happened? (3) What did the service personnel do or say, to correct that mistake/solve your problem? And (4) What resulted that made you feel the interaction was satisfying or dissatisfying? (adapted from Bitner et al., 1990). Data collection commenced in late 2002. Up to May 2005, this generated 145 sets of written 'stories' in text-form, describing their experiences with finance service providers. There were no incidents captured during this period that were similar, to ensure validity of categorization and no double-counting. The incident sorting process outline in Figure 18.1 is adopted (Bitner et al., 1990, p. 76).

Bitner et al. (1990) incident classification scheme was used, to answer research questions (a) and (b) stated earlier. First, we sorted the useable questionnaires into service sectors to select incidents involving service encounters with finance institutions. Then each researcher after careful, repeated readings of these 'stories', independently classified these incidents into one of the twelve pre-defined categories in this scheme. At the same time, each incident is judgmentally labeled by the researcher (as perceived by the respondent) as a 'satisfactory' or 'dissatisfactory' incident. It is also noted for each incident, whether the respondent made a complaint or not to the service provider. After each researcher has done this classification independently, the three researchers then meet to test the reliability of their categorization. Where a disagreement occurred among the researchers in judging which category the incident best fits into, the incident is re-read and discussed to reach a consensus on what should be its final category. We found that only a small number of re-sorting adjustments was needed. It is based on this consensus and verified classification which yields this analysis. As in this case, the primary results of studies using the CIT are in fact, the groups/categories that emerge through the classification procedure (Bitner et al., 1990).

Results and Discussion

The incidents sampled captured service encounters of customers while using personal finance products provided by commercial banks, finance and credit card companies and other institutions operating in Malaysia. The type of retail finance products described involved a diverse range of services, from over-the-counter remittances (42.8% of total incidents), to transactions using self-service technologies (24.1%) (such as ATM's, on-line banking, autophone banking, text messaging), to processing of loan applications and other credit facilities (20.7%). Demographically, our respondents were predominantly Malay (84.6%), with females comprising 53.1% of the total, mainly
Figure 18.1: Incident Sorting Process
professionals/managerial occupation (53.8%), aged between 21-40 years (81.4%) and have at least a bachelor's degree or professional certificate (55.2%). We found 60.7% of the 145 respondents to be dissatisfied overall with their service encounters, against only 39.3% who were satisfied with them. A majority — 68.3 %, actually made a complaint or request to the service provider to address their service problem, against only 31.7% who did not complain.

Examples of sample incidents from the retail finance sector are shown below.

**Group A — Employee Response to Service Delivery System Failures**

**Group 1A**

*Satisfactory* Incident Outcome — “I have two credit cards with them — Visa and Mastercard. On one transaction, they have mistakenly credited into my Visa account the payment which was meant for my Mastercard. I was informed by their customer service officer through the telephone that they have corrected the mistake and reversed the interest incurred on the card that was underpaid.”

*Dissatisfactory* Incident Outcome — “I changed my pin number on my ATM card while checking for my account balance. My card was ‘swallowed’ by the machine. Next day, I went to recover the card but had to wait 50 minutes in the queue. I tried new and old pin numbers on my card again, but again my ATM card was swallowed. I went back to the queue and was informed by the teller that the pin number change was allowed only for the first time I used the ATM. I asked — why did the ATM accept the pin number change in the first place? No answer was given. I was then asked to try the old pin number and new pin number again! By this time my patience was zero! I said they can keep my card and I went straight away via the ‘priviledge banking’ counter to withdraw all my money that's in the account!”

**Group 1B**

*Satisfactory* Incident Outcome — “I was opening a new savings account. But the officer was rude and slow. Then, another officer took over and started the account book quickly and answered all my queries”.

*Dissatisfactory* — “I had to withdraw money over the counter since it’s above the ATM withdrawal limit. There were only a few people in the queue served by three counters. When I reached the counter, the teller ignored me and did some other transactions which took so long, since two other persons who were previously behind me in the queue had already been served by the other counters. All I expected was a little “I'm sorry to keep you waiting” from him. But I got no such
Group 1C

Satisfactory Incident Outcome — “The money was paid to the wrong payee at a different account and the transaction got through. As a result, the bank account was closed and the company was blacklisted. The bank acknowledged the problem, notified and explained to Bank Negara on behalf of the company. Three weeks later, the bank called to inform that the account is reactivated and the company is removed from the blacklist.”

Dissatisfactory Incident Outcome — “I was asked to supply a photocopy of my passport even though it was not stated in the application form (for a new credit card) as one of the required documents. I argued that I did not supply my last three months’ bank statement as I’m the bank’s customer and they have my record. They said that they are acting upon their management’s instructions. I got mad and asked them to throw away my application. Later, I received a letter from them rejecting my credit card application.”

Group B — Employee Response to Customer Needs and Requests

Group 2A

Satisfactory Incident Outcome — “I was confused and could not figure out which financing package suited me. The officer in charge was kind enough to explain and showed me the application procedure — it took almost over an hour and a half.”

Dissatisfactory Incident Outcome — “I work with a developer. We have a big account with the bank but they insist that I queue every time to deposit the large amounts of money. They’re not willing to listen, the bank is very rigid in their rules, their service is slow and the branch manager is always rude”.

Group 2B

Satisfactory Incident Outcome — “The monthly payment for me was wrongly credited into someone else’s account but banking procedure only allowed the money to be available next month. The officer was sympathetic and kind. He apologised and personally lent me the cash since I needed the money urgently”.

Dissatisfactory Incident Outcome — “I did not feel safe having to queue everytime I had to deposit such a big sum of money. They refused to tend to my special
need”.

Group 2C

Satisfactory Incident Outcome — “I lost my ASN and ASB account books. A caring and competent officer helped me in the process of declaring the loss and reissuance of the account books — all done on the same floor of the office.”

Dissatisfactory Incident Outcome — “I withdrew a lot of money. Since it was given to me over the counter in small denominations, I thought it wasn’t safe for me to be seen counting so much money over the counter. When I reached home, I counted the bills and discovered that it was RM1,000 short. I returned to the bank. The officer asked the teller to do ‘counter balancing’ but unlucky for me, they found no excess cash. They thought I was trying to rip them off. So I lost the RM1,000.”

Group C — Unprompted and Unsolicited Employee Actions

Group 3A

Satisfactory Incident Outcome — “An amount was paid to deduct my housing loan principal. But the amount was treated as advance loan payment. Therefore, the loan principal was not deducted to reduce the interest payment. The bank immediately assigned someone to look into the case. She called me up, apologised for the error and informed me of the corrective measure taken.”

Dissatisfactory Incident Outcome — “There were no more cash withdrawal forms available on the table/counter. I asked a counter teller for the form and was asked to wait for a while. After waiting nearly ten minutes without any response, I asked the teller again for the form? Again, he asked me to wait. Since nothing was done, I finally had to queue. When I reached the counter and asked for the form, only then the form was given to me. I filled it up in front of him.”

Group 3B

Satisfactory Incident Outcome — “While my husband (a teacher) was studying overseas, I depended on his allowance credited into our account to provide for my young children’s needs and for myself. When the much-needed cash during a particular month didn’t come through, I checked with the school and their record showed that the cheque was sent to the bank for the payment to go through. Not only did the bank manager apologised for mistakenly crediting the amount into another teacher’s account, he even gave me some cash out of his pocket to lend me the money to tide over, until the payment goes through the following month”.
Dissatisfactory Incident Outcome — “I got slapped by a bank clerk due to my complaints. It was witnessed by the bank staff and customers. I lodged a police report and submitted a complaint to various officers of the bank. The case was closed by the HRD of the bank. I believe that this happened due to abuse of power when the manager himself was involved in this case...”

Group 3C

Dissatisfactory Incident Outcome — “When my signature did not appear to be identical with the one in their record, the officer told me in a very rude way, to sign again. His behaviour is not acceptable”.

Group 3D

Satisfactory Incident Outcome — “There was a mix-up on the status of my home loan application when one of their bank officers summoned me to their KL main office (I applied the loan through their Damansara branch). The officer admitted their error, and urgently investigated the matter while making me wait comfortably. I was pleased with their kind treatment — they approved my loan application.”

Dissatisfactory Incident Outcome — “A cheque was issued for the amount of RM1,400, but only RM140 was paid to me. I was told to get another cheque issued to cover the amount balance if I wished. The cheque with the supposedly wrong amount was cancelled”.

Group 3E

Dissatisfactory Incident Outcome — “I applied for a credit facility of RM50,000. It wasn’t processed for more than six months by their Selangor office. I lodged a complaint to the company’s K.L. head office. The application was rejected without citing any reason. The head office instructed its Selangor office to investigate my query and was informed that the application was rejected because my existing loan was still outstanding. They did not inform me of this outstanding payment.”

The following section reports our findings to the first two exploratory research questions. Specifically, this examines what specific events and employee actions led to the incident outcome. Only eleven of Bitner et. al.’s (1990) twelve CIT categories are found in the Malaysian incidents sampled. Category 2D — incidents involving “other disruptive customers” is not found in the sampled incidents from the finance sector. Table 18.1 shows the number of incidents classified by group (1, 2 and 3) and incident outcome (judged either satisfactory or dissatisfactory by each customer). The three groups that emerged were almost similar to Bitner et al. (1990) and Wels-Lips,
van der Ven, and Pieters (1998) studies. Table 18.2 shows the number and percentage of incidents which customers found “satisfactory” versus those found “dissatisfactory” in each of the eleven categories found. Group A incidents are those relating to the willingness of the contact employee to respond and handle such failures that can result in the incident to be remembered as very satisfactory or very dissatisfactory. Group B incidents relate to whether or not the customer perceives that his/her “special” requests or needs have been accommodated, while Group C incidents describe incidents truly unexpected and unrequested employee behaviours that either enhance or detract from the delivery of the core service.

Customers evaluated their service encounter judging an incident outcome as either satisfactory (“moment of joy”) or dissatisfactory (“moment of sorrow”) (Odekerken-Shroeder et al., 2000). Tables 18.1 and 18.2 show that for finance services, we found more incident outcomes judged as ‘dissatisfactory’ (60.7% of N=145) than ‘satisfactory’ (39.3%).

With 54.5% of total incidents classified, Group 1 incidents occur the most. This group is characterized by incidents involving employee responses to service delivery system failures. Three different types of Group 1 incidents were identified. Category IC (‘response to other core service’) has the most incidents (29.7% of total incidents),
Table 18.2: Group and Category Classification by Incident Outcome

<table>
<thead>
<tr>
<th>Group (n=145)</th>
<th>Category</th>
<th>Incident Outcome</th>
<th>Total</th>
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<tr>
<td></td>
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<td>Satisfactory</td>
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<td>Dissatisfactory</td>
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<tr>
<td>Group 1. Employee response to service delivery system failure</td>
<td>A: Response to unavailable service</td>
<td>1</td>
<td>5</td>
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<td></td>
<td></td>
<td>B: Response to unreasonably slow service</td>
<td>4</td>
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<tr>
<td></td>
<td></td>
<td>C: Response to other core service failures</td>
<td>17</td>
</tr>
<tr>
<td>Group 2. Employee response to customer need and request</td>
<td>A: Response to special needs customer</td>
<td>3</td>
<td>50</td>
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<td>B: Response to customer preferences</td>
<td>3</td>
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<td>C: Response to admitted customer error</td>
<td>5</td>
</tr>
<tr>
<td>Group 3. Unprompted and unsolicited employee action</td>
<td>A: Attention paid to customer</td>
<td>12</td>
<td>62.5</td>
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<td>B: Truly out-of-the-ordinary behavior</td>
<td>5</td>
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<td>C: Employee behavior in the context of cultural norms</td>
<td>4</td>
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<td></td>
<td></td>
<td>D: Gestalt evaluation</td>
<td>1</td>
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<td>E: Performance under adverse circumstances</td>
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<td>Total</td>
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followed by category IB (‘response to unreasonably slow service’: 18.6% of total). Category 1A incidents are those where the core service as promised, is absent or lacking (e.g. when the customer is not updated about their loan application status). The way in which unavailability is handled determines whether the customer remembers it as satisfactory, such as if the service personnel acknowledges the problem and gave a good explanation why the service is unavailable. By not giving any reason or simply not apologizing for the customer’s hardship that ensued, can be enough to cause them to remember the event with great distaste. Grave dissatisfaction can also be due to just failure to take any remedial action. Dissatisfactory incidents prevail from ‘unreasonably slow’ (1B category) incidents where customers waited an excessive amount of time for service. However, out of total satisfactory incidents, most (29.8% of them) fall into IC category incidents related to employee response to other core service failures.

Group 2 incidents are those where no delivery system failure occurred, but where there was a customer request or need, and the way service personnel responded to this request/need influenced them to remember the incident as either ‘satisfactory’ (a moment of joy) or ‘dissatisfactory’ (sorrow). The smallest number of incidents (16.6% of the total) is classified in this group.  

Category 2B incidents: ‘response to customer preferences’ includes incidents when particular requests are made which reflect personal preferences unrelated to the customer’s sociological, physical or demographic nature. They require employees to adapt the system in some way, even if it is within the policy/procedural norm. The third Category — 2C identified in this group involves incidents associated with ‘response to admitted customer error’. Here, a customer error triggers the event (e.g. not conforming to application procedure, not knowing/misunderstanding the terms, lost documents, wrong queues). Dissatisfaction results when employee responses included an unwillingness to resolve the customer’s problem, avoiding to take responsibility or embarrassing the customer. Moments of joy result when the employee acknowledges the problem, takes responsibility, professionally assisting to resolve the customer’s dilemma and doing it with the highest etiquette.

Group 3 incidents are those where no delivery system failure occurred, but unprompted/unsolicited employee action made customers perceive the events as either a moment of joy or sorrow. Group 3 incidents scored the second highest frequency (29.0%) among incidents collected. Category 3A incidents (‘attention paid to the customer’) result in ‘satisfactory’ encounters when contact employees take extra time and care, provide extra information or are attentive, to make the customer feel “unique”. Ignoring the customer, not caring about the customer’s comfort, not anticipating their needs and other acts demonstrating poor attitude towards the customer, will result in ‘dissatisfactory’ encounters. Category 3B involve incidents of rudeness, unpleasant behavior and inappropriate verbal exchanges causing ‘horror’ events to be remembered. For satisfactory service encounters, this category consists of unex-
pected thoughtful action such as being very informative about a particular regulatory
procedure and speeding up a complex task, thereby causing customer delight. Category 3C are incidents with ‘employee behaviors in the context of cultural norm’. These result in satisfactory encounters when an ideal cultural norm is upheld by an employee, or when people are not discriminated or fairness and discretion are exercised in anticipating customers’ problems. Within this group, ‘Gestalt evaluation’ (3D category) incidents are evaluated holistically, e.g. “everything went wrong/ everything went right”, and those that are remembered favorably or unfavorably based on a series of encounters with the finance service provider and cannot be attributed to any specific cause. A combination of negative behavior such as inefficient, slow, no assistance, not accommodating or attentive, will result in dissatisfactory encounters in this category.

Overall, the most frequent incidents found were in category 1C — incidents related to ‘employee response to other core service failures’, followed by category 1B — concerning response to unreasonably slow service. Both Groups 1 and 2 incidents are more marked with moments of sorrow, rather than moments of joy. The only category which recorded more moments of joy than sorrow is 3A. This concerns ‘attention paid to the customer’ (from Group 3 incidents with unprompted/ unsolicited employee action). This suggests that while response to service delivery system failures are more likely to be a source of sorrow than joy, customers highly value the caring and devoted attention rendered, which can effectively create a joyful, memorable experience.

Relationship between incident outcome and cit groups and categories

The third research question explores whether relationships are present among underlying causes of satisfactory and dissatisfactory incidents, with groups and categories. Our contingency table analysis of Table 18.2 shows an inter-dependency between incident outcome (satisfactory/dissatisfactory) and eleven CIT categories (alpha=0.1, chi-squared=16.026; p=0.071 (sig.)). Thus, these categories are valid in distinguishing between incidents judged as satisfactory or dissatisfactory. However, running chi-squared analysis reveals no inter-dependency between incident outcome and group (Pearson chi-squared=2.999, p-value=0.223). This means that incidents judged satisfactory or otherwise are not significantly different across the three groups.

First, note the larger proportion of dissatisfactory incidents (60.7% of total incidents) than satisfactory ones, overall. Secondly, the number of dissatisfactory incidents from this finance sector is much higher due to delivery system failures (Group 1) than the other two groups, similar to the hospitality context captured by Bitner et al. (1990) study. Most dissatisfactions are concentrated in 1C and 1B category incidents. This is not surprising, given Malaysians’ expectations of finance institutions’ services being very high. The incidents we found suggest that offering good explanations and sincere apologies as effective recovery tactics that can dissipate anger, but may still be inadequate to prevent the occurrence of the service failure from being judged as acceptable. Thirdly, note that 3A category recorded the highest satisfac-
RESULTS AND DISCUSSION

... incidents — 26.3% of 57 total satisfactory incidents classified into this category alone.

These results may suggest that delivery system failures can be recoverable, though customers experiencing unreasonably slow service (category 1B) and other core service delivery system failures (1C) may tend to be harder to please than customers facing other service problems. In contrast, it seems easier to turn service failures into ‘moments of joy’ for category 3A incidents, when special care and attention are given to solve customers’ problems through unsolicited employee actions. Also, fewest incidents here fall into Group 2 — 16.6% of incidents, unlike Bitner et al. (1990) hospitality services context, where it became the second most frequent incident group. The nature of finance services itself (such as loan application processing, various bill payment modes, transactions over the counter, money transfers) perhaps explain why. This may be due to the highly regulated nature of personal finance services under the Malaysian Central Bank guidelines, with set procedures requiring little room for customization. Or could it be the manifestation of the Malaysian culture of not preferring to explicitly make such requests? (Of the total 145 incidents collected, only 39.3% of respondents actually lodged a complaint or made a request to the finance service provider to address their service problem). Or simply, finance services are standardised products with just too few situations that require even implicit customer requests to be made /to accommodate their needs.

Effective management of the service encounter implies the need for service providers to focus more on effective HRM strategies; for instance, recruiting the right employees with strong service orientation, continually motivating them, effectively conducting training programs and retaining valued employees. For this purpose, managers should value their front-line employees as a direct source of building their end-customer database. The need to recover service failures well, calls for service employees’ vital need for not only knowledge, but to be effectively empowered and monitored as well, to ensure that they can perform beyond their customers’ expectations. Lewis and Spyrakopoulos (2001) advocated delivering more effective service recovery for customers with longer relationships with the banks and those with higher deposits. Knowing which service recovery strategies will be more effective for what type of service failures also count (for example, see also Jun and Cai, 2001; Mattson and Helmersson, 2005; Warden et al., 2003; Wels-Lips et al., 1998). Greater customer relationship management activities such as the priority banking schemes and frequent traveler programs by airlines as examples of loyalty programs, can also be more extensively adopted for the finance sector. Using the CIT in measuring internal service quality is also beneficial as a base to develop customer satisfaction monitoring programs and to assist managers to isolate situations in which employees need control rather than rules. Besides, applying the CIT method can also define a range of action alternatives that employees can exercise (Bitner et al., 1990).

For Malaysia, ‘services’ is the fastest growing sector of our economy, comprising 57% of the nation’s GDP after the manufacturing sector at 32% of the GDP, with Malaysia’s GDP to grow moderately at 5.5% in 2006 and projected to increase to 5.8% in 2007 (from 7.1% in 2004 and 5.3% in 2005) (Malaysian Economic Outlook MIER Report 2006). Malaysian banks are well-capitalized with low ‘NPL’s’, recording loan growth of between 4-9 per cent from 2003 to 2005, while deposits grew between
6-10 per cent in the last three years. With interest rates expected to rise further and the private sector to be the key driver of economic growth in an economy that is driven more by consumption than value-creating activities (Ariff, 2006), the role of financial institutions in improving their customer welfare will be under scrutiny.

In sum, this study is significant in suggesting customer satisfaction as an important “societal welfare” issue that also increases the “enterprise welfare” of finance institutions. This is seen when it implies how efforts to increase customer satisfaction will gain higher internal service quality, since employees are the banks’ internal customers. Henceforth, higher internal service quality will drive higher external service value that will drive higher enterprise welfare, thus contributing to higher GNP of nations (see Heskett, Jones, Lovemann, Sasser, and Schlesinger, 1994; Kamakura, Mittal, de Rosa, and Mazzon, 2002). Viewed at another angle, this study also examines the outcomes and impacts of marketing on effectiveness and efficiency of finance institutions. It also fills the gap in explaining customer satisfaction or dissatisfaction, in specifically delineating the incident outcomes. Lastly, this paper hopes to contribute to literature stressing the need for finance service providers, to better understand how to increase their customers’ satisfaction and well-being. It also hopes to motivate other researchers to further examine the dynamics of the service encounter with its far-reaching implications on development of employees, on the financial institutions they work and on the economy of nations.

References


Paper 19

Place Attributes and Business Customer Satisfaction — An Exploration of Local Firms in Tien Giang Province, Vietnam

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This study explores place attributes and their impacts on business customer satisfaction in Tiengiang, a province in the Mekong basin of Vietnam. In-depth interviews with place marketers and business customers identify three groups of place attributes — business infrastructure (basic infrastructure, land and labor costs, and quality of technical schools), government support (incentives, trade assistance, and government services), and quality of life. The results of the quantitative study indicate that, among these factors, only quality of technical schools, government services, investment incentives, and quality of life play significant roles in business customer satisfaction. In addition, the level of satisfaction of private-owned firms is less than that of firms of other ownership-types. Other firm characteristics, such as the number of employees, number of years in business, and type of business, have no impact on business customer satisfaction.

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Introduction

A number of nations in the Asian region, such as Japan, Singapore, and Korea, which do not possess wealthy natural resources, have achieved remarkable economic development. Relying heavily on the basic production factors such as low labor costs or natural resources, may be a factor contributing to the failure of place development (Fairbanks and Lindsay, 1997). Competition in the global economy has caused nations, cities, and provinces, to change their vision of place development (Porter, 1990; Sheth, 2004). The comparative advantage based on factor endowments may not be the key factor that leads economic development of a place because places are competing against each other by means of these factors, resulting in a considerable decrease in their prices. In addition, low labor costs can not compensate for labor skills. With the development of technology, labor skills are of importance compared to labor abundance and costs (Fairbanks and Lindsay, 1997).

During the last decade, marketing researchers have agreed that a place can be seen as a brand such as a product or service brand, and place marketers should build the place’s identity based on its attributes and attractions, and position the place in its target markets (e.g. Kotler and Gertner, 2002; O’Shaughnessy and O’Shaughnessy, 2000; Papadopoulos and Heslop, 2002). The target markets of the place can be tourists, conventioneers, corporate headquarters, export markets, and manufacturers, investors, and entrepreneurs — local and international (Kotler, Haider, and Rein, 1993). Among these customers, the business customer is perhaps a key target for every place, especially in developing countries.

Several studies have been devoted to the exploration of factors that a place should build and improve to stimulate the inflow of foreign direct investment (FDI) as well as to create a high level of investor satisfaction, especially in the developing world (e.g. Fung, Garcia-Herrero, Iizaka, and Siu, 2005; Mmieh and Owusu-Frimpong, 2002; Nguyen and Haughton, 2002) because FDI produces several benefits for the place, such as new industries, labor, technology transfers, economic development, adjustment of balance of payments, income for the citizen as well as for the nation (e.g. Root, 1990). However, place marketers are found to lack understanding of business customers (e.g. Ulaga, Sharma, and Krishnan, 2002). Regarding local business firms, even though their roles in place development are by no means less important than the FDI sector, their behaviors have been largely ignored. In place marketing literature, the local business community plays a twofold role. They act as place marketers as well as customers of the place. As a place marketer, the business community contributes to the development and quality of life of the place (Glacer, 1991; Kotler et al., 1993). As a place customer, local business firms, like FDI firms, provide jobs and incomes for place citizens and revenues for the government (Kotler et al., 1993).

As Vietnam, since the new economic reform in 1986, has endeavored to attract investments, local as well as international, and is considered to be a country with relative abundance of labor forces and natural resources, and is still an underdeveloped economy, it provides us with a good case for the study of place development. In recent years, Vietnam has achieved a considerable and stable economic growth rate (about seven percent per year). Total investments have also increased with an average rate of twelve percent annually (Vietnam Statistical Office, 2004). Even though
some encouraging economic indicators have been achieved, several flaws still exists such as poor investment services, underdeveloped legal systems, unstable tax policy and administration, making the economy less competitive (Ho, Nguyen, Nguyen, Nguyen, Bui, and Nguyen, 2004; Le, 2003).

A number of Vietnamese researchers have attempted to investigate factors that make the economy less competitive (e.g. Ho et al., 2004; Le, 2003; Phan, 2002). However, they have also focused primarily on the FDI sector. Little research has been devoted to examining the factors that cause local investors and business firms to be satisfied. In addition, several places have applied place marketing strategies in their planning for place development (Amine and Chao, 2005; Julier, 2005; Kotler and Gertner, 2002). However, the phenomenon primarily exists in industrialized economies. In several developing countries, especially in transition economies like Vietnam, this role of marketing has not received much attention by academics as well as by practitioners (Ho et al., 2004). To bridge this gap, this study attempts to investigate some key place factors that may have impacts on the satisfaction of the local business community. Since current business customers (the insiders) are likely to affect the economic development of a place more than new business recruitment (Glacer, 1991), this study specifically focuses on the existing members of the local business community in Tiengiang, a province in the Mekong basin of Vietnam. In the next section, a brief review of the literature on place marketing is provided, followed by an empirical investigation and its results. Implications, limitations, and directions for future research are then discussed.

Place attributes and business customer satisfaction

The role of marketing in economic development has attracted researchers for many years (e.g. Drucker, 1958; Reddy and Campbell, 1994; Shultz, 1997; Wood and Vitell, 1986). Recently, interest has focused on place marketing and several places, nations and cities, have been spending money to create and position place identity (attributes and attractions) to appeal place customers such as tourists, investors, manufacturers, and entrepreneurs (e.g. Kotler et al., 1993; Ulaga et al., 2002). There is now abundant literature on place marketing (Julier, 2005). The history of economic development shows that several nations without factor endowments have achieved remarkable success in their economies because they rely heavily on marketing for their economic developments on marketing (Reddy and Campbell, 1994; Fairbanks and Lindsay, 1997; Kotler, Jatusripitak, and Maesincee, 1997).

The marketing approach to economic development focuses on the marketing of place brands to customers: investors, entrepreneurs, tourists, experts, and well-known individuals (Gilmore, 2002; Kotler and Gertner, 2002). Like other product or service brands, to be successful, a place brand should offer the promise of the bundles of attributes that place customers buy, which, in turn provides satisfaction (Ambler and Styles, 1996). Customer satisfaction, the coincidence between expectations and performance (e.g. Anderson and Sullivan, 1993), will lead to an increase in place contributions in terms of jobs, income, and government revenue. They are likely to have a long-term business relationship with the place, expanding their cur-
rent businesses and introducing new businesses to the place (e.g. Leuthesser, 1997).

Place marketers should try to build and improve several place attributes, such as place attractions, infrastructure, and people, in order to attract and satisfy customers. In other words, place marketers should create a place’s image, defined as “the sum of beliefs, ideas, and impressions that people [customers] have of the place” (Kotler and Gertner, 2002, p. 229). For example, St. Thomas, Canada promotes the city to its business customers with a combination of four key factors, i.e., location, energy, labor skills, and quality of life (Ward, 1998).

Research has shown that place attributes play an important role in business destination and, that business success is heavily influenced by location choices. This requires place marketers to understand how investors make their place selection (Ulaga et al., 2002; Stelzer, Chunguang, and Banthin, 1992). To compete with other places, place marketers must be prepared to offer meaningful attributes that can satisfy their customers. Several place attributes that impact on place decisions have been identified such as labor, customer and supplier markets, infrastructure, transportation, education and training schools, quality of life, business climate, access to R&D facilities, capital availability, tax, and regulations. Kotler and Gertner (2002) provide several “old” and “new” place attributes (Table 19.1). These include labor, tax climate, incentives, amenities, schools, higher education, regulation, energy, communication, and business opportunities.

In Vietnam, research also highlights several place attributes that need to be improved in order to attract new investors and to satisfy the existing business community, such as poor infrastructure, high cost of services, low labor skills, ineffective administration and corruption, unstable government policies and regulations, inconsistency between central and local governments, and low quality of life (e.g. Le, 2003; Phan, 2005). These flaws exist not only in rural provinces but also in places which have been highly promoted in the country such as Ho Chi Minh City and Binh Duong (e.g. Ho et al., 2004; Phan, 2004). Accordingly, it can be expected that several place attributes such as infrastructure, government support, quality of training schools, and quality of life are factors that contribute to the satisfaction of business customers.

**Empirical Investigation**

The empirical investigation was undertaken in Tiengiang, a Mekong basin province of Vietnam. Provinces in the Mekong basin have been considered as the most prosperous areas in Vietnam due to the favorable climate for agriculture. However, compared to other cities and provinces in Vietnam such as Hanoi, Ho Chi Minh City, Danang, Binh duong, and Cantho, Tiengiang is relatively less industrialized. Most firms in the province are small (less than 100 employees). Both qualitative and quantitative methods were utilized in this research.
<table>
<thead>
<tr>
<th>Place attributes</th>
<th>Old</th>
<th>New</th>
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<td>Labor</td>
<td>Low cost, unskilled</td>
<td>Quality, highly skilled</td>
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<td>Tax climate</td>
<td>Low tax, low services</td>
<td>Modest tax, high services</td>
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<td>Incentives</td>
<td>Least-cost production, cheap land and labor</td>
<td>Value-added adaptable labor force, professionals</td>
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<td>Amenities</td>
<td>Housing and transportation</td>
<td>Culture, recreation, museums, shopping, airport</td>
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<td>Availability</td>
<td>Quality schools</td>
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<td>Higher education</td>
<td>Not key</td>
<td>Quality schools and research facilities</td>
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<td>Regulation</td>
<td>Minimum</td>
<td>Compatible quality of life and business flexibility</td>
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<td>Energy</td>
<td>Cost/ availability</td>
<td>Dependability/ reliability</td>
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<tr>
<td>Communication</td>
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<tr>
<td>Business</td>
<td>Aggressive chamber of commerce, etc.</td>
<td>Partnerships</td>
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</table>

Table 19.1: Place attributes: Old and new (Kotler and Gertner, 2002, p. 330)
Phase 1: Qualitative

In order to understand place attributes that are viewed as important by the local government as well as the local business community in the province, a qualitative study by means of in-depth interviews was conducted. The interviews were first undertaken with senior managers of three key government departments directly involved in business and investment, i.e., they were place marketers of the province. These three departments were the Department of Planning and Investment, the Department of Industries, and the Department of Industrial Zones. In-depth interviews were then conducted with senior managers of two firms — Huuloc, a small and private-owned firm (less than 50 employees), and Myto, a larger and state-owned firm (more than 700 employees).

Results

The in-depth interviews with place marketers in Tiengiang revealed that they had very narrow views on place marketing, especially, on business customer satisfaction. They were not entirely familiar with the concept of place marketing. To them, place marketing is promoting the province to foreign direct investors. Tiengiang marketers focused on the province’s comparative advantage and recognized that, compared to other provinces in the region, Tiengiang experienced great difficulty in competing with them for investments, local as well as foreign, because it does not have any comparative advantage. Therefore, Tiengiang was trying to compete with other places by utilizing traditional means such as low labor and land costs, etc. In addition, their marketing activities concentrated primarily on recruiting new business customers. Less has been done with business customer satisfaction and retention.

In-depth interviews with business customers suggested that the relationship between the place and business community was mainly “arm’s length”. The business community lacked timely support from place marketers. Further, probing of the place attributes that have affected their business activities revealed that they were concerned with three key groups of factors, i.e., basic business infrastructure, government support, and quality of life.

- **Basic business infrastructure**: power and water supplies, drainage, communications (post, telephone, and Internet services), transportation systems (roads and ports), land (cost and compensation), labor (supply and cost), and quality of technical schools.

- **Local government support**: government services (public services, tax, and loan policies) investment incentives, and trade assistance (customs, transportation, intellectual property protection, loans, and import-export information)

- **Quality of life**: health care systems, school systems, pollution, entertainment, and cost of living.
Phase 2: Quantitative

The quantitative phase was undertaken by means of face-to-face interviews with senior managers of firms in Tiengiang province. The purpose of this survey was to reduce the various items measuring of place attributes and to investigate their impact on business customer satisfaction.

Sample

A sample of 396 firms in Tiengiang was surveyed using a structured questionnaire. In terms of ownership, the sample included 286 (72.2%) private firms and 110 (27.8%) firms with other types of ownership. In terms of industry, there were 135 (34.1%) firms in the service sector and 261 (65.9%) firms in other sectors (manufacturing, construction, agriculture, etc). In terms of number of years in business, there were 200 (50.9%) that had been engaged in business less than six years and 196 (49.1%) firms with more than five years in business. Finally, in terms of number of employees, 271 (69.2%) firms had fewer than 21 employees and 125 (30.8%) firms had more than 20 employees.

Measurement

Based on the results of the qualitative phase, several items were developed to measure the three groups of place attributes, i.e., basic business infrastructure, local government support, and quality of life attributes (see Table 19.2). Nine-point Likert scaling, anchored by 1: strongly disagree and 9: strongly agree, were used in this study.

- **Basic business infrastructure**: Fourteen items were developed to measure basic business infrastructure. They included power supply, water supply, basic communication (telephone, post office, and the Internet) and transportation (roads and ports), land and labor (supply and cost).

- **Local government support**: Thirteen items were designed to measure local government support. These items addressed a number of government polices, services, assistance, and incentives that stimulated the investment and operations of business.

- **Quality of life**: Seven items were used to measure quality of life. They were comprised of schooling, heath care, cost of living, unpolluted environment, and friendly citizens.

- **Business customer satisfaction**: Several scales have been developed to measure customer satisfaction, in business-to-business and business-to-customer contexts (e.g. Lam, Shankar, Erramilli, and Murthy, 2004). Utilizing Lam et al.’s scale with some modifications based on the qualitative results, seven items were designed to measure business customer satisfaction with a place.
**Basic business infrastructure**

1. Stable electricity supply  
2. Stable water supply  
3. Good drainage  
4. Reasonable electricity costs  
5. Reasonable water costs  
6. Good communication system  
7. Convenient transportation facilities  
8. Reasonable land cost  
9. Reasonable land compensation  
10. Timely land compensation  
11. Abundant labor supply  
12. Low labor costs  
13. Technical schools satisfy the our requirements  
14. Skills of graduates from technical schools satisfy our requirements

**Government support**

*The local government:*  
1. gives supports for transportation  
2. has effective administration and legal services  
3. gives supports whenever the firm needs  
4. tries its best to solve conflicts between the firm and its employees  
5. promptly informs the firm about new regulations, and related information  
6. has a clear tax system  
7. gives supports for investment loans  
8. provides effective protection of patents, brand names, and other intellectual property  
9. gives effective trade assistance  
10. customs work effectively and timely  
11. gives sufficient information on trade  
12. has attractive investment incentives  
13. promptly inform the firm about investment incentives

**Quality of life**

1. Good school systems  
2. Good health care systems  
3. Several shopping centers  
4. Attractive recreation centers  
5. Unpolluted living environment  
6. Friendly citizens  
7. Low cost of living

**Business customer satisfaction**

1. My firm performs well in Tiengiang  
2. The sales of my firm improve as expected  
3. The profits of my firm improve as expected  
4. We decide to do business in Tiengiang for a long time  
5. We will introduce Tiengiang to other firms  
6. Overall, we are very satisfied with our business in Tiengiang

Table 19.2: Items measuring various place attributes and business customer satisfaction
Factor analysis results

Exploratory factor analysis (EFA) was used to reduce the items measuring place attributes based on the data from the sample of 396 firms in Tiengiang.

Basic business infrastructure

The EFA extracted three factors from the fourteen items measuring basic business facilities with 57.98% variance extracted, and all factor loadings were greater than .52. The first factor, termed basic infrastructure, included items addressing water and power supply, drainage system, and communication. The second factor, labor supply, comprised labor cost and abundance. The third factor, quality of technical schools, included items dealing with the skills of graduates and the fulfillment of business requirements by technical schools.

Local government support

EFA extracted three factors from the thirteen items measuring government support with 60.86% variance extracted. All factor loadings were greater than .53. The first factor, trade assistance, included items measuring the effectiveness of trade assistance, customs work, and information on trade. The second factor, investment incentives, encompassed items addressing the attractiveness of incentives as well as information about them. The third factor, government services, contained items describing various services provided by the local government such as administration, legal services, and loan support, etc. It is noted that the items addressing the protection of patents, brand names, and other intellectual property was deleted due to its low factor loading (< .05).

Quality of life

EFA extracted one factor with 53.08% variance extracted and all factor loadings were greater than .65. Two items (shopping centers and attractive recreation sites) were also deleted from this scale because they had low factor loadings.

Business customer satisfaction

EFA extracted one factor with 65.73% variance extracted and all factor loadings were greater than .71.

Regression results: The role of place attributes in business customer satisfaction

The literature on place marketing and the results of the qualitative study indicate that the place attributes discussed previously are likely to have impacts on business customer satisfaction. The effects of various firm characteristics on business customer satisfaction were also examined. These include type of industries (service
Table 19.3: Stepwise regression results: place attributes included in the model and others), number of years in business, type of ownership (private and others), and number of employees. Because the study is an exploration in nature, stepwise regression analysis was utilized to assess the effects of place factors on business customer satisfaction (e.g. Field, 2005). Table 19.3 shows the place attributes that have impact on business customer satisfaction and Table 19.4 presents the place attributes that do not affect business customer satisfaction.

The results indicate that, of eight place attributes (basic infrastructure, land costs, quality of technical schools, labor, investment incentives, trade assistance, government services, and quality of life), only four of them, i.e., investment incentives, quality of technical schools, government services, and quality of life, were found to have effects on business customer satisfaction. The impact of type of ownership on business customer satisfaction was also found to be significant (Table 19.3). Compared to other types of ownership, privately-owned firms were less satisfied. All of these factors (four place attributes and firm ownership) explained 42.1 percent of the variance of business customer satisfaction. Other firm characteristics played no role in business customer satisfaction (Table 19.4).

Discussion and implications

The purpose of this study is to explore the role of place attributes in business customer satisfaction. The study involved two phases of investigation — qualitative and quantitative in Tiengiang, a province in the Mekong basin of Vietnam. The results of the qualitative study indicate that business managers are concerned with there main groups of place attributes, i.e., basic business infrastructure (basic infrastructure, labor supply and cost, land cost and compensation, and quality of technical schools), local government supports (trade assistance, investment incentives, and services), and quality of life.

Several interesting results were found in the quantitative study. Firstly, consis-
Table 19.4: Stepwise regression results: place attributes not included in the model

<table>
<thead>
<tr>
<th>Place factors</th>
<th>Beta</th>
<th>t-value</th>
<th>p-value</th>
<th>Partial correlation</th>
<th>VIF</th>
<th>Tolerance (min)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Basic business infrastructure</td>
<td>0.09</td>
<td>1.73</td>
<td>0.084</td>
<td>0.09</td>
<td>1.981</td>
<td>0.400</td>
</tr>
<tr>
<td>Land costs</td>
<td>0.04</td>
<td>0.90</td>
<td>0.369</td>
<td>0.05</td>
<td>1.446</td>
<td>0.447</td>
</tr>
<tr>
<td>Labor (cost, supply)</td>
<td>0.06</td>
<td>1.34</td>
<td>0.180</td>
<td>0.07</td>
<td>1.434</td>
<td>0.473</td>
</tr>
<tr>
<td>Trade assistance</td>
<td>0.07</td>
<td>1.60</td>
<td>0.111</td>
<td>0.08</td>
<td>1.360</td>
<td>0.455</td>
</tr>
<tr>
<td>Industry (1: services, 0: others)</td>
<td>0.05</td>
<td>1.20</td>
<td>0.233</td>
<td>0.06</td>
<td>1.047</td>
<td>0.458</td>
</tr>
<tr>
<td>Years in business</td>
<td>-0.06</td>
<td>-1.64</td>
<td>0.101</td>
<td>-0.08</td>
<td>1.023</td>
<td>0.471</td>
</tr>
<tr>
<td>Number of employees</td>
<td>0.03</td>
<td>0.83</td>
<td>0.408</td>
<td>0.04</td>
<td>1.120</td>
<td>0.473</td>
</tr>
</tbody>
</table>

With the place marketing literature (e.g. Kotler and Gertner, 2002), it was found that basic infrastructure and labor (abundance and costs) are not significant factors that affect business customer satisfaction. On the other hand, the quality of technical schools plays an important role in business customer satisfaction. It was further found that government support, investment incentives, and quality of life, contribute significantly to the satisfaction of business customers. Finally, the relationship between trade assistance and business customer satisfaction was found to be not significant. This finding is inconsistent with previous findings on trade assistance (e.g. Albaum, 1983; Gencturk and Kotabe, 2001). An explanation for this is that export-import activities of firms are still modest compared to other provinces. Therefore, the need for trade assistance may not be vital.

The findings of this study suggest a number of implications for place marketers. Firstly, basic production factors are no longer a critical advantage for place development. If places try to compete with each other based on those basic factors such as decreasing the costs of land, labor, and electricity, every place will be worse off because they do not have significant impacts on business customer satisfaction. These factors should be fundamental investments for every place in order to meet the business requirements. They are ‘must be’ factors but are not ‘attractive’ or “one-dimensional” factors, based on Kano’s model (e.g. Yang, 2005). Therefore, places can not use them as a means for competition. For example, several firms are more willing to accept a high land cost (US$108/m²) in Tanthuan, an export processing zone (EPZ) in Ho Chi Minh City, than other EPZs which offer lower rates (about US$70-80/m²). This is because this EPZ provides them with better investment and business services (Saigon Entrepreneurs 2005).

Secondly, government support plays an important role in business satisfaction. The qualitative phase of our study indicates that the relationship between the local government and the business community can be divided into three distinct types:
• **Intervention relationship**: The local government is involved in everyday business operations of the business community through several unnecessary interventions.

• **Arm’s length relationship**: The local government is not willing to become involved in any aspect of the business community.

• **Supportive relationship**: The government actively assists the business community in achieving better outcomes.

The findings of this study suggest that place marketers should develop a supportive relationship strategy in dealing with the business community, through several government supports. In so doing, place marketers should study the needs of the business community and react effectively to their needs. In other words, places should establish a business support system to assist the business community.

The results also indicate that quality of labor is far more important than quantity. Therefore, places should build and improve their training programs in order to provide quality workers for the business community. Finally, consistent with the literature on place marketing, the results of this study show that quality of life is important for the business community (e.g. Glacer, 1991). Therefore, places should improve their living environment to satisfy the business community such as health care, schooling systems, and environment protection, etc. A greater understanding of residents’ attitudes and needs through some feedback mechanism, is required in order to design a better system for enhancing quality of life.

**Limitations and directions for future research**

This study has a number of limitations. Firstly, the study only focuses on Tiengiang, one province of Vietnam. Therefore, the generalizability of the results could be enhanced by examining other provinces in future research. In addition, the study investigates only the local business sector. It is also noted that, the FDI sector in the province is still relatively small. Using a nationwide sample, the comparison of business customer satisfaction with place attributes between local and FDI businesses would be of interest in future research. Finally, the measures of place attributes were generated and assessed based primarily on one province, where the business community is still relatively under-developed compared to other areas of Vietnam. For example, the items measuring quality of life are more or less ad hoc due to the less-developed nature of the area where formal paradigms (e.g. Kilbourne, McDonagh, and Prothero, 1997; Peterson and Malhotra, 1997) are still not relevant. They can serve as initial measures which need further development in future research. In addition, because of the dynamic nature of transition economies like Vietnam, multiple-method field research (Shultz, 1997) may be more effective in dealing with the research objectives of this study.
References


Phan, L. N., 2005. *Implementing place marketing strategies to attract foreign direct investment in Quang Nam province*. Mba thesis, University of Technology, Ho Chi Minh City.


Session VI

Consumer Vulnerability: Tuesday
4.00pm-5.30pm
(Parallel Stream)
Ethics in target market selection is a topic that has been on the macromarketing radar screen for some time. A number of significant developments have occurred in the intervening years, including research into the nature of consumer vulnerability. Nonetheless, problems of ethics in target market selection remain. Based on changes in the environment and in marketing thought, this paper revisits this issue, with suggestions for a modified framework and implications for managerial practice and public policy.

Introduction

Many call for the protection of the vulnerable in a society, but the difficulties of practical application of this protection often seem to stymie efforts to do so. One approach companies can take in considering the vulnerability of their consumer audiences is to examine their target market selection strategies. The purpose of this paper is to re-examine ethical issues in target marketing with attention to the effects of technology and new views of consumer vulnerability.

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Technology

Technology today makes the selection of narrowly defined target markets the norm. New methods of data technology give marketers the capability to discriminate among consumers in ways not possible before. In a trend Brady (2000) calls the “dark side of the technology boom,” companies now have the ability to differentiate service based on customer profiles, thus offering better deals to preferred customers. Companies can stratify consumers into those worthy of attention and those prodded toward self-service. Using sophisticated Customer Relationship Management (CRM) systems, consumers can be spontaneously routed based on their profiles.

In addition, in recent years, the advent of modern technology and the Internet has changed the typical consumer decision process with regard to the adoption of new products and services. An increasing number of consumers, indeed a large percentage of American society, find information about new products, compare choices, and search for alternatives via the Web. The typical web consumer uses a more cognitive decision process than consumers of the same products in offline situations. Web consumers are also likely to be wealthy and educated, independent in their judgment making and, in general, reflect the characteristics of early adopters.

The notion that the rich get richer and the poor get poorer has found voice in many different fields in the area of business and economics. Clearly, the more affluent and educated consumers are the ones that have access to high tech informational sources, e.g., the Web, and are more likely to learn about new products, understand the workings of existing products, be aware of substitutes, etc., than less affluent and educated consumers. This notion further increases the vulnerability gap that, as previous papers stated, already existed. Some authors (e.g., Grossbart and Parthasarathy 1993) have made a parallel argument, but with regard to communication technology, as having not an aggregating but a disaggregating effect, largely because it reaches mostly the haves, and not the have nots. With Web sources of information becoming increasingly popular, and with an increasing tendency of companies to forsake printed materials in favor of online materials, the role of the Internet as an information provider will become even more important over time. This will necessarily lead to a vulnerability chasm between the haves and the have nots that will become progressively wider. In other words, technology has and will continue to act as a catalyst in increasing this gap. In this new technological environment, target market issues are as pertinent as ever.

Literature Review

Ethics in target market selection is a topic in marketing ethics that has not been very heavily researched. Rittenburg and Parthasarathy introduced a framework for considering the issue at the annual macromarketing conference in 1993. In 1997, two studies were published that addressed the need for marketers to attend to this concern, one by Rittenburg and Parthasarathy, the other by Smith and Cooper-Martin. Both studies examined the target market issue based on a conceptual framework that differentiated consumers by degrees of vulnerability and products by degrees of
LITERATURE REVIEW

harm. An issue that created difficulty for both teams of researchers was the lack of a well grounded definition of consumer vulnerability. Recently, Baker, Gentry, and Rittenburg (2005) conceptualized consumer vulnerability as, “…a state of powerlessness that arises from an imbalance in marketplace interactions or from the consumption of marketing messages and products” (p. 134). The core of this definition is that segments are not by nature vulnerable; consumers in various segments experience vulnerability for a variety of reasons.

Much valuable research has been done over the last 40 years to aid in our understanding of consumer vulnerability. The pioneering work of Caplovitz (1963) in bringing to the fore the problems of the disadvantaged has helped to shape the direction of discussion of these issues. The door, once cracked open, has swung wide to embrace a vast array of “vulnerable groups,” from those deemed vulnerable due to biophysical characteristics, such as children (e.g. Australian Productivity Commission, 1999; Laczniak, Muehling, and Carlson, 1995), elderly (e.g. Butler, 1968; Guy, Rittenburg, and Hawes, 1994; Kang and Ridgway, 1996; Lyon, Kinney, and Colquhoun, 2002; Mason and Scammon, 2000; McGhee, 1983; Moschis, 1992; Scheidt and Schiae, 1978), racial minorities (e.g. Andreaon, 1976, 1978, 1982, 1997; Taylor, Landreh, and Bang, 2005), and disabled consumers (e.g. Baker, 2006; Baker, Stephens, and Hill, 2001), to those experiencing a temporary state, such as those grieving (e.g. Gentry, Paul, and Hill, 1994; Gentry, Kennedy, Paul, and Hill, 1995; Gabel, Mansfield, and Westbrook, 1996) and immigrants (e.g. naloza, 1995), and those whose socioeconomic characteristics seem to contribute to vulnerability, the impoverished (e.g. Hill, 1995; Hill and Macan, 1996; Lee, Ozanne, and Hill, 1999; Shultz, 1997, 2001) and the wealthy victims of identity theft (e.g. Linnhoff and Langenderfer, 2004).

One finding typical of studies of consumer vulnerability is that often vulnerability results from an interaction between a personal characteristic and situational factor, not simply from the personal characteristic alone (see, for example Moschis, 1992; Smith and Cooper-Martin, 1997). For example, being African-American does not create vulnerability in and of itself, but being an African American of low income living in an inner city may create vulnerability, especially if marketers of inherently harmful products are targeting that specific segment. Such was the case with the Uptown cigarette brand (Nielsen, 1990) (Nielsen 1990). Race may appear to create perceived vulnerability, but actual vulnerability stems from a variety of factors. With respect to race, confounding of ethnicity with income has been a common mistake (Moschis, 1987). There is some evidence that, when income and social class are controlled for, differences among ethnic groups of consumers are less pronounced than they may have appeared (Feldman and Star, 1968). Even socioeconomic disadvantage cannot be assumed to create vulnerability. Szykman, Rahtz, Plater, and Goodwin (2005) found in a study about financial services for consumers in lower socio-economic strata that consumers did not perceive that they were preyed on but understood quite clearly the trade-offs they were making and had factored those into their decisions. Lack of resources did not equate to lack of understanding of the market. These findings are consistent with Calfee and Ringold (1992) “smart” consumer model.

The more the discussion has focused on identifying group characteristics as “prox-
ies” for vulnerability, the further we have gotten from one basic truth: each of us as consumers is potentially vulnerable, given the right (or perhaps wrong) circumstances, particularly when faced with unscrupulous actions by marketers. It is powerlessness in a marketplace situation because of an imbalance in the exchange relationship that creates the vulnerability experience. By focusing on group characteristics, we as marketers wash our hands of any responsibility in a sort of victim-blame game. By turning our attention to the exchange relationship, the ball is back in our court.

Revisiting the Framework

Rittenburg and Parthasarathy (1997) prescribed levels of caution in target market selection, denoted by red, yellow and green zones, determined by the inherent benefit or danger of the product being marketed and discrete categories of vulnerability in consumers. Further, these categories were matched to types of market failures in Harris and Carman’s (1983) typology. Finally, Sheth and Frazier’s (1982) strategy mix choice for planned social change were matched to these categories as possible public policy solutions.

Based on Baker et al.’s (2005) definition of consumer vulnerability, the groupings for these consumer categories may seem arbitrary and artificial. Some immigrants are likely to experience vulnerability; others may not. The elderly may experience vulnerability in some markets, but not in others. A new framework is needed for considering target market selection issues that incorporates new thinking about consumer vulnerability. While any particular consumer might be experiencing vulnerability at any given time, such randomness provides no assistance to the marketer trying to act in an ethical manner. Scam artists obviously have expertise in preying on the vulnerable! Clearly, they know how to target them. How can ethical marketers put the reverse into action?

We suggest that, while protected classes are not reliable proxies for consumer vulnerability, without some method for estimating the level of vulnerability among a consumer population, marketers have no means of taking action, either ethical or unethical. The key to this approach is in making reasonable assumptions about the probability that a given segment is likely to experience vulnerability in a particular interaction. The inherent danger of the product, as recognized by Rittenburg and Parthasarathy (1997) and Smith and Cooper-Martin (1997), is a relevant factor in determining the possible harm or nature of potential market failure. Both dimensions are assumed to lie on continuums, as illustrated in Figure 20.1.

Based on this framework, appropriate actions emerge based on the match between inherent danger level of the product and expected level of consumer control in the market exchange. Thus, where the market failure probability is expected to be low, a firm might reasonably assume no problems should occur in marketing to the selected segment(s). An example of this might be marketing new drugs to doctors; presumably their expertise increases the level of control they have in this exchange. In the middle ground, where market failure probability might be expected to be average, ordinary care and reasonable company ethics should preclude injury to consumers without government intervention. The marketing of most consumer products
would likely fall into this category. At the opposite end of the spectrum, where consumers are expected to have a low level of control in the market exchange and the product has a high level of inherent danger, the probability of market failure is likely to be high. In this case, much more care should be taken; it is likely that government intervention is needed in such cases to protect consumers. The marketing of tobacco products to children would fall into this category because of the inherent danger of the product and the likelihood that children will experience vulnerability in such an exchange.

An additional element for consideration is the actions of marketers. Where ethics and corporate social responsibility is high, it might be expected that consumer empowerment in the marketing exchange is high, thus lowering the probability of market failure. The same logic should apply to the product danger issue; companies that exercise greater ethics and social responsibility are likely to provide safer products and better information to prevent misuse. Therefore, both dimensions of the framework are affected by corporate actions. This additional element is illustrated in Figure 20.2.

While it is hoped that this framework provides a starting point for the discussion of ethics in target market selection in light of new understandings of consumer vulnerability, it by no means provides detailed guidance on ethical decision making. Our purpose is to re-open the discussion on this topic. We believe the broad societal issues related to consumer vulnerability, market failures and the consequences of unethical actions in target market selection place this discussion squarely into the macromarketing realm.
Implications

Our discussion focuses on implications for marketing management, public policy, and macromarketing.

Managerial Implications

Marketing organizations might interact more positively with potentially vulnerable customers by developing an internal environment that encourages organizational members to champion ethics and develop greater confidence in consumers. “Customer confidence issues include a range of topics including confidentiality, product safety and effectiveness, truth in advertising, and special fiduciary responsibilities” (Trevino and Nelson, 2004, p. 70), and companies that emphasize ethics through various programs should be able to mitigate concerns over consumer vulnerability from both company and customer perspectives. Common approaches that can be used to institutionalize consumer ethics within a company include the advancement of ethical beliefs through corporate planning, training, and correspondence (e.g. Ferrell and Gresham, 1985; Hunt, Shelby, and Vittel, 1986; Hunt, Wood, and Chonko, 1989; Trevino, 1986; Trevino and Nelson, 2004). These principles can be strengthened through social learning in the institution, role modeling of top leadership conduct, and the development of social exchange relationships that create an obligation in the company to think and behave ethically (e.g. Sims, 1991; Trevino and Nelson, 2004; Viswesvaran, Deshpande, and Joseph, 1998). Specific practices include the creation of ethical codes that outline a formal position on business ethics and strengthen perceptions that a company values moral conduct (e.g. Adams, Tashchian, and Store, 2001; Farrell and Farrell, 1998; Valentine and Barnett, 2002), and such
codes could be customized to reflect the company’s position toward consumers who are considered vulnerable in certain buying situations. Ethics training might also be used to enhance beliefs about corporate ethics (e.g., Chen, Sawyers, and Williams, 1991; Loe and Weeks, 2000; Sims, 1991; Valentine and Fleischman, 2004), and specific seminars about consumer vulnerability could be given to marketing personnel to emphasize the importance of building confidence in all purchasers of a firm’s products and services. Training could specifically target the behaviors of customer contact employees such as salespersons and ordering agents who interact directly with customers during the purchase decision, and encourage greater individual recognition of problem situations that prompt customer defenselessness.

A fundamental outcome (or manifestation) of such an ethical context is a firm’s focus on corporate social performance (e.g., Swanson, 1995; Wood, 1991; Zenisek, 1979), which is defined as “a business organization’s configuration of principles of social responsibility, processes of social responsiveness, and policies, programs, and observable outcomes as they relate to the firm’s societal relationships” (Wood, 1991, p. 693). The fundamental tenet of social performance/responsibility involves a company’s efforts to meet the requirements and needs of key primary stakeholders “without whose continuing participation the corporation cannot survive as a going concern” (Clarkson, 1995, p. 106), and customers are considered a key member of this important group (e.g., Clarkson, 1995; Trevino and Nelson, 2004). In other words, a company should not seek to take advantage of customers who are vulnerable in the buying situation because conduct that satisfies the needs of the company at the expense of consumers will adversely influence the firm’s overall reputation on the market (Clarkson, 1995).

A number of corporate social performance frameworks and theoretical developments in the ethics literature indicate that an “ethical” firm must satisfy the needs of stakeholders, of which consumers are considered a key component. For instance, Wood (1991) suggested that a company must establish certain levels of “legitimacy” when interacting with its environment, accept “public responsibility” for the consequences of societal involvement, and expect “managerial discretion” that leads to socially responsible consequences for the firm. One would expect these principles to be fulfilled when a company is careful to acknowledge and manage the vulnerabilities of a customer base. McWilliams and Siegel (2001) introduced a “theory of the firm perspective” related to corporate social responsibility and determined that organizations attempt to enhance profitability by dedicating resources to activities that satisfy the demands of key stakeholders, and many of these efforts are related to marketing and product development. According to McWilliams and Siegel (2001, p. 119):

> CSR investment may entail embodying the product with socially responsible attributes, such as pesticide-free or non-animal-tested ingredients. It may also involve the use of signals, such as the union label in clothing, that convey to the consumer that the company is concerned about certain social issues. This results in the belief that, by using these products, consumers are indirectly supporting a cause and rewarding forms that devote resources to CSR. Consumer-oriented CSR may also involve
intangible attributes, such as a reputation for quality or reliability.

A socially minded firm should therefore be able to enhance its reputation by emphasizing the importance of customer relationships and guaranteeing that stakeholder interests are protected when interacting directly with customers who may be vulnerable. Finally, Carroll (1991) developed a hierarchy of corporate social responsibility that recognizes different levels of social performance that should be ideally fulfilled, and this model can also serve as a conceptual lens for understanding a firm’s interactions with vulnerable consumers. In particular, the “ethical” and “philanthropic” levels of social performance involve a company’s use of both expected and voluntary actions that benefit stakeholders, and such actions that benefit vulnerable consumers enable a firm to reach more complex and efficacious levels of social responsibility.

Public Policy Implications

Government regulation serves to put the brakes on the most egregious of business practices. Consumers rely on government to protect them from unscrupulous businesses. The primary remedies governments use for this purpose are consumer education, consumer information, and consumer protection. There are several important ways that government at each level can contribute to lowering consumer vulnerability, and thus to reducing problems in target market selection due to a power imbalance in the marketplace.

First, adequate regulation must be in place to protect consumers. The Telemarketing and Consumer Fraud and Abuse Prevention Act (2000) is an example of a U.S. law passed to protect consumers from being taken advantage of by telemarketing abuses. Examples of laws primarily designed to protect particular segments of society include the Consumer Credit Protection Act of 1968, the Children’s Television Act of 1990, and the Americans with Disabilities Act of 1990.

Government can provide leadership in consumer education efforts. A direct example of such an effort is the vulnerability profile developed by the Denver, Colorado, district attorney’s office to aid consumers in recognizing vulnerability and to aid law enforcement officials in identifying populations that might face particular risk (Villano, 1994). Lord and Kim (1995) suggest beginning consumers’ education in the public schools by including recognition of ad deception in the curriculum.

Laws should be enforced by vigorously pursuing lawbreakers. A zero-tolerance policy toward prosecution of those who mistreat consumers by violating consumer protection regulations would provide a signal that such activities will not be brooked.

Beyond these possible remedies, it is important that government take a proactive role in attacking the underlying societal problems that lead to vulnerability in particular segments of the population. For example, Andreason (1976) exhorted government to respond to the market problems of black ghetto dwellers by developing programs designed to: (1) promote residential desegregation; (2) reduce racial prejudice among the white middle class (particularly those in retailing); and (3) improve job opportunities and increase income stability among black heads of household (p.
He provided a further list of public policy suggestions in a later study (Andreason, 1978). Yet the issue of redlining appears to be alive and well (D’Rozario and Williams, 2005). Addressing the underlying societal problems contributing to an imbalance of power in the marketplace is a tall order. The effort needs to begin with the recognition that all consumers are potentially vulnerable, rather than a reactive, band-aid approach in responding to problems.

Care in devising public policy responses is critical. For example, while deregulation in the banking, telecommunications, and natural gas industries has brought about lower prices for consumers on average, Brobeck (1991) demonstrated that expenditures increased significantly for poor and near-poor households. He concludes that policies and advocacy of the consumer movement are dynamic, not static, since advocates changed positions after the results of deregulation were seen. Caution is needed if policy makers are to foresee the results of new laws and avoid further disadvantaging those in society who are already disadvantaged. Another twist on this issue was explored by Moorman and Price (1989), who studied consumer segment interaction patterns with respect to policy remedies. They proposed a framework for analyzing consumer and market problems and policy remedy choices in terms of interactions and spillovers among consumer segments.

Macromarketing Implications

Macromarketers have an important role to play in alleviating the dysfunctional side effects of the marketing process. This paper has noted a number of marketing educators and others who have spearheaded the identification of consumer vulnerability problems and the associated solutions.

Macromarketers can move forward by providing leadership in achieving a more ethical business environment. It is vital that our students enter the business world armed with both business knowledge and an understanding of and appreciation for morality in their business dealings. Such preparation is our obligation to the marketing profession (American Marketing Association, 2006) and a duty for those teaching in AACSB-accredited schools, which require “ethical understanding and reasoning abilities” as desired outcomes of the educational process (AACSB International, 2004, p. 15). In the long run, marketing educators’ emphasis on fair dealing will bear fruit in the prevailing business climate.

Macromarketers can provide assistance to advocacy groups for the investigation of consumer vulnerability and the education of consumers in coping mechanisms appropriate for marketplace interactions. Not only should marketing educators be shaping tomorrow’s marketers, but we can market to consumers the importance of being wise, diligent, and informed, and of the importance of reporting abuses by unscrupulous marketers. Finally, macromarketers can continue to conduct scholarly research to further define and understand consumer vulnerability. While much useful work has been done, there is still a long way to go.

This paper poses more questions than answers. Can marketers take greater care in how target market selection is implemented? Can a balance point be maintained between unscrupulous marketing actions and the need for government regulation to
protect groups of consumers? Are there fruitful avenues of research in developing measures of consumer vulnerability? With these and many more issues to resolve, macromarketers have a full agenda to tackle in order to fully address the problems of ethics in target market selection.

References


Paper 21

The Globalisation of shape: Cross-cultural media stereotypes which determine body image

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The influence of media on body image is an area of social controversy. Eating disorders and depression have often been linked to body image dissatisfaction. There is however little or experimental research which examines if the media stereotypes of gender and race affect people of different genders or cultural background. Results from a study of Singaporean-Chinese and Australians found that the racial background of models in advertisements had no effect on body image. Rather it was the particular gender stereotype (ectomorphic/thin for women and mesomorphic/muscular for men) as depicted in the advertisement that was important. These results support the contention that body shape ideals have become globalized, yet have dysfunctional effects only on the body images of women. The importance of social comparisons made by women and self-discrepancy triggered by media are also discussed.

Introduction

Recent research in the United States (Fetto, 2003), found that only 25% of adults would consider themselves attractive and a further 87% say that if they could change any part of their body they would. Currently some 26% of Americans are on

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a diet and some 63% of those surveyed wanted to lose on average 20 pounds (Fetto, 2002).

However on a hazardous note, body image dissatisfaction has been purported to lead to significant health risks and mental health problems such as eating disorders, use of body building steroids, and feelings of low self-esteem and depression (Irving, 1990; Leon, Fulkerson, Perry, and Cudeck, 1993; Monteath and McCabe, 1997; Fornbes, Adams-Curtis, Rade, and Jaberg, 2001). In the United States it is suggested that around 1% of the population suffers from eating disorders (Rabak-Wagener, Eickoff-Shemek, and Kelly-Vance, 1998). Research suggests that this is a greater problem for women than for men. Stephens, Hill, and Hanson (1994), found in survey research that 40 percent of underweight women regarded their weight as normal as opposed to 10 percent of underweight men. These figures are more dramatic for younger women. Among female adolescents, in the United States, eating disorders of anorexia and bulimia may be around 20% of this age group (Rabak-Wagener et al., 1998).

While there has been extensive research on the body image of women, studies on the media’s influence on the body satisfaction of males has been somewhat ignored. This is despite evidence that there is an of a growing use of idealized male body stereotypes by the media (Spitzer, Henderson, and Zivian, 1991; Gill, Henwood, and McLean, 2000). This has also been reflected in the increase in sales of male grooming products and continued growth of the health and fitness movement (Sturrock and Pioch, 1998).

The problems associated with body image and eating disorders are not only common among women in Western countries. As counties in South East Asia have become more developed there has been found to be a greater prevalence of eating disorders. Prendergast (2000) cites reports from a number of non-Western societies including Hong Kong (Lee, 1991), Taiwan (Tseng, Lee, and Lee, 1989; Bennink, Wang, Yamamoto, and Wong, 2000), China (Song and Fang, 1990; Goh, Ong, and Subramanian, 1993), India (Chadda, Malholtra, Asad, and Bamberry, 1987; Khandelwal and Saxena, 1990), Singapore (Ong and Tsoi, 1982) and Japan (Suematsu, Ishikawa, Kuboki, and Ito, 1985; Mukai, Kambara, and Sasaki, 1998), which show similar problems of eating disorders occurring mirroring symptoms of western countries.

The objectives of this research problem can thus be divided into 2 parts. First, to understand the impact of media stereotypes based on gender. It will be argued that gender stereotypes portrayed in the media correspond to different ideal body ideals for each gender. These are thin or ectomorphic for women and muscular or mesomorphic for men.

Second, this study examines the influence of ethnic background or race. Media ideals of body shape may have become more globalised, (that is western) or may vary according to race and ethnic background. It is also possible that persons from different cultural groups may respond differently to the same media ideal.
Literature Review

Dependent Variable: Body Image

Body image is the perception a person has of his or her own body that is developed through interactions with one’s own body and in the surrounding world (Haavio-Mannila and Purhonen, 2001). Research by Thompson and Hirschman (1995) showed that body image is an important culturally anchored self-concept for a wide set of age groups. In western societies the individual’s body image is now regarded as one important ways in which (gendered) identity is constructed, particularly among young and adolescent women. The perception of their own body shape is seen an indication of not only chances of success not only in relationships, but of particular material and career outcomes as well (Sullivan, 1993, pp. 97-115).

The cognitive aspects of body image are best explained by Social comparison theory (SCT). SCT holds that people have a drive to evaluate their abilities and opinions which can be satisfied by social comparisons with other people (Festinger, 1954). This comparison can occur consciously or sub-consciously (Festinger, 1954; Richins, 1991; Martin and Gentry, 1997). Although Festinger’s original hypotheses applied to the evaluation of abilities and opinions, it was later established by Wood (1989) that comparisons also occur in the evaluation of personal traits such as physical attractiveness.

Ideally, people seek to satisfy the need of self-evaluation by comparing themselves with people who share the same characteristics as themselves (Irving, 1990). However, in the absence of similar people for comparison, models in ads act as benchmarks for individuals. With this in mind, the images of the media again provide a focal point for individuals searching for physical standards to emulate and judge themselves by (Irving, 1990). Several studies have proven that individuals compare their level of attractiveness with that of models in ads (Irving, 1990; Richins, 1991; Martin and Kennedy, 1993). This lack of a similar comparison person or the use of models as targets sometimes leads to inaccurate and unstable self-evaluations (Richins, 1991).

It is important to note that a social comparison made with these media images does not always mean that poor body image or personal dissatisfaction will occur. As Martin and Gentry (1997), note, sometimes a social comparison can be a spur to improve one’s attractiveness and physical fitness. Where a social comparison leads to dissatisfaction is best explained by the self-discrepancy theory.

The affective and behavioural aspects of body image are best explained by Self-discrepancy theory. Self-discrepancy theory (SDT) suggests that not only do individuals compare themselves with media images, as purported by SCT, but they also experience a feeling of dissatisfaction when there is a discrepancy between the ‘ideal’ images of physical attractiveness and their own level of physical attractiveness (Higgins, 1987; Dunkley, Wertheim, and Paxton, 2001; Posavac, Posavac, and Weigel, 2001). The greater the discrepancy between an idealized image and the individual’s actual image, the greater the dissatisfaction felt. Further research by Richins (1991) proved that this dissatisfaction may lead to subsequent unhealthy eating or exercise behaviours (Irving, 1990; Richins, 1991). It follows that if there is no perceived dis-
crepancy, an individual may not feel any dissatisfaction. Similarly, if an individual feels they exceed the standard in the media, they may no feel any body dissatisfaction.

Both SCT and SDT are useful theoretical perspectives from which to discuss the impact of the major independent variables of the study. They are also important from the point of view of measurement. There is no one clinical measure operationalises these dimensions of body image completely. So this study used three different measures which address each the three components of body image. The Figure Rating Scale (Stunkard, Sorensen, and Schlusinger, 1983) was be used to measure the cognitive aspect of body image, as addressed by SCT, The Body Esteem scale (Franzoi and Shield, 1984) measured the affective component and behavioural component of Body Image was be measured by the The Body Dissatisfaction Subscale (Garner, Olmstead, and Polivy, 1983) of the Eating Disorder Inventory. These last two measures addressed Body Image from the perspective of SDT. The measurement of each of these components of body image is addressed in greater detail in the methods section.

Conceptual Model

There are many factors that play a part in determining the perception of the body image of an individual. These include a host of sociocultural factors such as media influences, peers, parents, and self-esteem (Stice, Schupak-Neuberg, Shaw, and Stein, 1994; Dittmar, Lloyd, Dugan, Halliwell, Jacobs, and Cramer, 2000; Dunkley et al., 2001; Field, Camargo, Taylor, Berkey, Roberts, and Colditz, 2001).

From these different factors, research has determined that media rated as the most influential in setting standards of physical attractiveness (Jacobi and Cash, 1994; Stice et al., 1994; Evans, Gilpin, Farkas, and Shenassa, 1995; Polce-Lynch, 1998; Dunkley et al., 2001; Posavac et al., 2001). This finding was also supported in a study by Irving (1990), which showed that the media was the strongest proponent of the physical standards of attractiveness. Consequently, for the purposes of this study, the focus will be on the influence that the media has on an individual’s body image. This study thus follows the conceptual schema as outlined in Figure 21.1. This shows independent variables, which relate to media copy and includes further subject factors and co-variates. According to the conceptual schema the independent variables are the gender represented in the ad and the race represented in ad. There are two subject factors, namely, the gender of the subject and the race of the subject. Finally, the co-variates that affect body image are the degree of acculturation in the subjects and the amount of prior media exposure. This conceptual schema provides a framework of discussion and the justification for the research design of this study.

Independent Variables

Gender Representation in the Ad and Gender of the Subject

Throughout history, the female body has been shaped to fit the norms of physical aesthetics (Thesander, 1997). For example, during the past 30 years, female fashion
Figure 21.1: Conceptual Model of the Study
models and beauty pageant contestants have grown steadily thinner (Furnham and Alibhai, 1983; Gagnard, 1986). This is supported by Gagnard (1986), who noticed that the ideal body type for females in the 1980s was considerably thinner than that of the 1940s and 1950s. The current feminine ideal has been described as a slender female or ectomorphic body shape (Cohn and Adler, 1992; Butler and Ryckman, 1993; Lamb, Jackson, Cassidy, and Priest, 1993; Borchert and Heinberg, 1996; Monteath and McCabe, 1997; Fornbes et al., 2001). This is a change from the voluptuous and curved body shape to the angular and lean. Despite the ‘thin ideal’, the average weight of real women has increased thus widening the gap between the cultural norm and the biological reality (Stephens et al., 1994).

Male images on the other hand, have grown more muscular leaning towards the mesomorphic body shape (Spitzer et al., 1991; Neimark, 1994; Fornbes et al., 2001). The idealized male body image has been defined as an “eroticized aesthetic showing a toned, young body” (Gill et al., 2000). These ideals have also lead to a discrepancy between the media representation and the body image of most males (Borchert and Heinberg, 1996; Fornbes et al., 2001).

These idealised media stereotypes closely reflect the cultural importance of attractiveness. For example, with women, fat people are generally classified as physically unattractive and overweight individuals and are expected to be less intelligent, less popular or less outgoing than those who are slimmer, (Stephens et al., 1994; Molloy and Herzberger, 1998) or with men, those who are muscular and lean (Haavio-Mannila and Purhonen, 2001). Attractive people are also perceived to be selected more often as work partners, more often for hiring and more often as dating partners (Lennon, Lillethun, and Buckland, 1999). Conversely, overweight people are rated more negatively (Neimark, 1994; Monteath and McCabe, 1997). There is also a belief that matching media ideals is a symbol of status and is thus desirable (The-sander, 1997). These stereotypes play an important psychological and sociological significance because they represent widely held beliefs and survive over long periods of time (Wells, 1983). People in western culture are not only exposed to ideal body shapes in the media, as young adults but also as children. The full size equivalent of Barbie has an 18-inch waist has been acknowledged as problematic (Jane, Hunter, and Lozzi, 1999). Likewise, male action toys, which also reflect the cultural ideal of the male body, have become substantially more muscular over the last 30 years (Pop, Olivardia, and Gruber, 1999).

The role that the media stereotypes, (which may be learnt from an early age) in determining a body image indicates that, for each respective gender, the presence of media stereotype of a thin female ideal (ectomorphic) or a muscular male ideal (mesomorphic) could trigger a poor social comparison and thus body dissatisfaction. This leads to hypothesis $H_1$:

$H_1$: The gender represented in the ad ($\text{Gender}_{AD}$), based on the body shape ideals, (ectomorphic/ mesomorphic) will have a negative main effect on body image, as it related to each gender.

Research has shown that the nature of physical attractiveness differs between males and females. Traditionally, gender stereotypes show that a woman’s value is judged by her attractiveness (Martin and Gentry, 1997; Lennon et al., 1999). In Britain,
slimness for women has been equated with self-control, elegance, social attractiveness and youth (Furnham and Alibhai, 1983). Media content analysis has found that compared to men’s magazines, women’s magazines contained about 10 times more advertisements dealing with diet and weight loss (Jane et al., 1999). Consequently, the importance of physical attractiveness in females has resulted in reports of women being more preoccupied with image consciousness and more dissatisfied with their body image than men (Cash, Winstead, and Janda, 1986; Franzoi and Shield, 1995; Martin and Gentry, 1997; Polce-Lynch, 1998; Lennon et al., 1999; McCabe and Ricciardelli, 2001).

This leads to hypothesis $H_2$:

$$H_2: \text{The gender of the subject (Gender}_{SUBJECT} \text{) will have a significant main effect on body image.}$$

That is, the level of body image satisfaction of women is lower than that of men.

Since the Social Comparison Theory states that people look for similar comparisons while making evaluations, it is also hypothesized that there will be an interaction between the gender represented in an ad and the gender of the subject. This implies that subjects would be more conscious of idealised media representations of the same gender. Thus Hypothesis $H_3$:

$$H_3: \text{There will be an interaction effect between Gender}_{AD} \text{ and Gender}_{SUBJECT} \text{ on body image. e.g women will experience lower body dissatisfaction when exposed to an advertisement with an ectomorphic/feminine stereotype, whilst men will experience a more negative body image when exposed to a mesospheric or masculine media stereotype.}$$

Race Represented in the Ad and Race of the Subject.

It has been commonly established that eating disorders are more prevalent in Western countries (Heatherton, Nichols, Mahamedi, and Keel, 1995; Monteath and McCabe, 1997; Heesacker, Samson, and Shir, 2000). However, it has also become increasingly apparent that countries in the East are also experiencing rising figures of eating disorders (Lee and Lee, 1996; Bennink et al., 2000; Lee, 2000). For example, the forms and incidences of eating disorders in young women has increased in Japan, Hong Kong, Singapore and Taiwan in the last few decades (Mukai et al., 1998; Lake, Staiger, and Glowinski, 2000; Lee, 2000). It also been suggested that exposure to western ideals of beauty, in other countries, particularly media images containing ectomorphic stereotypes has been linked to more a negative self appraisal of body image.

Research in Japan by Mukai et al. (1998) suggested that the poor body image of Japanese women may have resulted from the increased use of western models in advertising, which promoted the ectomorphic stereotype of feminie beauty. The authors also note that the percentage of Caucasian models and television commercials over the period of the study was high at around 80% for magazine commercials and 30% for television advertisements.
Becker (1999), in a longitudinal study of Fijian women, found that the incidence of eating disorders increased five fold to 15% three years after the introduction of the only television station, which showed largely North American, British and Australian programming. These results suggest that the degree of western development and therefore exposure to mass media may also influence the level of satisfaction with body image. The effect that western models have on body image is clearly negative, hence the next hypothesis.

\[ H_4: \] The western race represented in the ad \((Race_{AD})\) will have a negative main effect on body image.

There are however, also differences in the occurrence of eating disorders and abnormal eating attitudes in different ethnic and cultural groups, depending on the degree that they subscribe to these media ideals (Pumariega, 1986; Molloy and Herzberger, 1998). Different cultural groups have different beauty norms and standards and the stigma of fatness is far from a universal ideal (Furnham and Alibhai, 1983; Powell and Kahn, 1995; Heesacker et al., 2000).

Jaeger, Ruggerio, Edlund, Gomez-Perretta, Lang, Mohammadaki, and Sahleen-Veasey (2001), In a 12 country study found that more westernised countries had thinner female stereotypes and thus reported greater levels of body dissatisfaction, which suggests again the importance of culture or race as an influence of body image stereotypes.

Research by (Furnham and Alibhai, 1983) on the comparison of the perception of body image between Kenyan and British women showed that the Kenyan women had a more positive perception of fat shapes whereas the British women had a more positive perception of thin shapes Heesacker et al. (2000) in a study that compared the body dissatisfaction between Israeli and American women in college found that the American women were unhappier with their body than their Israeli counterparts. This proved that similar cultures might have different standards of beauty. A finding which is illustrated by Ferron (1997), who found that the perception of body image was a more important issue with women from the United States than with that from France.

These differences in body image also occur across sub-cultures of a country, even for a highly westernised country like the United States. In a study by Molloy and Herzberger (1998), African American women reported a higher level of body satisfaction and more positive body image than Caucasian American women. This enforces the notion that body image satisfaction may be determined by race or ethnicity (Molloy and Herzberger, 1998). Duke (2002), in a qualitative study of 16 African-American women found distinct differences in their interpretations of media and subsequent assessments of their ideal body types, suggesting an important role for ethnic or racial background in body image research. The type of acceptable body image ideal seems to also vary according to levels of economic development in countries. Thinness, in societies with an overabundance of food, has been equated to an individual’s ability to maintain self-control (Thesander, 1997). In contrast, where food is limited, fatness is a mark of beauty, health and high status (Robertson, 1992). This is because “only the wealthy can afford to satisfy their hunger” (Thesander, 1997). Where race or ethnic identity is tied to the level of economic development,
one would expect it to thus have an important role in determining body image. Although research by Duke (2002) supports more the contention that differences in body image occur mainly because of different media interpretations by racial groups. This leads to hypothesis $H_5$:

$$H_5: \text{The race of the subject (} \text{Race}_{SUBJECT} \text{) will have a significant effect on body image.}$$

It is also hypothesized that there will be an interaction between the race represented in an ad and the race of the subject. The interaction exists depending on the degree to which individuals subscribe to various cultural body shape ideals, particularly those that are popular in western media (Duke, 2002). In other words, the degree of social comparison that is made towards body image stereotypes varies by race and the racial identity of the advertisement. Thus Hypothesis $H_6$:

$$H_6: \text{There will be an interaction effect between } \text{Race}_{AD} \text{ and } \text{Race}_{SUBJECT}.,$$

**Covariates**

**Degree of Acculturation and Prior Exposure to Media**

This degree of acculturation is useful in explaining some studies concerning body image between different cultural groups (Furnham and Alibhai, 1983). In this study of Kenyan and British women, it was found that a group of Kenyan women, who had lived in Britain for at least 4 years, had accepted thinner British body shape ideals, unlike those who remained at home who were more accepting of a more realistic, culturally appropriate body shape. In this instance, the Kenyan sample appeared to have assimilated with the stereotypes of British and western culture. Similarly, Heesacker et al. (2000) found less body dissatisfaction amongst non-Westernized samples than westernized samples of Israeli college women in America. Therefore, it can be assumed that people who engage in an assimilation or integration strategy would be highly acculturated and therefore suffer from body dissatisfaction associated with Western body shape ideals (Lake et al., 2000). Conversely, separation or marginalization strategies would lead to more positive feelings about body shape.

This leads to hypothesis $H_7$:

$$H_7: \text{The degree of acculturation will be a significant co-variate.}$$

Therefore, $H_8$:

$$H_8: \text{Any significant differences due to race represented in the ad and the race of the subject will disappear.}$$

It can be argued that that the use of ideal stereotypes (particularly ectomorphic stereotypes) in the media is so prevalent, that mere exposure to western media will over time lead to a more negative perception of body image. The evidence is quite convincing that the use of ideal, ectomorphic stereotypes has increased to be more widespread in western media over the previous decades (see research by Garner et al. 1983; Silverstein, Perdue, Peterson and Kelly 1986).
There also appears to be a significant link between exposure to media stereotypes and women wishing to emulate and women them (Rabak-Wagener et al., 1998). Thus body shape ideals promoted by the media are widespread, and seem to have a significant impact on the formation of cultural ideals of attractiveness. If these ideals are not achievable then it is possible that repeated exposure to media full of these stereotypes may lead to a more negative perception of body image. This leads to hypothesis

\[ H_9: \text{The amount of prior media exposure will be a significant co-variate.} \]

Therefore, \[ H_{10}: \]

\[ H_{10}: \text{Any significant differences due to all the experimental treatments will disappear.} \]

**Method**

**Participants**

The sample for the study was collected from the student population at a large regional University. The sample was selected so that it consisted of a mixed gender and race. In order assess the affect of racial background the sample consisted of Caucasian-Australian and Chinese-Singaporean students. The significance of this was to observe the effect that the cultural background of the subjects has on body image. The study targeted students aged between 18 to 26 years. Numerous studies in body image and media (Spitzer et al., 1991; Posavac, Posavac, and Posavac, 1998; Jane et al., 1999; Posavac et al., 2001) have also used university students who are aged between 18 and 26. These studies have shown that, despite having a low BMI people in this age are more susceptible to eating disorders or other effects of a poor body image than other age groups. Reideran and Koff (1997) argue this occurs at this age with young women since they often base their own self-concept on the perception of the social response to their bodies. Thus for women at least, (there is little research on men) this seems a crucial age to study media affects on body image. The use therefore of university students as participants in this study seemed justified.

A total of 284 students were recruited for this study. There were a total of 145 females and 139 males used in the experiment. This equates to a gender distribution of 51% females and 49% males. In terms of the ethnic background of participants, there were 146 Caucasian Australians and 138 Chinese Singaporeans with a mean age of 20 years. The participants were approached in small groups to complete the survey. The data was collected in a manner similar to a personal interview where participants were able to clarify any doubts with questions. In this way, the moderator was able to ensure full completion of the questionnaires. As such, a response rate of nearly 100% was achieved. This high response rate can be explained from the style of data collection and the effort of interviewer.
**Design**

The study entailed a true experimental design with the format of a “Post-test-Only, Control Group”. The $2 \times 2$ design plus one control group consisted of the experimental treatments of gender and race represented in an ad. The first treatment was an ad featuring a Western female model, the second, an ad featuring a Chinese female model, the third was an ad featuring a Western male model, and fourth, an ad featuring a Chinese male model. The ads with the models thus represented the different body ideals according to gender (male and female) and race (Western/Chinese). The fifth and final treatment was a control treatment that featured a car ad without any model. This ad was chosen because it did not contain any images or messages that have any connotations of body shape or size. Each experimental group was exposed to one treatment.

The design also consisted of two subject factors, race (white English speaking Anglo-Saxons and Singaporean-Chinese), and within this group, gender, the second subject factor. The design of the experiment could thus be summarised as a $2 \times 2$ true experimental design of five factors (four experimental plus the control), with $2 \times 2$ subject factors of race and gender.

**Measurement**

To address the subject matter, it was necessary to design the experimental treatments and obtain information about the participant’s body image, degree of acculturation and prior media exposure, along with other relevant demographic data. To do this, a number of differing marketing scales were combined and adapted. The following will detail explanations of the scales implemented to measure respondent’s data.

**Independent Variables: Experimental Treatments**

Experimental treatments were chosen from a range of Singaporean-Chinese and Australian magazine advertisements. These advertisements were initially selected on the basis that they showed a gender stereotype (ectomorphic for women and mesomorphic for men) and could be clearly identified by respondents as being either Western or Chinese. Originally six female ads (hereafter referred from F1-F6) were considered along with six male ads (M1-M6). These advertisements were selected by Western and Singaporean-Chinese students in an advanced research methods course. A preliminary survey then of 20 Western and Singapore-Chinese students from outside this class was then used to examine the suitability of the treatments. For reasons of brevity a summary of the results of the preliminary study are not included in this paper, but are available on request from the authors.

**Subject Factors**

There were two subject factors, namely, gender of the subject and race of the subject. The use of the Australian versus Singapore subject groups was justified since both
varied significantly in the degree of acculturation. Using the Suinn-Lew Asian Self-Identity Acculturation Scale (details of which are discussed later) it was found that mean acculturation score for the Australian sample at 90.70 was significantly higher than the Chinese-Singaporean sample was 51.53 ($t = 43.8$, $p < .01$). That is, as expected the Australian sample was more westernised that the Singaporean-Chinese sample. Whilst a cross-national design would have been ideal, it was thought that the two subject groups represented populations with significant different levels of westernisation.

**Covariates**

The covariates measured the degree of acculturation and the amount of media exposure. The degree of acculturation was assessed using the Suinn-Lew Asian Self-Identity Acculturation Scale (SL-ASIA). Acculturation measures focus on two main factors. These are English language use and cultural participation (Schnittker, 2002). For example, sample data would include the language spoken, or the frequency of eating Chinese food or listening to Chinese music (Schnittker, 2002). A total score would be calculated by summing the responses of the items on the scale. A mean acculturation score would be calculated by dividing the total score by the number of items on the scale (21 items). The higher the score, the greater the acculturation (Ponterotto and Suraiya 1998). Subsequently, the subjects can be categorized as “very Chinese-like”, “Chinese-like”, or “Australian-like” (Liou and Contento, 2001). This is thought to be a useful scale for measuring acculturation because it measures the cognitive, behavioural and attitudinal components of acculturation (Ponterotto and Suraiya, 1998). The overall mean of acculturation for the sample was 71.7, with a standard deviation of 21.04. The Conbrach’s alpha for SL-ASIA was .97. Table 21.1 shows the properties of the measurement scales used in research.

The amount of media exposure was measured using a series of measures, similar to those in the Media Exposure Scale as used by Stice et al. (1994). Participants were asked the number of hours spent watching TV, viewing the internet, reading magazines and newspapers. As such these measures aimed to capture the amount of time respondents viewed visual media.

**Dependent Variable (Body Image)**

The construct of body image was assessed using the 3 different measures. These are the Body Esteem Scale (BES), the Body Dissatisfaction Subscale from the Eating Disorders Inventory (EDI) and the Figure Rating Scale (FRS) for women and men. The first measure of body dissatisfaction was the Body Esteem Scale. This is a 35 item self report measure that deals with the degree of satisfaction among various body parts or processes, for example thighs, buttocks, waist and weight (Franzoi and Shield, 1984). These items were scored on a 5-point Likert scale that ranged from strong negative feelings (1) to strong positive feelings (5) (Davis and Cowles, 1991). The total BES score was obtained by adding the responses to each item. The total BES scores can range from 35 to 135 with higher scores indicating higher body satisfaction (Monteath and McCabe, 1997).
METHOD

The Body Dissatisfaction Subscale of the Eating Disorders Inventory (EDI) is a self-report questionnaire that assesses the dissatisfaction with the shape and size of the body. It consisted of 9 questions where subjects indicated that whether they thought various parts of their body (e.g. stomach, hips, thighs and buttocks) were too large or just about the right shape their general body shape (Garner et al., 1983). The 6-point, forced-compliance scale ranges from ‘Always’ (0) to ‘Never’ (5). Items 3 to 5, 7 and 9 are reverse coded to prevent response bias. Subsequently, summing across the items will create a total body dissatisfaction score. Higher scores would indicate greater body satisfaction and lower scores a greater dissatisfaction (Borchert and Heinberg, 1996). The scale does not have a cut-off score to indicate abnormal behaviour (Jones, Bennet, Olmsted, Lawson, and Rodin, 2001). Although this scale was initially developed for women, research has shown it to be equally reliable for men (Seiver, 1994). The EDI scale can be considered a behavioural measure of wanting to change various parts of one’s body, whereas the BES is more a measure of satisfaction (affect).

Both the BES EDI scales are conceptually related to SDT. In that they measure the degree of personal dissatisfaction with body image. Examples of these two scales are shown in Appendix A.

Subjects were asked to indicate, from 9 drawings that range from 1 (thin) to 9 (very heavy), their ideal body shape as well as their current shape. This measure thus provided a discrepancy score between how they subjects perceive themselves as well as an ideal (Fornbes et al., 2001). The scores ranged from -8 to +8. Negative scores for the figure rating scale indicate a desire to have a thinner body shape whereas positive scores indicate a desire for a larger body. A score of zero would indicate no discrepancy between actual body shape and desired body shape. These drawings are shown below in Figure 21.2.

As body image is partly a visual phenomenon, the Figure Rating scale provides a useful visual stimuli (Fornbes et al., 2001). The Eating Disorders Inventory has been shown to be particularly useful in determining the degree to which respondents possess attitudinal characteristics associated with anorexia and bulimia. The FRS is related to measure of social comparison, in that respondents are making a direct comparison with themselves and a media ideal. This study is thus unique in that both measures of SCT and SDT were included in the research design. It is also to the
Female Figure Rating Scale

Male Figure Rating Scale

Figure 21.2: Figure Rating Scales
<table>
<thead>
<tr>
<th>Measure</th>
<th>Name</th>
<th>Scale of Measurement</th>
<th>Source</th>
<th>Mean (Std. Dev)</th>
<th>Conbrach’s alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acculturation</td>
<td>Suinn-Lew Asian Self-Identity Acculturation Scale</td>
<td>21-Item 5-point Likert Scale</td>
<td>(Ponterotto and Suraiya, 1998)</td>
<td>71.70 (21.04)</td>
<td>0.97</td>
</tr>
<tr>
<td>Body Image</td>
<td>Body Esteem Scale</td>
<td>35-Item 5-point Likert Scale</td>
<td>(Franzoi and Shield, 1984)</td>
<td>119.67 (18.34)</td>
<td>0.93</td>
</tr>
<tr>
<td>Eating Disorders Inventory</td>
<td></td>
<td>9-Item 6-point Forced Choice Likert Scale</td>
<td>(Garner et al., 1983)</td>
<td>26.55 (10.05)</td>
<td>0.92</td>
</tr>
<tr>
<td>Figure Rating Scale</td>
<td></td>
<td>2-Item 9-point</td>
<td>(Stunkard et al., 1983; Lynch and Zellner, 1999)</td>
<td>4.00 (.19)</td>
<td>0.90</td>
</tr>
</tbody>
</table>

Table 21.1: Measurement Properties of the Scales

The author’s knowledge the only study to include measures of body image which address the cognitive, affective and behavioural components. The means, standard deviations and measurement properties of the three measures of body image are shown in Table 21.1.

Procedure

The treatments that were determined from the preliminary study were labelled 1 to 5. The use of female and male figure rating scales meant that the questionnaire for the main experiment had to be gender specific. The subjects were approached at various locations at the University. At the beginning of the survey, the participants were presented with the questionnaire and informed that the purpose of the study was to gather data regarding their perceptions of ads.

The structure of the survey was divided into 6 sections. In the first section, participants were asked their impressions of the model (e.g. Attractiveness, build, body fat, etc.). This served two purposes. The first was to ensure that the treatments selected were accurate in defining the race and gender representations of the media. Secondly, these questions were also used to hide the true nature of the study, respondents originally being told that they were evaluating advertising copy. Additional questions in this section related to ad likeability to enhance the cover story and reduce the likelihood of demand artefacts in the study.

The next two sections contained the Body Esteem Scale and the Eating Disorders Inventory. This was followed by the Acculturation scale, next was the Figure Rating Scale. Participants were then asked to describe their perceptions concerning the purposes of the study, and to complete a series of manipulation checks and some
Table 21.2: Correlations between the Dependent Variables (note: All values significant at the .01 level)

classificatory background information; age, gender, racial background, country of origin and media exposure.

At the conclusion of the experiment, subjects were debriefed and the nature of study was explained. In order to minimise the effects of demand artefacts a two step process as suggested by Sawyer (1975) was followed: first, the stimuli were hidden with other information, and the true nature of the study was disguised; and second, hypotheses guessers were identified during debriefing and compared to non-guessers (Shimp, Hyatt and Synder (1991). In this experiment, due to careful design and implementation, only five respondents identified true nature of the research. These were excluded from the final results. When included as a subject factor it was also found that the hypothesis guessers did not significantly influence the results ($p > .1$).

Results

The general analytical procedure involved: (1) an evaluation of the measurement properties of the scales and the derivation of descriptive statistics, (2) exploratory data analysis and residual examination, and (3) the specific statistical analysis pertaining to the hypotheses and manipulation checks.

Using a set of procedures as outlined by Tabachnik and Fidell (1989), the data was checked for normality, skewness, kurtosis and the presence of univariate and multivariate outliers prior to the analysis and no serious deviations were discovered. The correlations between the dependent variables were all found to be significantly greater than zero ($p < .01$, see Table 21.2). While these correlations show some evidence of convergent validity, they also highlight the possible theoretical relationship between social comparison and self-discrepancy theory. The figure ratings scale, essentially a measurement of social comparison, correlates only moderately (Pearson correlation coefficient = .25, $p < .01$) with the body esteem scale, which a measure of self-discrepancy.

The results from the ANOVA analysis (Table 21.3), showed support for Hypotheses 1, 2, 3, and 9, as well as support for some unexpected two-way and three-way interactions. With regards to Hypothesis 1, these results show that the gender representation in the ad had only a significant effect on the Figure Rating Scale (FRS) ($F_{(1,260)} = 6.29, p < .05, \eta^2 = .02$). The visual nature of the Figure Rating Scale shows that the affect of the gender representation in the ad are consistent with the literature
<table>
<thead>
<tr>
<th>Source</th>
<th>d.f.</th>
<th>Body Esteem Scale F-value</th>
<th>Eating disorders Inventory F-value</th>
<th>Figure Ratings Scale F-value</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Main Effects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender represented in ad</td>
<td>2</td>
<td>.3</td>
<td>.07</td>
<td>6.29**</td>
</tr>
<tr>
<td>Race represented in ad</td>
<td>2</td>
<td>1.37</td>
<td>.13</td>
<td>.70</td>
</tr>
<tr>
<td>Gender of subject</td>
<td>1</td>
<td>18.43**</td>
<td>61.45***</td>
<td>212.80***</td>
</tr>
<tr>
<td>Race of subject</td>
<td>1</td>
<td>.27</td>
<td>.09</td>
<td>.11</td>
</tr>
<tr>
<td>TV</td>
<td>1</td>
<td>5.92**</td>
<td>.00</td>
<td>1.82</td>
</tr>
<tr>
<td>Internet</td>
<td>1</td>
<td>3.15*</td>
<td>2.24</td>
<td>2.49</td>
</tr>
<tr>
<td><strong>2-Way Interactions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Gender represented in ad × Gender of subject</td>
<td>1</td>
<td>5.70**</td>
<td>6.47**</td>
<td>.06</td>
</tr>
<tr>
<td>Race represented in ad × Race of subject</td>
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<td>1.13</td>
<td>.01</td>
<td>.36</td>
</tr>
<tr>
<td>Gender represented in ad × Race of subject</td>
<td>1</td>
<td>.77</td>
<td>.04</td>
<td>.17</td>
</tr>
<tr>
<td>Race represented in ad × Gender represented in ad</td>
<td>1</td>
<td>1.53</td>
<td>1.16</td>
<td>.08</td>
</tr>
<tr>
<td>Race of subject × Gender of subject</td>
<td>1</td>
<td>5.74**</td>
<td>10.10**</td>
<td>.21</td>
</tr>
<tr>
<td>Race represented in ad × Gender of subject</td>
<td>1</td>
<td>.44</td>
<td>.67</td>
<td>.95</td>
</tr>
<tr>
<td><strong>3-Way Interactions</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Race represented in ad × Gender represented in ad × Race of subject</td>
<td>1</td>
<td>.51</td>
<td>1.76</td>
<td>.02</td>
</tr>
<tr>
<td>Race represented in ad × Gender represented in ad × Gender of subject</td>
<td>1</td>
<td>.78</td>
<td>.58</td>
<td>4.96**</td>
</tr>
<tr>
<td>Race represented in ad × Race of subject × Gender of subject</td>
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<td>3.08</td>
<td>.08</td>
<td>.47</td>
</tr>
<tr>
<td>Gender represented in ad × Race of subject × Gender of subject</td>
<td>1</td>
<td>2.39</td>
<td>1.24</td>
<td>.03</td>
</tr>
<tr>
<td><strong>4-Way Interaction</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Race represented in ad × Gender represented in ad × Race of subject × Gender of subject</td>
<td>1</td>
<td>.08</td>
<td>.79</td>
<td>.68</td>
</tr>
</tbody>
</table>

Table 21.3: ANOVA Results (Note: *$(p < .1)$, **$(p < .05)$, ***$(p < .01)$)
Table 21.4: Descriptive Statistics

<table>
<thead>
<tr>
<th>Variable</th>
<th>Body Esteem Scale Mean (Std. Dev.)</th>
<th>Eating Disorders Inventory Mean (Std. Dev.)</th>
<th>Figure Rating Scale Mean (Std. Dev.)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender&lt;sub&gt;AD&lt;/sub&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>114.29 (17.80)</td>
<td>26.15 (10.19)</td>
<td>.30 (1.21)</td>
</tr>
<tr>
<td>Female</td>
<td>115.90 (18.49)</td>
<td>25.94 (10.83)</td>
<td>.02 (1.31)</td>
</tr>
<tr>
<td>Control</td>
<td>120.34 (16.93)</td>
<td>28.94 (7.24)</td>
<td>.36 (1.21)</td>
</tr>
<tr>
<td>Race&lt;sub&gt;AD&lt;/sub&gt;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australian</td>
<td>113.94 (19.36)</td>
<td>26.31 (10.74)</td>
<td>.21 (1.31)</td>
</tr>
<tr>
<td>Singaporean-Chinese</td>
<td>116.25 (16.73)</td>
<td>25.77 (10.28)</td>
<td>.10 (1.23)</td>
</tr>
<tr>
<td>Gender of Subject</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Female</td>
<td>111.28 (17.92)</td>
<td>21.93 (10.16)</td>
<td>-.64 (0.82)</td>
</tr>
<tr>
<td>Male</td>
<td>120.93 (16.77)</td>
<td>31.37 (7.32)</td>
<td>1.06 (1.03)</td>
</tr>
<tr>
<td>Race of Subject</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Australian</td>
<td>116.05 (17.48)</td>
<td>26.97 (9.53)</td>
<td>0.12 (0.95)</td>
</tr>
<tr>
<td>Singaporean-Chinese</td>
<td>116.12 (16.49)</td>
<td>26.29 (8.40)</td>
<td>0.30 (0.92)</td>
</tr>
</tbody>
</table>

regarding the media stereotypes and cultural ideals of the physical shapes of females (Rabak-Wagener et al., 1998; Dittmar et al., 2000; McCabe and Ricciardelli, 2001) and males (Spitzer et al., 1991; McCabe and Ricciardelli, 2001).

Hypothesis 2 is supported with a significant effect appearing on all the dependent variables (BES, \( F(1,260) = 18.43, p < .01, \eta^2 = .06 \), (EDI-BD, \( F(1,260) = 61.45, p < .01, \eta^2 = .19 \) and (FRS, \( F(1,260) = 212.80, p < .01, \eta^2 = .45 \)). These results (see mean scores in Table 21.5) show that according to the BES and the EDI-BD, males have a higher level of body satisfaction than females do. This is due to the higher mean scores in the BES and EDI-BD. The mean score for the BES was 111.28 and 120.93 for the females and males respectively. The mean score for the EDI was 21.93 and 31.37 for the females and males respectively. This reaffirms the more negative feelings that females have regarding their body image as compared to men. However, the scores from the FRS suggest two important findings. Firstly, because the mean scores for females (-0.64) are negative compared to the mean for the males (1.06), it adds support for the support of the gender stereotypes and physical ideals of people. It shows that the females often desire to be thinner and the males more muscular. The second observation made from this FRS scores is that the absolute values of the means indicate that discrepancy between the ideal body shape and the current body shape is larger for the males than the females. This is important because it shows that the FRS may only indicate a discrepancy between an ideal body shape and an actual body shape, due to SCT while not necessarily determining dissatisfaction, as would be expected by SDT.

The results for Hypothesis 3 showed that the interaction between the gender representation in the ad and the gender of the subject had a significant effect on the Body Esteem Scale (\( F(1,260) = 5.70, p < .05, \eta^2 = .02 \)) and the Eating Disorders In-
### RESULTS

<table>
<thead>
<tr>
<th>Cell Means</th>
<th>N</th>
<th>Body Esteem Scale</th>
<th>Eating Disorders Inventory Scale</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Mean (Std. Dev.)</td>
<td>Mean (Std. Dev.)</td>
</tr>
<tr>
<td>FemaleAD* FemaleSUB</td>
<td>60</td>
<td>106.98 (16.08)</td>
<td>19.30 (9.66)</td>
</tr>
<tr>
<td>FemaleAD* MaleSUB</td>
<td>60</td>
<td>121.60 (16.47)**</td>
<td>32.50 (7.29)**</td>
</tr>
<tr>
<td>MaleAD* FemaleSUB</td>
<td>57</td>
<td>113.40 (20.31)</td>
<td>22.14 (11.00)</td>
</tr>
<tr>
<td>MaleAD* MaleSUB</td>
<td>45</td>
<td>120.42 (16.48)**</td>
<td>30.20 (7.89)**</td>
</tr>
<tr>
<td>Control* FemaleSUB</td>
<td>26</td>
<td>115.35 (18.05)</td>
<td>26.85 (7.11)**</td>
</tr>
<tr>
<td>Control* Male SUB</td>
<td>24</td>
<td>125.23 (18.15)**</td>
<td>31.21 (6.81)**</td>
</tr>
<tr>
<td>Total</td>
<td>272</td>
<td>116.23 (18.15)</td>
<td>26.40 (10.18)</td>
</tr>
</tbody>
</table>

Table 21.5: Cell Means of the Interaction between Gender in the Ad and Gender of the Subject (Statistical differences are between each cells and FemaleAD*Female SUB. *p < .05 **p < .01)

The Effect of Advert (F(1,260) = 6.47, p < .05, \( \eta^2 = .02 \)) but was not a significant for the Figure Rating Scale. Though the effect sizes were small, it suggests that self-discrepancy comparisons, and hence body dissatisfaction occurs as a result of both gender and gender based stereotypes (ectomorphic for females versus mesomorphic for males). Both the Race represented in the Ad and the race of the subject was found to be an insignificant effect on the three measures of body image. Therefore hypothesis 4 and 5 was not supported. It is possible that the Singapore-Chinese sample and the Caucasian-Australian sample may have comparable physical ideals, which exist independently of race, which also explains the lack of a significant interaction between the Race represented in the Ad and the Race of the subject is a lack of statistical support for \( H_6 \).

There was evidence that the Australian and Singaporean samples held similar physical ideals, as shown by the results for the Figure Ratings Scale (which measures ideal stereotypes) across both samples. On a scale of 1 to 9 (thin to fat), the mean FRS score for the female cultural ideal for the Australian female sample was 2.30. The mean score for the Singapore female sample was virtually identical, at 2.35, with no significant differences between the two groups. Likewise, the Australian and Singaporean male samples showed no significant differences (p > .1) in the male physical ideals reporting a mean body shape of 6.22 and 6.46 respectively, on a scale of 1 to 9 (frail to muscular). Men and women of both racial groups thus had similar body shape ideals, providing some possible evidence (though future replication is required) of the globalization of ideal body shapes. The acceptance of a globalised ideal body shape by both group, may thus explain the lack of a significant effect of race represented in the ad and the race of the subject, but further research is required to validate these findings. The results are however, salient given the difference of acculturation (Westernisation) between the two racial groups of the study.

This relationship is best explained by the mean plots shown in Figures 21.3 and
Figure 21.3: Interaction between gender and gender represented in the ad for body esteem Scale

21.4. First, these plots confirm the earlier hypothesis that females had a more negative perception of their body image. Based on all the treatments, for example, females recorded lower body satisfaction (BES) scores than the males.

Table 21.5, shows the cell means of the interactions of that in Figure 21.3 and 21.4. Whilst the lowest BES scores were for women exposed to the ectomorphic condition (FemaleAD*FemaleSUB, mean= 106.98), this difference was not statistically different to that of the control condition for women (Control*FemaleSUB), but it was statistically significant to the cell mean of women of exposed to a male mesomorphic treatment (mean= 120.40, \( p < .01 \)). This suggests that the women may have already had a poor prior level of satisfaction with body image, and this is only discounted when viewing the male stereotype advertisements, since given the gender differences no possible social comparisons could be made.

The results of the interaction of gender in the Ad and gender of the subject are quite different for the EDI scores. Here, the difference between the control female condition (Control* FemaleSUB, mean=26.85), was found to be significant to that of the experimental treatment of women exposed to a ectomorphic stereotype (FemaleAD*FemaleSUB mean=19.30, \( p < .01 \)). As expected, the level of EDI for women was lower than of the control condition when they encountered the ectomorphic condition. EDI being a more behavioural measure (wanting to change the shape of parts of the body), may have reflected the level of Self discrepancy better than BES (which was more a measure of satisfaction) simply because women may have already had lower BES scores than men. The social comparisons in the advertisements, seem only to apply to women, there was no significant differences in cell means of male exposed to mesomorphic advertisements and control conditions for either BES or EDI scores. This is to be expected, given the greater importance attached to body image by women as opposed to men.
The small effects sizes found for Hypothesis 3 are best considered with the context of media exposure. Hypothesis 9, for example was further supported with television viewing being a significant factor for Body Esteem, \( F(1,260) = 5.92, p < .05, \eta^2 = .02 \) and the Internet for Eating Disorders Inventory measure \( F(1,260) = 5.70, p < .10, \eta^2 = .01 \). While, again the effect sizes of both media factors were small, the number of hours of TV viewing and online participation is continuous over a lifetime. Also while it is often argued that media provides a basis for social comparison these results suggest that self-discrepancy, and hence body dissatisfaction also occurs as result of media exposure. This may because, as already noted, Social comparison, as measured by the FRS occurs with the exposure to one media stereotype. Over repeated exposures, such images may well induce a level of self discrepancy, and hence body image dissatisfaction as measured by the BES for TV and the EDI. Note that although magazine treatments were used in this study.

As noted with the previous results, this may due to the small but persistent affect of gender stereotypes, as they apply to person of a particular sex. Further, the results for a main gender effect \( (H_2) \) and interaction with gender stereotypes \( (H_3) \) suggest that media exposure and content will have a larger effect on women, because of the internalisation and importance of ideal stereotypes (Rabak-Wagener et al., 1998; Dittmar et al., 2000; McCabe and Ricciardelli, 2001), than for men simply because women have a more negative image of their bodies to start with.

ANOVA results revealed an unexpected two way interaction between the race and gender of the subject. This finding was significant for the Body Esteem Scale \( F(1,260) = 5.74, p < .05, \eta^2 = .02 \) and the Eating Disorders Inventory \( F(1,260) = 5.70,
FIGURE 5 INTERACTION BETWEEN GENDER AND RACE FOR BODY ESTEEM

Estimated Marginal Means of Body Esteem Scale

Nationality Singaporean Australian
130 120 110 100 Gender Female Male

Mean of BES

Race of the subject

Figure 21.5: Interaction between gender and race for body esteem

\( p < .05, \eta^2 = .04 \). This interaction is summarized in Figures 21.5 and 21.6.

The main interpretation of these plots is that the gender of the subjects is indicative of the level of body dissatisfaction. Consistent with the other results, females tended to have lower scores for the Body Esteem Scale and Eating Disorders Inventory than the males. As the race of the subject was not found to have a main effect, both Australian and Singaporean females have a more negative body image than Australian and Singaporean males.

There is a pattern in these plots which showed that the female Australian sample had a more negative body image as compared to the female Singaporean sample. However, the opposite was found for the males. The results from the plots show that the Australian males had a more positive body image as compared to the sample of Singaporean males. Although not significant in terms of the self-reported, BMI (Body Mass Index) measure, this may be an indication of the Singaporean females are generally thinner than the Australian females and were thus closer to the ideal body shape, which as discussed previously was similar to both cultural groups.

The same theory applies to the males. Overall, the Australian males may have a larger build than the Singaporean males. Therefore, the larger male ideal may be more attainable for the Australian males because they generally have a bigger body frame. This may explain why the Australian males have a more positive body image than the Singaporean males.

Finally, the ANOVA results showed a three-way interaction between the race represented in the ad, the gender represented in the ad and the gender of the subject \( (F_{(1,260)} = 4.96, p < .05, \eta^2 = .01) \). These findings were significant for the Figure Rating Scale. The output plot for this interaction is shown in Figure 21.6.

The implications of this finding strengthen the definition of the stereotypes of
**RESULTS**

**Figure 21.6:** Interaction between gender and race for Eating Disorders inventory

Race of the subject

![Graph showing interaction between gender and race for Eating Disorders inventory](image)

**Figure 21.7:** Three way interaction between race, gender represented in the ad and gender of the subject for the figure ratings scale

Gender of the subject

![Graph showing three way interaction](image)
ideal body shapes for various genders. The plot shows that females tend to aim towards smaller body shapes whereas the males tend towards larger body shapes. These have been defined as the female ectomorphic shape and the male mesomorphic shape.

In order to validate the results, further tests of the experimental manipulation were conducted. Independent sample t-tests showed that the race of the models in the ad, as identified by the sample, were distinctly Western or Chinese according to the race represented in the ad. The mean of the race of Western models ad treatment was 6.32 (higher scores representing the use of a more western model) whereas the mean for the Chinese models was 2.13. Thus respondents saw the two racial types of ads as correctly Western or Chinese ($t = 32.54, p < .01$).

Further independent sample t-tests were also done to determine if the male models in the ad were significantly different from the female models based on their body fat, physique and femininity/masculinity. The mean body fat of the models showed that the females models (mean=1.83) were significantly thinner than the male models (mean=3.45, $t = 12.27, p < .01$). The mean physique of the models showed that the male models (mean=5.69) were significantly more muscular than the female models (mean=3.23, $t = 14.82, p < .01$). Finally, the female models (mean=2.28) were significantly rated more feminine than male models (mean=5.48), who were seen as more masculine ($t = 17.47, p < .01$). There was thus evidence that the experimental treatments used were effective in representing the differing racial and body ideal types of either gender.

**Discussion**

The results as summarised in Table 21.6, show some support for increased globalisation of culture by the acceptance of similar ideal body stereotypes, both ectomorphic for women and mesomorphic for men. This is shown by the lack of a significant effect of either racial background of the subject group, or that of the model presented in the advertisement. This is surprising, given the degree of differences of acculturation and hence the cultural identity of the two subject groups. Past research has also suggested that acceptance of body stereotypes occurs as the result of exposure to western advertising and media (Becker, 1999; Mukai et al., 1998). This study though suggests that at least with the Singapore-Chinese and Australians, this has more to do with an acceptance of a western stereotype of beauty which may be portrayed through acceptable cultural representations or the use of local models. It is thus the acceptance of gender stereotypes of attractiveness that are important rather than mere exposure to western media per say.

The importance of these gender stereotypes though is conditional on two factors. The first is gender. The results show the greater importance attached to body image by women as compared to men. This difference is most prevalent in terms of social comparison with media ideals, as shown by the FRS results this was far greater and more negative for women than for men.

The second is the nature of and exposure to media messages. Across both genders, the ideal stereotypes represented in the Ad had a small but negative effect on the
Table 21.6: Summary of Results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Description</th>
<th>Hypothesis Outcome</th>
<th>Dependent Variable</th>
</tr>
</thead>
<tbody>
<tr>
<td>$H_1$</td>
<td>Gender Represented in Ad</td>
<td>ACCEPTED</td>
<td>FRS</td>
</tr>
<tr>
<td>$H_2$</td>
<td>Gender of Subject</td>
<td>ACCEPTED</td>
<td>BES, EDI-BD, FRS</td>
</tr>
<tr>
<td>$H_3$</td>
<td>Interaction Between Gender Representation and Gender of Subject</td>
<td>ACCEPTED</td>
<td>BES, EDI-BD</td>
</tr>
<tr>
<td>$H_4$</td>
<td>Race Represented in Ad</td>
<td>REJECTED</td>
<td>—</td>
</tr>
<tr>
<td>$H_5$</td>
<td>Race of Subject</td>
<td>REJECTED</td>
<td>—</td>
</tr>
<tr>
<td>$H_6$</td>
<td>Interaction Between Race Represented and Race of Subject</td>
<td>REJECTED</td>
<td>—</td>
</tr>
<tr>
<td>$H_7$</td>
<td>Degree of Acculturation</td>
<td>REJECTED</td>
<td>—</td>
</tr>
<tr>
<td>$H_8$</td>
<td>Effect of Acculturation as covariate</td>
<td>REJECTED</td>
<td>—</td>
</tr>
<tr>
<td>$H_9$</td>
<td>Exposure to Media (TV, Internet)</td>
<td>ACCEPTED</td>
<td>BES</td>
</tr>
<tr>
<td>$H_{10}$</td>
<td>Effect of exposure to media as covariate</td>
<td>REJECTED</td>
<td>—</td>
</tr>
</tbody>
</table>
FRS, in other words their measure of social comparison. When the media message is consistent with that of the gender (especially for women) of the subject, then the effect is more affective, that is, a level of body dissatisfaction occurs, as shown by the small but significant interaction effect for BES and EDI. This suggests that exposure to a related media gender stereotypes act to encourage self-discrepancy, rather than social comparison, even when the models used are from different cultural groups.

A necessary but not sufficient condition for this to occur is for there to be long term experience with media, in this case the Internet and Television. Although the effect sizes due to media were small, they are still salient, since media effects over time can be considered as cumulative (Cusumano and Thompson, 1997). Furthermore, it was argued that although effects of media exposure in adults may be small, it is exposure that, at some point, begins the perpetuation of a process culminating in the internalization of body shape ideals (Cusumano and Thompson, 1997). This process may have already occurred, since there were found to be similar body shape ideals among the two racial groups.

It is also important to note that the each subject in this experiment was only exposed to one media treatment. Other more recent experimental research, which used multiple media treatments, found these results to be cumulative (Han 2003). Therefore, as suggested by Posavac et al. (1998), a lifetime of such exposure would produce more severe consequences. This is also linked to the internalisation of body shape ideals, and social comparison that may begin as early as during adolescence (Stice et al., 1994; Martin and Gentry, 1997). It also seems that social comparison is more prevalent among women than with men, and that therefore the exposure to a gender stereotype may over a period of time trigger self-discrepancy, leading in part to wanting to change their body shape as suggested by EDI results for the interaction of Gender$_{AD} \times$Gender$_{SUBJECT}$.

In a practical sense, the results of this study indicate that prevention programs addressing body dissatisfaction may educate consumers on how to assess media images critically (Dunkley et al., 2001). This can be seen as a preventive measure to avert body dissatisfaction issues such as eating disorders or steroid abuse. As supported by Lennon et al. (1999), discussions and class activities may help young people understand the degree to which the perfect look is idealized and therefore difficult to attain. These results also have a practical implication for advertisers who may now be urged to perform socially responsible practices such as using models with average or typical appearances to lessen consumer discontent with body shape (Lennon et al., 1999).

There are, however a number of limitations to this study. The experimental design involved a cross-sectional study. Therefore subjects were only exposed to one treatment. As a result the media effects were found to be small. The media effects may have been better explained through a longitudinal study with more exposure to treatments. Nevertheless, the results of this study show that media effects do exist in terms of body dissatisfaction, and occur after only one exposure to an ideal stereotype.

There are also limitations with regards to the nature of the treatments used. The setting of the experiment may be considered unrealistic because subjects were asked to view the treatments. A more realistic setting may be used where individuals are...
able scan through magazines and choose which images they choose to look at. Finally, a limitation with regards to the treatments may be that magazine images may have varying effects on people. However, this study was based on previous findings that showed magazines being influential in affecting body image (Rabak-Wagener et al., 1998). Images and models used in magazines often also follow that used in other visual media such as the Television and the Internet.

As mentioned earlier, there are actually several factors that affect body image. This study has begun to answer questions regarding the influence of media on body image. However, it is necessary to study the media effects with relation to the other factors such as self-esteem, family and peer influences, or other personal characteristics that may influence body image (Ricciardelli and McCabe, 2001). This would involve a broader socio-cultural approach to the study (Dunkley et al., 2001). Having achieved that, researchers and advertisers would have gained a better understanding of the development of an individual’s body image.

This study has successfully determined the effects that media have on body image with regards to a Chinese Singaporean and Caucasian Australian sample. Future research may investigate the body image amongst various cultural groups within Singapore and subsequently compare those results with the various cultural groups within Australia. Thus, the results would be valid for a larger population.

Future research may also employ objective measures such as the body mass index of the subjects. This may provide an indication of the difference between the perceived body shape and actual body shape. In this way, the extent to which people overestimate or underestimate their body shape can be determined. The misperception of body size is also associated with poor body image (Bennink et al., 2000). However, researchers who use this approach must take extreme caution not to sensitize the subjects.

Research in this area may also want to consider the use of variation of models over a wider range of body types, and include a-priori perceptions of subject’s body characteristics. Behavioural measures on the effect of exposure to advertisements (e.g. eating behaviour inferred from the amount of snacks of candy respondents help themselves to while participating in the experiment) may also provide further important insights into this phenomena.

Finally, researchers may extend the studies of body image, to its effect on advertising as a result of using attractive models. The effect of using the ideal physical stereotypes has received conflicting results with some studies showing that the use of attractive models increase persuasiveness of an ad (Petty, Cacioppo, and Schumann, 1983; Stephens et al., 1994), while others report that the use of attractive models decrease body satisfaction and therefore generate negative feelings towards advertising (Bower, 2001).

The results from this study show that body dissatisfaction is no longer bound to Western localities. This points to a broader picture where globalisation and transnational cultures are widespread in rapidly urbanizing parts of the world (Haavio-Mannila and Purhonen, 2001). Along with the benefits of globalisation such as economic growth, the globalisation of physical body ideals are also spreading. In order to prevent further ill effects of stereotypical media images, today’s media should be encouraged to use a broader spectrum of attractiveness than that which has tradi-
tionally been portrayed (Irving, 1990). This move is also supported by Monteath and McCabe (1997), who believe that the media plays an important role in changing the physical stereotypes that exist today. Recent research has suggested that while media stereotypes do influence body image, the representation of an actual or more realistic body image has been shown to increase the likelihood of purchase to a greater extent than the use of unrealistic and unobtainable beauty stereotypes (Lennon et al., 1999). There thus remains not only a public interest for research in this area to continue but a responsible monetary one as well.

References


REFERENCES


Appendix A: Body Esteem Scale Body Disatisfaction of the Eating Disorders Inventory

Below are listed a number of body parts and functions. Please read each item and indicate how you feel about this part or function of YOUR OWN BODY using the following scale:

<table>
<thead>
<tr>
<th></th>
<th>Have Strong Negative Feelings</th>
<th>Have Moderate Negative Feelings</th>
<th>Have No Feeling</th>
<th>Have Moderate Positive Feelings</th>
<th>Have Strong Positive Feelings</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Body Scent</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td>Appetite</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td>Nose</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td>Physical Stamina</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td>Reflexes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td>Lips</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>7</td>
<td>Muscular Strength</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Waist</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>9</td>
<td>Energy Level</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>10</td>
<td>Thighs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11</td>
<td>Ears</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>12</td>
<td>Biceps</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13</td>
<td>Chin</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>Body Build</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>Physical Coordination</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>16</td>
<td>Buttocks</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>17</td>
<td>Agility</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>18</td>
<td>Width of Shoulders</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>19</td>
<td>Arms</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>20</td>
<td>Chest/Breasts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>21</td>
<td>Appearance of Eyes</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>22</td>
<td>Cheeks/Cheekbones</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>23</td>
<td>Hips</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>24</td>
<td>Legs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>25</td>
<td>Figure or Physique</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>26</td>
<td>Sex Drive</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>27</td>
<td>Feet</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>28</td>
<td>Sex Organs</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>29</td>
<td>Appearance of Stomach</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>30</td>
<td>Health</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>31</td>
<td>Sex Activities</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>32</td>
<td>Body Hair</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>33</td>
<td>Physical Condition</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>34</td>
<td>Face</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>35</td>
<td>Weight</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

SECTION C For each item, decide if the item is true about you. Put a tick in the appropriate box that corresponds to your rating.
1. I think my stomach is too big.
   Always  Usually  Often  Sometimes  Rarely  Never

2. I think my thighs are too large.
   Always  Usually  Often  Sometimes  Rarely  Never

3. I think my stomach is just the right size.
   Never  Rarely  Sometimes  Often  Usually  Always

4. I feel satisfied with the shape of my body.
   Never  Rarely  Sometimes  Often  Usually  Always

5. I like the shape of my buttocks.
   Never  Rarely  Sometimes  Often  Usually  Always

6. I think my hips are too big.
   Always  Usually  Often  Sometimes  Rarely  Never

7. I think my thighs are just the right size.
   Never  Rarely  Sometimes  Often  Usually  Always

8. I think my buttocks are too large.
   Always  Usually  Often  Sometimes  Rarely  Never

9. I think that my hips are just the right size.
   Never  Rarely  Sometimes  Often  Usually  Always
Although managers of health, religious and political campaigns have used marketing techniques for many years, debate over the ethics and application of social marketing has emerged more recently. This debate has highlighted the need for further research into the definition and scope of social marketing, and its effectiveness. In particular, the question of whether behavioural change in target audiences is possible without more direct intervention, such as government legislation or some other form of regulation, requires further attention. This paper draws on Rothschild’s (1999) framework and considers the results of two road safety advertising studies to provide further insight into these issues. We conclude that social education and marketing campaigns are unlikely to succeed unless they have a strong regulatory framework to support them. We offer suggestions about the integration of regulatory and marketing functions to improve social issues research and management.
Introduction

In 1952, the sociologist G. D. Wiebe pondered “Why can’t you sell brotherhood like you sell soap?” (cited in Kotler and Zaltman, 1971, p. 3). More than 50 years later marketing researchers are still trying to answer this question.

Although marketers have used advertising techniques in health, religious and political campaigns (e.g. “Uncle Sam needs you”) for many years, the term “social marketing” has only existed for just over three decades. Kotler and Zaltman (1971) coined the term to explain how generic marketing concepts could extend beyond commercial transactions to include management of social issues. Since then, researchers and practitioners have drawn on marketing techniques to address social behaviours such as healthy eating, safe sex and smoking cessation.

However, despite the alacrity with which marketers have applied commercial strategies to social issues, several questions about the ethics and effects of social marketing remain. Some researchers have queried the use of techniques such as threat appeals, even when the outcome sought is generally regarded socially desirable (Brenkert, 2002; Hastings, Stead, and Webb, 2004). Although regulatory bodies have generally allowed social marketers greater latitude in their use of provocative imagery where behaviours deemed beneficial are promoted (see ASA, Code of Ethics, Rule 11), researchers and consumers continue to query the ethics of some approaches.

Consumers may respond to advertisements containing fear-evoking imagery by limiting their exposure to them. These avoidance behaviours clearly raise questions about the effectiveness of social marketing campaigns that rely on threatening messages to stimulate behaviour change. Although not all social marketing campaigns attempt to evoke fear and then dispel this by providing a solution to the situation depicted, fundamental questions remain about the effectiveness of social marketing in changing entrenched behaviours. Many social marketing campaigns attempt to change behaviours that are physically, physiologically or socially rewarding, and, in some cases, offer little in the way of alternative gratification. Thus social marketers need also to consider how they empower social change agents and even whether behavioural change is possible without some form of intervention, such as government legislation, or other forms of regulation. This paper examines these questions in the context of road safety advertising, one of the most heavily funded social marketing campaigns ever to have been undertaken in New Zealand. To explore the inter-relationship between marketing regulation, social marketing and education, we begin by examining the evolution and application of social marketing. We then outline a theoretical model that can be drawn on to inform social change programmes, before applying this model to road safety advertising and exploring how greater integration of social marketing and regulation could produce more effective campaigns. As an illustration, we examine the results of two road safety advertising studies and consider how the effectiveness of these campaigns could have been improved.
Literature Review

Kotler and Roberto (1989) defined social marketing as “a program planning process that promotes the voluntary behaviour of target audiences by offering benefits they want, reducing barriers they are concerned about, and using persuasion to motivate their participation in program activity” (p24). Bloom and Novelli (1981) also adopted a traditional marketing stance and argued that social marketers should understand their audiences’ needs, perceptions, attitudes, beliefs and habits. These definitions emphasise the importance of three aspects of marketing: its basis in exchange; the availability of “benefits” that the “customer” (or social change target) values, and the voluntary nature of the exchange. Andreasen (2002) proposed, perhaps over-optimistically, that the benefits offered should be “so compelling and the costs so minimal that everyone will comply” (p7). However, Rothschild (1999) observed that in practice many social marketers ignore the core concepts of exchange and the self-interest of the target audience.

More recently, (Andreasen, 2002) has argued that adopting a marketing process is more important than employing specific marketing techniques. This notion was first developed by Sheth and Frazier (1982), who, like more recent authors, suggested that social marketing should extend beyond advertising and education campaigns. They claimed that successful social marketing required an explicit management orientation and advocated greater utilisation of existing management strategies to guide campaign development.

Adoption of this approach would address Rothschild’s (1999) criticism of over-reliance on advertising in social marketing campaigns. He concluded that many social marketing efforts amounted to little more than the communication of educational messages, which could be informational and/or persuasive. Rothschild differentiated between education (where consumers receive no incentive to change their behaviour, other than the information provided) and marketing (where the campaign includes a specific incentive to act). However, his comments suggest that social marketing efforts may have had a narrow focus that overlooks aspects of the wider environment. Although Andreasen’s view of marketing’s role differs from Rothschild’s, both theorists share a common concern that social marketing has emphasised the promotion of ideas and attitudinal change at the expense of behavioural change (Andreasen, 2002).

Sheth and Frazier (1982) had anticipated this misplaced focus when they developed a typology that explicitly recognised the need to consider both pre- and post-behavioural states, and the fact that different strategies may be required depending on consumers’ status. Rothschild subsequently built on Sheth and Frazier’s work and extended their framework to include a more explicit regulatory component. Although Sheth and Frazier had noted a role for regulation, they described “the stick approach” (p. 19) as very risky. However, they conceded that other strategies could be even less effective than regulation, particularly when used to modify the behaviour of individuals who displayed entrenched habits and non-compliant attitudes.

Perhaps because of the lack of alternatives to regulation, Rothschild noted the importance of this approach, but recognised the need to integrate regulatory interventions with social marketing campaigns. For example, he described social market-
ing, regulation, and education as carrots, sticks and promises, respectively, and used a behavioural learning framework to suggest that much of what is described as social marketing fails to go beyond an educative programme. According to Rothschild, education campaigns attempt to change behaviour by promoting future benefits, but without offering an immediate incentive to bring about changes in existing behaviour patterns. Thus campaigns that promote consumption of five or more servings of fruit and vegetables each day offer only a promise (not a guarantee) of a reduction in the likely incidence of some diseases. Social marketing campaigns, by contrast, offer both stimuli to change, and reinforcers to support or maintain the change. For example, the Quitline smoking cessation programme provides heavily subsidised NRT (Nicotine Replacement Therapy) and offers counselling support to those taking up this offer. Regulatory interventions include law changes, such as the Smokefree Environments Act Amendment 2004, which prohibited smoking in bars and restaurants and set out penalties for non-compliance.

Sheth and Frazier (1982) argued that he question of which interventions ought to be utilised, and the order in which these might be most effective should be determined by assessing consumers’ attitude to the behaviour in the first instance, or by analysing their evaluative beliefs where attitude measures yielded unclear results. However, this approach assumes a strong attitude-behaviour consistency, which several researchers have questioned (see Foxall, 1984; Nord and Peter, 1980). Commonly used behavioural psychology constructs such as the Theory of Reasoned Action (Fishbein and Ajzen, 1975; Ajzen and Fishbein, 1980) and the Theory of Planned Behaviour (Ajzen, 1988, 1991) may fail to predict behavioural responses to social change programs because they downplay the effects that environmental variables may have on behaviour. In addition, these models do not specifically examine individuals’ motivation, ability and opportunity to modify their behaviour (MacInnes, Moorman, and Jaworski, 1991). Thus Sheth and Frazier’s model, and those drawing directly on the theory of planned behaviour, do not explicitly recognise the influence environmental interventions such as regulation may have on consumers’ behaviour, particularly habitual behaviour.

By contrast, Rothschild’s (1999) framework for managing public health and social issue behaviours explicitly acknowledges both sets of variables. His model includes self-interest, exchange, competition (e.g. resisting or ignoring social change appeals), free choice and externalities (e.g. the societal consequences of allowing citizens free choice to indulge in potentially harmful behaviours). Rothschild argues that target groups may be prone, resistant, or unable to respond to social change campaigns, depending on their motivation, opportunity and ability, and suggests these latter variables may require explicit consideration. Like Sheth and Frazier (1982) he concludes that the success of social change programs may depend on managers’ ability to utilise strategies that integrate education, marketing and the law. In making this suggestion, he explicitly recognises the wider regulatory environment within which social marketing campaigns occur, and the role the law plays in shaping and constraining social behaviours. In the following section, we use Rothschild’s framework to analyse two recent New Zealand-based social marketing campaigns. The first examined teenagers’ motivations to drive while under the influence of alcohol, while the second explored their motivations to speed.
Research Problem

Social marketers have made widespread and intensive use of mass media to influence drivers' attitudes towards speeding and drink-driving and, ultimately, to modify their behaviour. These campaigns have taken two related approaches and have focused on educating those exposed to the promotions, largely by eliciting fear designed to stimulate aversive behaviour. That is, having viewed graphic images of the potential physical, psychological and financial consequences of speeding, viewers will be prompted to avoid the behaviours that led to these outcomes. However, it is debatable how effective road safety advertising campaigns are at modifying behaviour (Shore & Gray, 1997; Macpherson and Lewis 1998).

Thus despite increasing public awareness of alcohol and speed enforcement, and gradual improvements in accident statistics, many New Zealanders appear to accept exceeding the speed limit as an acceptable behaviour. Evidence from a recent Land Transport Safety Authority survey revealed that around 40% of male respondents and 36% of female respondents reported enjoying driving fast on the open road (Land Transport Safety Authority, 2001). This feeling is strongest among young drivers; 65% of male drivers aged between 15 and 24 like driving fast, including 22% who say they like it ‘very much’.

Interestingly, there is strong public support for alcohol and speed enforcement; 75% of those interviewed considered that enforcing the speed limit helps to lower the road toll, although 39% thought that the risk of being caught speeding is small. Perhaps because respondents view the likelihood of being apprehended for exceeding the speed limit as low, their favourable views of enforcing the speed limit have not been accompanied by changes in their behaviour. Overall, while behaviour with respect to drink-driving situation has improved and the number of alcohol-related crashes continues to decline, problem niches, such as rural driving behaviour, remain (see Table 22.1). Although drivers’ motivation to conform to some safer driving practices appears to have increased, their willingness to comply with other behaviours seems much lower. According to Rothschild’s framework, the lower levels of behaviour may reflect not only reduced motivation (apparent since many drivers report enjoying driving at speed) but also an unconstrained ability and opportunity to engage in these actions.

Because teenagers account for a disproportionate number of driving fatalities and offences, examination of their behaviour is particularly important, and several social marketing campaigns have sought to change and modify the proportion of this group engaging in dangerous driving practices. Social marketers have also been concerned to note that driving practices differ by population density and a higher proportion of rural drivers engage in unsafe driving behaviours, arguably because they have fewer transport alternatives and because they perceive the risks of speeding and drink-driving to be lower in less populated areas.

To examine these important social issues in more detail, two surveys of New Zealand teenagers were undertaken to explore how the social marketing campaigns had affected teenagers’ motivations to drink and drive, and their motivations to speed. More specifically, the studies examined the following research questions:
<table>
<thead>
<tr>
<th>Behaviour (last 30 days)</th>
<th>Rural students</th>
<th>Urban students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Passenger of drinking driver</td>
<td>48%</td>
<td>28%</td>
</tr>
<tr>
<td>Passenger of marijuana smoker</td>
<td>35%</td>
<td>34%</td>
</tr>
<tr>
<td>Passenger of intoxicated driver</td>
<td>28%</td>
<td>14%</td>
</tr>
<tr>
<td>Driven after drinking</td>
<td>26%</td>
<td>20%</td>
</tr>
<tr>
<td>Driven after smoking marijuana</td>
<td>16%</td>
<td>23%</td>
</tr>
<tr>
<td>Driven while intoxicated</td>
<td>14%</td>
<td>10%</td>
</tr>
</tbody>
</table>

Table 22.1: Teenage drink-driving behaviour

- What motivates teenagers to drink and drive?
- What motivates teenagers to drive at excessive speed?

**Discussion of Results**

The first survey involved 660 final year students at six high schools (three in the central North Island and three in the southern South Island). The results suggest that drink driving and being a passenger with a drinking driver are more prevalent behaviours among students from rural areas, even though the media schedule used should have ensured comparable coverage of all respondents (see Table 22.1).

Examination of respondents’ motivation, opportunity and ability to comply with road safety campaign messages (MacInnes et al., 1991), reveals possible reasons for differences between the two groups. First, the data suggest that many teenagers are motivated not to drink and drive; they understand the consequences of drink-driving, have positive attitudes towards safe driving behaviour, and are encouraged by referent groups to behave responsibly.

However, rural teenagers differ markedly from their city-dwelling counterparts. While the latter have alternative ways of returning home after social activities that involve drinking, many of the former do not. Rather than forgo the opportunity to socialise with friends and participate in the full range of activities available, including drinking, these teenagers become more likely to risk driving while under the influence of alcohol (or more willing to accept a lift from a driver who has been drinking). Using Rothschild’s (1999) terminology, rural teenagers are prone to accept drink-driving messages, yet are often unable to respond behaviourally to the same extent as urban teenagers because of different environmental circumstances, including the lack of explicit alternatives and the low probability of being caught transgressing the law.

The second survey involved 325 final year students from three high schools in Otago and Southland. The results of this study indicate that respondents are prone to accept messages that warn about the dangers of speeding (see Table 22.2), although police and parents are likely to be more influential.

However, teenagers tend to resist compliance with speed limits (see Table 22.3) if they believe that situational factors (e.g. running late) are conspiring against them.
DISCUSSION OF RESULTS

<table>
<thead>
<tr>
<th>Do the following influence your decision to speed?</th>
<th>“Yes” (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Police</td>
<td>91.0</td>
</tr>
<tr>
<td>Parents</td>
<td>74.4</td>
</tr>
<tr>
<td>Road safety advertising</td>
<td>64.1</td>
</tr>
<tr>
<td>Friends</td>
<td>62.8</td>
</tr>
<tr>
<td>Land Transport Safety Authority (LTSA)</td>
<td>52.3</td>
</tr>
<tr>
<td>Movies</td>
<td>51.3</td>
</tr>
<tr>
<td>Professional racing car drivers</td>
<td>51.3</td>
</tr>
<tr>
<td>Road safety news reports</td>
<td>50.0</td>
</tr>
<tr>
<td>Car advertising</td>
<td>38.5</td>
</tr>
<tr>
<td>Car magazines</td>
<td>38.5</td>
</tr>
<tr>
<td>The school community</td>
<td>33.3</td>
</tr>
<tr>
<td>ACC</td>
<td>32.1</td>
</tr>
<tr>
<td>Doctors</td>
<td>21.8</td>
</tr>
<tr>
<td>Celebrities</td>
<td>20.5</td>
</tr>
<tr>
<td>The local community</td>
<td>17.9</td>
</tr>
<tr>
<td>Politicians</td>
<td>14.1</td>
</tr>
</tbody>
</table>

Table 22.2: Subjective norms that may influence behaviour

and/or if environmental conditions are suitable. For example, if they are driving on the open road rather than around town, if weather and road conditions are good, if they have not consumed alcohol or drugs, if they feel comfortable and in control at the speed they are driving, and if they believe there is a low risk of being apprehended by police or speed cameras (this latter result is from an earlier study of teenagers’ responses to road safety advertising by Shore and Gray (1997), they are more likely to exceed the designated speed limit.

According to Rothschild (1999), social marketing implies that social change managers acknowledge target groups’ self-interest (encouraged by marketing, but not by social issues management) and benefits of exchange (explicit and occurring immediately after marketing transactions, but vague, distant and uncertain in social exchanges). Social marketers should also recognise that they face competition (e.g. audiences’ free choice, apathy, inertia), and that, at present, regulators may need to exert stronger controls to shape this group’s behaviour. Social marketing relies on consumers recognising and responding to trade-offs between free choice and externalities (e.g. drivers’ conscious decision to speed versus the social and economic costs of accidents). However, teenagers’ ability to make these trade-offs is weak and behaviour change may thus need to be shaped more by “sticks” than by “carrots”.

The results of the two teenage driving surveys outlined above suggest it is highly unlikely that teenage drivers appreciate these marketing subtleties. It also appears that social change managers who are promoting road safety may have under-estimated the importance of teenagers’ self-interest, their need for explicit benefits and the importance of environmental constraints that shape and support the desired behaviour. These issues will have to be addressed before teenagers can be expected to give up habitual or preferred behaviours. However, as with cigarette smoking, teenagers
Table 22.3: Situational factors that may influence behaviour

<table>
<thead>
<tr>
<th>Activity</th>
<th>“Yes” (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Whether you are Ôrunning late’</td>
<td>92.3</td>
</tr>
<tr>
<td>Whether you are driving on the open road or around town</td>
<td>91.0</td>
</tr>
<tr>
<td>Whether you have been involved in a car accident before</td>
<td>78.9</td>
</tr>
<tr>
<td>The weather</td>
<td>78.2</td>
</tr>
<tr>
<td>Whether or not you own the vehicle</td>
<td>75.3</td>
</tr>
<tr>
<td>Your emotional state</td>
<td>73.1</td>
</tr>
<tr>
<td>The type of vehicle you are driving</td>
<td>72.7</td>
</tr>
<tr>
<td>The time of day</td>
<td>69.2</td>
</tr>
<tr>
<td>Being tired</td>
<td>65.4</td>
</tr>
<tr>
<td>Whether you have consumed alcohol</td>
<td>66.0</td>
</tr>
<tr>
<td>How Ôexperienced’ you are</td>
<td>64.9</td>
</tr>
<tr>
<td>Whether you have taken cannabis</td>
<td>61.0</td>
</tr>
<tr>
<td>Having friends in the vehicle</td>
<td>52.6</td>
</tr>
</tbody>
</table>

have a strong belief in their own invincibility and most discount the probability that they will be involved in accidents or incur other adverse consequences. Because rural drivers are less likely to be caught if they drink and drive than those living in urban areas, marketing campaigns alone will have limited success if they are not consistent with and supported by regulatory operations.

Rothschild’s (1999) model suggests that, as well as education and marketing, the law also has a critical important role to play in social issues management. In the context of road safety campaigns in New Zealand, the $10 million spent annually by the Land Transport Safety Authority is dwarfed by the hundreds of millions of dollars spent by the police on enforcing road safety legislation. Social marketing on its own, then, cannot provide a sufficiently attractive exchange of benefits to sway the target audience’s behaviour. Given this, the only recourse for social change campaigners will be additional enforcement activities. Without a tangible exchange, road safety advertising and publicity messages tend to be educational only. They may help reinforce the attitudes and behaviours of those already (or prone to) performing the promoted behaviours, but they do little to stimulate behaviour change among those at risk (i.e. those who resist or are unable to change).

Conclusions

Marketing techniques such as consumer research and promotion undoubtedly have a part to play in social issues campaigns such as those designed to encourage safer driving behaviours. However, it is questionable whether these activities constitute social marketing. The term “social marketing” should perhaps be better termed “social issues communication management”, where advertising and publicity help make audiences aware of problems and solutions, and the consequences of not complying with the appropriate legislation. However, these efforts are likely to do little
more than raise awareness if they are not supported by a regulatory environment that promotes behaviour change. Academic research needs to consider how marketing can foster greater compliance with established regulatory regimes, and must go beyond the mere provision of information for its own sake. Social issues managers also need to look beyond education campaigns, and should consider how self-interest and exchange benefits may be used to shape and reinforce the behaviours they wish to promote. More importantly, social issues managers need to ensure that marketing campaigns are carefully integrated with regulatory programmes so that both the benefits and the costs of the behaviour are apparent to target group members. Until social marketers develop campaigns that contain a more attractive mix of carrot and stick approaches, then groups such as teenagers are likely to continue to display high levels of non-compliance to socially desirable behaviours.

References


Who Owns a Destination Brand or: Whither Queenstown?

Juergen Gnoth
University of Otago

Queenstown is a year-round resort town on the shores of Lake Wakatipu in the South Island of New Zealand. Originally a rural service town to farmers and gold prospectors, it soon began to attract tourists as early as the 1880s. The town attracts 35% of all international visitors to New Zealand and the ratio of domestic to international visitors to the district is 62% international and 38% domestic as stated by the local tourism marketing organisation. Between 1997 and 2001, guest nights increased by 50% from 1.7 million in 1997 to 2.5 million in 2001. Its estimated population of 12,000 with 96% of employment is based on tourism providing 7000 equivalent full time jobs.

Over the last three decades and particularly with the beginning of jet-propelled modern mass-tourism, the brand 'Queenstown' has changed. This change dramatically impacts the opportunities for the rest of the province. The question needs to be asked, isn't it time that the local and regional powers that be create a set of rules, structures and incentives (and punishment) that regulate tourism development more effectively and to the benefit of all?

Various business lobby groups, mega-investors and entrepreneurs are continuously developing the Queenstown Basin, expanding into the Lakes District as a whole and into Milford Sound. They introduce ever new services targeting more and more tourist segments and thereby change the brand of Queenstown as we know it. Because of the pulling power Queenstown has in the market, interest in it as a place to invest has overstepped the pain-threshold: the place is turning into a disneyfied concrete and artificial wonder fantasy with nature as background. Even the people who work there cannot afford to live there anymore. Although much hard work has gone into what Queenstown is today, the benefits are likely to be thrown out with the last Average Kiwi New Zealander. In fact these developments may turn out to
be neither good for Queenstown nor for the wider province of Otago as a whole in the long run due to a lack of mutual support and strategic fit.

Queenstown has long begun to attract ‘unsuitable’ markets for the majority of destinations in the country where the majority of small tourism operators try to create services that suit New Zealand’s people, landscape, image and aspirations. The hordes of sophisticated Gin & Tonic armchair tourists increasingly attracted by the powerful marketing leagues in alliance with Queenstown can hardly be catered for throughout the rest of Otago, let alone Southland. Because there is a lack of investment for that type of tourist elsewhere (and often neither the willingness nor the money available) Queenstown effectively creates a monopoly. More importantly, with the expansion into new geographic markets and market segments and accompanying changes in product, Queenstown has effectively changed its brand. This jeopardises its own long-term sustainability and may ruin it for the rest of Otago and Southland (at least). The wider Otago and Southland region need a consistent tourism strategy. The mayors of the region, the ORC and SRC (Otago and Southland Regional Councils), tourism operators and lobby groups need to come together and create both a vision for the future, and punishments for those who do not adhere to that vision.

Backlash

There can be no doubt that tourism has been a success story for New Zealand. The dismally high unemployment rates at the beginning of the 1990s of some 12%, the doom and gloom, the ‘no-future’ syndrome created misery amongst young and old New Zealanders. It sucked up whatever self-esteem and potential many young people had and stifled their willingness to contribute to society, and their future opportunities. The middle-aged and old people did not recognise the country of their youth anymore, and became disheartened as to their place here in the future, as it had slipped from one of the first of the OECD countries in the 1960s to one of the last in the 1980s. This has again changed dramatically over the last decade and tourism had no small part in the country’s turnaround.

But why are we so divided over legitimate aspirations of tourism and other developments in the hinterland? What should be so bad about people risking their time and assets to create opportunities for themselves and others to earn a living? The phenomenal growth, and environmental change to the Queenstown Basin and Lake District as a whole, mainly through tourism and second-home proliferation, has been highlighted by the recent Environmental Court decision against the speculative housing development proposal near Wanaka’s lake outlet. It has demonstrated that certain tacit principles, beliefs in who we are and what we own, are being stretched to breaking point.

Envy in the face of business success is most likely the least of the reasons driving the division amongst us New Zealanders. What is more likely is that the unbalanced growth of some areas in Otago and elsewhere create not only a feeling of loss of access to formerly remote areas. It also creates visual and other forms of pollution to a degree that is in stark contrast to what we believe New Zealand is all about. Indeed, land speculation has increased disproportionately in areas where tourism prolifer-
ates. As an indicator, between 1997 and 2005 the NZ Government Department of Statistics showed an increase of registered property operators and developers from 188 to 793 enterprises. While the average house price in Southland and rural Otago is somewhere around $ 90 000, the average house value in Queenstown is $ 630 000. At the moment, the formula appears to be: the more successful tourism regions are, the more land speculation, the higher the prices, the more displaced people and the starker the contrasts in income and landscape architecture.

The unfettered growth in the Queenstown Lakes District (QLD) begins to show its down sides. The widely touted fix-it-all Resource Management Act, New Zealand’s legislation to organise all land development issues, is invoked rarely and works only for those who have the money, time, expertise and political wherewithal. Up and down the country, the people of smaller, rural places near tourism attractions are beginning to feel the lack of a relevant, practical and decisive tourism strategy. On the one hand, employment opportunities keep their young out of mischief while improving supply of goods and services as well as other opportunities. On the other hand, it has begun to change their environment dramatically and will not be stopped unless it is complemented by well-educated, well equipped, responsive mayors and councils. Tourism is a double-edged sword because we now begin to feel that it can have major costs.

Growth is not bad in itself, but there is a risk attached to growth. Nobody talks about that, it seems. It has created many opportunities but also increased the possibilities for disaster. There has always been a rise before the fall, and the higher you rise, the deeper can you fall. If New Zealand should prematurely join the Big League of tourism destinations because of the adolescent grand-standing of a few destinations and big-league operators, the jerk of giants might hit New Zealand hard when overseas competitors feel the itch too severely. To the rest of us who see the rapid change around us, we may feel that certain landscapes get changed and often spoiled disproportionately. Some of us may even believe that this is like a law of nature: when you grow, you change. But if we were to share the growth more sensibly, we might also be able to spread the risks better. The current risk is that the success of Queenstown may well spoil it for the rest of us as ruthless business strategies spoil the brand 'Queenstown' that, indeed, belongs to all who wish to take possession of it. Since anybody can take a share in it willing to set up shop in Queenstown, it has become a common good. It therefore belongs to all those who care for it, even without owning property or shares.

The Queenstown Brand

The startling success of Queenstown has indeed taken many by surprise. While its growth was exciting for some, more and more people are beginning to notice the urban sprawl and astronomic prices. Amongst all the befits tourism has created for New Zealand, people are beginning to register that not all is good and easy about it. Both sprawl and prices have changed the landscape of the Wakatipu Basin to a degree that, within 15 years, it has become almost unrecognisable. Compare photos of swathes of landscape 'before and after' and one finds it hard to recognise the place.
While not all bad, the development of the last years have made it both less accessible and less desirable for many because it has changed its character. For those who have known the place before Rogernomics, Muldoon, and further back, that is, drastic, right-wing economic policies and so called ‘Think Big’ projects of disproportionate infrastructural developments, these changes are easily apparent. For many tourists and newcomers, however, the place still holds some of the same charm. In fact, tourists find it delightful. But for how much longer? And are the impressions (and satisfaction ratings) of present tourists of Queenstown’s attractiveness a true gauge? Proponents of the development in and around Queenstown may be pointing to the increasing numbers of tourists and therefore claim, righteously, success. But these tourists who fall in love with Queenstown today are fewer and fewer of the sort of tourists who came 20 years ago. While we may feel that there is nothing wrong with this per se, we should be alarmed when major travel guides warn away those people from the Wakatipu Basin who were the ones that made it famous.

What these and many other critics signal is that with these changes we let operators and investors water down the essence of the brand. In fact, Queenstown may well be closer than it thinks of becoming a replacement for Santa Barbara, Coney Island, Costa Brava, the Riviera, Bath or any of England’s nic-nac towns, and the Pat-Pong in Thailand. It may be close to turning into a satellite of foreign investors, mega stars, and Auckland townies with plenty of money but lack of proportion. Again, they may claim they own the place in the eyes of the law, and nothing can be wrong with that. But they also expose Queenstown to a competition it cannot possibly win when, for example, the huge investments in the Caribbean over the last 10 years begin to kick in. They may well be targeting the same ‘experience-natural-wonders-in-luxury’ markets. Indeed, Queenstown may become its own enemy as it is changing to become ever more successful by expanding no end. By changing its image, its heritage, its meaning and place in people’s heart, the good-will of Otago people to support it will also wane. At the same time the changes increase the envy of surrounding areas that like to share in the tourism dollar which, after all, is being made possible by all the people in the country as it is their taxes which supply the funds for the nation’s infra-structure, at least.

How was that change possible? And still, should we not be happy about the success? In part it happened, because the population of Queenstown is no longer what it used to be. Many of the former families, house and crib owners have sold out and moved away. Those that have stayed have been fighting for a decent growth strategy in line with the heritage of the place and its people. But you can fight only for so long before you burn out in the face of the mighty dollar and a lack of decent government support. (Let it be put straight right away, the Tourism Strategy 2010 is no help here either as it is some sort of wish-list that lacks a philosophy, vision and clout. It was a dried up old fig-leaf right from the start, too shrivelled-up to cover tourism developments like Queentown). Many others who remained in Queenstown have become involved in tourism and been swept away by the need to fill their bed, boat or restaurant seats throughout the year, in order to pay the horrendous rates for the small community, i.e. a population of now between 12 and 16 000 inhabitants and some 2 million tourists per annum. They joined those who clambered and cried
for ever expanding growth. While not afraid of hard work, they were just too busy and just a little shy to develop an affirmative vision.

Queenstown grew because it was a hub for gold-miners in the early days, a service town for a small farming and bush community, as well as a hub for hiking or tramping tourists. On this tradition it formed its reputation as a stunning place for adventure. With the rise of modern mass transport and some clever marketing, it turned into the ‘Adrenaline Capital of the Southern Hemisphere’ where trout fishing, tramping, horse riding and other nature activities attracted the interested. This was its image, its major brand attribute. It turned into Queenstown’s capital, the asset, that created the attraction and the reason for the success story. As it grew, even since the gold rush, tourists repeated and rediscovered this mesmerising character of the place over and over again. Because of the repetition of this experience, it has gained the quality of an objective truth. Today, we cannot but deny that this particular gaze rings genuine. It was also felt and used by those who began to make a living off tourists on its shores. Since the beginning of tourism to Queenstown as early as the 1890s, it has allowed numerous adventure, explorer and sport-activity companies to gain a foothold and slowly enhance this quintessential experience of the breathtaking views and the natural environment.

By the end of the 1980s and beginning of the 90s, years of hard work by micro and small operations created the base for slowly increasing growth that began to afford a living all year round. It was the time of co-operative marketing agreements, long nights at meetings and negotiations with large, outside tour operators that created a buzz in town. Beside the competition that was felt when tourists began to arrive, there also was collegiality, mutual support and reciprocating altruism: operators knew, they had to co-operate and work hard to create and demonstrate the image of a cohesive, attractive destination.

On the back of these developments, opportunities arose for further newcomers. To compete, they diversified existing offers, thereby attracting different types of tourists. Once a certain threshold of tourist numbers appeared on the horizon, ever larger investors estimated that it was time to build larger hotels, hospitality, sport and entertainment facilities. The national airline even invested in ski-fields so as to give the jet-setting folks reason to use its planes and fly there. Apparently, the yield increased. In other words, the money that could be made from people using more expensive facilities was more than from less expensive investments. Queenstown was ripe to attract more and different types or market segments of tourists. However, as the place grew, the buzz subsided. In other words, the feel-good atmosphere between operators and between staff across the resort began to change, right down to ‘open war-fare’ like situations of alleged sabotage of competitors’ equipment.

The key to Queenstown’s success, communication, and cohesion through tacit and real partnerships in the brand, has been waning rapidly. It appears that because the cooperative, collegial atmosphere amongst Queenstown’s businesses is dead, ‘Destination Queenstown’, the regional marketing coordinator, set adrift its organisational structure and abandoned its marketing organisations. They had become ineffective and, strategically, impotent. Effectively, these disparities can be experienced by everybody visiting the township, when comparing the cohesive image of the place as portrayed in brochures etc. with the hotchpotch that is Queenstown’s town-centre.
Merely judging by its architecture, there is no common theme, no style nor any atmosphere. In fact, standing in Shotover Street, you could be anywhere.

Obviously, the demise of the old Queenstown had set in much earlier as the urban and touristic sprawl had long been evident. The danger of this rampant, disproportionate growth and lack of a tradised and nurtured brand-philosophy is that the 'jewel in the crown' of New Zealand's tourism will rapidly lose even more of its lustre as it changes its character. By changing many of its visual features, the people who live and work there and what it stands for, changes those it attracts. As so many other "unique" places had to find out, there is more to a brand than just some prominent features. While transitions (incl. place brand extensions and repositionings) are possible they require a tightly controlled strategy dealing with very limited options because, simply, a place is not like a box of margarine or a company like Kentucky Fried Chicken that can be rebranded to KFC.

Developing Solutions

If Queenstown lost its unique character completely, it would be more than just a pity. Not only would Queenstown ruin it for itself. It would throw major waves through the South and ripples throughout the country. Let us not forget the powerful force of word of mouth. It is already working against Queenstown at least as far as the traditional markets of adventurers are concerned. If the resort attracts more and more tourists who cannot be catered for elsewhere in the province, Queenstown and the rest of the South and Otago will lose out. The resort will be forced to stand alone and be everything to all types of visitors. It would have to be. Otago and Southland are just not up to its standard at the top-end of supply. Although there are equally splendid scenery and attractions elsewhere, there is no comparable service and levels of infrastructure such as 4Star hotels, shopping or entertainment facilities.

As an aside, the lack of supply at the top-end is the motivation of strategists and proponents for gondolas and mono rails to turn the distant Milford Sound into a Queenstown attraction rather than one which is serviced by Te Anau. While Te Anau is one and a half hours away by bus, rather than the three hours from Queenstown, Te Anau cannot service the top-end of the market. However, while servicing that market, Queenstown is not shy either to take market-share from Te Anau in those markets Te Anau does actually serve. In the true opportunistic fashion that marks tourism development in New Zealand, the proponents of high-tech means of transport to far-away places support the status quo of unresolved issues of transport links and carrying capacities of the National Parks without the implications of the common good in mind. They think they own the brand 'Queenstown' to themselves. They forget that it is part of the South and all of New Zealand. By maintaining the status quo, the speculation and expansion of Queenstown can go on, while the issues of sustainability and fit of the resort in the total 'package of New Zealand' are never dealt with. But this might yet prove be a mistake.

In response to the blatant exploitation of its dominant market position, the rest of the South could begin mimicking Queenstown. It could seek investments and build more 4 Star hotels, maybe a theme-park here and there and a few high-class pubs
and brothels, just to be sure, as Queenstown has. Maybe also some of that garish incoherent townscape with its obscene onslaught of advertising in the Queenstown CBD and beyond. Yet, if this response were taken, the whole region would suffer from a diffusion of markets. Rather than having a strong consistent image throughout the South and New Zealand as a whole, our place would become everything to all and sundry. The implications are, immensely increasing transaction costs in communicating with these wide varieties of markets, and pressure on investments to cater for them. There will be rising demand on service diversification, training and production with ever smaller economies of scale. Overtaken by the diversified demand on services, the rest of the South would rapidly lose its uniqueness and begin to compete with mass-markets which clearly is unsustainable for many reasons; too many to describe here. Most importantly, as much as Queenstown is rapidly losing its character, the people of the Otago and Southland might be losing their lifestyle in our environment of national parks, lakes and beaches and riddled by the inconsistencies of Queenstown's speculative opportunism.

But it is unlikely that, in the near future, there will be any vast change in what has happened in the past. There will be more and more tourists coming, more and more airplanes landing, and more and more urban sprawl. In fact, since there is no plan for the future of tourism in New Zealand other than growth, the status quo will remain. Nobody is managing risks. We will allow more and more investments that close down more and more of the paradise that was Queenstown, building parking lots for the golden hordes. Quite likely, circumstances may escalate so that those dreams of gondolas through pristine country sides and of mono-rail trams full of tourists through some wayward valleys may come true. After all, in excess of 60% of all businesses in the Wakatipu Basin dominated by Queenstown depend on tourism. While there are some tentative attempts to diversify the industrial base, most still follow blindly the adage ‘in order to stand still, we need to grow’.

The Queenstown brand is a common good. The more we play with it and let it get exploited, the less value it will have. Once it is gone, it will be hard if not impossible to retrieve as so many other destinations now languishing in mass-market environments prolifically show. Tourism New Zealand’s Interactive Traveller Strategy is a good start but it lacks clout and support. It certainly does not fit the emerging image and position of Queenstown. If it did, it would be condemned to irrelevance even before it had got off the ground. The strategy’s future development and success is the litmus test of how serious tourism planners are to provide sustainable tourism.

What we need, what Otago and Southland needs, is that the districts’ mayors wizen up and get active, that the Otago Regional Council becomes more decisive and facilitating, and tourism operators become more professional and cooperative in their strategic thinking. Building more ‘International Airports’ in Invercargill, Lumsden or Dunedin, just so that there may be more tourists beginning their journey elsewhere rather than flying straight to the resort is misguided, incomplete, and certainly not strategic thinking. It is a knee-jerk reaction that will only create more of the same (unless it was complemented by substantive, competitive, networked thinking that considers the brand Otago and Southland might one day create; this requires a high level of cooperation for which there exists no political will and insight as yet). What we need are incentives for the region’s tourism operators as this is the most certain
way to generate a positive response in profit-driven mind-sets. These need to come in the form of assistance and direction to formulate and implement a networked philosophy, a vision and decisive strategic plans. We need mechanisms and standards that motivate and reward those who collaborate and improve brand-cohesion, and that punish those who don’t. There is no cooperation in maturing networks if there is no punishment or too high a cost to those who punish. No operator or investor will contribute to the wider, common good if there are no incentives. Not getting these incentives may be punishment enough to start with.
Session VII

Quality of Life: Wednesday
8.45am-10.30am
(Parallel Stream)
Subjective-Well-Being investigates the perceived quality-of-life and perceived well-being of people. The International Wellbeing Index (IWI), an overall measure of life satisfaction, consists of Personal- and National-Wellbeing-Index. This paper presents exploratory results of the first application of this index in New Zealand. Psychographic characteristics of the IWI are discussed in detail and a preliminary investigation of the relationship between demographic characteristics and the index are explored. Overall psychographic properties as well as demographic characteristics of IWI in New Zealand are comparable with applications in other Western countries, especially Australia. However, the reported level of Personal-Wellbeing-Index as well as Satisfaction with Life as a Whole is considerably lower than expected.

Introduction

Traditionally, wealth — in the form of Gross Domestic Product (GDP) — was the most important, objective indicator used to measure the “goodness of a society” (Cummins, Eckersley, Pallant, von Vugt, and Misajon, 2003b, p.159). However, most objective measures like the GDP were neither developed to capture a nations wellbeing, nor are they suitable to do so (Cummins et al., 2003b; Diener, Suh, Lucas, and Smith,
Major research into subjective indicators of wellbeing was therefore first conducted in America by Andrews and Withey (1976) and has since lead to the development of a multitude of measures designed to capture Subjective Wellbeing (SWB) which is concerned with “how and why people experience lives in positive ways, including both cognitive judgements and affective reactions” (Diener, 1984, p.542)(see http://acqol.deakin.edu.au/instruments/instrument.php for one list of available measures).

Within SWB three main approaches can be identified (Kim-Prieto, Diener, Tamir, Scollon, and Diener, 2005). The first stream of research considers SWB as a global evaluation of life and its domains. It generally uses large surveys and self-reports. The second approach investigates SWB by exploring recollections of past emotional occurrences by asking respondents if they experienced a number of emotions during a set period of time. The third approach aggregates multiple emotional reactions over time using diaries to record current emotional state over several weeks (Kim-Prieto et al., 2005). The current research builds on the first stream of research by investigating SWB as a global evaluation of life and its domains using the International Wellbeing Index (IWI) (Cummins et al., 2003b).

**Background**

The International Wellbeing Index (IWI) is the international application of the Australian Unity Wellbeing Index. IWI is an advancement of Cummin’s (1997) Comprehensive Quality of Life Scale which “comprised both an objective and subjective measure of life quality” (Cummins and Lau, 2005, p.7). The new index, which includes only subjective measures of the construct, is split into a Personal Wellbeing Index (PWI) and a National Wellbeing Index (NWI).

The International Wellbeing Group (IWbG) was initiated by Cummins and Lau in 2002 in order to explore the cross-cultural validity of PWI and by mid 2005 about 100 researchers from 40 countries were part of the group (Cummins and Lau, 2005). The first author of this paper is its primary researcher for New Zealand and according to our knowledge, the presented results represent the first application of the IWI in this country.

PWI, an overall measure of life satisfaction, consists of seven domains representing the first-level deconstruction of Satisfaction with Life as a Whole (LAW) (Lau, Cummins, and McPherson, 2005; Cummins and Lau, 2005). The domains are: Satisfaction with Standard of Living (SOL), Health, Achieving in Life, Relationships, Safety, Community-connectedness and Future Security (Cummins and Lau, 2005).

The NWI originally consisted of three domains (Cummins et al., 2003b) but has been expanded to the following six domains (Tiliouine, Cummins, and Davern, 2006): Satisfaction with the Economic Situation, the State of the Environment, Social Conditions, the Government, Business and National Security.

When the seven facets of PWI are regressed onto Satisfaction with Life as a Whole (LAW), each factor contributes significantly — except for Security, which does not add any information in Western countries but remains as it is important in other contexts (Cummins et al., 2003b). The adjusted $R^2$ is typically around 50% (Cummins, 2006;
Lau et al., 2005) with satisfaction with Standard of Living (SOL), Achieving in Life and Personal Relationships consistently found to be the best predictors of LAW.

The PWI in Australia as well as a number of other Western countries lies consistently around 75% and the results of all Australian surveys conducted since 2001 vary by only 2.7% (Lau et al., 2005). This value as well as the high stability is consistent with a number of previous studies conducted in the Western world, that find a mean score of 75% $\pm$ 2.5% percent of the scale score maximum (%SM) (Cummins et al., 2003b; Cummins, Eckersley, Lo, and Okerstrom, 2003a). Cummins and Nistico (2002) explain this phenomenon with the Theory of Subjective Wellbeing Homeostasis which “proposes that SWB, under normal circumstances, is actively controlled and maintained within a limited positive range by a set of psychological devices and personality” (Lau et al., 2005, p.406). “The normative range of life satisfaction population mean scores within Western nations” (Cummins and Nistico, 2002, p.38) lies within 70 - 80 %SM and a population mean around 70 %SM seems to be the “line of resistance” (Cummins, 2003, p.241). Below this level the homeostatic mechanism appears to be less effective.

In comparison to the PWI, the NWI recorded in Australia is a relatively low 57 %SM (Cummins et al., 2003b). The predictive power of the six domains included in the NWI is also small — the six domains predict only around 11 % of LAW — with Satisfaction with Economic Conditions, Social Conditions and Business being the best predictors (Cummins et al., 2003a).

Data collection and Sample characteristics

This application of the IWI in New Zealand is based on data collected as part of the New Zealand Consumer Lifestyles Study (Todd, Lawson, and Faris, 1996; Todd, Lawson, and Jamieson, 2000). The study is conducted every four years and includes over 400 questions regarding New Zealanders attitudes, opinions and interests, covering a large area of consumer related topics; e.g. social and political issues, consumption and media habits, self identity, product ownership and travel behavior as well as values (see http://divcom.otago.ac.nz/Marketing/research/consumer/index.html). The IWI (PWI and NWI) were included in the 2005 study for the first time.

The data collection took place in November where 10,000 questionnaires were send to a representative sample of New Zealand households. 3556 questionnaires were returned (response rate 35.6 %) out of which 3507 were suitable for inclusion in this analysis.

The sample consists of 46.5% male and 53.5% female respondents. Table 24.1 summarises the main demographic characteristics (age, education, employment situation and marital status) of the sample. The median age of respondents is 35-39 years and most of them are married (44%) or living with a partner (22%). More than half of all respondents have no child living in the household (54%), 20% have one child and 17% have two children living in the household. Home ownership is, as traditional in New Zealand, relatively high, with 52% of respondents reporting to own a house.

Twenty-eight percent of respondents report some form of University qualification.
Table 24.1: Demographic Overview

Almost two-thirds of respondents (64%) are in full or part-time employment and another 12% are self-employed. The median household income before tax is 50,000 - 50,999 NZ$ (see Table 24.2).

Comparison with census data released by Statistics New Zealand reveals that the sample can be regarded as representative of the New Zealand population.

Overview of IWI results in NZ: Data Analysis

Before the IWI for New Zealand was developed, data was standardised into units of percentage of sample maximum (%SM) on a 1-100 distribution as suggested by Cummins et al. (2003b). As discussed, the PWI and the NWI are calculated by averaging the scores of respondents over the seven (PWI) and six (NWI) domains included in the respective scales. The question of Satisfaction with Life as a Whole (LAW), although neither part of the PWI, nor the NWI, is also investigated and relationships between the indices and LAW are explored.

The psychometric characteristics of PWI and NWI were checked following standard protocol as applied by Cummins and his colleagues (Cummins et al., 2003b; Cummins and Lau, 2005; Lau et al., 2005; Tiliouine et al., 2006). Internal Reliability of the index was investigated by calculating Cronbach’s alpha (Cronbach, 1951) and item-total as well as item-domain correlations. Validity of the IWI was investigated by performing an Exploratory Principal Component Analysis for PWI and NWI (Churchill, 1979), exploring the relationship between the domains included in PWI and NWI and Satisfaction with Life as a Whole using binary correlations and finally by
computing multiple regression analysis to investigate the predictive power of each domain towards the summary question *Satisfaction with Life as a Whole (LAW)*.

### Summary results of the International Wellbeing Index (Personal and National) for New Zealand

The *PWI* and *NWI* mean values and standard deviation, together with the mean values of the individual domains and *LAW* are presented in Table 24.3. The mean value of *PWI* is 67.39 with a relatively high standard deviation of 15.50. All individual domains show an average value between 60 and 73 with *Satisfaction with Personal Relationships* scoring highest (73), followed by *Satisfaction with Feeling Safe* (71) and *Satisfaction with Standard of Living* (69.5). *Satisfaction with ones Future Security* rates lowest with a mean value of 60, followed by *Satisfaction with Feeling Part of the Community* at 63.

As expected, the *NWI* is considerably lower than the *PWI* with an average value of 52 (standard deviation of 15.50). Individual domains average between 48 and 55 whereby *Satisfaction with Business in NZ* scores highest (55), followed by *Satisfaction with the State of the New Zealand Economy* (54). The lowest score is awarded to *Satisfaction with the NZ Government* (48).

### Internal Reliability and Validity

As a next step internal reliability and validity of both parts of the *IWI* were investigated. The *PWI* and the *NWI* have a Cronbach’s alpha of 0.87 and 0.85, respectively. A combination of all 13 items (*PWI* and *NWI*) also show an *alpha* of 0.87. Compared to previous studies who reported a Cronbach *alpha* of 0.85 for Algerian data (Tiliouine et al., 2006), 0.7 to 0.85 for Australian data (Cummins and Lau, 2005) and 0.73 for Hong Kong data (Lau et al., 2005), this is relatively high.

<table>
<thead>
<tr>
<th>Approximate total annual income of household (before tax)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than $20,000</td>
<td>11</td>
</tr>
<tr>
<td>$20,000 - $29,999</td>
<td>13</td>
</tr>
<tr>
<td>$30,000 - $39,999</td>
<td>12</td>
</tr>
<tr>
<td>$40,000 - $49,999</td>
<td>11</td>
</tr>
<tr>
<td>$50,000 - $59,999</td>
<td>9</td>
</tr>
<tr>
<td>$60,000 - $69,999</td>
<td>9</td>
</tr>
<tr>
<td>$70,000 - $79,999</td>
<td>7</td>
</tr>
<tr>
<td>$80,000 - $89,999</td>
<td>6</td>
</tr>
<tr>
<td>$90,000 - $99,999</td>
<td>5</td>
</tr>
<tr>
<td>$100,000 - $109,999</td>
<td>5</td>
</tr>
<tr>
<td>$110,000 - $119,999</td>
<td>3</td>
</tr>
<tr>
<td>Over $120,000</td>
<td>10</td>
</tr>
</tbody>
</table>

Table 24.2: Income Distribution
<table>
<thead>
<tr>
<th>Domain</th>
<th>Correlation Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Item total correlation: PWI</strong></td>
<td></td>
</tr>
<tr>
<td>Standard of Living</td>
<td>0.74</td>
</tr>
<tr>
<td>Health</td>
<td>0.64</td>
</tr>
<tr>
<td>Achieving in Life</td>
<td>0.75</td>
</tr>
<tr>
<td>Personal Relationships</td>
<td>0.68</td>
</tr>
<tr>
<td>Safe</td>
<td>0.69</td>
</tr>
<tr>
<td>Feeling part of Community</td>
<td>0.68</td>
</tr>
<tr>
<td>Future Security</td>
<td>0.74</td>
</tr>
<tr>
<td><strong>Item total correlation: NWI</strong></td>
<td></td>
</tr>
<tr>
<td>Economic Situation</td>
<td>0.78</td>
</tr>
<tr>
<td>State of NZ environment</td>
<td>0.73</td>
</tr>
<tr>
<td>Social conditions in NZ</td>
<td>0.80</td>
</tr>
<tr>
<td>Government</td>
<td>0.76</td>
</tr>
<tr>
<td>Business in NZ</td>
<td>0.73</td>
</tr>
<tr>
<td>National Security</td>
<td>0.73</td>
</tr>
</tbody>
</table>

Table 24.3: Summary for Personal- and National-Wellbeing Index

<table>
<thead>
<tr>
<th>Domain</th>
<th>Correlation Coefficient</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Mean</strong></td>
<td><strong>Std. Deviation</strong></td>
</tr>
<tr>
<td>Life as a whole</td>
<td>69.21</td>
</tr>
<tr>
<td>PWI</td>
<td>67.39</td>
</tr>
<tr>
<td>Standard of Living</td>
<td>69.50</td>
</tr>
<tr>
<td>Health</td>
<td>66.62</td>
</tr>
<tr>
<td>Achieving in Life</td>
<td>67.69</td>
</tr>
<tr>
<td>Personal Relationships</td>
<td>73</td>
</tr>
<tr>
<td>Safe</td>
<td>71.20</td>
</tr>
<tr>
<td>Feeling part of your Community</td>
<td>63.68</td>
</tr>
<tr>
<td>Future Security</td>
<td>60.31</td>
</tr>
<tr>
<td>NWI</td>
<td>52.01</td>
</tr>
<tr>
<td>Economic Situation</td>
<td>52.75</td>
</tr>
<tr>
<td>State of NZ environment</td>
<td>53.69</td>
</tr>
<tr>
<td>Social conditions in NZ</td>
<td>49.03</td>
</tr>
<tr>
<td>Government</td>
<td>47.96</td>
</tr>
<tr>
<td>Business in NZ</td>
<td>54.93</td>
</tr>
<tr>
<td>National Security</td>
<td>53.87</td>
</tr>
</tbody>
</table>

Table 24.4: Item-Total Correlation
Item-total correlations (Pearson Correlation Coefficients) of the single domains and the summated score for all PWI items range between 0.64 for the Health domain and 0.75 for the Achievement in Life domain. The domain-to-summated-NWI-value correlations range between 0.73 for the Environment, the Business and the National Security dimensions and 0.8 for the Social Dimension (see Table 24.4). These correlations are similar to those found in an Algerian data set (Tiliouine et al., 2006) (for PWI and NWI) and generally higher than found in Australian or Hong Kong data sets (Lau et al., 2005) (for PWI data only).

Finally, domain-intercorrelations are presented in Table 24.5. As can be seen, the PWI domain inter-correlation range from 0.31 — for Satisfaction with Standard of Living and Safety as well as with Feeling Part of the Community — to 0.59 — for Satisfaction with Standard of Living and Achieving in Life. The inter-correlation of NWI items ranges from 0.38 — for Satisfaction with the NZ Government and the Environment — to 0.62 — for Satisfaction with Social Conditions and the Environment. The inter-item correlation of NWI items are generally higher than those of PWI items. Overall, the domain inter-correlations reported here are generally slightly higher than the ones found in Australian (Cummins et al., 2003a) and Hong Kong (Lau et al., 2005) data sets.

PWI and NWI correlate with 0.44. This exactly matches the results found in Australia (Cummins et al., 2003b).

In order to check for validity, an exploratory Principal Component Analysis (PCA) was performed to investigate whether PWI and NWI form two different factors. The assumptions for PCA have been met with a majority of inter-item correlations exceeding 0.3 (see also Table 24.5), a Kaiser-Mayer Oklin Measure of Sampling Adequacy (KMO) of 0.898 and a significant Bartlett’s Test of Sphericity (p = 0.000). The variables are reasonably represented in the components as commonalities range from 0.41 to 0.66 with a majority of variables lying above 0.55.

As can be seen in Table 24.6 a PCA with Varimax Rotation reveals two clearly distinguishable factors with all PWI dimensions loading between 0.63 and 0.75 onto factor one and all NWI dimensions loading with 0.70 to 0.79 onto factor two. The total variance explained by these two factors is 55.5% whereby PWI (factor 1) explains 40% and NWI (factor 2) explains 15.5% of the variance. These results were expected as they are very similar to those reported by Cummins et al. (2003b).

All domains correlate significantly (p < 0.01) with Satisfaction with Life as a Whole (see Table 24.5). The summary indices PWI and NWI correlate with 0.75 and 0.3 respectively. The different strength of correlation of PWI and NWI continues when exploring the individual domains. PWI domains correlate considerably stronger with Satisfaction with LAW than NWI domains. Standard of living correlates strongest with Satisfaction with Life as a Whole (0.69), followed by Satisfaction with Achieving in Life. On the other hand of the spectrum, Satisfaction with the Government and with National Security correlate least strongly with LAW (0.13 and 0.18).

Finally, the unique contribution of domains to LAW is investigated, using Multiple Regression Analysis. Results can be seen in Table 24.7. The seven PWI items predict 64% (adjusted $R^2$) of Satisfaction with Life as a Whole with Standard of Living adding most predictive power. Achieving in Life and Personal Relationships are also of considerable importance, followed by Satisfaction with Being part of the Community. Health
Table 24.5: Item Correlations

<table>
<thead>
<tr>
<th>Life as a Whole</th>
<th>PMI</th>
<th>NWI</th>
<th>Life</th>
<th>PWT</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>National Security</td>
<td>0.28</td>
<td>0.18</td>
<td>0.16</td>
<td>0.12</td>
<td>0.67</td>
<td>0.29</td>
<td>0.44</td>
<td>0.35</td>
<td>0.48</td>
</tr>
<tr>
<td>Business</td>
<td>0.30</td>
<td>0.19</td>
<td>0.17</td>
<td>0.13</td>
<td>0.67</td>
<td>0.29</td>
<td>0.44</td>
<td>0.35</td>
<td>0.48</td>
</tr>
<tr>
<td>Government</td>
<td>0.31</td>
<td>0.20</td>
<td>0.17</td>
<td>0.13</td>
<td>0.67</td>
<td>0.29</td>
<td>0.44</td>
<td>0.35</td>
<td>0.48</td>
</tr>
<tr>
<td>NZ Environment</td>
<td>0.38</td>
<td>0.25</td>
<td>0.20</td>
<td>0.16</td>
<td>0.71</td>
<td>0.30</td>
<td>0.45</td>
<td>0.36</td>
<td>0.49</td>
</tr>
<tr>
<td>Economic Situation</td>
<td>0.33</td>
<td>0.24</td>
<td>0.19</td>
<td>0.14</td>
<td>0.72</td>
<td>0.30</td>
<td>0.45</td>
<td>0.36</td>
<td>0.49</td>
</tr>
<tr>
<td>NZ Environment</td>
<td>0.38</td>
<td>0.25</td>
<td>0.20</td>
<td>0.16</td>
<td>0.71</td>
<td>0.30</td>
<td>0.45</td>
<td>0.36</td>
<td>0.49</td>
</tr>
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<td>0.24</td>
<td>0.19</td>
<td>0.14</td>
<td>0.72</td>
<td>0.30</td>
<td>0.45</td>
<td>0.36</td>
<td>0.49</td>
</tr>
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<td>0.16</td>
<td>0.12</td>
<td>0.67</td>
<td>0.29</td>
<td>0.44</td>
<td>0.35</td>
<td>0.48</td>
</tr>
<tr>
<td>Business</td>
<td>0.30</td>
<td>0.19</td>
<td>0.17</td>
<td>0.13</td>
<td>0.67</td>
<td>0.29</td>
<td>0.44</td>
<td>0.35</td>
<td>0.48</td>
</tr>
<tr>
<td>Government</td>
<td>0.31</td>
<td>0.20</td>
<td>0.17</td>
<td>0.13</td>
<td>0.67</td>
<td>0.29</td>
<td>0.44</td>
<td>0.35</td>
<td>0.48</td>
</tr>
<tr>
<td>NZ Environment</td>
<td>0.38</td>
<td>0.25</td>
<td>0.20</td>
<td>0.16</td>
<td>0.71</td>
<td>0.30</td>
<td>0.45</td>
<td>0.36</td>
<td>0.49</td>
</tr>
<tr>
<td>Economic Situation</td>
<td>0.33</td>
<td>0.24</td>
<td>0.19</td>
<td>0.14</td>
<td>0.72</td>
<td>0.30</td>
<td>0.45</td>
<td>0.36</td>
<td>0.49</td>
</tr>
<tr>
<td>National Security</td>
<td>0.28</td>
<td>0.18</td>
<td>0.16</td>
<td>0.12</td>
<td>0.67</td>
<td>0.29</td>
<td>0.44</td>
<td>0.35</td>
<td>0.48</td>
</tr>
<tr>
<td>Business</td>
<td>0.30</td>
<td>0.19</td>
<td>0.17</td>
<td>0.13</td>
<td>0.67</td>
<td>0.29</td>
<td>0.44</td>
<td>0.35</td>
<td>0.48</td>
</tr>
<tr>
<td>Government</td>
<td>0.31</td>
<td>0.20</td>
<td>0.17</td>
<td>0.13</td>
<td>0.67</td>
<td>0.29</td>
<td>0.44</td>
<td>0.35</td>
<td>0.48</td>
</tr>
<tr>
<td>NZ Environment</td>
<td>0.38</td>
<td>0.25</td>
<td>0.20</td>
<td>0.16</td>
<td>0.71</td>
<td>0.30</td>
<td>0.45</td>
<td>0.36</td>
<td>0.49</td>
</tr>
<tr>
<td>Economic Situation</td>
<td>0.33</td>
<td>0.24</td>
<td>0.19</td>
<td>0.14</td>
<td>0.72</td>
<td>0.30</td>
<td>0.45</td>
<td>0.36</td>
<td>0.49</td>
</tr>
<tr>
<td>National Security</td>
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<td>0.18</td>
<td>0.16</td>
<td>0.12</td>
<td>0.67</td>
<td>0.29</td>
<td>0.44</td>
<td>0.35</td>
<td>0.48</td>
</tr>
<tr>
<td>Business</td>
<td>0.30</td>
<td>0.19</td>
<td>0.17</td>
<td>0.13</td>
<td>0.67</td>
<td>0.29</td>
<td>0.44</td>
<td>0.35</td>
<td>0.48</td>
</tr>
<tr>
<td>Government</td>
<td>0.31</td>
<td>0.20</td>
<td>0.17</td>
<td>0.13</td>
<td>0.67</td>
<td>0.29</td>
<td>0.44</td>
<td>0.35</td>
<td>0.48</td>
</tr>
<tr>
<td>NZ Environment</td>
<td>0.38</td>
<td>0.25</td>
<td>0.20</td>
<td>0.16</td>
<td>0.71</td>
<td>0.30</td>
<td>0.45</td>
<td>0.36</td>
<td>0.49</td>
</tr>
<tr>
<td>Economic Situation</td>
<td>0.33</td>
<td>0.24</td>
<td>0.19</td>
<td>0.14</td>
<td>0.72</td>
<td>0.30</td>
<td>0.45</td>
<td>0.36</td>
<td>0.49</td>
</tr>
</tbody>
</table>

Note: all correlations are significant at $p < 0.01$. 

Correlation coefficients range from 0 to 1, with 1 indicating a perfect positive correlation and 0 indicating no correlation.
Rotated Component Matrix

<table>
<thead>
<tr>
<th></th>
<th>Component 1</th>
<th>Component 2</th>
</tr>
</thead>
<tbody>
<tr>
<td>Standard of Living</td>
<td>0.75</td>
<td></td>
</tr>
<tr>
<td>Health</td>
<td>0.63</td>
<td></td>
</tr>
<tr>
<td>Achieving in Life</td>
<td>0.79</td>
<td></td>
</tr>
<tr>
<td>Personal Relationships</td>
<td>0.70</td>
<td></td>
</tr>
<tr>
<td>Safe</td>
<td>0.64</td>
<td></td>
</tr>
<tr>
<td>Feeling part of your Community</td>
<td>0.65</td>
<td></td>
</tr>
<tr>
<td>Future Security</td>
<td>0.70 0.33</td>
<td></td>
</tr>
<tr>
<td>Economic Situation</td>
<td>0.75</td>
<td></td>
</tr>
<tr>
<td>State of NZ environment</td>
<td>0.71</td>
<td></td>
</tr>
<tr>
<td>Social conditions in NZ</td>
<td>0.79</td>
<td></td>
</tr>
<tr>
<td>Government</td>
<td>0.77</td>
<td></td>
</tr>
<tr>
<td>Business in NZ</td>
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<td></td>
</tr>
<tr>
<td>National Security</td>
<td>0.73</td>
<td></td>
</tr>
</tbody>
</table>

Table 24.6: Principal Component Analysis

and Future Security both make a significant, yet small contribution to Life as a Whole.

As has been observed in other Western countries, Safety does not make any unique contribution to the overall concept (Cummins et al., 2003b; Cummins and Lau, 2005) however the domain is kept as it is important in other countries (Cummins and Lau, 2005). Overall, the presented results for the multiple regression analysis are very similar to those observed in Australia, except for the adjusted $R^2$, which is around 10% higher in New Zealand (Cummins, 2006).

When the focus turns to NWI, Satisfaction with the Economic Situation and with Business in New Zealand make the highest contribution, while Satisfaction with National Security makes no unique contribution. The adjusted $R^2$ of this multiple regression is 0.13 (see Table 24.8).

Overall, it can be concluded that the psychometric characteristics of PWI and NWI are very similar to those observed in other countries (Lau et al., 2005; Cummins et al., 2003b; Cummins, 2006) and the IWI index shows useful results in New Zealand (Cummins, 2006). However, the mean value of the PWI as well as the average value of Satisfaction with Life as a Whole is unexpectedly low (Cummins, 2006). As discussed in the literature review, Cummins (2003) Theory of Subjective Wellbeing Homeostasis suggests a value around 75 $\pm$ 2.5 for the PWI. A value between 70 and 80 is therefore generally expected and found in Western countries (Cummins et al., 2003b; Cummins, 2003). He also states that when PWI falls under 70, the homeostatic effect ceases to work and an even sharper decline in PWI follows (Cummins, 2003). The New Zealand PWI therefore shows a considerably lower value than expected. In his studies, Cummins (2003, 2003c) also compares the mean answers to questions relating to Life as a Whole (LAW) in several Western countries including Australia, Denmark, Sweden, Canada, Ireland, Mexico and the USA. All country means for LAW lie above 75. In New Zealand, the average answer to this question is 69.2.
Standard of Living

<table>
<thead>
<tr>
<th></th>
<th>Future Security</th>
<th>Part of Community</th>
<th>Safe</th>
<th>Personal Relationships</th>
<th>Achieving in Life</th>
<th>Health</th>
<th>Standard of Living</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.69</td>
<td>0.35*</td>
<td>0.05</td>
<td>0.14</td>
<td>0.41</td>
<td>0.57</td>
<td>0.07</td>
<td>0.21</td>
</tr>
<tr>
<td>0.44</td>
<td>0.05</td>
<td>0.00</td>
<td>0.42</td>
<td>0.36</td>
<td>0.49</td>
<td>0.00</td>
<td>0.00</td>
</tr>
<tr>
<td>0.67</td>
<td>0.27*</td>
<td>0.18</td>
<td>0.41</td>
<td>0.37</td>
<td>0.44</td>
<td>0.36</td>
<td>0.21</td>
</tr>
<tr>
<td>0.56</td>
<td>0.18*</td>
<td>0.21</td>
<td>0.41</td>
<td>0.36</td>
<td>0.44</td>
<td>0.21</td>
<td>0.30</td>
</tr>
<tr>
<td>0.41</td>
<td>0.00</td>
<td>0.00</td>
<td>0.41</td>
<td>0.45</td>
<td>0.49</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

Adjusted $R^2 = 0.64$

Total Unique: 0.15 // Shared: 0.49

Table 24.7: Regression: PWI and Life as a Whole

10.0 > d *

all correlations

10.0 > d

*p < 0.01
<table>
<thead>
<tr>
<th></th>
<th>LAW</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>B</th>
<th>Beta</th>
<th>sr2 %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Economic situation</td>
<td>0.31</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.23**</td>
<td>0.23</td>
<td>2.69</td>
</tr>
<tr>
<td>State of environment</td>
<td>0.24</td>
<td>0.54</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>0.05*</td>
<td>0.05</td>
<td>0.12</td>
</tr>
<tr>
<td>Social conditions</td>
<td>0.24</td>
<td>0.57</td>
<td>0.62</td>
<td></td>
<td></td>
<td></td>
<td>0.06*</td>
<td>0.06</td>
<td>0.02</td>
</tr>
<tr>
<td>Government</td>
<td>0.13</td>
<td>0.54</td>
<td>0.38</td>
<td>0.54</td>
<td></td>
<td></td>
<td>-0.11**</td>
<td>-0.13</td>
<td>-1.00</td>
</tr>
<tr>
<td>Business in NZ</td>
<td>0.29</td>
<td>0.50</td>
<td>0.49</td>
<td>0.50</td>
<td>0.48</td>
<td></td>
<td>0.22**</td>
<td>0.19</td>
<td>2.00</td>
</tr>
<tr>
<td>National Security</td>
<td>0.18</td>
<td>0.47</td>
<td>0.41</td>
<td>0.47</td>
<td>0.49</td>
<td>0.50</td>
<td>0.00</td>
<td>0.00</td>
<td>0.00</td>
</tr>
</tbody>
</table>

$R^2 = 0.14$
Adjust $R^2 = 0.13$
Total Unique = 0.06, Shared: 0.07

* $p < 0.01$
*p $< 0.05$

All correlations sign $p < 0.01$

Table 24.8: Regression: NWI and Life as a Whole
On a first glance it therefore appears that New Zealanders are considerably less satisfied with their Life as a Whole (LAW), and have a considerably lower PWI than a number of other Western countries. This is interesting, as New Zealanders generally consider themselves fortunate to live in God’s own. The geographical and cultural nearness to Australia also makes a difference in subjectively experienced personal wellbeing of over 8 points surprising. It is further noteworthy to mention that the questionnaire started out by asking respondents if New Zealand is a good country to life in, a question that in some way taps the satisfaction of New Zealanders with their life. The average answer to this question is highly positive with an average of 4.51 on a 5 point scale (equating to 90 %SM). Future research will have to investigate this issue and explore possible reasons for the low average PWI value observed in the New Zealand population.

IWI results for different demographic groups

This section will investigate significant differences between demographic characteristics of respondents — such as gender, age, marital status, education and employment situation — and their level of Satisfaction with Life as a Whole, PWI and NWI. Additionally, some interesting results for Satisfaction with Standard of Living (part of PWI) will be presented, as it is suggested that this domain is most closely related to consumption issues and therefore to the marketing context (Lee, Sirgy, Larsen, and Wright, 2002; Lee and Sirgy, 2004; Sirgy, 1998).

In terms of gender differences, the New Zealand data shows unusual results. While generally females are found to report higher wellbeing than males (Cummins, 2005), the results presented here show the opposite. Men show a significantly higher average rating of Satisfaction with Life as a Whole than women (70.8 males versus 67.8 females; t-test, p < 0.01). The same is true for PWI (69.5 males versus 65.6 females; t-test, p < 0.01). This trend is also reflected in individual domains, with all PWI domains except for Health showing a significantly higher mean score for males than for females. The biggest differences are found with Satisfaction with Personal Relationships (male 76.6, female 69.8) and with Satisfaction with Future Security (male 63.6, female 57.5).

Although there is no significant difference between male and female respondents and their average rating on the NWI, all but one individual domain (Satisfaction with National Security) show at least p < 0.05 significant differences in the mean ratings of males and females. Satisfaction with the New Zealand Government is the only exception regarding the direction of the difference — males are on average significantly less satisfied than females (males 45.5, female 50.2).

In terms of age, the underlying data follows the previously observed trend (Cummins, 2005) of respondents age 60 years and overs showing significantly higher satisfaction levels. In detail, respondents older than 65 years have a significantly higher average PWI rating than any other groups under the age of 60 (see Table 24.9). The same group’s average score on Satisfaction with Life as a Whole is also significantly higher than respondents under the age of 50. In terms of Standard of Living however, 65 + year olds differ only significantly from 30-34 & 40-50 year old respondents.
<table>
<thead>
<tr>
<th></th>
<th>Life as a whole</th>
<th>PW Imean</th>
<th>Standard of Living</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Mean</td>
<td>Std.Dev.</td>
<td>Mean</td>
</tr>
<tr>
<td>Under 20</td>
<td>62.6</td>
<td>21.7</td>
<td>61.6</td>
</tr>
<tr>
<td>20 - 24</td>
<td>67.3</td>
<td>18.9</td>
<td>66.9</td>
</tr>
<tr>
<td>25 - 29</td>
<td>68.3</td>
<td>20.5</td>
<td>67.7</td>
</tr>
<tr>
<td>30 - 34</td>
<td>68.3</td>
<td>20.6</td>
<td>66.5</td>
</tr>
<tr>
<td>35 - 39</td>
<td>70.2</td>
<td>19.9</td>
<td>67.6</td>
</tr>
<tr>
<td>40 - 44</td>
<td>65.3</td>
<td>20.8</td>
<td>65.8</td>
</tr>
<tr>
<td>45 - 49</td>
<td>67.8</td>
<td>21.1</td>
<td>65.8</td>
</tr>
<tr>
<td>50 - 54</td>
<td>70.7</td>
<td>20.1</td>
<td>67.8</td>
</tr>
<tr>
<td>55 - 59</td>
<td>70.7</td>
<td>20.5</td>
<td>67.3</td>
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<tr>
<td>60 - 64</td>
<td>72.7</td>
<td>22.2</td>
<td>70.0</td>
</tr>
<tr>
<td>Over 65</td>
<td>76.3</td>
<td>19.0</td>
<td>71.9</td>
</tr>
<tr>
<td>p-value</td>
<td>&lt; 0.01</td>
<td>&lt; 0.01</td>
<td>&lt; 0.01</td>
</tr>
</tbody>
</table>

Table 24.9: IWI for Different Age Groups

This is understandable as 80% of respondents in the older age group is retired with a household income significantly lower than all other age groups (except under 20 year olds). The NWI does not show any significant differences in the mean rating of respondents in different age groups.

When it comes to marital status, single people and those divorced or separated are on average significantly less satisfied than all other groups on PWI and all individual dimensions including Life as a Whole and Standard of Living. Divorced & separated people also report significantly lower levels on NWI (see Table 24.10).

Higher education, especially University education, also seems to correspond with higher average levels of wellbeing. Respondents who have a University qualification report a significantly higher level of Satisfaction with LAW and Standard of Living than all other education levels except for respondents with professional training. The average PWI value of University graduates also differs significantly from respondents who had no secondary schooling or school examinations, respondents who gained a school certificate and any higher qualification up to university entrance.

When a professional training is reported as highest qualification the average PWI values still differs significantly from people who have no secondary schooling up to people who have school certificate. Technical or trade certificates still correspond with significantly higher average PWI values than secondary schooling and school examinations.

When looking at the average NWI score of respondents a university qualification also accompanies significantly higher average scores than all other groups (see Table 24.11).

Next, the employment situation of respondents and its relationship to different wellbeing levels is investigated. Self-employed respondents and retired respondents show significantly higher average ratings regarding Satisfaction with Life as a Whole than any other group. Respondents who are working full-time for somebody else also have significantly different mean values regarding their Satisfaction with LAW.
<table>
<thead>
<tr>
<th>Marital Status</th>
<th>Life as a Whole</th>
<th>PWI Mean</th>
<th>NWI Mean</th>
<th>Standard of Living</th>
<th>PWI Mean</th>
<th>NWI Mean</th>
<th>Life as a Whole</th>
<th>PWI Mean</th>
<th>NWI Mean</th>
<th>Standard of Living</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single</td>
<td>62.1</td>
<td>21.2</td>
<td>65.5</td>
<td>17.7</td>
<td>58.3</td>
<td>16.7</td>
<td>55.1</td>
<td>14.7</td>
<td>53.1</td>
<td>15.0</td>
</tr>
<tr>
<td>Married</td>
<td>73.9</td>
<td>18.2</td>
<td>71.4</td>
<td>14.4</td>
<td>69.1</td>
<td>14.0</td>
<td>69.8</td>
<td>14.2</td>
<td>68.2</td>
<td>13.9</td>
</tr>
<tr>
<td>Widowed</td>
<td>70.8</td>
<td>18.8</td>
<td>72.1</td>
<td>15.0</td>
<td>67.2</td>
<td>14.6</td>
<td>68.2</td>
<td>14.1</td>
<td>65.1</td>
<td>13.9</td>
</tr>
<tr>
<td>Divorced</td>
<td>72.1</td>
<td>22.4</td>
<td>72.1</td>
<td>14.8</td>
<td>66.9</td>
<td>14.0</td>
<td>68.8</td>
<td>14.2</td>
<td>65.1</td>
<td>13.9</td>
</tr>
<tr>
<td>Widowed, Living with Partner</td>
<td>24.2</td>
<td>19.6</td>
<td>22.4</td>
<td>14.8</td>
<td>22.1</td>
<td>14.6</td>
<td>23.7</td>
<td>14.2</td>
<td>21.1</td>
<td>13.9</td>
</tr>
</tbody>
</table>

Table 24.10: IWI for Different Marital Status
<table>
<thead>
<tr>
<th>Education Level</th>
<th>Life as a whole</th>
<th>PWI mean</th>
<th>Standard of Living</th>
<th>NWI mean</th>
</tr>
</thead>
<tbody>
<tr>
<td>No secondary schooling</td>
<td>64.4</td>
<td>24.2</td>
<td>62.1</td>
<td>17.3</td>
</tr>
<tr>
<td>School examinations only</td>
<td>67.1</td>
<td>21.9</td>
<td>64.6</td>
<td>18.0</td>
</tr>
<tr>
<td>School certificate examination only</td>
<td>67.3</td>
<td>22.7</td>
<td>65.2</td>
<td>17.0</td>
</tr>
<tr>
<td>University Entrance only</td>
<td>67.1</td>
<td>18.5</td>
<td>66.2</td>
<td>14.2</td>
</tr>
<tr>
<td>Technical or trade certificates</td>
<td>68.9</td>
<td>20.6</td>
<td>68.0</td>
<td>15.4</td>
</tr>
<tr>
<td>Professional training, no university</td>
<td>71.0</td>
<td>19.7</td>
<td>68.8</td>
<td>14.2</td>
</tr>
<tr>
<td>University qualifications</td>
<td>72.4</td>
<td>17.5</td>
<td>70.4</td>
<td>13.7</td>
</tr>
</tbody>
</table>

Table 24.11: IWI for Different Levels of Education
than all other groups, except for those who work part-time for somebody else and for students (higher average LAW values than unemployed and homemakers, lower average LAW values than retired and self-employed). Respondents who are unemployed report a significantly lower level of LAW than all groups of respondents who are in an employment situation as well as retired groups. Finally, full time homemakers are on average significantly less satisfied with LAW than people who are working full time, are self-employed or retired (see Table 24.12).

On the PWI, this trend is even stronger with unemployed and full time homemaker’s reporting significantly lower average values than all other groups. Self-employed respondents and retired respondents additionally report higher average PWI values than people who are working part time. The picture for Satisfaction with Standard of Living is very similar, with homemakers and unemployed respondents indicating significantly lower average values than all other groups and self-employed and retired people also indicating significantly higher average values than part-time and in the case of retired, even full-time employees. The NWI shows no significant differences between occupational groups.

The final relationship investigated is the one between income and wellbeing (see Table 24.13). Regarding the average rating on Satisfaction with Life as a Whole, respondents whose total household income before tax is over $120,000 report significantly higher values than respondents with a household income less than $20,000 to $60,000 and households with in the $70,000 - 79,999 category. On the other hand, respondents whose household income before tax is less than $20,000 report significantly lower average Satisfaction with Life as a Whole than all groups earning over $30,000 and those earning up to $29,999 still report significantly lower satisfaction than respondents earning above $50,000.

This picture is mirrored in the results for PWI, with only very low earners and very high earners showing significantly different values. When the Satisfaction with the Standard of Living is investigated, the low earners show the same, significantly lower values. However, the highest earners (over $120,000), now show significantly higher satisfaction scores than all respondent groups up to $79,999. In terms of average NWI values, significant differences exist only between respondents in the $20,000 - 29,999 category and those in the $60,000; 90,000; 100,000 and 120,000 income categories.

Conclusion and Further Research

This paper has detailed the application of the IWI (PWI and NWI) in New Zealand. The psychometric characteristics of the index are — as expected — similar to those found in other countries, especially Australia. However, when looking at the actual results, one important difference between prior administrations of the PWI in Western cultures and the current New Zealand application becomes apparent: The average New Zealand values for PWI, Life as a Whole and a majority of other dimensions are considerably lower than would be expected. Indeed the average PWI value slips under the 70 % mark, which has been suggested as the cut-off line under which the homeostatic effect does not work (Cummins et al., 2003b) and which is very
### Table 24.12: IWI for Different Employment Situations

<table>
<thead>
<tr>
<th>Employment Situation</th>
<th>Life as a whole</th>
<th>PWI mean</th>
<th>Standard of Living</th>
</tr>
</thead>
<tbody>
<tr>
<td>Working for someone else full time</td>
<td>Mean 69.5</td>
<td>Std.Dev. 19.0</td>
<td>Mean 68.3</td>
</tr>
<tr>
<td>Working for someone else part time</td>
<td>Mean 67.4</td>
<td>Std.Dev. 23.1</td>
<td>Mean 66.2</td>
</tr>
<tr>
<td>Self-employed</td>
<td>Mean 72.9</td>
<td>Std.Dev. 18.4</td>
<td>Mean 70.6</td>
</tr>
<tr>
<td>Temporarily unemployed</td>
<td>Mean 58.7</td>
<td>Std.Dev. 22.8</td>
<td>Mean 57.9</td>
</tr>
<tr>
<td>Retired</td>
<td>Mean 76.0</td>
<td>Std.Dev. 19.7</td>
<td>Mean 70.9</td>
</tr>
<tr>
<td>Student</td>
<td>Mean 66.0</td>
<td>Std.Dev. 20.6</td>
<td>Mean 66.4</td>
</tr>
<tr>
<td>Full-time homemaker</td>
<td>Mean 63.4</td>
<td>Std.Dev. 23.5</td>
<td>Mean 60.0</td>
</tr>
</tbody>
</table>
### Table 24.13: PWI and Different Levels of Household Income

<table>
<thead>
<tr>
<th>Income</th>
<th>LI 7.0</th>
<th>LI 7.5</th>
<th>LI 8.0</th>
<th>LI 8.5</th>
<th>LI 9.0</th>
<th>LI 9.5</th>
<th>LI 10.0</th>
<th>LI 10.5</th>
<th>LI 11.0</th>
<th>LI 11.5</th>
<th>LI 12.0</th>
</tr>
</thead>
<tbody>
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<tr>
<td>$20,000 - $29,999</td>
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<tr>
<td>$30,000 - $39,999</td>
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<tr>
<td>$40,000 - $49,999</td>
<td></td>
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<td></td>
<td></td>
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<td></td>
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<tr>
<td>$50,000 - $59,999</td>
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<td>$60,000 - $69,999</td>
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<td>Over $100,000</td>
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<td></td>
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</tr>
</tbody>
</table>

| Less than $20,000 | Mean 53.3 | SD 14.9 | Mean 52.5 | SD 17.0 | Mean 49.5 | SD 15.5 | Mean 48.3 | SD 14.3 | Mean 48.1 | SD 15.4 | Mean 48.7 | SD 15.8 |
| $20,000 - $29,999 | Mean 55.9 | SD 14.0 | Mean 54.7 | SD 15.5 | Mean 53.3 | SD 14.3 | Mean 52.5 | SD 15.4 | Mean 52.1 | SD 15.9 | Mean 52.7 | SD 16.3 |
| $30,000 - $39,999 | Mean 58.6 | SD 13.6 | Mean 57.6 | SD 15.0 | Mean 56.4 | SD 14.4 | Mean 55.4 | SD 15.2 | Mean 55.0 | SD 16.1 | Mean 55.6 | SD 16.7 |
| $40,000 - $49,999 | Mean 60.4 | SD 13.7 | Mean 59.5 | SD 14.7 | Mean 58.5 | SD 15.2 | Mean 57.5 | SD 16.2 | Mean 57.1 | SD 16.9 | Mean 57.7 | SD 17.6 |
| $50,000 - $59,999 | Mean 62.1 | SD 13.6 | Mean 61.3 | SD 14.5 | Mean 60.5 | SD 15.2 | Mean 59.5 | SD 16.3 | Mean 59.1 | SD 17.1 | Mean 59.7 | SD 18.0 |
| $60,000 - $69,999 | Mean 63.8 | SD 13.2 | Mean 63.3 | SD 14.2 | Mean 62.5 | SD 15.2 | Mean 61.5 | SD 16.0 | Mean 61.1 | SD 17.2 | Mean 61.7 | SD 18.3 |
| $70,000 - $79,999 | Mean 65.5 | SD 13.0 | Mean 65.1 | SD 14.4 | Mean 64.5 | SD 15.2 | Mean 63.5 | SD 16.0 | Mean 63.1 | SD 17.3 | Mean 63.7 | SD 18.5 |
| $80,000 - $89,999 | Mean 67.2 | SD 12.9 | Mean 66.9 | SD 14.4 | Mean 66.4 | SD 15.2 | Mean 65.5 | SD 16.0 | Mean 65.1 | SD 17.6 | Mean 65.7 | SD 18.8 |
| $90,000 - $99,999 | Mean 69.7 | SD 12.8 | Mean 69.5 | SD 14.2 | Mean 68.9 | SD 15.1 | Mean 68.4 | SD 16.1 | Mean 68.0 | SD 18.0 | Mean 68.7 | SD 20.0 |
| Over $100,000     | Mean 73.3 | SD 12.7 | Mean 73.2 | SD 14.1 | Mean 72.9 | SD 15.0 | Mean 72.3 | SD 16.5 | Mean 72.0 | SD 18.5 | Mean 72.7 | SD 20.0 |
unusual for Western cultures (Cummins and Nistico, 2002; Cummins, 2006). Future research will investigate why this might be the case and more detailed analysis will be presented at the conference.

In terms of demographic characteristics, the New Zealand results are mainly as expected, except for gender. While generally females are found to report significantly higher PWI levels, the current data suggests that New Zealand women are significantly less satisfied with their wellbeing than men.

Future research will also look into these demographic and other psychographic characteristics of respondents. Additionally, the characteristics of the scale, especially its spread over the entire wellbeing dimension and its fit for the population in question will be explored using Rasch Modelling (Rasch, 1960).

References


—, 2006. Personal communication [email] received on 02.02.2006.


In this paper we focus on preliminary findings to date of a pilot study designed to explore perceptions of the comparative contribution of community banks and other more conventional banks to communities served. Preliminary findings suggest practices reflective of quality-of-life marketing precepts and principles.

Introduction

Community banks began to appear in Australia about ten years ago as a response to the closure of major bank branches in a wide range of locations deemed by their

1 Professor Rhett H Walker, Associate Dean (Regions), La Trobe University, PO Box 199, Bendigo, VIC. 3552, Australia
corporate owners to be of insufficient size and substance to be commercially viable. Sponsored by the Bendigo Bank (BB), which itself owns and operates in excess of 260 branches nationally, there are now over 170 community banks operating throughout Australia, in major cities as well as in small regional and rural towns. Typically, each community bank offers a wide range of financial products and services in much the same form and way as does any conventional bank. What, however, distinguishes these community banks from other banks lies in two fundamental respects:

1. the ownership structure and the relationship that each has with the Bendigo Bank; and

2. the relationship that each bank has with the community of which it is a part and which it has been established to serve.

Our research interest lies in the latter of these in particular, and the role this plays in enhancing community spirit and life. In this paper we report on findings of preliminary work undertaken with the express purpose of exploring perceptions of this relationship and how they compare with related perceptions of more conventional banks.

Community Banks in Australia

Community banks in Australia represent a unique partnership between commercial interests and the members of communities in which they are established. Like their counterparts in North America and elsewhere, these community banks afford communities an opportunity to establish a bank to serve local needs. Unlike their counterparts elsewhere, however, members of the community served hold a direct shareholding interest in partnership with the BB. Establishing a community bank branch involves a locally based public company, limited by shares representing all or part of the local community, purchasing the right to operate a branch of BB. The community secures the premises, purchases fittings and systems, and meets branch running costs. BB provides the banking licence, the bank brand, product development, systems, acquisition of requisite service support, and supports the branch with operational requirements including marketing support, training, stationery, statements and administration.

Benefits flow to all stakeholders. Local communities gain branch banking services otherwise unavailable, and an expanded capital base and income flow that can serve to stimulate and drive further economic growth, and support that enables communities to grow from within. Investors gain access to potential dividends and the opportunity to leverage their holding in this initiative into other growth and income producing investments. The aggregated market demand of the local community provides a basis on which to foster and support other business growth initiatives, and the BB gains access to, and support from, markets that might have otherwise been closed to them or not sufficiently large enough to justify independent investment. In addition, however, the charter of each community bank makes a firm and explicit commitment to community support, welfare and development. Because of this, a
proportion of the after-tax operating profit of each community bank is distributed back to the community it serves as public funding support to sustain and enrich community life and enable community development. In this way each community bank not only meets the financial and other economic needs of the community served but, also, provides community support in other diverse ways atypical of a more conventional commercial enterprise. Furthermore, it has been suggested that community banks have the effect of building the confidence and capacity of communities to generate growth from within and, thereby, enhancing the sense of community within a particular residential community (Byrne, Walker, Rogers, Jobling, and Johnson, 2005). In this it seems to us that community banks may provide an exemplar of quality of life marketing in the services sector (Sirgy, 1996; Sirgy and Lee, 1996).

Our research interest lies in exploring how the presence and contribution of a community bank is defined and perceived by people within communities of which they are an integral part and which they serve, and establishing what impacts community banks are perceived to have on community spirit and life. More particularly, we have begun exploring ways by which community banks are thought to contribute beneficially to communities served, and whether perceptions of community banks in this respect differ from those of more conventional banks. This paper reports on some of our preliminary findings.

Quality of Life Marketing

It has been argued that quality-of-life marketing (QOL) can have the effect of enhancing the wellbeing of consumers, while at the same time preserving or contributing to the wellbeing of a firm’s other stakeholders (Lee and Sirgy, 2004; Sirgy, 1996; Sirgy and Lee, 1996). Importantly, the latter include, inter alia, the local community of which one is a part. In other words, QOL marketing, like societal marketing, is based on the premise that what is marketed and how should be mindful of impacts on consumers and society with the aim of minimising negative impacts and enhancing the positive contribution to human welfare. This is certainly reflected in the structure, charter and operating practices of Australian community banks, and is largely consistent with many of the QOL construct definitions proposed by Lee and Sirgy (2004). More particularly, these community banks target consumers [and communities] who can significantly benefit from what they have to offer, are designed to significantly enhance the QOL of target consumers [and communities served], price their services affordably, and offer services that are accessible to consumers and communities that otherwise may have been deprived of these services.

Correspondingly, proposed consequences of QOL marketing (Lee and Sirgy, 2004), which include customer well-being, customer trust and commitment, corporate image and company goodwill, are clearly intended in how Australian community banks are established and operated. For example, customer well-being, conceptualised here with particular reference to [service] product acquisition satisfaction and consumption satisfaction, is catered for not only by the presence and offerings of each community bank but, also, by the ready access to these offerings that is facilitated by the bank. It is also fostered by the commitment of each community bank to the
welfare, support and development of communities that they serve, and by ways by which they help to enrich community life. In these ways community banks serve to maximise customer and community benefits, foster long-term relationships with customers and communities of which they are a part and, thereby, enhance their corporate image and goodwill (Lee and Sirgy, 2004). Arguably, these commitments and initiatives are born of the Bendigo Bank’s values, social consciousness and ethics, factors that Lee and Sirgy (2004) characterise as antecedents of QOL marketing.

We acknowledge that Lee and Sirgy (2004) have noted that their construct definition of QOL marketing was framed with reference to the marketing practices of consumer goods firms and was not necessarily intended to apply to other types of marketing including the marketing of services. Correspondingly, however they also noted that an opportunity existed to extend the concept of QOL marketing to other areas of marketing. It is therefore hoped that our research may help to do this.

**Sense of Community**

It has been argued that the sense of community (SOC) shared by those who are part of a community is influenced, *inter alia*, by the extent to which they share a belief that their needs will be met through mutual commitment and support (Sarason, 1974; McMillan and Chavis, 1986). It has also been argued that SOC has four main elements: membership, influence, integration and fulfilment of needs, and emotional connection. Membership, implies the feeling of belonging or personal relatedness to a social network. Influence implies the reciprocal influence between the individual and the community, the sense of mattering and making a difference. Integration and fulfilment of needs represents the belief that one’s needs will be met by the resources received through membership of the group or community. Emotional connection accommodates the commitment and belief that members hold a shared sense of place and experience (McMillan and Chavis, 1986; Chavis, Hogge, McMillan, and Wanderman, 1986). Interestingly, these elements appear to be reflected in some of what has been said of the QOL marketing concept, its main dimensions and consequences: viz. enhancement of the individual and public well-being, satisfaction with one’s neighborhood and community (Sirgy, 1996; Sirgy and Lee, 1996; Lee, Sirgy, Larsen, and Wright, 2002).

Subsequent work by others (Chipuer and Pretty, 1999; Long and Perkins, 2003; Obst and White, 2004) has resulted in mixed support for what was originally posited by McMillan and Chavis, but there is considerable support for the position that SOC is physically context specific (Buckner, 1988; Puddifoot, 1995, 1996; Plas and Lewis, 1996; Sonn, Bishop, and Drew, 1999; Obst, Smith, and Zinkiewicz, 2002). Therefore it is this definition that we adopted for the purposes of contextualising our work. This is to say that, with the aim of exploring how the wider social contribution of community banks is perceived, it seemed to us that perceptions of community banks and other more conventional banks should be explored in the context of particular communities of which they are a part, and that this contribution could be assessed with reference to each of the four main constructs thought to define SOC. The reason for this was grounded in the proposition that community banks have had the effect
of building the confidence and capacity of communities (Byrne et al., 2005) and, thereby, enhancing the sense of community within a particular residential community in which they have been established.

<table>
<thead>
<tr>
<th>Membership</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bank is a vital part of this community</td>
</tr>
<tr>
<td>The bank has helped to make this community one worth being a part of</td>
</tr>
<tr>
<td>The bank makes you feel it belongs here</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Influence</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bank has influenced how this community has developed</td>
</tr>
<tr>
<td>The bank has made a beneficial difference to this community</td>
</tr>
<tr>
<td>The bank contributes to decision-making in the community</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Integration/Fulfilment of Needs</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bank caters well for the needs of people within this community</td>
</tr>
<tr>
<td>The bank has enabled this community to prosper</td>
</tr>
<tr>
<td>The bank shares values important to people who live in this community</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Emotional Connections</th>
</tr>
</thead>
<tbody>
<tr>
<td>The bank has helped to bring people in this community together</td>
</tr>
<tr>
<td>The bank identifies well with the community</td>
</tr>
<tr>
<td>The bank has contributed positively to the sense of community spirit here</td>
</tr>
</tbody>
</table>

Table 25.1: Scale Items developed to measure perceived contributions to SOC

Research Methodology

Scale Development

The measures we developed for the purpose of operationalising this study were based on work done by a range of researchers in the SOC domain (Chavis et al., 1986; Chavis and Pretty, 1999; Chipuer and Pretty, 1999; Obst et al., 2002; Long and Perkins, 2003; Obst and White, 2004). Three items each were developed for each of the four main constructs thought to represent SOC (Membership, Influence, Integration/Fulfilment of Needs, and Emotional Connections), with the aim of exploring the extent to which community banks and conventional banks are perceived to belong to the community that they exist to serve, to have influenced community growth and development, to cater well for needs of the community, and to identify with the community. The twelve items are summarised for reference in Table 25.1.

A Preliminary Pilot Study

In order to test how different banks are respectively perceived to contribute to SOC, we began by conducting a pilot study consisting of 100 interviews. Participants were selected at random from the telephone directory and interviewed using computer-assisted telephone interviewing technology. The final sample of 100 consisted of 33
individuals who lived in communities served by only a community bank, 33 who lived where they were served by a community bank and at least one other conventional bank, and 34 who lived in areas where they were served only by a bank other than a community bank. The sample consisted of 43% males and was somewhat older than the community at large (median age about 55 years).

Findings

Assessment of the reliability of the measures employed resulted in Cronbach alpha scores of .847 or above for each of the four main constructs. AMOS 5.0 was then used to conduct confirmatory factor analysis on the 12 items employed. Goodness of fit was evaluated by using the comparative fit index (CFI), the Tucker-Lewis index (TLI) (values > 0.90 indicate good fit), and the root mean square error of approximation (RMSEA) (values < 0.08 indicate acceptable fit). A $\chi^2$ difference test was used to evaluate the relative fit of competing models (Hair et al. 2006).

First, a one-factor model was tested which provided an acceptable fit to the data (CFI = 0.921, TLI = 0.904, RMSEA = 0.051). Modification indices indicated that correlation existed between the error terms of the third Integration item and the third Emotional Connection item, and so the fit of an adjusted one-factor model was tested which proved to be a significant improvement over the unadjusted model (difference $\chi^2 = 29.7, df = 1, p < 0.001$).

Next the hypothesised 4-factor model (see Table 25.1) was tested and yielded a worse fit than the adjusted 1-factor model (difference $\chi^2 < 0$). However, modification indices indicated correlation between the error terms of the same two items as above and so the fit of an adjusted 4-factor model was tested. Although this model proved to be a marginal improvement over the adjusted 1-factor model using the $\chi^2$ difference criteria (difference $\chi^2 = 13.5, df = 6, p < 0.05$), it did not fit the data as well as the 1-factor model according to the goodness of fit criteria (CFI = 0.921, TLI = 0.892, RMSEA = 0.134). Also, the inter-factor correlations were all 0.954 or higher indicating a very high degree of overlap in the information contained in each factor. With this in mind it seemed prudent to accept that the adjusted 1-factor solution as preferable on the grounds of parsimony and interpretability. The factor scores calculated from this model may be interpreted as a compound measure of the perceived contribution of banks to sense of community.

Using the 1-factor model score as the dependent variable, an analysis of variance (ANOVA) was carried out to determine whether differences existed between the preferred bank nominated by respondents. The bank factor was significant ($p < 0.001$) and post-hoc testing showed that individuals whose preferred bank was Bendigo/Community bank scored significantly higher ($p = 0.07$) on the sense of community score than individuals who preferred any other bank. This is illustrated in Figure 25.1.
Figure 25.1: Perceived Contribution of Bank to SOC
Discussion and Concluding Comments

More analysis of the pilot data remains to be done, including closer investigation of whether these perceptions differ by location. Subject to possible refinement of the instrumentation we then intend to undertake a wider study for the purpose of establishing empirically the validity or otherwise of these preliminary findings. The pilot data, however, appears to indicate support for the proposition that the relationship that community banks enjoy with communities of which they are a part, and how they are perceived to contribute to these communities, provides them with a comparative positioning advantage over more conventional banks. This would appear to be grounded in a commitment and practices that reflect what is advocated in the QOL literature.

For example, Sirgy (1996) has argued that a QOL-oriented organisation should, inter alia, be demonstrably instrumental in enhancing the well-being of consumers and the wider public, and should minimise negative side effects to the consumer population. Perceptions of community banks and the contribution they make to individuals and communities served would appear to indicate support for the proposition that these banks do enhance the sense of individual and community well-being. Correspondingly, the comparatively positive way in which community banks appear to be perceived suggests that negative side effects are not associated with their presence. Similarly, Lee and Sirgy (2004) have argued that the main consequences of QOL marketing are customer well-being, customer trust and commitment, and company goodwill. We are not yet in a position to comment definitively on what effect the presence and practices of community banks have on customer trust and commitment, and the goodwill of the sponsoring Bendigo Bank. This pilot data, however, suggests that the impact of community banks on individual and public well-being, and therefore the overall quality of life enjoyed by people in communities served by these banks, is perceived to be favourable.

In drawing these inferences we do not mean to imply that community banks or their sponsoring partner are knowingly and purposefully engaging in QOL practice. Our preliminary findings, however, suggest that the practices of these banks, and how they are perceived, appear to have correspondences with practices, antecedents and consequences discussed or advocated in QOL literature. Further research and analysis is warranted to establish the extent to which this may be so. For the present, however, our aim has been to report on findings that may serve to illustrate ways by which QOL marketing principles may be reflected in the services sector.

References


This paper concerns the effects of social capital (SC) on marketplace adaptiveness and development. First, we explain the significance of marketplaces and the role of adaptiveness in marketplace development. Next, we present three views about SC that shed light on the controversy about SC’s influence on development and adaptiveness. Finally, we suggest macromarketing research issues on SC and marketplace adaptiveness that are grounded in these ideas.

Introduction

This paper concerns social capital’s (SC’s) effects on marketplace adaptiveness and development. It begins with an overview of the significance of marketplaces and explanation of the role of adaptiveness in marketplace development. Next, it refers to the controversy over SC’s impact on development. Then, it presents three views about SC that emphasize structural, qualitative, and contextual factors. These views help explain contradictory evidence and claims about SC’s influence. Finally, it poses research questions about SC and marketplace adaptiveness that are related to these alternative views.
Marketplaces, Development, and Adaptiveness

Marketplaces are important parts of marketing systems, as evident in reports on the Greek Olympic Games, Athenian Agora, and present-day downtown areas, shopping malls, trade shows, car boot sales, swap meets, farmers’ markets, and flea markets (c.f. Dixon, 1995; Green, Mandhachitara, and Smith, 2001; Grossbart and Pryor, 2003; Hohnen, 2003; McIntyre and Kale, 1988; naloza, 2000; Pryor and Grossbart, 2005; Pryor, 2005b,a; Sherry, 1990). Their designs, architectures, amenities, and mixes of commercial, social, recreational, political, civic, religious, cultural, and aesthetic activities reflect and affect communities’ identities, social and economic development, and the embedded and inseparable nature of marketing and other spheres of life (c.f. Arnold and Fisher, 1996; Ellis and Pecotich, 2002; Hill, Hirschman, and Bauman, 1997; Rassuli and Tippins, 1997; Shaw, 1995). They also affect: the range of goods and services options; tourism; shopping; physical infrastructure efficiencies; employment; tax revenues; property values; social interaction; civic engagement; and many facts of life. The outcomes may seem positive if marketplace viability, development, and community life are mutually reinforcing, but they may seem dysfunctional if they conflict with some marketers’ and consumers’ interests or views. For example, observers argue that the changes in some downtown areas in the U. S. and Europe erode the social and economic foundations of communities (c.f. Lewis, 1994; Oldenberg, 1999; Rohwedder, 1993; Shils, 1997; Stone, 1997).

Dysfunctional outcomes in previously functioning marketplaces may be signs of non-adaptability. Adaptive efficiencies promote development and growth. They involve absorption (learning and knowledge sharing) and responsiveness (adaptive innovation) by individuals and institutions, which allow them to do new things or the same things in new ways (Carman and Dominguez, 2001; Kumcu and Kumcu, 1987). Compared to others, why are some marketplaces more able to co-evolve and co-construct adaptive marketing and business ecologies in which actors learn, share knowledge, and generate and implement new ideas (Fisk, 1995)? Actors usually need access to others who inform, correct, and assist them and disseminate their ideas, to productively combine and coordinate skills and resources in these ways. This support requires social and collective elements of cooperation, trust, or cohesion that are associated with SC (Woolcock, 1998).

The General Nature of SC and Claims about Its Effects

A focus on SC in marketplaces reflects embeddedness perspectives and rejection of narrow, economic, and largely asocial views of exchange. For example, Grannovetter (1985) argues that sociological factors are key facets of market processes. He defines embeddedness as the contextualization of economic activity in ongoing patterns of social relations and refers to markets in which social ties alter activities as embedded. He suggests that embeddedness represents a system of social organization that reflects historical factors and expectations of ongoing ties rather than a static social structure that performs an economic function. Woolcock (1998) also notes that insights on embeddedness help explain the workings of firms, markets, bazaars and
other ostensibly economic entities.

In general terms, SC is the capital-like resources of individuals that yield shared benefits that persist over time. It is created by voluntary association in a network or social entity of actual and perceived ties that may be marked by shared norms, reciprocity, rich information exchange, and sympathetic treatment. SC fosters coordinated (and sometimes collective) action for potentially mutual benefit. SC operates as a non-monetary form of capital. It may be appropriable by the actors involved; convertible to other advantages (e.g., money and favors); a complement or substitute for other assets (e.g., lack of funds); increased by use; diminished by non-maintenance and contextual changes; and endowed to new parties or withheld from excluded parties (c.f. Coleman, 1988; Woolcock, 1998).

Researchers report that SC helps alleviate social problems and affects exchange relationships and development. Yet, scholars also question some claims about SC on several grounds. For example, descriptions of SC vary, are sometimes contradictory, and often ignore its possible dimensionality. Advocates often gloss over the likelihood that individuals obtain SC and mistakenly claim that it is something that groups or communities either do or do not possess. They also assume that SC has only positive effects, more SC is always beneficial, and power, conflict, and contextual issues are not relevant to SC. Therefore, they erroneously identify SC by its (positive) consequences, conflate SC with civil society, and claim that it necessarily aids development (c.f. DeFilippis, 2001; Fisk, 1998; Portes, 1998; Putnam, 2000; Uzzi, 1997; Woolcock, 1998). In reality, evidence suggests that SC has mixed effects. For instance, it both enhances and limits marketplace viability, via its impacts on market size and offerings, cost efficiencies, incentives and barriers to new competitors, infrastructure improvements, and cultural, social, philanthropic, and civic activities that may conflict with commerce (Grossbart and Pryor, 2003).

Alternative Views about SC

If such matters are ignored, higher levels of SC might be expected to increase marketplace adaptiveness and development. The following discussion suggests that this may not occur. It addresses these issues by considering three views on SC that stress structural, qualitative, and contextual factors. The structural emphasis primarily deals with different types of ties that form dimensions of SC. The qualitative emphasis primarily focuses on motives and expectations that are sources of SC. The contextual emphasis highlights the interplay of types of processes and structural factors in a community that affect development efforts. These alternative perspectives help explain why and how SC may lead to benefits and adaptability or to dysfunctional outcomes in a marketplace.

A Structural Emphasis on Ties

Woolcock (1998) suggests that reasons for the seemingly contradictory evidence about the effects of SC lie in reports about the costs and benefits of embeddedness in networks and indications that the calculus of these costs and benefits seem to
change as development continues. In particular, he argues that different outcomes result from various combinations of two structural forms (dimensions) of SC. One dimension is integration (i.e., intra-community networks). It is grounded in sociological work on mechanical and organic solidarity and inner city poverty and national growth. A second dimension is linkage (i.e., extra-community networks). It is rooted in the idea that persons in poor communities need social ties beyond their internal groups to promote development.

Woolcock (1998) suggests that rising integration may increase the intensity of social ties, generalized trust, and citizens’ abilities to get services and resources from one another. Therefore, integration may aid bottom-up development without formal or governmental action. Yet, it is an insufficient condition for long-term development. For example, the high density and closure of social relations that support small-scale, simple, and informal exchange in village markets could constrain successful persons who try to become involved in larger, more extensive exchange networks that are coordinated by formal institutions. The relative costs and benefits of integration may depend on the existence of non-community linkages. External linkages may be needed to offset the costs of integration, for development to continue. These linkages help businesses and individuals build outside ties, overcome the excessive economic and non-economic claims of local community members, and access larger and more complex networks and markets. Coupling and uncoupling mechanisms may help in this regard. They allow individuals to initially get resources from other group members but then establish broader external ties when they need more advanced inputs and larger markets.

Woolcock (1998) refers to four ideal types of structural combinations to argue that too much or too little integration and linkage may impede dynamic development processes. For instance, high integration/low linkage leads to an excessively inward-focused community (amoral familism). It encourages strong internal loyalties and attachments but discourages externally oriented mobility, economic advancement, and dispute resolution with outsiders. Low integration/low linkage results in amoral individualism. It isolates individuals, imbues social and economic activity with narrow self-interest, and makes it unlikely that there will be cohesive social networks and community resources to enhance development. Low integration/high linkage produces anomie that underlies disaffection and asocial behavior in classic cases of urban settings and modernization. It gives individuals freedoms and opportunities to participate in a wide set of activities but no stable community to provide guidance, support, and identity. Woolcock suggests that development, particularly in poor communities, requires high integration/high linkage that counterbalances social opportunities without restricting outsiders or insiders.

This primarily structural focus on integration and linkage provides valuable insights on the network architecture of relationships (Uzzi, 1997). Yet, arguably, it offers an unduly narrow, reductionist view and neglects the sociological richness of cognitive, cultural, political, and other facets of embeddedness that affect marketplace activity (c.f. Granovetter, 1985; Polanyi, 1957; Zukin and DiMaggio, 1990).
A Qualitative Emphasis on Sources

Portes’ emphasis is qualitative rather than structural (Portes, 1998; Portes and Sensenbrenner, 1993). He suggests that SC refers to actors’ abilities to secure benefits via membership in networks and social entities. The sources of SC are consummatory and instrumental motives (or expectations) of actors who provide or facilitate these benefits.

Consummatory motives concern the expression and maintenance of values, commitments, and orientations that guide networks’ or collectivities’ affairs. They lead individuals to help others due to value introjection (socialized and consensually established beliefs regarding norms or obligations) or bounded solidarity (their actual or perceived shared membership because of their common situation or fate, sense of external opposition or prejudice, distinctive traits, inabilities to exit from the situation, and socially constructed collective identity and common memory). Instrumental motives concern means-ends relationships. They lead actors to help others due to expected reciprocity (which need not be in the same form or from the person they aid, e.g., group approval) or enforceable trust (confidence that repayment or satisfaction of terms are insured by the lack of options for social honor and economic opportunity outside the collectivity and the collectivity’s abilities to confer unique awards on members, monitor their behaviors, and both publicize deviants’ identities and sanction them).

There is evidence that these four motives affect marketplace behaviors and other indications of value introjection and reciprocity among sales agent organization members; bounded solidarity among marketers and consumers in brand communities, and enforceable trust among bankers (Pryor, 2005b,a).

Portes (1998) identifies benefits and more general positive consequences of SC that may be relevant to development. They include business benefits (e.g., entrepreneurial success, loans, information on opportunities, access to markets, and employee discipline), job-related benefits (e.g., access to employment and upward occupational mobility), and personal benefits (e.g., training and supervision for acquiring skills and academic achievement). More generally, SC reduces the need for formal or overt controls, by contributing to family support, social control, norm observance, rule enforcement, maintenance of discipline, and compliance. Still, Portes notes that the SC’s effects may clash with one another. For instance, groups’ abilities to evade existing norms to benefit their members may undermine the social control that would otherwise allow a larger collectivity’s to promote cooperation and enforce rules. Therefore, he argues that we should note SC’s potentially undesirable consequences, identify those whom it may benefit or harm, and not moralize about SC, social relationships, social controls, and collective sanctions.

He highlights four general negative consequences (Portes and Sensenbrenner, 1993). First, SC may foster exclusion of outsiders, e.g., the strong ties, bounded solidarity, and trust that benefit members may also restrict outsiders from lines of business. Second, more successful members may be burdened by excessive claims by others who free ride on bonds and norms for mutual assistance. Third, social controls and conformity demands may restrict individuals’ freedoms and outside contacts and lead young and independent-oriented persons to leave a group or community.
Moreover, SC may create downward leveling of norms and discourage individual successes that threaten group cohesion, particularly if solidarity is based on a sense of common adversity and opposition to the mainstream or external society. These general negative consequences encompass many more specific effects (e.g., gridlock or diversion due to individuals’ pursuits of influence; free rider and tragedy of the commons problems; broader group fragmentation due to subgroup solidarity; limits on consideration of alternatives and independent actions; high costs to maintain strong ties; inertia and restricted flow of new ideas; reduced production; lack of innovation; and aversion to information and new methods).

This qualitative emphasis offers different insights than a structural perspective. Yet, it does not give sufficient attention to contextual factors that may magnify, retard, or contribute to the effects that are ascribed to SC.

A Contextual Emphasis

According to Fisk (1998), entrepreneurial social infrastructures (ESIs) affect communities’ tendencies to engage in collective action for community betterment. ESIs encompass three sets of indicators of processes and structures. First, communities with well-developed ESIs support the legitimacy of alternatives and acceptance of multiple views, by acceptance of controversy, depersonalization of politics, and processes to decide courses of action (e.g., via impartial presentation of options in media or other forums). Second, they mobilize local resources (private and public investment) with supportive norms and mechanisms for contributing. Third, they have networks with bonding-bridging forms of SC that create flexible and permeable boundaries. These networks have diverse and inclusive ties, horizontal and vertical ties, and internal and external ties. Horizontal ties link those of similar status. Internal, external, and vertical ties link those of different status and link local persons and entities to external organizations and resources. This combination of bonding and bridging enhances intercommunity collaboration more than either bonding or bridging alone. Bonding without bridging may create exclusive networks, strong distinctions between insiders and outsiders, and relatively narrow foci. Bridging without sufficient bonding may produce hierarchical networks, small elites with external ties, and single answers imposed from above.

These distinctions may explain how community ties function in different types of development. Evidence indicates that communities that focus on external vertical ties (e.g., with higher levels of government) and horizontal ties (with other towns and localities) are more successful in industrial recruitment than more internally oriented communities. In contrast, compared to less inclusive communities, those that focus more on internal solidarity (friendly rivalry with another community and inclusion), acceptance of diversity, and broad participation are more able to generate collective action regarding tourism and downtown retail development. Fisk (1998) notes that these outcomes may reflect to how tourism and marketplace development issues relate to the existing power structure and SC. They entail attracting outsiders, increasing the prominence of women retailers, and threatening the male dominance in these communities.
Overall, Fisk (1998) suggests that communities with moderate to high ESI levels are more apt to have successful, locally-initiated economic development projects than those with lower ESI levels. He also notes that communities that seek self-improvement should cultivate broad involvement and focus on community-wide outcomes. If there are sufficient processes for inclusion, the outcomes may be positive for the entire community even if the effort is elite led. However, community interests may not be served if elites are isolated from the rest of the community and do things on behalf of the community.

Research Issues

These structural, qualitative, and contextual emphases form a conceptual framework for investigating factors that may affect marketplace adaptability and development.

Structural factors. Questions about structural factors concern integration and linkage (bonding and bridging) within a community and inter-community linkage (bridging).

- How do intra-community integration and linkage and inter-community linkage affect marketplace adaptability? Research indicates that the calculus of the costs and benefits of intra-community integration and inter-community linkage change as development proceeds. Does the calculus for intra-community integration and linkage also change as development unfolds? If so, how do these changes affect marketplace adaptability?

- How can intra-community and inter-community coupling and uncoupling enhance or retard marketplace adaptability?

- How can communities and individuals (merchants or consumers) intentionally or unintentionally increase or reduce marketplace adaptability by changing the mix of bonding and bridging ties through coupling and uncoupling?

Qualitative (source) factors. Questions about source factors concern the mix of consummatory and instrumental motives that underlie SC. As noted, research in other areas suggests that these motives may have both beneficial and dysfunctional effects.

- Does the mix of these motives change as marketplace development continues?

- Does the calculus of costs and benefits of these motives change as marketplace development unfolds? That is, do their effects on marketplace adaptability (and on other forms of capital, e.g., physical, human, financial, cultural, and environmental capital) change as marketplace development continues?

- As development unfolds, can strategies be designed to tap different mixes of motives to: enhance marketplace adaptation; encourage marketplace actors to participate on individual and collective bases for community betterment; and avoid dysfunctional or destructive outcomes?
Interplay of structural and qualitative factors. Questions on the interplay of structural and qualitative factors concern the combined effects of types of ties and SC sources.

- What mixes of structure (bonding and bridging ties) and sources of SC (consummatory and instrumental motives) are involved in forming and maintaining marketplace adaptiveness?

- Are there congruencies between the mix of ties and the mix of sources of SC in a marketplace? For instance, is high integration/low linkage (bonding without bridging) more congruent with adaptation based on enforceable trust, whereas a high integration-linkage combination (bridging-bonding mix) is more compatible with adaptation based on consummatory motives?

- Do coupling and uncoupling mechanisms affect marketplace adaptiveness by altering the sources of SC? That is, are the effects of coupling and uncoupling on adaptiveness mediated by the sources of SC?

Contextual factors. Questions about contextual factors concern processes factors in development efforts (i.e., support for the legitimacy of alternatives, acceptance of multiple views, and mobilization of local private and public resources).

- How do process factors affect the structures and sources of SC that are involved in forming and maintaining marketplace adaptiveness emerge? What process factors inhibit their emergence?

- Do the structures and sources of SC also contribute to these processes? If so, through what mechanisms?

- Research indicates that communities with different types of structural ties and degrees of inclusiveness differ in success with industrial recruitment versus collective action regarding tourism and downtown retail development. Does this contrast reflect differences in proactive versus reactive kinds of adaptations? If so, how do different mixes of ties, SC sources, and process factors affect proactive versus reactive kinds of marketplace adaptations? Do their effects on marketplace adaptabilities change as development unfolds? What processes can be used to combine community inclusiveness and external ties in ways that make marketplace adaptability/development efforts to more effective?

- How do structural, source, and process factors affect communities’ abilities to deal with contradictory and complementary relationships and processes that may be involved in marketplace adaptation. For example, leadership by elites may be collaborative but exclusionary, whereas broader based inclusion may be more participative, democratic, and adversarial (Fisk, 1998; Portes, 1998; Woolcock, 1998).

- Do marketplace failures and successes in communities reflect variations in inclusiveness and tensions/consistencies between the needs for adaptability and the existing dominant power structures and patterns of SC? Does overcoming
these barriers require processes that complement structural mechanisms of coupling and uncoupling? Can SC be harnessed in ways that allow both marketplace adaptation/development and industrial recruitment to lead to community betterment and enrich citizens’ lives (Oldenberg, 1999)?

- How can structural, source, and process factors affect communities’ abilities to adapt their marketplaces to challenges, such as entry of new immigrant groups, replacement of local merchant ownership with absentee ownership (e.g., larger-scale retailers and malls), and homogenizing, damaging, or marginalizing effects of globalization (Fisk, 1998)?

References


Lifestyles as a Macro Construct?

Rob Lawson
Otago University

Introduction

In 2005 I was asked to take a role as track chair for the 2006 Macromarketing Conference, with the suggestion that the conference include a track on the area of lifestyles. I agreed to this suggestion without hesitation. Though I was aware that Macromarketing had never previously included a track on lifestyles, without reflection it seemed to me to be a natural extension with the normal business of the Macromarketing Conference. As submission deadlines approached it became obvious that a lifestyles track had not attracted the attention of the researchers in the area and I began to actively contact a number of people whom I believed might have work appropriate for the topic. Most were not normal attendees of the Macromarketing Conference but the universal response was one of surprise that lifestyles should be a track option for the conference. There was a clear opinion amongst the experts contacted that lifestyles were concerned with the profiling of individual consumers and as such fell outside the concerns of macromarketing. This reaction provoked two responses in me. Firstly, I felt there was a need for me to re-examine my own view of lifestyles as a construct and, secondly, I was uncomfortable with the definitions of macromarketing that were being used by my colleagues. Macro issues were being defined in opposition to micro ones, reminiscent of Sheth, Gardener and Garrett’s (1988) observation that one approach to defining macromarketing has often been to say what it is not. Like post-modernism, which is often characterised in opposition to modernism, I find this very unsatisfactory since it does not get to the issue of what macromarketing fundamentally deals with. In many ways it seems to characterise the issues David Hume discusses In Treatise of Human Nature (1739-40), where he argues that ideas about relations are only meaningful in the context in which they are employed, and since their truth rests on their own definition they cannot be used to prove matters

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of fact about the real world. Defining macromarketing in opposition to micromarketing does not tell us any more about the essence of macromarketing than helping us understand what a table is by saying that a table is not a chair, or a dog is a dog because it is not a cat.

Micro approaches to lifestyles

Gunter and Furnham (1992, p. 28) describe lifestyles as the “patterns in which people live and spend their money... the result of the mix of economic, cultural and social forces that contribute to a person's human qualities. Most directly lifestyle is a description of the social values and personality of an individual”. As such Gunter and Furnham argue that social psychology theory enables us to develop “constructs or patterns that minimise the incompatibilities and inconsistencies in a person’s life” (1992, p. 28). This is a definition that follows directly from Alfred Adler (1927) who is credited with the original term ‘style of life’. The phrase construct or pattern in Gunter and Furnham’s definition is interesting in this context since construct has a particular meaning in measurement and theory development literature, while aggregating individual responses to many attitudes and behaviours through techniques such as factor and cluster analysis to identify generalised patterns is often seen as data mining and criticised as atheoretical (e.g. Lastovicka, 1982). In reality I believe pattern building to define lifestyles would seem to be an inductive process which need not be devoid of construct validity, but clearly lifestyles do not easily lend themselves to scientific methods of experimentation and falsification. In fact this distinction could be another useful feature to distinguish between macro and micro elements in marketing, since it is difficult to think of any macro issues that lend themselves to any form of experimental science, except perhaps by simulation. Following from this there is probably an opportunity to further consider how the positive/normative and micro/macro dimensions of the three dichotomies model proposed by Hunt in 1976 could be related to other.

Gunter and Furnham proceed to describe how the measures for the operationalisation of lifestyles in marketing have been developed as psychographics. Although this is only one perspective in the literature of the relationship between the terms lifestyle and psychographics (Lawson and Todd, 2002) it does help establish more of a micro perspective around the term lifestyle. The root of the prefix psycho, meaning ‘breath’ from the Greek is clearly an appropriate for association for lifestyles, but it firmly leads one to consider the individual as the unit of analysis (Room, 1999). This is reinforced by the usual presentation of lifestyles in which the results are presented as simplified stereotypes of individuals belonging to different segments. As an example, consider the following profile generated from the last New Zealand lifestyles study by Lawson, Todd, and Evans (2006). This is a ‘pen picture’ of one of the seven segments identified and described in the fifth Otago University consumer lifestyles research project conducted with a national survey of just over 3600 respondents towards the end of 2005.
Sample Consumer Lifestyle Profile: Strugglers (14.6%)  

This group appear the least satisfied and most pessimistic of all the lifestyle segments. They are more likely to feel that they get a raw deal from life and that others will take advantage of them if they do not watch out. In this regard, they admit that they will try to get even with or take advantage of others and that they can get jealous or resentful when they do not get their own way. They feel that life overseas is better than New Zealand, while at the same time indicating that they believe there are too many foreigners in New Zealand and that racial problems are getting worse. Additionally, New Zealand is seen as becoming more dangerous, school subjects are useless and education is not important. They are also the group that most believes that smacking is an appropriate form of punishment for children.

Values that the Strugglers see as important are social power, pleasure and ambition, while they are not concerned with spirituality, helpfulness or the environment. They admit to doubting their own abilities and state that they enjoy novelty in life. This is consistent with a stated attraction towards high-tech gadgets. There is a belief, perhaps arising from their relatively poor economic position, that money can buy happiness. Whilst incomes in this group are not the lowest, more of this segment have children at home and appear to have heavy financial commitments. They admit that they do not find it easy to deal with money and the Strugglers are more likely to be operating hire purchase accounts and have loans other than mortgages. Bills are often left until they have to be paid. With this background, it is perhaps not surprising that they are the most definite of all the segments in believing that New Zealanders pay too much tax.

Their stressed financial situation may mean that they are only able to afford lower quality products. There are certainly critical of product quality and the speed at which items wear out. The products owned by this group are largely orientated towards home entertainment — multiple and digital televisions, game consoles and playstations. Trampolines and woodburners are also more commonly owned by the Strugglers. Ownership of vans and utility vehicles, including those with diesel powered motors, is also more common in this lifestyle group.

Food choices mainly reflect convenience. Prepared foods and fast foods are more commonly consumed than among other segments, as are chocolate bars, potato chips fizzy drinks and beer. They agree with the suggestion that a drink is a good way to unwind at the end of the day and indicate that taste is more important in their food choices than nutrition. Strugglers also recognise that ‘nibbling’ has taken over from eating set meals and they seem unconcerned about this. They are the least likely of groups to consider ‘healthy’ choices, choose organic food or shop for local produce.

While fast food is regularly consumed by the Strugglers, they do not tend to dine out as a family. Also, they are the least likely group to undertake many activities, especially those concerned with literature, art and culture. As indicated by their product ownership, pastimes are dominated by watching tv (up to six hours a day) and playing computer games. They are more likely to smoke and
this group likes to gamble, including buying lotto tickets and betting on horses. They are interested in competitions and participate irrespective of the media — mail, online or text.

TV watching is orientated towards channels Two and Three, Sky 1, Sky movies and Sky sport. While books and reading are generally not part of the Strugglers lifestyle, the Sunday News and some magazines do feature in their consumption patterns, particularly Woman’s Day, Cosmopolitan and New Zealand Performance Car.

The demographic characteristics of this segment indicate that they are predominantly males in the 20-40 age range. Many are not married, though they may be living with partners. While full-time work is the most common employment status in this segment, this is also the group with most of the unemployed respondents.

(Lawson, Todd, and Evans, 2006)

In Hunt and Burnett’s (1982) classification of macro and micromarketing studies such approaches would appear to contain mainly a micro focus. The unit of analysis appears as the individual consumer and, though the perspective is not specified, most interest is expressed in lifestyles for segmentation purposes by organisations. Again this emphasises a micro phenomenon within Hunt and Burnett’s classification. As regards the ‘consequences on’ classification element of Hunt and Burnett’s scheme, all research at the level of individual and household consumption is regarded as micro, if it is the appropriate to the taxonomy at all.

Alternative thoughts on lifestyles

With these thoughts in mind regarding the usual portrayal of lifestyles and their apparent reinforcement as micro constructs from the Hunt and Burnett classification, let us consider other representations of lifestyles that occur in the literature. The introduction of the concept to marketing is credited to William Lazer in 1963 (Plummer, 1974). While it does not offer a detailed conceptualisation of lifestyles Lazer’s introduction to the construct is interesting for two reasons. Firstly, possibly a feature of writing in the 1960s, he automatically sees lifestyles as a systems construct. The application of principles from general systems theory to business thinking was very popular at this time (e.g. Fisk, 1967; Katz and Kahn, 1966). Indeed Alderson, arguably marketing’s most influential writer of the time, embedded all his theoretical developments in a systems perspective (e.g. Alderson, 1957). While Lazer does not expand upon how he sees lifestyles as systems, this is an interesting perspective because a genuine systems perspective moves the focus of enquiry away from individual elements. I will return to this theme later in the paper. Secondly, Lazer portrays a ‘lifestyle hierarchy’ as shown in Figure 27.1 in which lifestyle patterns and values are described at the intermediate level between Culture and Society and the Market Reactions of Individual Consumers.
Culture and Society

Group and Individual Expectations and Values

Lifestyle Patterns and Values

Purchase Decisions

Market Reactions of Consumers

Figure 27.1: Lazers’ Lifestyle Hierarchy

Clearly, Lazer’s hierarchy reflects something of a macro/micro continuum and places lifestyle at the mid-level point. Similarly, Hunt and Burnett describe different levels of systems and identify the study of many institutions such as channels as typifying mid-level or meso-systems (1982, p. 21). However, Hunt and Burnett do not have equivalent consumer based examples of meso-systems and perhaps lifestyles are most appropriately considered at that level. This view would be supported by the empirical evidence gathered from the different iterations of the New Zealand lifestyles programme referred to above. Little, or no, branding information is now collected in that survey because we have consistently failed to find significant relationships between brands and the lifestyle segments derived. While, in some cases, this may reflect on the exact choice of brands that have been tested in this context it is a consistent finding over the studies. Where the lifestyle segments and classifications predict well are at the level of the product class, or market divide. Thus they do not predict car make or model closely but they are closely associated with choices such as 4WD, station wagon, hybrids or diesel fuel. Another way of reinforcing this finding is by considering Wells (1993) classification of consumer decisions ranging from choices between brands that are close substitutes right through to life changing choices between non-comparable options. Lifestyles appear to work best at predicting higher level choices away from individual brand elements and which form part of a consistent pattern of overall consumption. As such lifestyles can obviously be important for analysing facets of consumption away from the purposes of segmentation in order to improve the application of the marketing mix by an individual organisation. An example of this would be the link between consumer sentiment and lifestyles demonstrated by Lawson, Todd, and Boshoff (2001). In the last iteration of the New Zealand study we have incorporated a formal satisfaction measure
on quality of life (Ganglmair-Wooliscroft and Lawson, 2006). Results from analysis of variance of the scores on the different satisfaction scales by lifestyle segment are recorded in the table below. All are significant at p=.000 and post hoc tests confirm that only the Success Driven Extroverts and Pleasure Seekers are consistently similar in their assessments. Overall they demonstrate that views of quality of life certainly vary by lifestyle segment and the appropriately named ‘Strugglers’, who were outlined earlier, have a much more pessimistic view of their situation than any of the other lifestyle segments, recording the lowest mean scores on all except for two of the items in the quality of life scale.

Arguments about why lifestyles can be linked to such issues as quality of life can be furthered strengthened by considering their derivation and standing as social constructs (Lawson and Todd, 2002). Earlier I represented the links between lifestyles and psychographics. Marketers coined the latter term themselves as they strove for alternatives to represent personality as a segmentation device (Demby, 1974) and, as noted earlier, Gunter and Furnham reinforce this link to psychology in their definition. Lawson and Todd present a slightly alternative view in which they draw upon the writings of recent English sociologists such as Chaney (1996) and Giddens (1991) who present the concept of lifestyle from a group perspective and relate consumption choices to social standing and display. In this context they are drawing on a long line of sociological theses regarding class and status which commence with Weber’s (1958) ideas on Estande and more recently grow out of Bourdieu’s (1984) writing on Distinction. In this context, lifestyles are presented, not as an extension of personality, but as a method of social stratification appropriate to a post-modern

Table 27.1: Mean QoL satisfaction Scores by Lifestyle Segment

<table>
<thead>
<tr>
<th>Satisfaction with</th>
<th>Conservative quiet-lifers</th>
<th>Educated liberals</th>
<th>Strugglers</th>
<th>Traditional values</th>
<th>Success-driven extroverts</th>
<th>Pleasure seekers</th>
<th>Social strivers</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Life as a whole</td>
<td>6.42</td>
<td>7.40</td>
<td>5.89</td>
<td>7.90</td>
<td>7.16</td>
<td>7.16</td>
<td>6.59</td>
<td>6.94</td>
</tr>
<tr>
<td>Health</td>
<td>6.07</td>
<td>7.23</td>
<td>5.99</td>
<td>7.34</td>
<td>6.95</td>
<td>6.78</td>
<td>6.46</td>
<td>6.69</td>
</tr>
<tr>
<td>Achievements</td>
<td>6.10</td>
<td>7.17</td>
<td>5.87</td>
<td>7.62</td>
<td>7.08</td>
<td>7.06</td>
<td>6.62</td>
<td>6.79</td>
</tr>
<tr>
<td>Personal relationships</td>
<td>6.89</td>
<td>7.63</td>
<td>6.36</td>
<td>8.34</td>
<td>7.45</td>
<td>7.40</td>
<td>7.03</td>
<td>7.32</td>
</tr>
<tr>
<td>Safety</td>
<td>6.60</td>
<td>7.92</td>
<td>6.69</td>
<td>7.47</td>
<td>7.25</td>
<td>7.49</td>
<td>6.68</td>
<td>7.14</td>
</tr>
<tr>
<td>Your community</td>
<td>5.90</td>
<td>6.84</td>
<td>5.65</td>
<td>7.04</td>
<td>6.55</td>
<td>6.31</td>
<td>6.51</td>
<td>6.40</td>
</tr>
<tr>
<td>Future security</td>
<td>5.22</td>
<td>6.51</td>
<td>5.11</td>
<td>6.97</td>
<td>6.24</td>
<td>6.48</td>
<td>5.89</td>
<td>6.06</td>
</tr>
<tr>
<td>NZ economy</td>
<td>4.64</td>
<td>6.13</td>
<td>4.55</td>
<td>5.42</td>
<td>5.67</td>
<td>5.85</td>
<td>4.93</td>
<td>5.29</td>
</tr>
<tr>
<td>NZ environment</td>
<td>4.82</td>
<td>5.13</td>
<td>5.14</td>
<td>5.84</td>
<td>5.50</td>
<td>5.95</td>
<td>5.19</td>
<td>5.39</td>
</tr>
<tr>
<td>NZ social conditions</td>
<td>4.35</td>
<td>5.28</td>
<td>4.42</td>
<td>4.89</td>
<td>5.29</td>
<td>5.54</td>
<td>4.73</td>
<td>4.92</td>
</tr>
<tr>
<td>NZ government</td>
<td>4.56</td>
<td>6.04</td>
<td>3.84</td>
<td>4.10</td>
<td>5.48</td>
<td>5.20</td>
<td>4.75</td>
<td>4.80</td>
</tr>
<tr>
<td>NZ business</td>
<td>4.96</td>
<td>5.69</td>
<td>4.96</td>
<td>5.85</td>
<td>5.91</td>
<td>5.95</td>
<td>5.13</td>
<td>5.50</td>
</tr>
<tr>
<td>NZ national security</td>
<td>5.01</td>
<td>6.41</td>
<td>5.81</td>
<td>5.23</td>
<td>5.70</td>
<td>5.77</td>
<td>5.14</td>
<td>5.40</td>
</tr>
</tbody>
</table>
society with its more transient characteristics and less emphasis on birth and wealth as determinants of status. As a form of social stratification, lifestyles allow for an interactive systems approach to defining groups within society. While the segments, or groups, derived from the analysis care clearly related to access to resources such as education, health and income, they are also clearly about choices that people make according to their values.

**Lifestyles as Systems**

As noted earlier, writing in 1963, Lazer automatically assumes that his readers will comprehend why lifestyles can be viewed as a systems construct. While, for a variety of reasons, there is clearly a revival of interest in systems approaches in marketing I do not believe that lifestyles have been part of this discussion. Interest in issues like relationships and co-creation as well as the influence of new ideas from the physical sciences like complexity theory have had profound impacts on discussions about marketing (e.g. Vargo and Lusch, 2004; Wilkinson and Young, 2005) but these have not directly addressed how and why we should consider lifestyles as systems.

Although the term system is not employed in their conceptualization of lifestyles, perhaps the clearest demonstration of systems thinking for the construct can be found in Grunert, Baadsgaard, Larsen, and Madsen (1996). Grunert et al were interested in developing domain specific lifestyles for food that were robust across the different ethnic backgrounds throughout Western Europe. This is not an easy task since variations in food preferences and behaviours have consistently been shown to be one of the domains of life that are most closely related to culture (Homma and Ueltzhoffer, 1990). They approached the issue of generating food lifestyle profiles, from a conceptual foundation centered on the notion of a means-end chain (see Figure 27.2).

The shaded area represents Grunert et al’s representation of the lifestyle system. The concrete attributes and product categories represent the final product likely to be purchased by consumers, *vis the means by which they attain their goals. In a systems perspective these can be described as outputs and they are linked through more generic quality dimensions to purchasing motives and ultimately values as the final end goals. For example, a person who seeks an exciting life as an important end state, or value, may manifest this in terms of exploration motives. These lead the individual to seek stimulation through new events or circumstances (McGuire, 1976). In turn, they may lead to assessments of product quality through generic dimensions such as risk or exclusivity, these are finally manifested in the price paid, choice of supplier or final product chosen.

The means-end chain, therefore, provides a central structure around which to define lifestyles that is still consistent with many of Adler’s original ideas. It is clear that this central process is related to many other elements and a systems perspective allows these to be incorporated as shown in Figure 27.2. Grunert et al show how the properties of the means end chain will be modified by according to consumption situations and will be correlated to other associated behaviors. In the case of Grunert’s portrayal of food lifestyles, changing the consumption situation by the time of day or the social setting for the meal will have impacts on quality aspects, way of shopping
Conclusions

In this commentary I have attempted to demonstrate that lifestyles need not, and indeed should not, be considered as research constructs that are only applicable for
issues within the micro part of the macro/micro dichotomy within marketing. While data is gathered from individual consumers to construct lifestyle profiles, I believe that Lazer (1963) represents them accurately when he described them as a systems construct appropriate for at least a meso-level representation of consumption processes within a market. Following Hunt and Burnett (1982) methodology and criteria for understanding what might be termed macro constructs it is also quite clear that lifestyles can be employed to usefully examine aspects of the marketing/society relationship that do not have a managerial or organizational focus. In depth consideration of how lifestyle may be determining the perceived quality of life scores described above (and vice versa since the causality is not determined) is clearly a macro issue. Also, though there is a clear consumption focus to lifestyle profiles in marketing, they are also based on other aspects of non-marketing subsystems such as political, social and environmental attitudes Plummer (1974). This embeds a macro perspective into all lifestyle research. Indeed, I would argue that lifestyles are the single most important construct employed in consumer behaviour research that explicitly seeks to understand consumption in the context of more general human activity. It is important to remember that consumption is only a part of our daily lives and that it is integrated with other behaviours. This is a point well made by Vargo and Lusch (2004) who lead us to focus on marketing as service and the outcome of the exchange process as experience. At the Otago Forum held in November 2005, Bob Lusch was explicit in his call for marketing to broaden its horizons and understand how marketing helped to co-create experiences in all aspects of life including, for example, the workplace. Lifestyles are not based on reductionist methods that should lead us to narrow managerial perspectives of consumption and I believe they deserve recognition for the contribution they can make to understanding a range of marketing issues at a societal level.

References


Session VIII

Food: Wednesday 8.45am-10.30am
(Parallel Stream)
The explanation of the obesity phenomenon around the world involves realizing the complex relationship among multiple factors. Food-related public policy, such as the promotion of domestic commodities, research support, surveillance, and food safety may have all contributed to the obesity problem. But as it is shown in the paper, so have a number of channel drivers within the food supply chain. They have also contributed to the obesity problem. Five distinct categories of channel drivers are presented in this article. These are (1) the transversal drivers; (2) farm-related drivers; (3) manufacturing drivers; (4) food retailing; and (5) out-of-household consumption drivers. By using a channel systems perspective, the paper shows how these drivers contribute to the present obesity situation.
Introduction

Dietary preferences have changed considerably in the past decades. After all, fast food outlets, frozen foods, prepared meals at supermarkets now offer consumers alternative choices that were not as omnipresent before. The percentage of meals eaten away from home has been steadily increasing and now accounts from between 40% to 50% of all meals consumed. The food supply in industrial economies is very reliable, affordable, and abundant. Foods from the four corners of the world are readily available to please the palate of any consumer. As a result of these food preferences by consumers, the structure of consumer food channels has changed significantly in the last three decades in terms of how food is supplied to consumers, when and where food is consumed and to whom.

Consumers have benefited from these structural changes by having access to more choices to satisfy their need for food. But they have also generated significant health problems for consumers. In their quest to eat on the run, to spend less time preparing foods at home, due to the pressures of modern life, consumers are now paying the price. Now, more than ever, high caloric processed foods containing fats and sugar are consumed in greater quantities than ever raising health concerns not only for kids but adults as well. Obesity has attracted the attention of social nutritionists, health and food specialists, agricultural economists, and marketing researchers as well (Clark, 1943; Smith, 2003a; Seiders and Petty, 2004; Yach and Seidel Marks, 2004). Even the medical profession and federal agencies have voiced their concern over the growing health problems of obesity (Ontario Medical Association, 2005; Federal Trade Commission, 2005). For example:

In adults, the medical complications of obesity also occur with a high prevalence. Obesity predisposes to gall stones, usually of the cholesterol type. Chronic obesity changes the center of gravity so that the lumbar curve of the vertebrae first becomes lordotic, followed by compensatory thoracic kyphosis and eventually a cervical lordosis producing a forward position of the head. There is also an increased frequency of flat feet and of bilateral arthritis of the knees (Scrimshaw and Dietz, 1995, p. 155).

Some government officials have declared obesity as an important societal problem to be reckoned with. Indeed, many scientists classify it as an epidemic (Department of Health and Human Services (DHHS), 2001; Center for Disease Control and Prevention, 2003).

Many scholars have developed an interest in this ever-growing obesity problem. They have been researching the behavior of consumers such as the effects of modern and sedentary lifestyles, the quality of health care services and the efficiency of current public policies concerning food labeling. After all, as people become more affluent, they tend to be less physically active. Various causes have been suggested to account for global obesity, such as genetics, a general lack of physical activity, and simply modernism (Lowell, 2004). However, the obesity phenomenon in the industrialized world is a complex problem involving multiple factors. To fully comprehend the impact of obesity in today’s society, a holistic and multidisciplinary approach is undoubtedly called for (Eagle, Bulmer, Kitchen, and Hawkins, 2004).
An analysis of various factors that have contributed to the obesity issue is warranted, especially consumer-based factors issues. This conceptual paper looks at the obesity question from a channels perspective to determine how food supply chains have contributed to the obesity health issue, an issue that has a world wide implication. That is it examines the operational dynamics of the social and structural dimensions of the food industry. The analysis in this paper includes, but is not limited to, the dynamics of power, conflict, inclusion or exclusion, and consequent benefit or profit for and between channel members. This analysis also allows for consideration of current food-related public policies and their impact on channel members’ behavior. Although many other factors not mentioned in this paper have contributed to the obesity epidemic, a distribution perspective articulates a starting point that can be used in analysis and clarifies the consequences of using any particular starting point. Finally, due to the complex and global nature of obesity, the analysis is not limited to any one country.

The Obesity Problem

Food-related public policies are also need to be considered. The marketing literature suggests that public policy and food distribution practices cannot be divorced (French, Story, Fulkerson, and Gerlach, 2003b). Even though public policies vary from one country to another, changes in them and in the make-up of food distribution are not without their impact. There are more obese and morbidly obese people and diabetics in developed countries than ever before (Minkus-McKenna, Ashman, and Moskowitz, 2004). In fact, it is estimated that over 300 million people worldwide are affected by this health hazard. The total cost in health care expenditures of obesity is estimated to be over $50 billion US. In 2003, one out of every two consumers in modern economies between the ages of 20 and 64 years were either overweight or obese, or more than double the 1985 figures MacDonald (2003). Obesity, which is on the World Health Organization’s list of main health concerns, is poised to surpass smoking as the principal preventable cause of death MacDonald (2003).

Many health regulators and policy makers now consider obesity to be a disease in modern societies (Verner, 1992). Yet as Scrimshaw and Dietz argue (1995), there some advantages of being overweight. Moreover, in the past, fatness was associated with wealth, health, and even beauty “plum to be pretty thin to be ugly” (Ulijaszek, 1995, p. 293). Obesity is perceived differently across cultures. What is more troublesome is that obesity rates have almost tripled among children (preteens) and teens in the last two decades in countries such as the United States and Canada. Many consumers are now turning to drastic measures, such as bariatric surgery Sharma (2005); Weir (2005). Clearly, obesity is a global health problem. An International Obesity Task Force (IOTF) was created in 1995 to inform the world about the urgency of the problem and to persuade governments that the time to act is now. Professor Philip James, the IOTF’s chairman, considers obesity to constitute one of the most important medical and health problems of our time.
Obesity and Public Policies

The model (Figure 28.1), illustrates the food-related public policy issues that have somewhat affected internal channel drivers, which, in turn, have contributed to the obesity epidemic.

This paper is not an attempt to undermine the importance of public policies that affect physical fitness, health care services, and/or the role of the pharmaceutical industry, with its weight reducing drugs. Rather, this paper is intended to look at the impact of public food policies which influence the manner by which food distributors market their products.

Consumers are paying more attention to the food is being marketed. They are becoming more attentive to the complexity of the food distribution process from the point of inception to the time food is served on consumers' plates. Health regulators from many countries have already succumbed to public pressure by banning different substances from the food chain. Denmark, for example, became the first nation in recent years to adopt a law that would ban trans fats. Switzerland practiced agricultural democracy in holding a referendum in which Swiss consumers voted to ban battery cages, knowing that it increased the retail prices of eggs (Appleby, Cutler, Gazzard, Goddard, Milne, Morgan, and Redfern, 2003). In addition, in recent years, consumer groups have filed lawsuits against major fast-food chains, blaming them for making people overweight, arguing that advertising claims were deceptive (Critser, 2003; Mello, Rimm, and Studdert, 2003; Smith, 2003b).

For many years, many products were labeled as “zero cholesterol” even when such products never contained cholesterol in the first place. Most food manufacturers have since retracted such misleading marketing practices (Mello et al., 2003). Increasingly, consumers are lobbying legislators for more health protection in food labeling and food advertising. There are clear indicators that food distribution in industrialized societies is gradually becoming more transparent and flexible so that consumers can have more options, but this trend is still in its infancy Seiders and Petty (2004).

Food Guides

Numerous national food guides are considered by many to be flawed (Hall, 2001; Willett, 2002; Mayers, 2003; Eagle et al., 2004). Consumer groups claim that national food guides are incomplete and even misleading. Such guides endorse unhealthy food products, which contribute to the obesity problem. Their function is often perceived as promoting domestically made food commodities. Consumption of protein in red meat or in other foods is often encouraged by the food guides of red meat-producing countries, even though red meat has proven associations with heart disease and cancer. In many dairy producing countries, food guides put such products near the top of the food pyramid chain. Some dieticians believe, despite wide spread opinion, that there is no clear scientific evidence that consuming dairy products containing vast quantities of calcium minimize fractures or osteoporosis (Willett, 2001).
Figure 28.1: Food-related public policies and inner channel drivers contributing to the obesity epidemic
Other dieticians believe that older adults could use a food guide that should recommend reduced serving sizes and more calcium and vitamin supplements, to reflect their particular needs. Federal health agencies in many countries are usually responsible for the design of such food guides, yet most food guides do not address such issues. There is a need to examine food guides prepared by governments in industrialized countries to see the extent to which food products domestically grown are recommended more than other food products. We also need to know more on the way such food guides are prepared. For example, what is the role-played by farm associations in the preparation of food guides? Other than nutritionists and other food specialists, to what extent do farmers influence government officials in recommending domestic food commodities rather than food alternatives available elsewhere?

Schools play a pivotal role in distributing domestic agricultural commodities. Many industrialized countries have national school meal programs whereby grade school students receive free meals while attending school. Many foods offered through these programs are animal products or sub-products that contain high levels of cholesterol and saturated fats. These food programs are designed to provide a guaranteed market for the agricultural industry. However laudable such programs are, governmental agencies may be a contributing factor to the obesity problem in children. The food offered to children in such programs may be unhealthy, and they seem to be supplied by the wealthiest farm producers (Jackson, 2001; Witt, 2003). These school meal programs also function as an indirect agricultural subsidy program. The surplus of food includes fattening products like beef and cheese rather than vegetables and fruits (Yeoman, 2003).

Research and surveillance

Policymakers do not seem to have a clear agenda on how to manage or reduce the current levels of obesity (Eagle et al., 2004). We have yet to isolate many of the more important facts surrounding the causes and effects of obesity and how marketing strategies have contributed to the current situation. Food processors and pharmaceutical firms seem to be the ones driving the research agenda on obesity. The research knowledge they generate often leave policymakers in a confused policy position in terms of proposing sound action plans.

In addition, research on obesity is often skewed by wavering perceptions as well as the current health condition of survey respondents. The delicate nature of such research can invalidate such surveys because participants respond not only as ordinary consumers but as concerned citizens acting in a normative way. Irrespective of biases that may be present in such survey, we need to learn more about the increasing levels of obesity in the world. For instance, more studies need to be done to determine whether or not sugar is addictive (Brownell and Horgen, 2004). This is just one example among many others.

There are also challenges in defining obesity. Each country has its own definition and method of measuring obesity. Measurement methods vary from the use of the body mass index (BMI), a weight to height ratio, to observation of waist circumference (Lemieux, Mongeau, Paquette, and Laberge, 2004; Sharpe, Granner, Hutto, and
The BMI seems to be the most popular indicator. In order for a consumer to be considered obese, the BMI needs to be 20 percent higher than the normal weight, or more than $40\,kg/m^2$ (Sharma, 2005). The BMI, though, does not consider the effects of aging on a human body, which can artificially raise current obesity statistics. Many studies indicate that it may be difficult for a single guideline to meet the needs of all professions involved with research and practice related to body weight. Academics might have a different approach to obesity measurements than educators or even health care professionals. Depending on the current health policies of a given country, the percentage of obese consumers may differ. Ethnic differences and age groups are rarely integrated into health policies related to obesity (Acton, Burrows, Moore, Querec, Geiss, and Engelgau, 2002; Lemieux et al., 2004).

A better monitoring system of information is needed to tackle the obesity problem. Alarmist and irrelevant dissemination of questionable research findings only tend to immune the public as well as policy policymakers to this growing problem.

Food Safety

Since the 1980s, governments have been significantly less interventionist in making public policy on food supplies. They prefer to let market forces determine the direction of change and distribution (Tansey, 1994). This ideology shifted when food safety concerns started rising around the world. Governments in many countries are not prepared for this new direction. Regulators are often in a conflict of interest or are perceived to have a dual role. For instance, the U.S. Department of Agriculture has shown a resistance to change food safety policies. It has conflicting mandates. On the one hand, it encourages agribusiness suppliers to provide safe, reliable, affordable, and quality foods to the American consumer. On the other hand, it also promotes consumption and marketing of American-made agri-food commodities (Nestle, 2002, 2003).

It is increasing difficult to determine which government department should have responsibility for food safety and providing dietary advice to the public. In the past, the agricultural department had such a responsibility, even when a health department would be in a better position to assume such a responsibility. For obvious reasons, food safety issues have become a source of conflict between food suppliers in many countries and between countries as well. Shared information, collective accountability, and cost contribution are strategies that have triggered many debates in agrifood distribution (Hobbs, 1996).

In addition, many countries have carried out protectionist labeling measures to protect domestic supplies. The Country of Origin Labeling (COOL) that was part of the Farm Bill adopted by the U.S. Congress in 2002 is an example of that trend. Policymakers in Europe are also protecting their market by regulating the presence of genetically modified organisms in food products. Given these trends, now more than ever, food policies require international agencies and effective enforcement mechanisms for enhanced food safety measures across nations (Risvik and Schifferstein, 2001). In the last decade, food safety has attracted the attention of many researchers and triggered many studies. Their findings can guide future policymaking decisions.
**Internal Food Distribution Drivers**

There are numerous factors (i.e. drivers) that contribute to the growing obesity problem. Some of these we refer to as transversal drivers, farming obesity drivers, manufacturing drivers, retail drivers, and out-of household drivers. Within each one of these drivers, there are contributing factors as well.

**A. Transversal Drivers**

An important transversal driver factor is food traceability. As defined by Liddell and Bailey (2001), a food traceability system is the capacity to track all inputs used to make food products backward to their source of origin at different levels in the supply food channel. When a traceability system is in place, information is available to the public on all practices and procedures used to produce a particular food product at each level of the supply chain. Such information can be disseminated to the public through proper food product labeling.

As consumers want more product choices, many pressure groups are pushing for more information on food labels. Logistical and cost concerns created by the operation of an efficient food traceability system have convinced some researchers that rigorous food labeling regulations are easier to implement than regulating food content (Strychar, 2004; Kreps, 2004). It has been shown that when provided with favorable nutritional information, whether from labels on products in a retail store or in a restaurant menu, consumers generally have a favorable attitude toward the product and see the risk of future health problems to be lower (Kozup, Creyer, and Burtom, 2003). As people become more knowledgeable about diet-related disease, they may likely believe that they can prevent future health problems through dieting, which supports the notion that more information on labels is needed (Szykman, Bloom, and Levy, 1997).

Consumers who are at risk for a diet-related disease are more likely to display diet knowledge, even to the point of being skeptical about product claims (Szykman et al., 1997). The Center for Science in the Public Interest (CSPI) petitioned the U.S. Food and Drug Administration (FDA) to require food manufacturers to clearly label the amount of added sugar. CSPI directors attribute the delay in bringing this requirement into effect to lobbying efforts by the powerful sugar and sweetener industries (Nestle, 2002; Brownell and Horgen, 2004).

Of course, proper food labeling is dependent on having a homogeneous and efficient identification system for all livestock and agricultural commodities in a given country. Most of the agrifood industry is in dire need of a transversal food traceability system that will provide food suppliers with a management tool capable of successfully tracking and tracing all products throughout the food supply chain. Such a system will enable food distributors to provide all the necessary information consumers need before purchasing a food product.

A second transversal driver is referred to as food lobbying. Some researchers argue that the food industry regularly lobbies several government departments, universities, and professional organizations to gain credibility, power and control in order
to lessen transparency and access to relevant food information. Their agenda, according to some, is to promote sales and consumption of their foods and to minimize health concerns (Willett, 2002).

Perhaps the food industry is predestined to be the next tobacco industry. It is already publicly scrutinized, as it offers readily available products to consumers through efficient means of distribution with no purchasing barriers (such as prescriptions, credit, etc.). Farmers, leftists, anarchists, nationalists, environmentalists, consumer behaviorists and advocates, educators, health officials, labor unions, and animal rights defenders all have found common ground in a campaign against the Americanization of the world (Schlosser, 2002). Although there are many differences from the tobacco industry (addiction and public attitudes), the food industry is swiftly approaching similar culpability and accountability points. The food industry, by nature, is ubiquitous, and it threatens a fundamental facet of any national identity. Many consumer advocates are forcing the food industry to make drastic changes to the products they offer. In carefully looking at marketing strategies of food manufacturers and distributors over the years, one has to wonder whether the food industry actually wants to provide healthy alternatives for consumers.

Many lobby groups representing the food industry are still pressuring governments to have health regulators consider obesity as a disease (Smith, 2003b; Center for Science in the Public Interest (CSPI), 2002). For decades, obesity was not considered a disease but a self-inflicted, controllable affliction caused by meager lifestyle choices, such as inappropriate eating habits (Dancer, 2004). The FDA in 2000 and the Medicare authorities in America in 2004 declared that obesity was, in fact, a disease and weight lost expenditures for Americans could be deducted from personal income tax returns. It has been estimated that in the U.S alone, consumers spent over 50 billion US$ in dieting schemes every year, without any tax benefits. Such a policy can significantly boost sales and increase market demand for food manufacturers that market weight-conscious products.

Such public policy actions related to obesity, perhaps consumers can now consciously normalize their condition, thus creating a new social paradigm. But the search for a suitable diet in an environment that is more dynamic than ever before is a complex process for consumers (Smith, 2003a). Arguably, an obese person represents more potential revenue for the food industry, and many marketing efforts are being invested to lure obese people to buy more food products (Nestle, 2002; Willett, 2002). Historically, revenue growth in the food industry was sustained by demographics. Today, especially in developed countries, women of childbearing age are having fewer children, and the food industry can no longer depend on demographics alone to expand. It relies on consumers eating more; perhaps obesity is the most disconcerting outcome of years of effective marketing strategies by the food industry with this goal in mind. Perhaps lobbying efforts from the food industry over the years have led society to trivialize the issue of obesity.

Finally, the willingness of the industry to market healthy products is also not clearly in evidence. Several trade associations representing the interests of the industry have claimed that all food is blameless and can fit into a healthy diet (National Soft Drink Association, 2005). The association representing grocery manufacturers of America also believes that policies that declare foods “good” or “bad” are counter-
productive (Grocery Manufacturers of America, 2005).

B. Farming Obesity Drivers

Another important transversal driver is related to farming policies. The urban areas of society are divorced from the daily realities of farming and industrial agricultural production (Murphy-Lawless, 2004). For urbanites, the modern disconnection with “nature” has created a mythology around the concept of agriculture, and since less than 2 percent of the industrialized world population lives on farms, very few consumers truly recognize the complexity of modern agriculture. Without consumer consent, public policies in many developed countries focus on providing more revenues to farmers and providing consumers with inexpensive food (Critser, 2003).

For example, in the 1970s, countries blessed with natural resources their governments liberated food growers from strict agricultural regulations and initiated programs to subsidize mass production, creating surpluses of inexpensive grains, such as corn and soybeans. In the context of accommodating low-income populations, such a lax policy appears to make common sense. However, in 1971, with an excess of corn production around the globe, food scientists in Japan were able to create a cheaper sweetener for products, called high-fructose corn syrup, or HFCS. Even when many studies demonstrated that fructose was more damaging to human health than natural sucrose, many food manufacturers went ahead and added HFCS to their products (Critser, 2003; Mayers, 2003). Meanwhile in the 1980s, many commodity prices were down, and food manufacturers were making more profits. Consequently, companies such as Coke and Pepsi switched from a fifty-fifty blend of sugar and corn syrup to using high-fructose corn syrup exclusively. That decision reduced sweetener costs by 20 percent and helped these companies increase portion sizes so that they could still make substantial profits (Risvik and Schifferstein, 2001; Critser, 2003).

Many studies have identified poverty and low-income as key determinants of obesity and weight-related disease. Therefore, such food subsidy programs may have compounded the obesity problem especially on low income consumers (Critser, 2003). For consumers, the cheapest sources of calories are fats and sweeteners. Although this is a complex problem, low-income households often have unhealthy dietary food habits such as consuming low price but high fat and high sugar foods. High-income households can afford to seek more nutritious and healthier foods. Of course, they may not always do so. If food energy were the only consideration, consumers would be able to spend only one dollar a day for food necessities, purchasing high caloric foods. On the other hand, $20 dollars per day is required to consume vegetables for an equivalent energy intake. Thus, limiting fat intake increases the cost of a proper diet (Finke, Tweeten, and Chern, 1996; Risvik and Schifferstein, 2001). Agricultural subsidies have been able to lower the cost of food energy, but they have increased the price of more nutritious foods, driving the most vulnerable consumers to poor nutritional choices as a function of household economics.

In Europe, the mass-production model for farming came into existence in 1947, when it became government policy to provide inexpensive foods for farm animals, a policy that agricultural industries around the world have subsequently embraced.
These methods are now being adopted in developing countries as well. Agricultural industries in these countries are starting to build efficient infrastructures. Many of them are capable of competing against richer countries that were blessed with resource abundance. Overall, agrifood globalization is having a profound impact on world agriculture, in particular in food supply chains (Farrell, 2004). With their cost advantage over industrialized countries, developing countries have shown tremendous growth in the production of agricultural commodities. Many developed countries, on the other hand, are facing difficulties keeping up with worldwide trends towards low-cost production, coping with the growing agricultural forces from developing countries, and responding to the better use of agricultural inputs in order to maintain low prices. Farming industries in many countries can no longer rely on a weak domestic currency to compete and to sustain exports (Morrison and McDonald, 2003).

In addition, vertical integration has helped many companies within the food industry to produce more food at a lower cost. Vertical integration, often defined as the combination of two or more stages of a production-marketing chain under single ownership, creates efficiencies by substantially reducing transaction costs among members of a supply chain (Coughlan, Anderson, Stern, and El-Ansary, 2001). Vertical integration also provides economies of scale, enhanced sharing of information that can, in turn, generate greater innovation and differentiation. Vertical integration can also offer better defense mechanisms against foreclosures, and more evenly distributed risk allocation across the supply chain. However, vertical integration both consumes a substantial amount of capital and reduces managerial flexibility between levels of the supply chain. Many levels of the supply channel have applied vertical integration strategies, but these have had a greater impact at the production level. The rigidity of the industry’s structure, the differing managerial requirements between echelons of the supply chain and recurring bureaucratic distortions have proven to be hard to administer. Nonetheless, most vertical integrators in the food industry are very profitable and will likely prevail.

The industrialization of farming methods has had a significant influence on food supplies provided to consumers. Today, the percentage of a family’s income spent on food is below 10% vs. over 70% in the past. This 70% is comparable with the percentage now spent in less affluent countries. Prosperity, the good life and less active lifestyle may simply generate more overweight individuals. In response to the industrialization of farm production methods, many farmers are now considering civic agriculture rather than embracing the commodity-driven agriculture that has been very prominent in the last decades. Civic agriculture enables farmers to market their commodities directly to consumers, whereas commodity agriculture relies more on economies of scale, efficient coordination between links in the supply chain, and higher profitability.

Commodity agriculture has had the effect of decreasing the number of farmers and increasing the average size of a farm in many developed countries (Lyson and Guptill, 2004). This trend has changed the structure of agribusiness model for commodities. A supply chain will rarely find itself committed to rural communities, as most food distributors focus their sales and marketing efforts on urban centers. Civic forms of agriculture, on the other hand, are deemed to give more choices to con-
sumers and provide sustainability to their local needs (Drabenstott, 1999). It has been argued that civic agriculture can fuse both consumers and producers, making them somewhat food citizens (Lyson and Guptill, 2004).

The Slow Food movement is considered a form of civic reaction to commodity agriculture. The Slow Food movement is an alternative, more or less to a clandestine food consumption channel. In reaction to aggressive marketing campaigns by many fast-food chains, the Slow Food movement was created in Italy in 1986. This non-profit organization, which claims to have over 70,000 members in 40 countries, strives to safeguard the integrity of natural foods (Jones, Shears, Hillier, Comfort, and Lowell, 2003). However, it is very unlikely that the Slow Food movement will ever challenge the marketing power of the fast-food industry.

In order to compete globally, all forms of civic agriculture have been defamed by the food industry. Public policies and managerial strategies have mainly focused their efforts on producing inexpensive commodities. Many farmers and vertical food integrators have achieved impressive growth in productivity and profitability in the last decades. Still, such a strategy fails to provide agricultural diversity, which would offer consumers more options. Trade between countries has increased, thus providing choices that are more nutritious to consumers. However, these options are often unaffordable to many consumers. The separation between domestic consumers and local agriculture prevails, and obesity may perhaps be one of the consequences of this phenomenon.

Countries with supply management boards are the ones that are the most troublesome from a public policy perspective. Such marketing boards control supply by assigning output quotas to individual producers. Thus, they control not only individual producer output, but also entry into the industry, as well as fixing prices for ultimate buyers. Many developed countries (Canada, Australia, and the UK) and most developing ones have such marketing boards. Many countries have voluntary price support programs, marketing agreements, and marketing orders. Price-fixing mechanisms and supply restricting quotas under marketing boards have resulted in higher consumer prices for nutritious commodities, and such price increases have often been seen as unwarranted (Loyns, 1980).

Such government-legislated agencies have escaped the public’s eye, despite the fact that their economic role and their costs on consumer food budgets have been subjected to the same level of transparency and social scrutiny as other public agencies. The public simply does not seem to have such a high level of concern or interest, as do those who view such legislated agencies as an aberration of our capitalistic system. The same argument applies to any other producer support programs the industry receives from all levels of government.

One can only speculate as to why agribusiness producers have been so protected. As a consequence, consumers often have no choice but to buy cheaper, unhealthier products. Because of such price-fixing constraints on production, the food system in developed countries, as it now exists, can be designated as regressive and passO. Low-income households have least access to healthy foods. In effect, consumers with reduced means are forced toward inexpensive, unwholesome foods because of the way food prices are set not by market forces but more by these legislated agencies or programs.
C. Manufacturing Drivers

Most companies that manufacture food products are publicly traded multinational corporations. Nestlé, Tyson Foods, Kraft, General Mills, PepsiCo, and ConAgra are all conglomerates that sell many brands. They have considerable market power, despite their few numbers (Brownell and Horgen, 2004). They have the power to create trends, use the clout of branding, forecast food-consumption behavior, and combine marketing efforts. Food spending as a proportion of average income for any given household has fallen from 34% in 1946 to just 11% in 2004. Most consumers in industrialized countries are not willing to spend more on food supplies. Reliable indicators of food expenditure show that this percentage is bound to decrease over time. This trend, evidently, has pressured stakeholders in food manufacturing to keep the cost of production and distribution low.

Processed food companies have had to adapt to the new global reality of marketing food products. The world’s food supply is in transition more than ever before. Multinationals food processors, in particular American companies, have embraced the concept of trading in a borderless world. Over the past decades, globalization has not only had an incremental effect on consumers’ diets across the world, it has diversified the offerings of calorific goods for consumers in many countries. For instance, U.S. companies like Coca Cola and PepsiCo are now selling in more than 200 countries and carry more than 230 brands each (Brownell and Horgen, 2004). The high fat and sugar content of such imported food products fuels the rising epidemic of obesity (Schlosser, 2002).

Food manufacturers have also started to add unhealthy ingredients in food products for higher profits. The case of trans fats is one good example. Trans fat, found in hydrogenated vegetable oil, became widely used when the link between saturated fats and heart disease became evident some thirty years ago. However, replacing saturated fats with hydrogenated oil has unfortunately amounted to replacing one unfriendly fat with another. Manufacturers have been lured into using trans fats, despite their goal of getting rid of saturated fats. For one, Trans fats are known to extend a product’s shelf life and thus can enhance economic efficiencies for food distributors. Although novel packaging technologies can help improve shelf life, their effectiveness is considerably limited compared to trans fats. Another reason why trans fats are so widely used is because hydrogenated oils are very convenient and, in a sense, aesthetically appealing, as they create tender, creamy, good tasting, and radiant-looking foods. Trans fats also help control the temperature at which foods melt. All in all, the virtues of trans fats are undisputedly high for manufacturing, but health concerns for consumers have not always been part of corporate decision-making in their use.

Packaging can also play a role in increasing obesity. For example, in 2002, Frito-Lay launched its line of Go Snacks, Doritos, Cheetos, and Fritos, which can be purchased in plastic containers, the size and shape of a water bottle. At the time, Frito-Lay was claiming that the new packaging fitted consumers’ fast-paced lifestyles, letting consumers eat on the run (Karoly, Greenwood, Everingham, Houde, Kilburn, Rydell, Sanders, and Chiesa, 1998; Brownell and Horgen, 2004). Packages also have become outsized. Larger packages are perceived as bringing lower unit costs from
larger containers (Wansink, 1996), and many food manufacturers are supplying mass merchandisers with products that support bulk purchasing. In addition, many manufacturers market dietary foods without having to comply with restrictive labeling regulations. Thus, consumers neither know nor understand the components of these products (Eagle et al., 2004).

D. Retail Drivers

Of late, food retailing in many countries has undergone major changes. Retail channel members are arguably in an authoritative position within the supply chain because of their control over suppliers (Verner, 1992). Power is gained through the wealth of information they have on consumers’ prospective demand. Marketing strategies from food distribution contribute to the present obesity problem. When market prices are unstable, food distributors can refuse to buy a particular product because the wide assortment of agricultural products offered to consumers. In addition, such distributors can pass on any price increases to consumers, given their restricted numbers in the channel. These distributors, therefore, possess a significant amount of influence in the food supply chain. However, as stated earlier, agricultural production programs diminish the power exercised by agrifood distributors and processors along the lines espoused by Galbraith in his theory of countervailing power (Galbraith, 1956).

Many places in the world experience higher food prices than prices consumers pay in urban and populous areas. Food distribution and the structure of the supply chain are often to blame for price differences in remote areas (Aalto-Setala, Kinnunen, and Koistinen, 2004). In developed countries, many food distributors have established stores in remote or suburban areas to expose their offerings in mass merchandising hubs, known as manufacturing outlets. The market purpose of these hubs is to bring customers to one strategic point and entice them to buy in bulk many types of products. This strategy has transformed the way customers shop for their food. Mass food merchandisers (e.g. supermarkets, big box stores, warehouse clubs, combination super centers), gained popularity while smaller food retail shops lost market share.

Not all social groups, however, have been able to take advantage of the growth of large scale super store incorporated into modern mass merchandising hubs, as the marketing strategy was aimed at car owning households (Ellaway and MacIntyre, 2000). Bulk buying of food products to generate potential savings requires a car, and most low-income consumers are less likely to own a car. Therefore, disadvantaged consumers have lost the most from the food retail revolution, where few smaller independent stores have been able to compete against the almost limitless resources of multinationals (Western, 1993). For low-income consumers, notably those located in inner cities, easy access to food stores is more important than food purchase savings. For high income earners, accessibility to food stores is far less important than the price of food products (Henson, 1992). Bulk-purchasing practices by high-income consumers have contributed to an expectation of longer-shelf life rather than shopping more frequently for fresh foods. Such a behavior has an impact on the
nutritional choices of consumers. In the case of low-income consumers, reduced retail outlet options have forced similar shopping trends toward least expensive items, which are generally the least nutritious.

Of course, many other factors contribute to the dietary deficiencies of poor inner city consumers, such as low a level of education, lack of employment opportunities, one parent households, larger family size, limited storage facility thus requiring frequent food purchase, credit availability as well as certain ethnic foods unavailable at mass food outlets located in the suburbs, among others. To say that such poor consumers buy less wholesome foods out of necessity is a rather naïve explanation for a more complex social problem, as shown by Hill (1995), among many others, who have researched the food shopping habits of inner city residents.

In-store merchandising displays can also be identified as a driver for obesity. Food retailers have focused their strategy on readily available end-of-shopping candies at cashiers (Eagle et al., 2004). Most of these highly calorific products are low-priced and somewhat tempting for consumers shopping in a state of hunger or for impulse buyers. Food retailers have made it easy for consumers to purchase snacks in stores, as they have made displays at cashiers and at the end of many aisles very tempting for consumers. Snacks are an important industry and a key link to obesity (Mamonier, Chapelot, Fantino, and Louis-Sylvester, 2002). The number of snacks per day has increased by 14 percent and the calories consumed per snack have increased by 26 percent in the last 20 years (Zizza, Siega-Riz, and Popkin, 2002; Jahns, Siega-Riz, and Popkin, 2001).

Food processors have gained significant retail market power through their brands. Not to be outdone, food retailers have replied by introducing an array of their very own private labels. Customers are able to buy less expensive private labels from food retailers now more than ever. Private labels continue to take market share away from national brands (Anonymous, 2005). Retailers privilege their private labels when it comes to shelf-space management. Because of private labels, food retailers can better integrate profitability objectives with shelf-space management. Many private labels feature unhealthy foods, containing large amounts of fat and sugar, such as cookies, cakes, soft drinks, processed foods, and ice cream, among others. Most food retailers are now vertically integrated with publicly traded food distribution operations. They no longer have to cope with one percent to two percent net profit margins. As such, and with the help of private labels, most food retailers have achieved high growth and earnings over the past decades.

Some studies have also suggested that food preparation time contributes to the obesity epidemic. By having less time to prepare meals, the average consumer is encouraged to purchase counter-ready products offered by many food retailers. Many items found in food stores that can be consumed with little or no preparation time are known to be calorific. Preparation for meals that include fruit and vegetables requires time and work, and it is often perceived as a barrier (Maclellan, Gottschall-Pass, and Larsen, 2004). Preparation of healthy food also requires nutritional knowledge. With the increase in trade of agricultural commodities, consumers are presented with many new fruits and vegetables without knowing what to do with them.
E. Out-of-Household Drivers

Retail outlets have seen a profound demand change in food buying patterns by consumers over the past decades. For instance, in 2002, 41% of money devoted to food items in America was spent outside the household, for outside consumption, which is double the 1982 amount. Today, fewer consumers know how to prepare and cook a meal, as more meals are consumed away from the home. More food stores are now offering counter-ready products for fast consumption to compete with fast food outlets and other eating establishments (Food Marketing Institute, 2004). For the past decades, the restaurant and fast-food industries have gained significantly from this trend and have helped reshape the behavior of consumers seeking ways to satisfy this basic need. Consumers are fond of eating away from home, since it provides them with good-tasting food and the experience is both pleasurable and entertaining. Meals consumed away from home, however, contain more calories, as many restaurants’ marketing techniques include enhanced consumption of breads and sugary beverages, even before the consumer has looked at the menu. Some food processors often work in partnership with restaurants to develop new techniques to increase sales (Anonymous, 2002).

Children and schools are also a concern when it comes to dealing with out-of-household meal consumption. Some researchers have even questioned the ethics of offering low nutritious foods to kids, because of the link between out-of-home meal consumption and obesity (Kotler, 2004; Ontario Medical Association, 2005). The particularly egregious commercial exploitation of children by the food industry, not only in the fast-food sector, has been analyzed by many (Nestle, 2002; Willett, 2002). A survey in the mid 1990s found that the fictional characters most recognized by children were Ronald McDonald and Santa Claus, two characters created by McDonald’s and Coca-Cola, the two most prominent food corporations (Beaver, 1999).

Billions of dollars every year are spent in schools promoting food products that are devoid of nutritional value (Nestle, 2002; Plotnikoff, Berkovitz, and Loucaides, 2004). Many school boards value the health of children, but often desperately need the funds to finance critical activities. Particularly in North America, studies have shown that many schools and school boards have contracts with food distribution companies who supply drink and snack machines (Shannon, Story, Fulkerson, and French, 2002; French et al., 2003b; French, Fulkerson, and Story, 2003a).

Overall, though, consumers in developed countries have a wider range of safe, nutritious, and wholesome food available at affordable prices than ever before (Davis-Floyd and Sargent, 1997). In response, food distribution has become more diverse. Fast-food restaurants and food processors have catered to the inner-city residents who are more frequently low-income families and individuals (Risvik and Schifferstein, 2001; Critser, 2003). Many outlets are open 24 hours per day, and offer a drive-through service. Fast food is now served at stadiums, airports, zoos, high schools, elementary schools, universities, cruise ships, trains, gas stations, and even hospitals (Schlosser, 2002). McDonald’s has over 30,000 restaurants in 188 countries. At one point, McDonald’s was opening a new restaurant every 3 hours (McDonald’s, 1996, 2003). In partnership with mass retailers such as Wal-Mart, Kmart and Costco, among others, fast food outlets are now located inside such stores, even in college
cafeterias. Fast food retailers are more present in urban areas than in rural ones. It has been suggested that the higher level of obesity in urban centers may have something to do with the overwhelming presence of fast food outlets (Plotnikoff et al., 2004).

Portion sizes are one of the main causes for overeating, for meals consumed within the household or outside (Penisten and Litchfield, 2004). McDonald’s has been recognized as one of the instigators of marketing strategies that supported enhanced portion sizes in the 1970s. Available data suggest that calories burned daily for a given consumer have not changed significantly since 1980. Calories consumed daily, however, have risen substantially (Cutler, Glaeser, and Shapiro, 2003). According to a recent survey, the majority of consumers eat more food when given a larger container (Wansink, 2000). Restaurants and other food providers need to smartly manage inventory, as food is more often than not perishable. Low prices and big portions have become good propositions for better inventory management, incurring less waste and increasing stock turnovers.

Some critics point out that advertising influences consumer food preferences, thereby reinforcing the biological pressures driving obesity (Anonymous, 2003; Eagle et al., 2004). In turn, many consumers claim that the food industry has mastered effective marketing strategies by adding components to food that make consumers addicted, increase fat substance, and increase appetite in order to uphold growth and profitability for food manufacturers and distributors. There is, however, no scientific support for such claims (Eagle et al., 2004). There is actually very little reason to suggest that restrictions or interdictions of food advertising would significantly influence the obesity problem (Avery, Mathios, Shanahan, and Bisogni, 1997; Eagle et al., 2004). Yet the Ontario Medical Association (2005, p. 16) has recommended that:

Governments address legislation to restrict advertising to children under 13 years of age for certain food products that are obesogenic.

Of course, it begs the question of which foods would need to be restricted from the advertising media. Moreover, the report stated: “television viewing is strongly associated with the prevalence of obesity through its impact on food intake” (p. 6). Are the good doctors also suggesting that there should be legislation to prevent people from watching too much television?

Critics of children advertising state that ads on billboards, product placements in movies, food logos in schools, splashy signs on vending machines, and ads on buses, taxis, and elsewhere contribute to favorable attitudes children have toward food, especially for unhealthy snack foods (Hermann, 2000). The integration of marketing communication strategies has allowed them to merge their resources with the media and astutely improve their image. Companies offer meals with toys and animated characters to attract children, and these do have an impact. Because of child-focused communications, McDonald’s is the leading toy distributor in the world, distributing billions of toy-related items every year. Fast-food chains get involved in charities, hospitals for children, youth events, and country fairs to increase visibility. Fast-food outlets and processed food manufacturers are highly visible in our society. They sell foods that are less than nutritious due to their high fat, high calorie and sugar content and they have been profitable over the years.
Of course, the question is not to prevent such firms from selling their products but to seek ways that would lessen health risks to children. The recent FTC hearings on the marketing responsibilities of firms in children obesity (2005, p. 101) asked that very question “What should the government and the private sector do to help make children’s diets healthier and encourage responsible marketing?” It is relatively easy to articulate the problem of obesity not only in children but in adults as well. However, proposing concrete solutions in a democratic and market-oriented economy are not so simple.

**Policy Implications**

Consumers have done exactly what the food providers have expected them to do, that is to purchase more food for less. Getting more of an important resource (food) and expending less of another (money) is both rational and logical (Brownell and Horgen, 2004). Many consumers seek foods that are more expensive only for their high nutritional values, better taste, enhanced health benefits, and favorable impact on the overall environment (Appleby et al., 2003). Therefore, availability and affordability of healthy food are factors that policymakers need to promote for future public policies that deal with obesity. Fruits and vegetables constitute an important barrier for consumers. Fruits are known to be expensive, particularly during off-season. Low-income households, on the average, are known to eat less fruits and vegetables (Ellaway and McIntyre, 1996). Consumers are often unwilling to spend more money on perishable items, when they can buy non-perishable items for less money (Maclellan et al., 2004). Parents have an interest of offering fruits and vegetables to their children but are afraid to see these go to waste if children do not consume them.

Over the years, self-regulation by the food industry has been less than successful (Seiders and Petty, 2004; Yach and Seidel Marks, 2004). Current policies have proven to be inadequate. The need for intervention is not in dispute. Educating consumers might not be the only solution. Poorly educated people still have a higher overall incidence of obesity than other groups of consumers (Buchholz, 2003). Any future food-related public policies would have to consider this reality.

Public educational programs have to deal with well-funded, powerful, and sophisticated marketing techniques from the food industry that highlight messages and images contrary to sound public policy (Yach and Seidel Marks, 2004). Countries such as Mauritius (Uusitalo, Feskens, Tuomilehto, Dowse, Haw, Fareed, Hemraj, Gareebu, Alberti, and Zimmet, 1996) with its publicly run 5-year-program on lifestyle behaviors, Finland (Puska, Pietinen, and Uusitalo, 2002) with its plan to work with the food industry in changing nutritional guidelines and distribution policies, Brazil (Coitinbo, Monteiro, and Popkin, 2002), and China (Zhai, Fu, Du, Ge, Chen, and Popkin, 2002), with their adoption of comprehensive labeling regulations, have all witnessed substantial progress.

Most marketers recognize that modern food trends such as low-carbohydrate diets, organic commodities, products containing added omega3 and whole wheat products often become fads if consumers do not enjoy the taste of new products. The
flavor and taste of new food products drives investments in the food industry. Companies will commit to long-term financial plans, like building a new plant or hiring new personnel, if a craze can be based on the assertion that consumers believe that it tastes better. Public policies that aim to promote healthier foods to consumers would have to consider this reality.

Some scholars argue that, in order to solve the obesity problem, governments and non-profit organizations must embrace social marketing, making it a means for multi-sectoral collaboration (Alcalay and Bell, 2000; Yach and Seidel Marks, 2004). The marketing literature on this subject is sparse and not inconclusive at this time. For example, a policy to tax fast food or unhealthy foods has resulted in discordant views from several marketing scholars. The definition of what constitutes an unhealthy food and the implementation of the tax is unclear and could create political ambiguity. In addition, because of the regressive nature of the food pricing structure, a new tax on unhealthy foods would burden households with less wealth.

New and effective food-related public policies warrant a multi-disciplinary approach. The Federal Trade Commission (2005) hearings showed a willingness on the part of the food industry to support experimentation and evaluation of different approaches to address the obesity problem. Obviously, there are multiple stakeholders within this industry at many levels in the supply chain. Coordination and agreements among them will be vital for the implementation of any public policy. Any new regulation will have to be harmonized with the political context in order for it to be effectively enforced (Bone and France, 2003). For example, in the Canadian province of Quebec, a consumer protection act was enacted in 1972 to ban all commercial advertising directed to children under the age of 13. However, this act has failed to regulate commercial content on radio and television stations broadcasting in Quebec but operating outside its boundaries, such as thus originating form U.S. stations. Implementation and surveillance effectiveness are critical to the success of public policy.

Conclusion

The explanation of the obesity phenomenon around the world involves realizing the complex relationship among multiple factors. Food-related public policy, such as the promotion of domestic commodities, research support, surveillance, and food safety have all contributed to the obesity problem. But as was shown in the paper, so have a number of channel drivers within the food supply chain. They have also contributed to the obesity problem. Five distinct categories of channel drivers were presented. These were (1) the transversal drivers (traceability system, commodity-based agriculture, and obesity-disease recognition); (2) farm-related drivers (farm subsidies, industrialization, civic agriculture, and commodity pricing transparency); (3) manufacturing drivers (low-cost manufacturing, diversity of goods, incorporation of unhealthy ingredients, branding, packaging, and dietary product regulations); (4) food retailing (bulk-purchasing, mass merchandising hubs, location-based strategy, in-store display strategies, private labeling, and shelf-space management); and finally (5) out-of-household consumption (packaging, food in schools, proliferation of fast
By using a channel systems perspective, the paper shows how these drivers contribute to the present obesity situation. In several countries where obesity has become an unsustainable problem, policymakers have taken into account the structure of the food industry and its channels (availability), as well as the revenues of targeted groups of consumers that are prone to be declared obese (affordability). Multiple stakeholders within the food industry support any experimentation and evaluation of future policy development that addresses obesity. Consumers always look for information, flavor, and low-priced products, and any outlook on new food-related public policies would have to consider this reality.

Future research should examine the singular impact of each channel member, focusing on developing more comprehensive models to explain the outlined factors influencing obesity. Models need be designed in conjunction with the realities of the public policy agendas, consumer trends (which have been shown to be largely driven by the marketing channel), and socio-economic demographics of a given country.

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A Political Economy of Misleading Food Marketing Practices in the U.S.

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An increasing number of consumers are seeking to lead healthier lives by eating more healthful foods. Some, however, are unknowingly consuming foods which are less healthful and wholesome than they expect. Through packaging and promotion, food marketers highlight (apparently) healthful properties of foods, while disguising or drawing attention away from the less desirable aspects. Of particular interest for this paper is the fact that such marketing practices are permissible under rules established by the relevant regulatory agency, which is subject to political influence of the food firms. That is, misleading marketing of packaged foods in the U.S. takes place in an institutional environment which has been shaped in accordance with the strategic interests of food companies. This situation represents both a market failure and a regulatory failure. The paper employs a political economy framework in order to assess the development of these market conditions.

Introduction

Among trends that have affected marketers is the increasing health-consciousness of a growing portion of the population. This trend has several marketable facets including physical fitness equipment and clubs, self-help books and videos, vitamins and supplements. For many consumers, dietary changes appear to offer a straightforward way to improve health. That is, health is the desired end result and more wholesome and healthful food choices are seen as a means to achieve that end. Individual objectives for healthy eating are varied, and may include weight loss, cardiovascular fitness, diabetes control, increased intake of nutrients, and avoidance of additives.

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among other goals. Hence a market opportunity exists to supply such foods. Among
the tens of thousands of packaged food products in a typical grocery, many display
wholesome ingredients and claim various health benefits.

In reality, the appearance of wholesomeness and healthfulness can be deceiv-
ing. For instance in one marketer’s “nutri-grain” bar, the leading ingredient is high-
fructose corn syrup (Brownell and Horgen, 2004). It might, with greater justification,
be called a sugar bar. Numerous other examples have been reported in Consumer
Reports. An orange juice marketer introduced “Light n’ Healthy,” which consists of
regular orange juice, diluted with water, supplemented with artificial sweeteners,
and sold at the same price (Consumer Reports, c). Fruit drink packages frequently
highlight fruits that are either not the main ingredient or are not present at all (Con-
sumer Reports, d). A blueberry pancake mix contained no actual blueberries but
instead had blue bits which are composed of sugar, partially hydrogenated oils, cel-
lulose gum and food coloring (Consumer Reports, d). Demand for organic foods has
grown significantly, attracting large food firms who “want to bend the rules so that
they can brand their products as organic without incurring the expenses involved in
truly living up to organic standards,” (Consumer Reports, e, p. 13). Package claims
such as “free-range” or “all natural” seem to imply a certain level of healthiness and
wholesomeness but actually have little specific meaning in terms of standards.

Trans fatty acids are a food ingredient widely used to enhance flavor and extend
shelf-life of foods. They are also regarded as particularly detrimental to health by re-
searchers because they simultaneously raise LDL (“bad”) cholesterol and lower HDL
(“good”) cholesterol. After considerable delay and resistance by food firms, trans
fatty acids are now required to be included on the standardized nutrition labels on
food packages. However, the regulations permit foods with .5 grams or less of trans
fat per serving to be listed as having 0 trans fat. This is permitted on both the nutri-
tion label and the front panel of packages, spawning a new category of “fake zero”
foods (Centre for Science in the Public Interest, 2005).

These types of misleading practices are not the actions of rogue firms at the mar-
gins of the industry, but rather are employed by large food firms that are literally
household names. The questionable practices involve giving the false impression that
certain foods are more healthful than they actually are. Such practices employed in
the marketing of foods have attracted critical notice. In recent years, a number of
editorials, articles and books have taken a stance that is critical of both food industry
practices and the oversight of the U.S. Food and Drug Administration (FDA). These
works each examine specific aspects of food marketing but do not offer an overall
picture of the market. The purpose of this paper is to assess the overall situation.
Specifically, the research examines political influence of food firms on the regulatory
decisions of the FDA and the resultant effects on food marketing practices.

**Misleading Marketing of Packaged Foods**

Consumer awareness of, and concerns about, the connection between eating habits
and health grew significantly during the 1980’s, principally due to publicity of a
variety of health-related studies. The publicity was due to news media coverage of
research results, some of which were funded by government agencies and some of which were funded by food firms themselves. Most of these studies examined the effects of a single component, such as cholesterol, on a single outcome, such as heart disease. In other words, much of the publicity could be characterized as being one-dimensional rather than a balanced approach to overall health. The news stories were rarely, if ever, placed in an overall nutritional context but rather the benefits or dangers of a single component were emphasized.

Because of the significance of the consumer trend toward health-consciousness in terms of sales and profits, food companies had a correspondingly significant motivation to understand the trend in some detail. As a result of extensive market research, food companies know that many consumers want a healthier lifestyle and that they believe healthful foods to be a part of that lifestyle (Porter and Earl, 1990). Many consumers are inclined to believe that “natural” foods such as whole grains, fruits and vegetables are healthful and that specific food components such as sodium, fat, calories and cholesterol may be harmful.

Also as a result of research, food companies know what people like to eat. Humans like the taste of fat, salt and sugar because evolution has shaped us in that way. These inherent tastes conferred evolutionary fitness at a time when those items were scarce, but the taste preference is retained although these dietary components are by no means scarce today. Porter and Earl (1990) note the intensive use of marketing research by food companies and its connection to the “selling of health.” Unhealthful foods taste good, are convenient and sell well (Brownell and Horgen, 2004).

Experimental evidence indicates that subjects viewing only the front panel of food packages rate the foods as more healthful than when they also examine the nutrition label on the back or side. However surveys show that only 25-33% of consumers use the nutrition labels to assess packaged foods (Derby and Levy, 2001). Lower income individuals have been found to rely more heavily on front panels and are corresponding more vulnerable to misinformation. Experiments also show that even in the absence of time constraints, the presence of a front panel health claim reduces the likelihood that consumers will check the nutrition label (Derby and Levy, 2001).

**Food Marketing**

In the mid-1980’s, food companies promoting one-sided health claims for their products found that they achieved notable sales gains (Derby and Levy, 2001). In other words, food marketing strategies mirrored nutritional research in being one-sided rather than balanced. This was followed by a proliferation of food packages with one-sided health claims by the late 1980’s. New products continue to play an important role in food firms’ strategies and many new foods are targeted to health-conscious consumers (Porter and Earl, 1990). Many of these products are marketed with unbalanced health claims.

How to combine the disparate consumer wants of health and taste? Market foods that appear to have enhanced healthfulness but do not. Health sells, but fat, salt and sugar generate repeat business (Brownell and Horgen, 2004). This is done by highlighting a healthful property of the food without a balancing indication of the
less healthful aspects such as high levels of salt or sugar or fat (Porter and Earl, 1990). Food packages may proclaim low sodium while having high levels of fat, or reduced fat while having high levels of sugar. Many consumers who limit fat intake with the intention of losing weight actually gain weight because their overall caloric intake has risen (Derby and Levy, 2001).

Highlighting one-sided health aspects without a balancing promotion of less desirable aspects is permissible in the U.S. and is commonly done. Other problematic activities include the practice of prominently labeling foods as being cholesterol-free, despite the fact that the type of food doesn’t normally contain cholesterol (Porter and Earl, 1990). More recent instances of this particular form of misleading marketing focus on low carbohydrates. Misleading marketing with respect to health is sufficiently common that some authors refer to it by umbrella terms such as healthy-seeming (Brownell and Horgen, 2004) and healthful-sounding (Consumer Reports, a). These are among the food marketing practices which some observers believe border on the deceptive (Porter and Earl, 1990). Others simply call them as deceptive, without qualification (e.g. Brownell and Horgen, 2004). Whether it does or does not cross that border, many would describe these practices as being of questionable ethics. This is also an instance of market failure.

**Market Failure and Regulatory Failure**

With respect to food labeling, the market failure in question concerns information. Consumers intend to make healthful choices, believe they have done so, but in fact have not. They have been mislead by the labeling and positioning of the foods. This is an information asymmetry in which the seller knows more about the contents than the consumer (Harris and Carman, 1983). The primary avenue of solution to market failure of this type is regulatory intervention with the aim of reducing the asymmetry (Harris and Carman, 1984). For packaged foods in the U.S., this was done many years ago in the form of the U.S. Food and Drug Administration (FDA). Misleading labeling is addressed specifically in the Food, Drug and Cosmetic Act of 1938. Requiring a nutrition label is an example of a message remedy intended to increase consumer information about packaged foods (Moorman, 2001).

Under FDA rules, all of the examples of misleading marketing noted above were permissible at the time they occurred, and most still are. Thus the situation may be regarded as a market failure, compounded by regulatory failure. Carman and Harris (1986) find two basic sources of regulatory failure: design failure and implementation failure. First, regulatory attempts to remediate market failures due to information asymmetry are subject to design problems because of consumers' limited information processing and also the possibility of information overload. Second, implementation problems may stem from a divergence between agency employees' individual goals and the original regulatory objectives, or may stem from the agency's dependence on the industry for data, analysis or expertise. In the case of food labeling, the regulatory failure is not clearly a design or implementation failure, but seems to involve elements of both.

However, to suggest that some tweaking of design or implementation would rem-
edy this problem would be to underestimate the essential complexity of the situation. One limitation of most conceptualizations of market failure is that they generally focus attention on the market actors’ roles as transaction parties. That is, buyers and sellers are viewed as pursuing their interests within the context of a market; if this playing field becomes unlevel, a regulatory solution is seen as rebalancing the field of transactions. However in the food industry, as well as other industries, much of the action takes place away from the market, per se. Sellers, in particular, have strategic interests and may seek to condition the transactions by influencing actors or factors outside the market. Hence the evaluation of market failure due to misleading food labeling would be facilitated by a broader examination of activities, including activities beyond the food market itself.

Political Economy

Food firms not only compete with one another for sales, they fund research, form associations, undertake political lobbying and engage in public relations campaigns. The question is how to assess this combination of economic and non-economic activities simultaneously. The question is how to assess this combination of transactional and non-transactional activities simultaneously. Several features of the situation suggest that the political economy framework may be productive in the analysis. The political economy approach looks at economic transactions within the context of their associated control systems, which affect conditions of transaction (Arndt, 1981). Analysis of the control system constitutes the political dimension of political economy and focuses on attempts to influence the terms and conditions under which economic transactions take place. Important aspects include relationships, legitimacy, power, conflict, bargaining and influence. The aim of this approach is to assess the performance of markets in terms of the goals of the stakeholders (Arndt, 1981). The political economy approach brings this situation into clearer perspective by joining political assessment with economic assessment. Thus the overall objective of political economy analysis is similar to the failures frameworks (i.e., assessment of market performance) but is more focused on understanding how markets get to be the way they are.

In the case of food marketing, three aspects of political economy are of central interest. First, a network of relationships exists between interested actors, including non-transactional parties as well as transaction parties (Hutt, Mokwa, and Shapiro, 1986). Second, the ability to manage favorable network relationships and obtain desired outcomes are salient to network actors. Hence, legitimacy is an important consideration for these ends (Arndt, 1983). Third, goal conflict among the parties is a prominent feature of the political economy (Arndt, 1981). Thus power and influence are important objectives in the political dimension of political economy, so as to condition the economic dimension.

The argument advanced here is that these non-transactional elements are necessary to a more complete evaluation of regulatory failure in food labeling. The market for food is embedded in a larger political economy, in which the polity has a role in setting the conditions of transaction. Actors form networks; legitimacy is important
to all actors; actors and networks seek the power to influence outcomes. The three elements serve as a framework for the following analysis.

**Network of Relationships**

When nontransacting parties are included with transacting parties, the result is a nexus of relationships which develop over time. The actors in this network naturally represent varied interests and have different goals in their relationships. Hutt, Mokwa and Shapiro (1986) refer to this network as the *parallel political marketplace*, which is distinct from the set of economic or transactional activities. Others refer to the network as the *external polity* (Stern and Reve, 1980), or simply as the *polity* (Arndt, 1981).

The actors in this network typically include firms, trade associations, customers, consumer advocacy groups, regulatory agencies, and other governmental branches (Hutt et al., 1986). In food marketing, these actors play their expected roles. The food polity also has roles for industry-specific actors: nutrition researchers and the media which communicate their findings. In the book Food Politics, Marion Nestle (2002) examines the food industry's relationship with researchers, regulators and legislators, and the resultant impact on food markets. Food firms compete energetically with one another but recognize significant common interests which are represented by trade associations. Trade associations are the principal lobbying arm of the food industry and are active in lobbying the executive branch as well as state and federal legislatures.

Consumers' interest in healthy and wholesome foods is highly varied, as is their ability to avoid being mislead by food marketing tactics. The present paper is concerned with those consumers who are interested in healthy and wholesome foods and who are also subject to being mislead. Consumer advocacy groups, such as the Center for Science in the Public Interest, represent consumer interests in healthy eating, but with a level of financial resources far lower than firms or trade associations.

In the food industry, health researchers examine links between foods (or food components) and health outcomes. The media, of course, play an important role in disseminating researchers' findings to the public. Both the associations and individual firms sponsor research on nutrition, with the result that many nutritionists receive significant support from these sources and are consequently disinclined to engage in lines of research that would reflect negatively on food companies (Nestle, 2002).

The FDA receives input from firms, trade associations and consumer advocacy groups, as well as, notably, from political sources. These include both the executive branch and the legislative branch (Nestle, 2002). The top managers of the agency are political appointees, many with previous ties to food companies. The role of career interests of agency employees in regulatory failure was noted by Carman and Harris (1986). The FDA is impacted by lobbying efforts of the food industry, both directly on the FDA and indirectly through Congress. The result is a politicized decision-making environment which has generated skepticism about whose interests the FDA is protecting.

In this parallel political marketplace, it seems that considerable energy and fund-
ing are arrayed on the side of the sellers, with less on the side of consumers. Certainly many FDA staffers and at least some legislative and administration personnel take consumer interest seriously. But consumers themselves, as well as their supporters, have interests in a wide variety of products and issues. Food marketers, on the other hand, have a full-time and highly focused interest in the food market. Their perspective is long-term and their orientation is not only active, but proactive in the political economy of food.

**Legitimacy**

The perception of legitimacy is critically important to the exercise of influence in the political economy (Arndt, 1981). This is particularly true of an industry with direct impacts on public health. The desire to be profitable and the desire for a positive public image sets up a paradox for food companies, because unhealthful foods are highly profitable (Brownell and Horgen, 2004). Food firms are very image-conscious and are quite aware of the tensions between serving consumer interests and stockholder interests (Nestle, 2002). As a result, publicity has become a more prominent element of food marketers’ strategy. Food firms make high-profile announcements of initiatives to reduce portion sizes, cut fat and calories, and promote healthy eating, particularly among children (Anonymous, 2003b). However, some observers see considerable self-interest behind these pronouncements. One reaction to a major food company’s announcement of a health initiative was that it constituted “... an opening salvo in a PR offensive aimed more at preserving the company’s lucrative snack food business than revamping it,” (Anonymous, 2003a). Three months later, and with much less fanfare, the same firm increased the packaged amount (hence the calories, fat and salt) of a popular after-school snack by 50% (Consumer Reports, b).

Communications media also play an important role in food firm’s image management. Because food is linked with health, a wholesome image is, of course, necessary in terms of consumer perceptions. However, the political economy approach indicates an additional and highly salient concern for image. The power to influence outcomes in the parallel political marketplace depends, in part, on legitimacy in the eyes of other actors (Arndt, 1983). The ability to influence the FDA, the legislative, and the executive branches depend upon perceptions of legitimacy, as does the ability to maintain positive working relationships with health researchers.

**Power and Influence**

Information is a source of power in the parallel political marketplace (Hutt et al., 1986). Food firms employ two forms of research in order to influence two types of actors. Market research is used to understand how consumers perceive information on packages and thus to design packaging that misleads consumers. In other words, the information asymmetry at the heart of the market failure is not a matter of happenstance but rather the result of systematic study by firms. The other form of research is health research. Sponsored health research and internal expertise give
firms access to a wealth of information on the health effects of food. This information gives food firms leverage in negotiating with the FDA and the power of an authoritative position in influencing politicians. Of interest here is the fact that much of the health research performed by independent researchers is funded by food firms, and it is widespread (Nestle, 2002).

At the same time, this research compounds the information asymmetry with consumers: the net result of single-issue studies and conflicting findings is consumer confusion. There is significant variability among consumers as to their level of knowledge about health issues and information about products. Surveys indicate that consumers are interested in health and nutrition but are often confused by conflicting information and ambiguous guidelines (Nestle, 2002). Food firms’ exercise of influence in the polity is facilitated by a lack of clear and understandable information: “The food industry’s marketing imperatives principally concern four factors: taste, cost, convenience and...public confusion,” (Nestle, 2002, p. 16). The food industry employs lobbying, advertising and public relations to convince lawmakers as well as the general public that the science relating to healthy diet is both confusing and contradictory (Nestle, 2002).

That misleading or one-sided marketing of foods is legal in the U.S. is the result of substantial lobbying efforts by food firms on Congress and continual pressure on the FDA. Efforts by food industry lobbyists have delayed promulgation of dietary guides such as the food pyramid and nutrition labels and have blocked the FDA from requiring proof of efficacy for additives and supplements. Arndt (1981) viewed corporate lobbying as a growing influence, and as a perversion of control systems. As a result of industry lobbying on the administration and Congress, dietary guidelines from governmental sources are a compromise between science and what is good for the food industry (Nestle, 2002). Lobbying by large food firms to weaken rules for organic labeling began at the time such rules were proposed (Consumer Reports, e). Overall, food industry lobbyists have had a significant impact in shaping the regulations which apply to them. Food firms have long been active in initiating litigation to prevent regulatory ruling which they perceive as impairing their interests. More recently food firms have joined restaurant chains to lobby state legislatures for immunity from obesity lawsuits. As a result, over twenty states have enacted such legislation, and eleven other legislatures are considering similar laws (Warner, 2005).

Nestle summarizes her examination of food politics as follows:

We have seen how the food industry uses lobbying, lawsuits, financial contributions, public relations, advertising, partnerships and alliances, philanthropy, threats and biased information to convince Congress, federal agencies, nutrition and health professionals, and the public that the science relating diet to health is so confusing that they need not worry about diets: when it comes to diets, anything goes, (2002, p. 358).

Clearly this is not a statement about transactions; this is a statement about the parallel political marketplace. In the case of packaged foods, regulatory failure did not happen by itself and is not the result of ineptness by low-level bureaucrats or staff scientists. The political economy perspective brings into focus an active, well thought-out and well funded strategy by food companies to mislead consumers
and to manipulate the regulatory environment. In this case regulatory failure is the result of planned and energetic efforts by food firms to further the interests of their managers and shareholders.

**Discussion and Conclusion**

In the case of food marketing, regulatory failure is not a simple result of poor design or implementation of regulation. Firms which are nominally the object of regulation have managed to condition transactions in the food market in ways compatible with shareholder interests. The political economy approach brings this situation into clear perspective by joining political assessment with economic assessment. Taking a pragmatic approach, political economy does not view regulators as idealized upholders of the public good. Instead, a regulatory agency is seen as a complex political structure which is subject to conflicting interests and actions (Hutt et al., 1986). Design and implementation of regulatory intervention should take this point into consideration.

That food marketers have attempted to control the rules of the food market is in no way surprising. Firms' interests are directly impacted by regulatory agencies, consequently firms' strategies must be oriented with an eye toward these impacts. This is part and parcel of the political economy perspective: “Thus, the development of proactive rather than reactive marketing strategies rests on an understanding of the nature of exchange dynamics within the parallel political marketplace,” (Hutt et al., 1986, p. 42). The key word in assessing regulatory failure is proactive. Food firms have indeed been proactive, while actors in the consumer interest have mainly been reactive.

In the end two interrelated questions remain and will be addressed, albeit somewhat briefly. The first concerns generalizability. Application of the political economy framework to regulatory failure appears to generalize beyond the food industry because the influence of regulated firms on their regulators seems to extend well beyond food marketing. The analysis seems quite applicable to the pharmaceutical industry that is also regulated by the FDA. The case of food marketing is hardly unique in terms of lobbying, lawsuits, public relations and public relations in the context of a regulated industry. Therefore, complete assessment of market performance should not be limited to an evaluation of transactions but should extend to the shaping of the conditions for transaction.

The second issue is remediation. If indeed it is the case that many firms are able to exercise substantive influence over their regulators, then questions must arise as to the rights of firms to exercise political power in affecting regulations. In the economy dimension of political economy, the superior right of consumer interests is known as the principle of consumer sovereignty. Impairment of consumer sovereignty is market failure; the remaining question involves rights in the parallel political marketplace. In the political dimension, does the consumer — as citizen — also have superior rights? In the U.S. corporations are accorded many rights in the political realm, however the exercise of these rights in influencing regulatory agencies undermines the ideal of consumer sovereignty in the economic realm. Can regulatory failure be realistically avoided where firms combine political rights with substantial financial resources?
This is not far from questioning whether firms should exercise proactive political rights at all. An interesting question, but well beyond the scope of the present paper.

References


From Pitchfork to Table Fork: A Look at How Food Marketing Channels are Changing

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The seminal work by Charles Slater in the 1960s indicates that food marketing issues are central to macromarketing. We are seeing unprecedented change in the global food marketing system. Changes in all phases of food marketing channels represent both threats and profit enhancing opportunities for: producers, food processors, vendors, wholesalers, retailers, and consumers; essentially all stakeholders of the food marketing system. This presentation will identify some of the most significant changes that are occurring throughout the entire food marketing channel. More specifically, it will identify characteristics, operating practices, and performance measures for leading firms at each level of the supply chain, with obvious implications for all of us who are dependent upon an efficient and effective food marketing system.

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Organised marketing schemes designed to facilitate bulk supply of meat from Australasia to the United Kingdom had an enduring impact on the ability of Australian and New Zealand red meat industries to achieve desired value outcomes. Previous studies examining these relationships take a short-term perspective and focus on the similarities. In doing so they overlook marked variations in forms of organised marketing, features of the marketing infrastructure, product quality and value outcomes such as prices received and market share. This paper takes a longer historical perspective to examine the impacts on value delivery over three distinct periods — before World War Two (1880-1938), during the war (1939-1945), and the immediate post-war period (1946-1957). The findings demonstrate that, unlike Australia, organised marketing of New Zealand meat especially lamb, secured many aspired goals. This was linked to greater cohesion of participants’ interests, dependency on the UK market, and centralisation of control over marketing activities.

Introduction and Background

Throughout the Second World War Australia and New Zealand provided vital supplies of meat to the UK under bulk purchase agreements. As dominions of the Com-

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monwealth both countries received preferential access to UK markets. Analysis of the similarities between the two countries and their relationship to the UK at this level overlooks marked differences in their meat marketing systems. In doing so this conceals how variations in organised marketing affected their ability to deliver value to consumers embodied in meat products. Impacts of these arrangements were visible both during the war and in the post-war period when long-term contracts were renegotiated. Forms of organised meat marketing in Australasia prior to the war and the change and continuities of approaches during and after the war exhibit differing patterns and outcomes. These patterns had an enduring impact on the present day organisation of these two agri-food marketing systems. To show how these differences affected the forms of value delivered, this paper first disentangles and then contrasts the varied forms of organised marketing of Australasian meat products over the period the UK was the largest single buyer — the World War Two era. As Mintz (1995, p. 8) argues, during war “there can occur at the same time terrible disorganization and (some would say) terrible organization”. Many scholars select the period after World War Two as the starting point of their analysis of organised food marketing. However, the arrangements devised during the Second World War and the precipitating conditions were influential in moulding the configuration of modern food marketing systems generally, and Australasian meat marketing specifically.

The geographical proximity of Australia and New Zealand and the high proportion of agri-food products they export often lead to comparisons between them. Whereas Australia became specialised in farming beef cattle, New Zealand attained a worldwide reputation for prime lamb. Australia is the second largest beef exporter in the world with sales of $3.6 billion or 19.87 per cent of world exports in 2002-03 (Meat and Livestock Australia, 2003; USDA, 2004). New Zealand is the world’s largest sheepmeat exporter with sales of $2.3 billion in 2002-03. This constitutes 47 per cent of total world exports (Meat and Wool New Zealand, 2004a). The vast majority of these exports is lamb, which account for 80 per cent of volume (New Zealand Ministry of Agriculture and Forestry, 2004). However, as a small proportion of global beef and sheepmeat production enters world trade, these exports represent a small proportion of total world output, accounting for only 4 per cent and 4.1 per cent per cent respectively (HSBC, 2004; Meat and Wool New Zealand, 2004a). Australia also exports 58 per cent of its total sheepmeat worth about $1 billion in 2002-03, and New Zealand 83 per cent of its beef, worth $1.6 billion annually (Meat and Livestock Australia, 2003; Meat and Wool New Zealand, 2004a). Both nations depend on and compete for a share of the global meat market.

Yet, the composition of these exports and their image and reputation in the global marketplace varies indicating different value outcomes. Australia’s beef exports comprise of mainly manufacturing quality meat shipped to Japan and North America, consistent with its reputation as a third rate commodity supplier to mass markets. New Zealand’s lamb has attained a superior reputation for quality in its major markets. In the EU and the US, the product competes in retail outlets against subsidised domestic product. As a niche product, chilled portion-controlled New Zealand lamb attracts a price premium in the prized first class hotel, restaurant, and food service trade in the UK (Clemens and Babcock, 2004). Meanwhile, in the higher volume supermarket trade, New Zealand supplies lower quality and less valued cuts like lamb.
shanks for use in value added pre-cooked and ready-to-cook meals. British consumers rate this imported product highly, built upon extensive exposure to and awareness of the product created through promotion featuring the recognisable rosette, or quality mark (Meat and Livestock Australia, 2003).

To comprehend the factors that have contributed to the differences in outcomes, attention is directed to the organisation of these meat marketing systems, which underpin the delivery of value in the form of meat products. Differences that still exist are linked to this critical period. While both nations faced similar conditions each took different approaches to organise their meat marketing systems, to perform marketing functions and to forge relationships with their UK buyers. To account for these differences, this paper is divided into three sections. In the first section, concepts of value and forms of organised marketing of agri-food products are reviewed to form the basis for comparing the two approaches. In the second section, the two meat marketing systems are compared. In the third section, conclusions about the differences in organisation and impacts on value delivery are offered reflecting on the implications drawn from this research.

The Delivery of Value in Meat Marketing Systems

Meat’s utility, or value-in-use, is obtained through consumption. The process of creating and distributing this value through to end consumers takes place in a food marketing system defined by Kaynak (1986, p. 5) as: “[the] primary mechanism for co-ordinating production, distribution and consumption activities in the food chain”. In this context, marketing includes the exchange activities associated with the transfer of property rights to commodities, the physical handling of products and the institutional arrangements for facilitating these activities. As sub-systems of a meat marketing system, meat value chains are the operational units that deliver value and consist of sets of interdependent participants — producers, processors, traders, retailers and marketing boards — which each perform necessary marketing functions and related tasks. Coordinating flows of inputs across agri-food value chains involves three types of functions — exchange, physical, and facilitating functions (Clark and Clark, 1947; Kohls and Uhl, 1998). First, there are exchange functions that involve negotiating, buying, selling and arbitrage. Next, there are physical functions that include transport, storage and processing. Finally, there are facilitating functions that include standardization, financial and risk services, market information and research. These functions bridge gaps in time, place, form and possession utility between producers and consumers. Responsibility for and control of these functions is influenced by participants’ resource capabilities, willingness to commit resources, and the system’s environmental constraints (Kaynak, 1986; Pfeffer and Salancik, 1978). Where they lack resources participants obtain them from external providers. As a trade-off for access to resources they might sacrifice control of marketing functions to external providers. The next section reviews the literature related to forms of organised marketing schemes, with emphasis on the case of Australasian agri-food products.
Organisation and Coordination of Marketing Agri-food Products in Australasia

To overcome resource deficiencies and loss of control over marketing activities, participants can pool their resources as part of organised marketing schemes. Instead of acting alone similar groups of participants, like producers, gain bargaining power vis-à-vis other elements of the meat value chain through cooperation. The type of scheme directly relates to the participants involved, objectives of the scheme, methods of performing marketing functions, and contribution of resources and allocation of returns. Involvement can be voluntary, or compulsory in the case of a statutory marketing board. Both require proper expertise as well as the cooperation and support of members to succeed (Morey, 1959). Common aims are to: a) improve and standardise quality, b) minimise costs, c) maximise returns, d) stabilise the flow of produce to market, e) stabilise prices and rural income, and f) increase demand (Fleming, 1999; Morey, 1959). These goals attempt to reduce or eliminate uncertainty along the chain. Organisations usually named marketing boards and growers' committees can be directly involved in performing marketing functions, outsource them, or merely serve a regulatory or supervisory role. Australia's first organised marketing schemes were voluntary and focused on supervising internal trade, but were soon joined or replaced by statutory control (Morey, 1959). Voluntary rural cooperatives also formed, but were less common in Australia than in New Zealand. At a broader level the Empire Marketing Board operated between 1926 and 1932 to promote sales of empire goods in the UK and to stimulate output and trade in the empire. Another feature of British imperialism was centralised procurement of foodstuffs.

In generalising about the shaping of dominion's agri-food marketing systems, Leubuscher (1956, p. 9) argued that wartime conditions had a lasting influence on the “organisation and direction of their export trade”. Such a bald assertion is subject to empirical assessment and refinement in light of contradictory evidence. While it is possible to find long-term continuity in some wartime arrangements, short to medium-term effects are more readily discernable. Prior studies of support policies and the administration of marketing Australasian produce in the UK have been limited to a short-term economic perspective (e.g. Capie, 1978; Fleming, 1999). Consequently a limited range of criteria, like efficiency, is used to assess contributions of organised marketing. Judged in terms of volume or costs of production alone differences in value outcomes, like quality of produce and adaptiveness to changing preferences cannot be determined. Other contributions have not directly compared approaches to organised marketing during distinct periods of trading relationships (i.e. Crawford, McDonald, Dowsett, and Williams, 1954). This study seeks to target this gap by asking: how did organised marketing of meat differ in Australia and New Zealand during the World War Two era? In turn, what variations in value outcomes resulted? The next section compares the two countries’ meat marketing systems and locates the overlooked changes and continuities during this era to answer these questions.
Organised Marketing Of Meat in Australasia

Developments up to World War Two (1880-1938)

As soon as long-distance refrigerated shipping was feasible in the early 1880s, Australasia entered the overseas trade in frozen carcass meat, sending the first commercial shipments to UK markets. Australia's first consignments were unprofitable (Blainey, 1966). New Zealand fared better. Within two weeks of arrival their first delivery was sold for twice the value that was offered at home (Meat and Wool New Zealand, 2004b). Exports of frozen meat to Britain fluctuated, but gradually expanded. Trade peaked during temporary periods of local shortage coinciding with higher overseas prices. Although meat imported from the colonies did not compete directly with locally killed butcher's meat, New Zealand soon outpaced Australia in prices received for frozen lamb. While Australian lamb was held in higher esteem than Argentine supplies, frozen beef, mostly originating from Queensland, was placed at the bottom of the market (Duncan, 1959, 1962). Low prices reflected substandard quality and by the mid 1920s customers were confined to institutional buyers — the armed forces, hospitals and prisons.

New Zealand, on the other hand, established a reputation as the preferred supplier of frozen lamb imported into the UK (Capie, 1978). As a product, frozen lamb was judged superior to frozen mutton and beef “on account of its excellent eating qualities” (Critchell and Raymond, 1912, p. 206). Compared to Australia, New Zealand’s progress in cultivating the UK markets was “fairly uniform and uninterrupted” (Critchell and Raymond, 1912, p. 257). From 1885 to 1900, New Zealand was the UK's largest supplier of imported frozen meat (Critchell and Raymond, 1912). Improvements in each coordination mechanism that supported New Zealand's meat marketing system underpinned this. Whereas Australia lacked a scheme for grading beef, New Zealand exporters were respected in the UK for their schemes which provided a recognised basis of quality (Critchell and Raymond, 1912). Operation of an effective grading scheme was imperative to the functioning of the meat export trade. Control of exporting was more direct and concentrated in New Zealand than Australia. Australian farmers and processors relied on middlemen like stock and station agents and financiers to handle their consignments. A small number of large processing companies controlled shipments from New Zealand. Specialist intermediaries offered export marketing services, particularly to small operators that processed animals under contract for farmers (Curtis and Reveley, 2001). Some of the larger firms opened offices in the UK to provide in-market representation and support. Unlike the harsh environmental conditions of beef cattle raising in Queensland, New Zealand’s lush natural pastures were conducive to producing a high quality product. Australia’s meat industry, like their UK buyers were not oblivious to low quality and inconsistency of supply. But, despite several official inquires in the early 1900s, little action was taken to resolve the problems contributing to poor quality.

By the time Australasia faced the collapse of the UK meat market in 1921 the pressure for stability, especially from farmers, was palpable. To protect the interests of farmers who depended on overseas markets the New Zealand Meat Producers' Board (MPB) was constituted in 1922 as the world’s first export control board (Capie,
This statutory marketing authority held substantial control over export marketing from the farm-gate to sale overseas. Its main aims were to reduce costs, increase demand and maximise producer returns (Capie, 1978). Importantly, the board managed all aspects of shipping. Acting as the single buyer of freight space, charges were contained and access was equalised for all exporters (Curtis, 1999). Rates for shipping New Zealand lamb fell more than for Australian meat (Fleming, 1999). A system of licensing meat processors, that limited their buying power and maximised the variety of outlets to market cattle, also curbed the domination of foreign owned firms. Through this open door policy farmers retained the ability to market their cattle to a range of buyers and to sell their produce overseas on consignment. This contrasted with Australia's processing sector with consistently high levels of foreign ownership, particularly in Queensland (Beever, 1967; Cutler, 1976). At the same time, the Australian Meat Council (AMC) formed, but disbanded after less than four years as lack of producer support led to liquidation. AMC Chairman expressed the need for organised marketing: The nature of the industry obviously makes it impossible for individuals to effectively advertise our meat overseas successfully or to perform some other important functions, without the performing of which the industry and those engaged in it cannot prosper. We must therefore have a system of co-operation to do these things, which are a business necessity (Committee on Meat Industry Encouragement Bill, 1924, p. 724).

Despite disunity and apathy, the Australian government persisted with its policy against direct intervention or control, but it was quite willing to grant financial assistance to members provided they organise voluntarily. After five national conferences spanning eight years, Australia’s beef marketing system lacked a central coordinating authority to define and target markets and to align production with forecast export sales. Rather, the trade was treated as a “variable residuum over and above local seasonal requirements” (Windett, 1933, p. 70). By 1926, Australia held a small slice, 5 per cent, of the UK’s total meat imports by value or 10 per cent by volume (British Economic Mission, 1929). New Zealand supplied 16.5 per cent, with the majority (63.6 per cent) from Argentina (Capie, 1978). While it is impossible to attribute New Zealand’s rise in share of the UK’s lamb imports in value terms to the effectiveness of the board’s in-market promotions, it did increase from 18 per cent in 1921 to more than 30 per cent in 1932 (Fleming, 1999).

Opportunity to enrich trade with the UK was granted at the Ottawa conference in 1932. Following these negotiations, Britain agreed to retain unrestricted, duty-free access for dominion meat, but imposed quotas and later tariffs on beef imported from outside the Commonwealth. These measures shielded Australia and New Zealand from Argentine competition. Even though the UK was a vital market for Australian meat, it depended less on the agreement than New Zealand meat producers. Throughout its development New Zealand’s sheep industry relied heavily upon the UK market, which accepted more than 95 per cent of the nation’s frozen meat exports between the 1920s and the mid 1950s (Department of Statistics various years). Australia did not realise the intended benefits of the agreement since it supplied only frozen beef — a product that was almost eliminated from the retail trade a decade earlier. Prices in London for frozen beef remained depressed until 1937 (Duncan, 1962). The security of an assured market removed incentive for Australian
beef producers and processors to enhance quality.

As a caveat of the agreement, Australia was obligated to establish a Meat Board that would work in tandem with the Empire Meat Council to regulate meat supplies. The Australian Meat Board (AMB) was created in 1936. Cattle producers dominated the board, but it failed to capture wider grassroots support of conscripted levy paying members. Cattle producers resisted out of fear they would lose their independence if control were transferred to a central body. Further, the varied and competing interests of different segments of the Australian meat industry, unlike the MPB, evaded consensus that was needed to address the meat marketing system’s underlying weaknesses. The AMB also lacked the power to tackle the domestic trade or negotiate directly with the British government. Through its export licensing powers the AMB could determine the flow of meat to overseas markets and assign space on particular vessels (Duncan, 1959). In effect this made it easier to respond to changes in quantities demanded and did not ensure regularity of supply to the UK. New Zealand’s MPB also regulated shipping to avoid gluts overseas. Cognisant of their vulnerability to likely shipping constraints leading up to the war, both countries expanded refrigerated storage facilities (Ross, 1954).

**World War Two (1939-1945)**

War commanded centralised control of marketing Australasian meat. To this end, “mass marketing was to replace individual enterprise” as Britain agreed to absorb as much of the meat surplus as shipping would permit. Both countries entered long-term contracts with Britain at for the purchase of their entire meat surpluses the outbreak of war (Butlin and Schedvin, 1955; Ross, 1954). Administration of meat procurement and sales to the UK was transferred to agencies within the dominion governments. Under the direction of the Department of Commerce, the AMB and six subsidiary State councils were given control of overseas sales, export licensing and shipping. The AMB also acted as the principle in contract negotiations with the UK government (Butlin, Barnard, and Pincus, 1982). In New Zealand, the purposely created Primary Products Marketing Department assumed much of the responsibility of the MPB which played a secondary role representing the interests of producers (Ross, 1954). The Export Division was charged with accounting and shipping functions as part of managing sales to the UK. Organising export marketing in this way minimised the disturbances caused by war and homogenised the methods of diverse enterprises that contributed to the overseas meat trade.

Since New Zealand exported 95 per cent of its lamb and 53 per cent of its mutton, the terms and conditions of any purchase agreement affected the sustainability of their meat marketing system. Through skilful negotiation prices were guaranteed throughout the war and a year afterwards. Amounts received under contract with Britain exceeded the schedule of prices set by the MPB as reasonable returns for farmers. Rather than passing the rise on to producers, surplus amounts were retained in meat reserve accounts as a term of the contract. These accounts, the Meat Pool Account and the Meat Industry Stabilisation Account, were innovative pooling mechanisms designed to offer a reserve or buffer if prices receded. Under the con-
tract’s liberal schedule prices consistently increased and reserves grew. During the war the price of lamb paid by the works rose by 26 per cent and farmers shifted to fat lamb production. Encouraged by higher prices at the farm gate and from overseas the average volume of sheepmeat processed for export rose from 271,000 tons prior to the war to 344,000 tons (27 per cent) over the 1939-47 seasons. Domestic retail prices were controlled by rationing meat through a coupon system and annual consumption fell from 225 to 200 pounds per capita (Ross, 1954).

Although less dependent upon overseas markets than New Zealand, the majority (94 per cent) of Australian meat exports were destined for UK markets (Crawford et al., 1954). Consequently, allocation of meat supplies between local civilian consumers, UK civilians and the allied armed forces was fraught with tension. In the early stages of war, administrators were anxious that huge meat surpluses would not be disposed of. As one State Minister for Agriculture expressed in 1940, “if we increase our activities in primary production, we shall have to face the problem of disposing of the products. Marketing is a bigger problem than production” (Crawford et al., 1954, p. 28). But as orders increased in the later stages of war, production could not keep pace. Strain on consumption was heightened given full employment of the civilian population with a higher disposable income and demand for beef. To remedy the growing shortage, a Meat Controller was appointed in late 1942 and coupon rationing began in January 1944 (Butlin, 1977). Even though rationing did not greatly reduce total consumption it dealt a psychological blow to a nation of red meat eaters. Attempts to control prices were futile due to beef’s seasonality. Prices on the hoof were averse to control, rising by 50 per cent from August 1939 to April 1940 (Butlin, 1977).

Outside domestic marketing arrangements, the rerouting of refrigerated shipping to serve the South American route in late 1941 threatened outlets for Australasian meat. Both countries employed similar methods to respond to the crisis. Alternative ways of preserving meat were applied and supplies were also diverted to the US forces stationed in the Pacific. Canning and dehydration of meat was boosted through the expansion of preserving facilities. Boning-out of beef and the lesser known practice of telescoping carcasses were also used to save cargo space (Ross, 1954). Quantities of Australian canned meat grew by more than four times pre-war production levels in 1943-1944 (Crawford et al., 1954). Canning capacity in New Zealand was expanded and control was centralised with the appointment of the manager of the largest cannery to oversee all operations. Canned meat production rose by five times pre-war levels (Ross, 1954).

Even though Britain agreed to accept surplus stocks of frozen ewe mutton, a lower class of meat, in 1940, British buyers in the Ministry of Food sought lamb from New Zealand. Exports peaked at 182,000 tons in 1942 (Ross, 1954). Beef was the primary meat exported from Australia; most in frozen carcass form with a growing proportion of processed types (Butlin and Schedvin, 1955). Centralised government control of marketing Australian beef further constrained its progression towards delivering higher value meat products. Rather than investing in the marketing infrastructure to enhance the flow of product from points of production to consumption, participants in Australia’s beef industry focused on increasing production. As a result, they did not develop the internal capabilities to learn about and respond to consumer preferences,
or to deliver added value meat products. War brought peculiar opportunities for product innovation to cater for the peculiar tastes of the US forces. Nevertheless, consumer preference, locally and abroad, remained for fresh meat (Axelsen, 1968).

Post World War Two (1946-1957)

As the transition from war to post-war began the pre-war surplus-commodity mindset resurfaced evoking the “same reaction of market uncertainty among producers” (Crawford et al., 1954, p. 175). Attention shifted to secure long-term, bulk supply agreements with the UK. Both countries formalised an initial 4-year contract in 1944 that was renegotiated and extended to 1950 for Australia and 1955 for New Zealand (Leubuscher, 1956). While the objective of the agreements was shared, their terms and conditions varied. This related partly to the different nature of dependency on the UK market and the reorganisation of marketing functions. Continuity of bulk purchasing was driven by the need to assure supply of scarce foodstuffs to Britain and to develop dominion economies.

Coordination and control of meat marketing functions varied across the Tasman. In New Zealand, at a conference of meat producers and government officials, it was decided that marketing control should revert to the MPB in 1948, as an agent of the government. The scope of its powers was narrower than those pre-war and the government kept close watch on the board’s negotiations with Britain to ensure reasonable prices were received by farmers (Ross, 1954). Due to the apparent stability of markets afforded by the agreement, limited planning was done to ensure production would meet quantities specified under the contract. Accumulated reserves of £NZ35.34 million in 1949-50 fortified complacency among board members. New Zealand had contracted to supply increasing quantities of meat to the UK, but had difficulty raising livestock numbers to meet orders. Like the Australian government pre-war, New Zealand authorities were reluctant to directly intervene to control private enterprise or promote higher meat prices as it was felt “no useful action could be taken by the government, for in the long run the consumer sets the price” (Ross, 1954, p. 325). Returning to its pre-war position, control of marketing functions was again vested largely with farmers.

Statutory marketing control continued in Australia as the Meat Export Act replaced wartime regulations at the end of 1946 and re-established the AMB. In effect, the government returned to its prior role of export manager. Following buoyant markets for foodstuffs, by 1951-52, world agricultural production returned to pre-war levels and prices of meat tended steadily downward. Australian beef exports were one-third of pre-war levels in terms of volume (Crawford et al., 1954). Anxious about surpluses of meat, Australia extended the contract for another fifteen years in 1950. As for New Zealand, this contract extension was conditional on raising output (Watt, 1955).

Despite the similarities in conditions facing both nations, contract terms were materially different reflecting the varying economic significance of the produce as well as the political and administrative relations underlying the agreements. New Zealand’s acute dependency on the UK as an outlet for its agricultural products in
general, and meat in particular, afforded better conditions and returns. Whereas New Zealand negotiated set prices, which could vary, based on open market prices, the Australian meat agreement was one of the few based on the costs of production. This defied the trend of closer alignment to market prices. Meat prices were allowed to vary up to 7 per cent, but this was unattainable during the 1950-51 season when food prices soared (Leubuscher, 1956).

Another important disparity was the actual impact on production. Even though security of a long-term contract for developmental reasons was a vital motive for both countries, only New Zealand increased meat production. New Zealand farmers were encouraged by the agreement with Britain that their beef would be free from quotas and duties until 1967 (Singleton, 1997). Australia's exports of beef, mutton and lamb dropped appreciably below pre-war volumes (Leubuscher, 1956). Exports continued to fluctuate widely, worsened by the deliberate withholding of beef cattle by Queensland farmers (of Australia, 1955). Farmers were reluctant to commit resources that would not yield short-term gains (Kelly, Henry, Donald, and Williams, 1953). Security of a renewed contract discouraged market-driven product development. As the AMB's power to intervene in marketing was confined to overseas markets, its authority to award export licenses was not sufficient to direct quality improvement. Since a decent price was received for frozen beef, meatworks and shipping firms were unwilling to upgrade facilities required for proper chilling. As a result, the forecast boost from the resumption of chilled exports of Australian beef to the UK was not realised.

When meat purchasing was decontrolled in July 1954 both countries faced greater rivalry in UK markets from foreign supplies and subsidised domestic meat. Britain refused to assure fair market access (Hayward, 1972). While New Zealand competed with Australia for Britain's expanding sheepmeat imports, Australian beef faced competition from multiple sources including local supplies (Commonwealth Economic Committee, 1958). In response Australia began to seek new markets for beef, threatening New Zealand's small outlet in Japan (Singleton, 1997). By 1959 the UK remained New Zealand's primary market for sheepmeat, but followed Australia by shipping beef to the US (Curtis and Reveley, 2001). Whereas New Zealand spread its exports of mutton and beef, it continued to rely on the UK as an outlet for lamb. Like New Zealand, Australia's meat marketing system continued to depend on unstable export markets (Axelsen, 1968).

**Conclusions**

The collapse of the UK market for imported meat provided the impetus for organised marketing schemes for Australasian meat in the early 1920s. In the absence of voluntary action, statutory marketing boards were formed to coordinate vital marketing functions and activities. New Zealand’s MPB was given carte blanche relative to the limited powers of the AMC and AMB. Members of the MPB were unified by the desire to protect producer interests, not only in export markets but, in domestic channels. In contrast, the AMB’s authority was inhibited by conflicting agendas of the varied interests in Australia’s meat industry. The evidence suggests that the MPB contained many costs, maintained quality standards and the image of lamb. In turn,
their market share expanded.

The absence of mechanisms to coordinate supply to better align production with export orders exacerbated uncertainty in marketing Australian beef overseas. Relative, albeit artificial, price stability granted by long-term contracts created distortions and discouraged quality improvement or innovation. New Zealand was able to stabilise producers’ incomes by fixing returns. Australian authorities were more concerned about distributing declining supplies of beef among domestic and overseas civilians, and allied armed forces. Rationing and price control proved to be poor coordinating devices sending partial information along the beef value chain. Facing few market alternatives, both countries responded to feared surpluses by attempting to centralise control of marketing functions. Whereas New Zealand realized centralised control, Australia was loath to consolidate control as farmers feared losing independence and the authorities opposed direct intervention. Survival of bulk purchasing after the war reflected dependency on the UK. New Zealand’s lack of bargaining power against UK buyers was more pronounced.

Australia’s beef marketing system retained many features of organised marketing crafted during the war due to lack of better alternatives and complacency. Into the 1950s it had not secured vital coordination devices — grading standards, quality control systems, market intelligence, and logistical expertise. This limited participants’ ability to deliver higher value meat products. Control of marketing functions in New Zealand reverted to the MPB. However, its rule was not as pervasive after the war due to the government’s desire to intervene to sustain sheep meat exports to the UK — a major source of national income. Both countries were sceptical of their ability to influence world meat prices, including the effectiveness of government intervention, a domain believed to belong to private firms. On the other hand, the assurance of markets did not offer an incentive for participants in either meat marketing system to invest in the marketing infrastructure to support the delivery of higher value outcomes. Without examining subsequent historical periods, it is difficult to establish that the events and actions to organise marketing during the World War Two era directly affected patterns of value delivery in successive periods. However, the forms and impacts of organised meat marketing in Australasia during this critical period lay the foundations for the future, which as described in the background to this research, has demonstrated several continuities that persist to the present day.

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Session IX

Environment and Social Responsibility: Wednesday
11.00am-12.30pm
(Parallel Stream)
Paper 32

100% Pure New Zealand: Marketing a Poisoned Paradise for Prosperity?

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An examination of the possibility that the portrayal of New Zealand as an attractive pastoral holiday destination may be self-defeating if it persuades residents and policy makers that the environment is not under threat of degradation.

This is an exploration of the possibility that a strong self-confident “100% Pure NZ” destination brand intended primarily to attract tourists may lull residents and other key enactors of our present and future into believing in a ‘natural’ continuing prosperity in an unspoiled, well-managed country — that there is no serious need to recover and protect the habitat upon which we depend for our quality of life.

Introduction

This article is written from the perspective of understanding marketing as a positive facilitator of human well-being, rather than as a technology for increasing consumption and for enhancing commercial competitive advantage. The purpose of this inquiry is to produce an understanding of the role of the marketing process in facilitating human well-being in New Zealand at a time when increasing attention is being given to the nation’s place in the emerging global village.

For decades there has been a prominent notion of New Zealand as a clean, green, untainted, wholesome place — “100% Pure New Zealand” is currently the official slogan of the tourist board (see www.newzealand.com, including the related TV commercial), and many “Kiwis” have obvious pride in what they refer to as “God’s Own Country”. A 2005 survey of nation brands concludes that New Zealand has an exceptionally strong brand for a nation of only 4 million citizens, rating highly on tourism,
investment, and immigration, but ranked rather low on culture and heritage. The ‘New Zealand experience’ is about the landscape (Waikato Times, 2005).

Recent comparative economic data (based on comparative price levels, purchasing power, or real GDP (gross domestic product) per capita (OECD 2005)) has shown that Luxembourg is the richest nation, and the other high income nations are Norway, the United States, Ireland, and Switzerland. New Zealand is a low-middle income country along with Spain, Israel, Korea, Greece, and others. The UK ranks as high-middle income with Canada, France, Australia, Germany, and others. At the same time, the apparent desirability of emigration from the UK and the USA to New Zealand has never been higher (this assertion is based on net migration data available from Statistics New Zealand). New Zealand seems to offer a better life, and there seems to be more to the “good life” than economic prosperity. In gauging the well-being of society, factors beyond “brass in pocket” such as inequality, stress, work-life balance, the quality of relationships, and the quality of the habitat are significant. If we confuse standard of living (a technical concept) with quality of life (a subjective judgement), and use it to motivate trade, we are perpetuating a myth.

According to the co-leader of the national Green Party, the New Zealand nation is trading internationally on an undeserved “clean and green” image (Jeanette Fitzsimons, quoted in Rotherham 2000). The reality is an environment that is being turned “dirty and brown” by citizens who waste energy that is largely produced from non-renewable sources, creating rising levels of pollution in the process. Fitzsimons’ statement is biting: “Some day soon our cover will be blown and the damage to our markets would be considerable”, she told delegates at the 2000 Energy Symposium in Auckland.

There is an apparent paradox, even contradiction. ‘Good’ marketing of the New Zealand paradise reputation may be bad for the nation’s citizens, if that reputation is a myth that veils the need to protect the quality of the eco-environment that is the basis of such a reputation. Is the clean and green identity that New Zealanders seem to be dependent upon as the nation tries to “go global” really a delusion? If there is a naive or even cynical “greenwash” covering over a “dirty and brown” reality, this will rob the nation of economic prosperity and well-being. Are we the citizens and residents of New Zealand really trying to maintain a truly clean and green nation? Or, are we kidding everyone, including ourselves, as we seek a place on the world stage?

Perhaps unsurprisingly, there is controversy over national identity. For some of us it is about a flag and independence, and for others it is about a way of life. The 2001 “New Zealanders and the Environment” report from the Department of Marketing at Massey University (part of their contribution to the International Social Survey Programme) showed that 90% of respondents valued the pure, clean, green, and blue New Zealand brand image (Massey University, 2001). However, less than half believed that it was true, and whilst 65% believed that the environment was seriously endangered by pollution, fewer were inclined to protective action than had been reported in the previous study of 1993. Is the image true, but not believed, or is it recognised as not true? If false, it is surely believed by the world. But at what cost are we misled by it?

So, this paper addresses issues of how societal members (citizens) enact the mar-
ket economy (in producing, acquiring, consuming, and profiting) through the marketing process (in the exchange of value). This inquiry is about quality-of-life with economic prosperity, and alludes to concerns over the impact of narrowly-defined economic development on the future prospects for our species.

**What is “New Zealand”?**

Ask almost any Western European or North American to close their eyes and to think of New Zealand. Then ask them what they think New Zealand is. Most likely, they will say lots of sheep and mountains (rather like the backdrop to the dramatic story told in Tolkien’s ‘The Lord of the Rings’!). Someone may even say “like England in the 1950s”!

We can locate New Zealand as a place comprising two main and several small islands about 1300 miles east of Australia in the Pacific Ocean. New Zealand is also a small nation among the so-called developed countries of the world of people.

There remains considerable controversy over the older origins of the Maori inhabitants of the islands now called New Zealand (Howe, 2003). Archaeological evidence suggests Eastern Polynesian ancestry dating back at least 500 years before Europeans arrived (Howe, 2003). Less contentious is the historical record of Abel Tasman’s sighting of a landmass in 1642, and Captain James Cook’s arrival in 1769 (about the time that the American colonies broke with Britain), and his charting of, and the subsequent claim of British sovereignty over, the land, natural cornucopia, and people. European settlers arrived about 1820 in numbers in search of wealth, and the 1840 signing of the Treaty of Waitangi, itself remaining highly contentious (mostly over ownership rights), established a formal notion of a one nation colony under the crown of Queen Victoria. Today, the population is about 75% European, 15% Maori, and 6% Polynesian. Most are of British origin, and almost 75% of the population live on the North Island. Nearly 85% live in urban areas, with almost a third in Auckland alone (US Department of State).

There is a small population (about 4.1 million in 2004) in an expansive landmass (270,500 sq. km.) (CIA). This compares with a UK population of 60.3 million in a landmass of 244,820 sq. km. (in 2003) (CIA). The islands are distant from other nations — Australia is the nearest, across the Tasman Sea, west of Auckland.

The economy is predominantly agriculture (50% of economic activity and exports — five times the OECD average), horticulture, and tourism. The GDP in 2004 was US$76.4 billion, with total imports valued at US$20.9 billion (US Department of State). This represents about 0.2% of world trade value. New Zealand also has the most animals per capita (including at least 40 million sheep!).

Predominantly mountainous and hilly, New Zealand has 13 national parks, and almost 6 million hectares - a third of the usable land in New Zealand that slopes less than 28 degrees — is protected in national and forest parks and reserves, and other private land protected for scenic, scientific, or ecological reasons. There are 16 designated marine reserves and 2 further protected marine areas. According to the CIA’s World Factbook, 51% of the landmass of almost 16 million hectares is used for pasture and arable, 24% is natural forest, and 6% is planted production forest (CIA).
This can be compared with estimates for pre-Polynesian settlement that suggest that almost 80% was under forest cover, 14% was the continuing alpine zone, and the balance was drylands, lakes, and swamps.

New Zealand has substantial natural capital consisting of pastureland, cropland, and protected land, making the nation one of the top 15 wealthiest in terms of per capita wealth. Recent World Bank estimates show that New Zealand falls second richest in the world behind Saudi Arabia in terms of natural capital relative to number of residents (Statistics New Zealand, n.d.). Natural capital contributes some 20% to per capita wealth, compared with 5% in the USA, and just 2% in Western Europe (Flagler, 2003). New Zealand is a land that has not yet been generally damaged by pollution fall-out from industrial development, over-population, traffic congestion, noise, and urban decay.

A recent report by PA Consultants (2004) for the Ministry for the Environment concludes that the New Zealand brand image has a considerable market role as a driver of the value that can be derived from goods and services in the international market place, perhaps amounting to billions of dollars in tourism, dairy, organic produce, and other related industries (such as meat). The New Zealand brand signals to the global marketplace that exported products are good, safe, and responsibly derived from abundant natural resources. The nation's economy would suffer a reduction in quantity of products purchased by consumers, and prices paid, if New Zealand's environment was believed to be degraded and unhealthy.

There is certainly a 'feel good' effect in claiming to be a clean, green nation. Further, politically the "100% Pure" account is attractive and seductive, and intentionally asserted to be so. Such signals to, or from, the market can be 'read'. From the perspective of the signaler, such self-presentation, as a promotional tool, can get the seller noticed, make claimed benefits and promises widely known, and encourage prosperous purchase by others. From the perspective of the observer, market signals are performance indicators, of underlying activity, changes, and trends. In this sense "clean and green" and "100% Pure" are assertions of superiority and claims to desirable character, intended to prompt purchase of locally-produced goods and services.

The statements "clean and green" and "100% Pure" are accounts in the sense that they are chosen for a purpose (Varey, 2006). One could also describe New Zealand as "about the size of Colorado with 4 million residents". But, would that persuade consumers to buy the nation's products? To "give an account of" New Zealand as a producer and supplier is to formulate and tell an attractive story.

The New Zealand brand is supposed to be "clean and green" and "100% Pure", but not everyone is convinced. In considering the nation's environmental policy, Bührs and Bartlett suggested some time ago that the clean, green image is based on a denial of environmental problems (Bührs and Bartlett, 1993). For them, the image was an at least inflated, if not false, representation of the nation's environmental conditions and awareness among citizens. Motavelli sounded alarm bells more recently by cataloguing some of the nation's less attractive performances (Motavelli, 2003). For example, car ownership per capita is the second highest of any nation, whilst a mere 2% of Auckland residents use public transport (a lower usage rate than in Los Angeles, the "city of smog"), and the city has higher levels of air pollution than London.
WHAT IS THE KIWI MINDSET?

We are now the only OECD country without fuel emission and efficiency standards. Cancer rates for men, women, and children living in the city are higher than expected by medical experts for a developed nation and are attributed to lifestyle (diet and level of outdoor recreational activities) and environmental factors (sunlight and pollution) (Cancer Society of New Zealand, n.d.). Aucklanders dump 75% more rubbish than they did in 1983, and 70% of tested sites on the lower Waikato River are officially recorded as too polluted for swimming. Intensive farming continues to foul our waterways. It is currently projected that the city of Auckland will be home to 1.6 million people by 2020 — that's one third of the total population of New Zealand. The nation has one of the highest rates of renewable energy supply in the developed nations, yet use of non-renewable fossil fuels increasingly dominates.

So, New Zealand is a naturally plentiful and relatively sparsely populated land that mostly appears to be clean and green, and thus attractive as a tourist destination and as a place of residence. Quality sells. Yet, there may be too much complacency in believing that we live in a clean green paradise, even as we equate progress with increased consumption.

What is the Kiwi mindset?

Today, New Zealand continues to trade on a differentiating image. From whence has the clean, green 100% pure image grown? Has the nation simply not had an industrial base long enough to destroy the reality and the image? Are citizens denying the existence of environmental problems such as pollution and resource over-exploitation? Is there a really serious effort to maintain a clean, green nation? (Hughes, 1993).

Austin Mitchell summed up the lifestyle identity of New Zealand in the 1950s and 1960s with the phrase “the half-gallon quarter-acre pavlova paradise” (Mitchell, 1972). This was a country in which people could own land and a home, enjoy wholesome, locally-produced food and drink, and take national pride in a pioneering spirit. In New Zealand, the character of the “kiwi” citizen is widely believed to be friendliness, individuality, invention, and self-reliance. “Paradise” for them was a land of plenty under the watchful eye of a benevolent state.

More recently, a brand identity for the export of products and inbound tourism has been constructed for New Zealand. This retains the image of “paradise” as a clean green environment (See www.mfe.govt.nz/about/clean_nz.htm and www.purenz.com for details of current advertising campaigns). More recently, political and economic discourses suggest an identity for New Zealand as a “knowledge economy” that depends on innovation and “cutting edge” technologies such as biotechnology (Henderson, 2005).

Does the nation have an underlying national value set that provides clearly recognisable motives for efficient and safe resource use? In attempting to characterise the contemporary New Zealand way of life, is it possible to list, comprehensively, Kiwi values? To what extent, and in what manner, do such values apply in personal, community, and business circles? It is claimed that much is drawn from Maori tradition for individual and collective responsibility in the total physical, mental and emotional
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social and spiritual well-being of individuals and society (Naumann, 2004). Such values are: honesty, integrity, openness/transparency, cultural diversity, reliability, respect for others’ values and the law (social justice), respect for natural systems and environmental responsibility, compassion, tolerance: non-sexism, non-racism, fairness/equity, innovation, quality excellence, and achievement. To what extent is this the nation’s value set? With such a diverse population, from so many differing cultural origins, is there really a kiwi spirit or “New Zealand Way” of life anyway?

Recently “The New Zealand Way Ltd.” has been established to provide further credibility in validating the clean green claim through an umbrella set of values in which environmental responsibility is central. The commercial interest is obvious: further strengthening of customer preference to command premium prices in the face of increasing competition, by maintaining New Zealand’s purity distinction.

Do Kiwis see the land, sea, and sky as a treasure or a trash-can? If we don’t see a problem, we don’t seek a solution in corrective action - sustainable development is not taken as an imperative. This is a matter of attitude. There has to be a readiness to respond to the situation in a consistent and particular way: “The disruption of the ecology by man [sic] reflects his [sic] attitudes toward his [sic] environment, toward his [sic] neighbors, and toward himself [sic]. The more we have the more and more garbage, refuse, and pollution we create. If we have one set of attitudes, we do not let this disturb us; with another set of attitudes we control it” (Triandis, 1971, p. 2). Attitudes are expressions of the basic values held.

We may be in jeopardy in believing our own myth, satisfied with the way things are or the way things appear to be.

Will kiwis have a good life?

New Zealand is relatively clean and green, it would seem. In absolute terms, residents may have yet to do the real unrecoverable damage (but seem, in places, to be making some progress in that direction!). How has this come about, and just how true is the 100% Pure claim? The problem of making a sustainable way of life is a matter of resource use and living among others, and is not a simple question of how much we use, but how we use our natural environment for our consumption-based culture.

Resource over-exploitation accompanied by pollution-producing waste is, in pursuit of profit from economic growth, imposed by industry on the community. Yet we have a prospect of growth through improved efficiency that requires us to manage the effects of our activities and not only the activities themselves.

New Zealand is an energy waster. Among the OECD countries, the nation is one of the least efficient energy users relative to GDP. The rate of increase in gross carbon emissions since 1990 (actually from a low base) is the highest in the OECD countries, and the record of investment in energy efficiency is poor (Rotherham, 2000). Reducing energy use through improved efficiency doesn’t have to result in the sacrifice of economic growth. Indeed, a cyclical economy doesn’t destroy the environment upon which society is dependent. Waste is reduced or eliminated. A switch to emphasising value-making (production) from value-taking (appropriation) can sustain growth in economic activity that doesn’t occur at the expense of the
New Zealand has a legitimate, if dubious, further claim to be a special place. Conservation planners reporting to the World Bank have identified the country as a hot spot to be studied for the impact on biodiversity of extensive deforestation and consequent habitat loss (Conservation International, n.d.). Somewhat ironically, the adoption of the persona of ‘Kiwi’ to identify New Zealand origins, especially among travellers overseas, coincides with the unique indigenous Kiwi species of flightless bird (an image of which is still carried in many corporate and national logos) being taken to the brink of extinction. With a mere 5% of lowland forest, 25% of native bush, and 5% of wetlands intact, the distinction is that nowhere else have so few people had such an impact on the natural environment in so short a time. Maori ancestors practised hunting, trapping, and burning for 800-1000 years, and European settlement brought war, disease, and industrialisation in just 100 years (Howe, 2003; Flannery, 2002).

Professor Mike Pratt, Dean of The Waikato Management School, Hamilton (in the heart of the fertile and productive dairy and mineral producing Waikato region of New Zealand), takes a holistic view: “Sustainability is not just about environmental, social and economic issues; it also has a cultural dimension. In the face of globalisation, societies seek to preserve their cultural values and community identity and still participate in the global economy. I believe New Zealand is awakening to the opportunities of sustainability, though we are still in the early stages. Our nation is yet to fully grasp the potential for sustainability and how it can create wealth and well being and authenticate New Zealand’s competitive advantage as a clean, green and ethical nation.” (extract from WMS website, January 2005).

The goal of responsible environmental management is to enable human beings to enjoy life without compromising the ability of future generations or other species to enjoy their lives. This requires respect for people’s values and the recognition of the limits of the ecosystems that enable us to live. If we want a sustainable First World living, beyond the “Better Britain” aspirations of our forebears, we need a real commitment to our natural environment, so that our habitat is not relentlessly used up.

The marketing problem

The world, it seems, wants what we can produce in abundance and shaped by our natural environment. But, clean, green New Zealand is at risk on two fronts. Firstly, well-being of residents will be undermined if the environment is turned “dirty and brown”. Secondly, the nation will lose at least some of the economic value that is derived from the current ‘healthy and abundant environment’ image, and if the society is seen to lack vigilance in dealing with the environmental problems that threaten the image.

New Zealand’s prosperity will be damaged if the promotional claims and the beliefs of customers for New Zealand products are not substantiated and confirmed. The clean, green, healthy New Zealand as producer of clean, healthy products has to be made a reality through the actions of citizens. The mindset required is “quality of
life for treasurers who protect paradise”.

The present relatively sound position could be attributed to effective and efficient resource management, or to slow and low-level industrial growth? Peter Townsend, chief Executive of Canterbury Employers’ Chamber of Commerce is clear that “The only reason New Zealand is clean and green is because it’s empty. We have not been good at managing our natural resources” (Flagler, 2003).

The Resource Management Act 1991 has gone some way towards encouraging adherence to sustainable industrial practices, although as a facilitator of planning distribution and use or preservation of natural and physical resources, it remains contentious. But this is not a problem only of managing production for survival — it is also a problem of consumption — ultimately all that is produced is for consumption. There are two sets of interests at stake: consumers and producers. The term “consume” is synonymous with destruction and implies exhaustion or extinction as the end point of a process of appropriation.

The macromarketing issue for the New Zealand nation is to decide whether the “clean, green” brand identity is an unrealistic promotional message or an optimistic attitude. New Zealand has a special place in the world economy, and is a special place, because of its isolation and ocean borders. This level of biosecurity in an age of concern for the effects of genetic engineering and nuclear technology (and recently chemical terrorism) sets the nation apart (in the minds of citizens and consumers), as well as being a benefit of being physically apart from the contaminated over-industrialised regions of the world.

Public goods (sky, land, river, and sea) are the elements of our environment and are not to be treated as private goods, which may be more legitimately defined as resources. It is the place that is under threat — clean and green treasure can be turned into dirty brown trash — and we have no-one to blame but ourselves. This is a matter of attitude.

A balance is needed between two ways of life that have conflicting values. The dominant way is exploitation of the environment through marketing as a distribution technology, with a compelling rationale premised on manufacturing of objects as carriers of value. This is wasteful in stockholding and duplicating for competitive influence on consumer selection. The alternative way has marketing as a value producer in human interactions. Care is needed in the consumer mindset. We need to be clear on the purpose for which we consume valued material in the life-sustaining environment.

Market forces can’t be relied on to provide the quality of life we seek, because they operate at the level of the competing firm, producing undesirable, damaging by-products that are negatively valued by society as a whole. A shift in underlying values that drive our valuations of anticipated outcomes of our actions is both necessary and evident in the evolution of our species (Salk, 1973; Salk and Salk, 1981).

The “material progress” mindset sees the New Zealand way of life as unsophisticated, like “England in the 1950s”, and to be no more than “tolerated”. We progress by producing and consuming more. We have fallen behind in the economic prosperity race. In 2005, the New Zealand Institute reported that New Zealand was the only OECD country to become less engaged in the world economy during the past 15 years. We slipped from 3rd richest in the 1950s, with GDP per person 20% above the
OIECD average, to the mid 1980s, with GDP per person 33% below the OECD average (The Economist 2000). We’ve some catching-up to do, and not only in terms of GDP. We have a big (relative to population) provider country with lots of resources to be used, and whose ownership is still in dispute, but tends towards multi-national corporations from the USA and Japan. There’s lots of open space for the necessary trash that doesn’t have to be in “my backyard”. We can reinvent ourselves and reinvigorate our rush to win the race. Prime Minister Helen Clarks’ government has upped the ante. No longer commodity “cowtown” surrounded by “#8-gauge wire” (to keep out the outsiders), we have innovation and entrepreneurship as our competitive advantage. So the imperative task is to portray and trade the clean, green origins of our smart and innovative products as proof that they are good and great, and everyone should have more of them.

An alternative “human development” mindset sees things differently. Our place and our nation are treasures to be cherished and protected with pride. If we have the gift of a clean, green living environment, and a friendly society, we can choose to avoid the pitfalls of wasteful and polluting over-dependence on making and consuming things, and ensure both our survival and our enrichment through sustainable resource use. The pursuit of quality within limits of natural capacity won’t poison our paradise, so we can avoid degeneration, ill-health, and, ultimately, extinction. We can anticipate an era in human development that values being and doing over producing and consuming, and that internalises the industrial waste management costs that are imposed on the community, so that public goods and private goods are clearly distinguished and protected and the exploitation of the latter isn’t at the cost of degradation and loss of the former. To be green and clean the New Zealand nation has to face up to the responsibility of acting protectively to maintain a small population and selectively limited industrial development, so that the privilege of living in a favourable geographical location, physical landscape, and climate is not squandered. Peter Townsend, in speaking of the need for a way forward towards a “new New Zealand” has recently voiced a somewhat pessimistic view, that “New Zealand is a country with first world expectations, second world income and a third world prognosis” (Townsend, 2004). His assessment is that Kiwis have a really good quality of life but a ‘lousy’ standard of living. The challenge is to raise the latter without compromising the former. On a per capita basis, natural resources are abundant, yet economic performance is well below expectations. Natural capital has not been well used to create prosperity in New Zealand — to create positive value — whilst some considerable negative value is evident. If we recognise that value creation is the issue, then what is it that we value? Progressively, we are creating the technology to achieve a sustainable (no waste) society. What is needed is a change in the way we think. Is there really a paradox?

Which is the true Kiwi way — a partial self-defeating self-delusion about control of nature, or protection and survival? What is the proper account as the basis for taking New Zealand into the global market place? The “Brand New Zealand” programme is intended to create a new national brand that will differentiate the nation in the international arena. The stated goal is “to ensure (that) New Zealand is recognised globally for the value its businesses and people bring to the world — through creativity, innovation and technology” (see www.newzealand.com). Is this
an acceptance of defeat in keeping New Zealand clean and green? Is the nation’s proud history discredited? Can the intellectual and moral assets that are developed because when certain values are dominant they are considered virtues be the very means we need to seek? Of course, a small population is a real limit on capacity, so the emphasis for sustainability policy has to be on the use of natural physical, social, and intellectual capital. So, how can clean and green be much more than a sales slogan and commercial proposition? Can this be a distinctive position and true national identity, following in the wake of other firsts in social policy, including the Treaty of Waitangi and the single nation, votes for women, nuclear waste exclusion, and the social welfare system? Is “New Zealand” an icon brand? Heritage is powerful. The Maori name for New Zealand is Aotearoa, which translates into “the land of the long white cloud”. Is that the true New Zealand, and how do we act to keep it so? If it is, who are the Kiwis — extractors or stewards — squanderers or guardians? What is the nation’s dominant marketing value — expansion or improvement? Many New Zealand residents are unaware of the true state of the nation’s environment, and there is still insufficient effort to save what remains. We need to be under no delusion. A clean green image can be a protection, or can cause a slide into complacency and a loss of appreciation for the environment. The lead can be taken up by traders or by educators and policy makers. The choice is clear if humans are not to become an endangered species. Ultimately, human survival and progress will come from “clean’ green” action, not from slogans that promote a fictitious paradise.

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Paper 33

The Development of a Measure of Societal Marketing Orientation

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Although there has been much debate and interest in the practices of societal marketing, there is currently no accepted measure of this construct. A measurement of societal marketing validated by Structural Equation Modelling (SEM) suggested this measure was one dimensional and consisted of five items measuring the lobbying of government and the degree of business charity. The factor structure was robust and did not vary across the four counties in the study. The final measure was positively correlated with the Narver and Slater (1990) measure of marketing orientation, concern for company reputation, industry association and performance. There was thus considerable evidence found for the construct validity of the measurement of societal marketing.

Introduction

In the last two decades the world economy has experienced a radical transformation. The fall of communism in East Europe and China’s entrée on the path of modernization as well as the strengthening of the European Union with the introduction of a common currency — the *Euro*, have resulted in the emergence and growth of new markets and an increase of new competitors in the domestic and international markets. The dramatic shrinkage of geographical and cultural distances due to technological advancements in communication and transport has reinforced the meaning

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of internationalisation in today’s business. Globalisation offers low-cost production, technology and capital. It increases similar national markets and provides an opportunity to apply more standardized marketing and management strategies across a number of countries. But advancing technology, resource shortages, rapid inflation, wide swings in the business cycle, changing social values and a multitude of other dynamic forces are vastly altering the environment and markets of various industries.

Reactions to increases in globalisation have included the emergence of protest movements in the areas of environmental protection, and fair trade. Opposition to genetically modified foods in Europe, by consumers and a reluctance to stock such products by retailers shows that marketers need also consider the effect of their actions on the wider community and political and social environment. This has lead to the development of sustainable business practices, or in marketing the application of the societal marketing concept. Yet there is no measurement of the degree of implementation of this concept, as there is the marketing concept.

**Literature Review**

**Definition and Evolution of the Societal Marketing Concept**

Societal marketing can be defined as “marketing with a social dimension, or marketing that includes non-economic criteria” Handelman and Arnold (1999, p. 33), or as Elliot (1990) notes “concerns for society’s long term interests”. Examples include the “enlighted capitalism” of The Body Shop, The No Sweat labelling of clothing, a campaign by retailers to promote the sale of apparel from suppliers who have provided acceptable conditions of employment. Societal marketing practices may also include areas of social responsibility, cause related marketing (CRM) (where a firm donates money to a cause in return for purchasing its products and services), or the inclusion of environmental concerns in a business strategy (Shultz and Holbrook, 1999).

The use of societal marketing it has been suggested may be altruistic. Firms believe they are acting in a social interest of encouraging collective welfare, or as Shultz and Holbrook (1999), term it Gemeinschaftsgenfuhl. Other reasons may be more in self-interest and may include the avoidance of regulation or the encouragement of positive political intervention by the development of public support, or as mentioned, CRM where the societal marketing practices directly benefit the performance of a firm.

Societal marketing emerged in the early 1970’s promising a more socially responsible and ethical model for marketing, while in the 1960’s marketing writers such as Lazer (1969) still advocated growth through consumption. Marketing was then viewed as an instrument of social control, designed to convert society from a producer to a consumer culture. By changing norms and values in favour of greater consumption, society would be more able to adapt to the requirements if an abundant economy. Kotler and Zaltman (1971) and Dawson (1969) became increasingly critical of the emphasis on material consumption without the consideration of societal benefits. Some writers saw the main problem in the vagueness of the term “customer satisfaction” (Bell and William, 1971; Kotler, 1972). The inadequacies of
the marketing concept thus centred around its short-run operational focus on profit, with the satisfaction of the consumer not a goal in itself, but merely a means to this end; its emphasis on material consumption without consideration of the long-run societal or environmental impact of this policy; its narrow stress on the individual and the gratification of immediate and selfish wants without concern for long-run consumer interests.

While the societal marketing concept has attracted its adherents and critics, the literature on societal marketing has remained sketchy and underdeveloped. Yet, despite the differences in opinion one notion has been agreed upon, and that is the societal concept is clearly an extension of the marketing concept, rather than a fundamental reconstruction of marketing theory (Crane and Desmond, 2002).

The terms ‘social marketing’ and ‘societal marketing’ are frequently used interchangeably by both practitioners and academics in the marketing field. It is important to note that the terms refer to very different dimensions in marketing. Social marketing refers to the extension of marketing along its technological dimension (that is the further application of the marketing techniques) to become a generic function applicable to both business and non-business institutions. Societal marketing refers to the extension of marketing along its substantive dimension (that is the widening of the areas of concerns in business marketing) (Abratt and Sacks, 1988). The definition is successfully explained by Fine (1981) who points out that each concept involved different definition criteria. Social marketing is defined with reference to the product while societal marketing with reference to the audience. If the product being marketed is not a tangible good or service, but an idea or viewpoint, then the marketing activity is defined as social marketing. If the marketing activity focuses on society rather than the individual consumer as its audience, it is defined as societal marketing.

In the light of the above discussion several definitions of the societal marketing concept have emerged. In order to be able to put these definitions in perspective, it is important to familiarise with a wider set of definitions. Schwartz (1971) views the societal marketing concept in the following manner: ‘like the marketing concept, the societal concept of marketing recognises profits as a major business motive and counsels firms to market goods and services that will satisfy consumers under circumstances that are fair to consumers and that enable them to make intelligent purchase decisions, and counsels firms to avoid marketing practices that have deleterious consequences for society’. Many businesses resist the societal marketing concept because it doesn’t yield immediate profits while demanding substantial changes in the conduct of marketing operations. The real alterations to the original concept lie in the addition of the objective of attaining long-run consumer welfare, which is consistent with the long-term goal of profitability, as stated by Kotler (1972).

Dawson’s (1969) conception of societal marketing differed considerably from that of Schwartz (1971) and Kotler (1972). Dawson’s ‘human concept’ entails a widening of business concerns on three levels: the internal environment (human resources within the organisation); the proximate environment (consumers, competitors, suppliers and distributors); and the ultimate environment (society) in general. With regards to the third level, Dawson emphasises the achievement of a ‘genuine external social purpose... by contributing to the identification and fulfilment of... real
human needs such as security, dignity and spiritual solace. Dawson requires from business a commitment ‘to the solution of the social problems’ of the world and argues that if profits are viewed in sufficiently long-run and indirect terms, then the human concept can be said to contribute to business survival and profitability. For like Kotler, Dawson has implicit faith in the theory that what is good in the long-run for society is good for business. However, in the short-run any conflict between societal welfare and profitability must be resolved by the rationalisation of profitability.

Other aspects of the societal marketing concept are its emphasis on communication between the business and its environment in the form of feedback mechanisms, consultations and negotiations between competitors, consumers and government agencies (Bell and William, 1971; Stidsen and Schutte, 1972).

On the Context of the societal marketing concept

To develop a measurement of societal marketing orientation that could be tested for construct validity, a review of the literature was first conducted to identify the possible themes. The literature suggests that societal marketing orientation consists of three behavioural components, business concern for social responsibility, providing community aid or charity, as part of a charter of social responsibility and lobbying government (see also Narver and Slater, 1990, p. 34).

The issue of social responsibility is perhaps the most debated and research element of societal marketing orientation. In fact, this is seen as a prerequisite for societal marketing. Several authors have made practical suggestions as to the implementation of a societal marketing concept. Schwartz analyses each component of the marketing mix, pointing out the changes that need to be required by the new societal orientation (Schwartz, 1971). The author suggests, for example, that product promotion must ‘avoid messages that exploit buyer emotions or take advantage of unsophisticated elements of the population’.

Shuptrine and Osmanski (1975) suggest that greater attention should be paid to the type of products sold in terms of their effect on human welfare, society and the natural environment, and that this can be done by adding the ‘three consideration’ — which are consumerism, clean-up and conservation — to the four P’s of the marketing mix (Shuptrine and Osmanski, 1975). Takas (1974) argued that the only way in which societal marketing can become operational is to make it immediately profitable for business. Takas suggests that this be done by business government co-operation to rewrite the ‘rules of the game’ to ‘help minimise risks or maximise profitability of societally desirable outcomes’. This can be done not only through restrictive legislation but by the underwriting of risky but socially desirable projects and by means of differing tax treatment for projects of differing social value. Finally, El-Ansary (1974), like Schwartz (1971) proposes that the marketing mix be strategically redefined to include societal considerations. El-Ansary’s basic argument is that the achievement of social responsibility is an obligation not only of the marketer but also of the consumer. The author states that “if behaviour of these consumers is necessary for achieving marketing’s social responsibility, it becomes essential to influence their decision”. He suggests that marketers can effectively influence consumer
decision through the design and implementation of a socially responsible marketing mix.

The issue of social responsibility is thus to take into account society’s well-being. Not only should the organisation concentrate on finding out the needs and wants of their target customers, and then deliver these desired satisfactions more effectively and efficiently than competitors, it needs to do this in a way that maintains or improves the consumer’s and the society’s well-being. For example, *Greenseas Tuna* which is dolphin-safe because they do not use dredge nets in catching their fish, or recycled tissue paper, or CFC-free spray cans. It is important to bear in mind that practising the societal marketing concept does not mean that the company sacrifices profit for the sake of saving society. Companies are in business to make money. Basically, taking care of society’s well-being is good for business that is the bottom line. Societal marketing managers believe that consumers will respond more favourably to companies which are socially responsible (eg. *The Body Shop* with no animal testing, *McDonalds* for using more environmentally-friendly wrapping), and react unfavourably to companies which they feel are not socially responsible (e.g. Exxon for denying all involvement and responsibility in an oil spill).

Environmentally damaging developments should not be financed or should be financed only following modification to make them more environmentally benign. Similarly, enterprises and projects promoting environmentally friendly development should be supported. Banks actively advise their customers in terms of the consideration of environmental criteria in project planning. Banks tries to adopt good environmental practices in respect of premises, equipment and consumption of resources and, where practicable, will seek to: reduce energy consumption and improve energy efficiency, conserve resources and use renewable or recyclable materials, minimise or recycle waste, dispose of waste in an environmentally responsible manner, reduce the use of chlorofluorocarbons (CFCs), favour suppliers and contractors who adopt environmental initiatives through sponsorship. This gives socially-responsible companies a competitive edge over their competitors.

Social responsibility requires that an organization thinks about the long-run interests of society in satisfying consumer’s interests while meeting organizational objectives. Extending the time dimension means that the organization takes a long-term view of customer satisfaction, and thus customers delight including society’s well being. It should take into account the need for organizations to act responsibly not only towards their customers, but also towards the environment and other needs of society. The organization thus recognizes that the market includes not only buyers of the organization’s products but also other people affected by the organization’s operations.

For example, *Johnson & Johnson* stopped the manufacture of feeding bottles to promote the concept of breast feeding. For societal marketing practices to be effective it is suggested that the reputation of the firm as much as its profitability becomes important. Firms that have societal marketing practices would tend to have good relationships with stakeholders, such as governments, and provide assistance to community groups. Such firms would also need to members of industry associations where the societal impact of economic activities would be discussed and more socially responsible business practices could be advocated. Note that firms may wish to
engage in such activities partially or fully out of self-interest. They may want to shape 
community attitudes and influence government policy by presenting themselves as 
good corporate citizens. As already discussed Takas (1974), suggests that this is the 
only means by which societal marketing orientation can be profitable for business. It 
also possible however, firms may be motivated to pursue more socially responsible 
marketing practices simply for altruistic reasons.

Many firms may provide support for worthy causes, thorough the practice of 
cause related marketing (Smith and Higgins, 2000). The researchers also note that 
many charities also promote CRM. It is therefore increasingly difficult to separate 
the whether it is a CRM decision that firms makes that adds value to there brands, 
lar or whether firms are approached by charitable organisations for support and pro-
vide recognition of that support as part of a wider social exchange contract. Either 
way it seems that the use of donations or charity either by CRM or untied monetary 
exchange seems to an important precondition for the implementation of a societal 
marketing orientation.

Shultz and Holbrook (1999), see the use of societal marketing strategies as a col-
lective action for the greater good (the commons). They note the importance of reg-
ulation by government as part of this process, and also the importance of increased 
communication amongst industry players about the wider concerns of society. Social 
marketing, they believe thus can only come about thru a series of regulated agree-
ments between various stakeholders, for example industry and government. Some 
of these regulated agreements may include not only legislation, but voluntary indus-
try codes of practice. Other authors, McAlister and Ferrell (2002) have suggested 
that evidence of social responsibility is increasingly been presented as part of financial 
reports, showing the sustainability practices of the organisation (OECD, 1999). 
Whether companies adopt voluntary codes of practices, are regulated or report me-
asures of social responsibility as part of their financial statements, it is clear that the 
needs of other stakeholders are at least being considered by management. As the 
major stakeholder for industry is government, it is clear that communication (lobby-
ing) with it is an important part of societal marketing. Governments and the citizens 
it represents are also likely to respond to the efforts of the collective, that is industry 
groups. Thus membership of and active engagement with an industry group would 
seem to be another important part of a societal marketing orientation.

There is some evidence of consumer support for organisations which adopt so-
cietal marketing practices. Maignnan and Ferrell (2001) cited two studies which 
showed that 76% of consumers were prepared “to switch brands or stores that were 
concerned with the community” or that another which suggested around 14% of 
U. S households actively seek “do-gooders”, while 40% “judged corporate citizen-
ship as tie-breaking activity. Despite this evidence, they note that previous manage-
ment research has found at best a tenuous link between corporate social performance 
and business performance. Some studies have shown a positive relationship (Abbott 
and Monsen, 1979; Bragdon and Marlin, 1979; Graves and Waddock, 1993; Spencer 
and Taylor, 1987), while others do not report any significant relationship (Aupperle, 
Carroll, and Hatfield, 1985; Davidson and Worrell, 1990; McGuire, Sundgren, and 
Schneewis, 1988). Possible reasons for conflicting results as suggested by Maignnan 
and Ralston (2002), include questionable measures of social performance, and the
<table>
<thead>
<tr>
<th>Industry association</th>
<th>Lobby Government</th>
</tr>
</thead>
<tbody>
<tr>
<td>Charity</td>
<td>Social Responsibility</td>
</tr>
</tbody>
</table>

Figure 33.1: Societal Orientation

There is clearly a need for a measure of societal marketing orientation to be developed, especially its importance to current business practices and controversy regarding its impact on business performance. This paper outlines the development of such a measure and its validation by confirmatory factor analysis (CFA) across several countries in the Asia Pacific region. We hypothesize that this measure is one dimensional and consists of the subscales of business concern for social responsibility, involvement with industry associations, lobbying government and providing community aid or charity, as part of a charter of social responsibility (see also Narver and Slater, 1990, p. 34). This is represented as a square in Figure 33.1.

**Method**

**Face Validity**

In order to establish the face validity of the construct, items were constructed which purported to measure each of the subscale of the construct. These items were generated by an extensive literature review and by two focus groups of executives of multinational companies, enrolled in an MBA in a major OECD country. The items generated matched that of the expected dimensions of the construct and consisted of the following statements:

1. The firm is a member of an industry association,
2. The firm regularly sends representatives to industry conferences.
3. The firm provides advice to government on behalf of the industry,
4. The firm actively lobbies government,

5. The firm spends considerable money on public relations,

6. The firm donates money to charity,

7. The firm actively invests resources and/or money in activities outside its business which aim to benefit the community,

8. Management of the firm sees the reputation of the firm as more important than profit,

9. Shareholders (or owners) are seen as the most important stakeholders of the company.

Items 1-2, cover membership of industry associations, 3-5 on lobbying and 6-7, Charity and 8-9, Social responsibility. Respondents answered on a five point Likert scale as to whether their firm engaged in such activities from not at all (1) to up to a very great extent (5).

The Sample

A sample of 217 firms was collected from four countries, Australia, (81 cases) Singapore (79 cases), China (16 cases) and The Netherlands (41 cases). Firms were sampled from published lists, similar to the Fortune 500 of both large and small companies. It was felt that that a sample containing both large and small companies would provide more generalisable results since there has been a tendency in the past to survey mainly larger firms (Narver and Slater, 1990; Slater and Narver, 1994; Greenfield, 1999; Pulendran, Speed, and Widing, 2000; Noble, Sinha, and Kumar, 2002). Respondents were marketing executives of each major SBU within a company. For the purposes of this study, this meant that each respondents from each firm answered questions from the point of view of the core business of the firm. Respondents or the companies they worked for were not identified in the results. This meant that there was less of a possibility of response bias.

The response rate was low around 15%. Most (60%) were service organisations, although other types of firms ranging from manufacturing (22%), distribution (9.3%) and e-commerce (1.9%) were represented in the sample. The companies surveyed had around a third of their sales derived from the household sector (30%), followed by business customers (28%), manufacturing (21%) government customers (12%) and sales to contractors (7%). Across the sample, around two thirds (61%) of companies reported that their sales were generated within their home country. The firms surveyed ranged from small companies of less than 50 people (28.4%), to organisations employing more than 10000 people (14.2%). This was reflected in their current assets, which ranged from less than $100 000 (13.9%), United States dollars (USD) to greater than $1 billion USD (17.1%).
Results

Reliability analysis

The data were randomly split into two samples before assessing reliability and validity (Churchill, 1979). Reliability analysis was conducted on the first sample and then replicated on the second sample. The scale reliability coefficient (Cronbach’s alphas) for the entire scale of nine items and item to total correlations are reported in Table 33.1. This was .81 for the first sample and .79 for the second sample, which exceeded .7 the threshold Nunnally and Bernstein (1994) recommends for exploratory research. The item to total score correlations for most items were above .7 in the first sample indicating that the overall measure of societal marketing is represented by these variables. Two items which measure social responsibility though did not correlate well with the overall measure, suggesting that they may form part of another measure.

There was thus need for further analysis to examine the dimensionality of the scale of societal responsibility, given that the evidence was mixed at this preliminary stage that this measure consisted of four dimensions. This was done by confirmatory factor analysis or structural equation modelling (SEM).

Confirmatory factor analysis

In order to examine whether the proposed measurement dimensions represent the data sufficiently, confirmatory factor analysis (CFA) was used to examine the discriminant validity of the latent variables by testing competing factor structures. As part of the analysis, a series of hierarchical nested models was compared for relative goodness-of-fit (Byrne, 1998), beginning with the null model, which assumes each item loads onto a separate latent variable. The next model assumed that all items loaded onto a single factor. The last model assumed items loaded onto their respective latent variables. The improvement in fit was indicated by the change in the chi-square, relative to the change in the number of degrees of freedom. Once baseline models were identified, and measures validated, reliability was assessed through Cronbach’s alpha (1951).

The fit of such a model to observed data can be examined in a number of ways (Byrne, 1998). Although the most commonly suggested fit statistic in structural equation modelling is the chi-square ($\chi^2$) statistic (with a non-significant chi-square indicating a good fit of the model to the data), the adequacy of this statistic is unknown (Hu, Bentler, and Kano, 1992). For instance, the failure to obtain a non-significant chi-square may reflect a poorly specified model, the power of the test or a failure to satisfy assumptions underlying the statistical test (Marsh 1994). In an effort to overcome these limitations, other fit statistics are also used. These include the standardised root mean square residual (SRMR) and the Root Mean Square Error of Approximation (RMSEA).

The SRMR is a standardised summary of the average of residual variances and covariances, with values of 0.05 and below generally being suggested as evidence of a good fit (Byrne, 1998), although Kline (1998) has suggested that a value of less
Societal marketing: One Factor less item 1, item 2, item 8 and item 9.
(N=217)
Chi Square=3.099 d.f=3 p=.377
RMR=.026 RMSEA=.012

Figure 33.2: Final Model
<table>
<thead>
<tr>
<th>Item</th>
<th>Sample 1=105</th>
<th>Sample 2= 112</th>
</tr>
</thead>
<tbody>
<tr>
<td>Societal Marketing</td>
<td>.81</td>
<td></td>
</tr>
<tr>
<td>The firm is a member of an industry association</td>
<td>.65</td>
<td>.79</td>
</tr>
<tr>
<td>The firm regularly sends representatives to industry conferences.</td>
<td>.74</td>
<td></td>
</tr>
<tr>
<td>The firm provides advice to government on behalf of the industry</td>
<td>.76</td>
<td></td>
</tr>
<tr>
<td>The firm actively lobbies government</td>
<td>.68</td>
<td></td>
</tr>
<tr>
<td>The firm spends considerable money on public relations</td>
<td>.73</td>
<td></td>
</tr>
<tr>
<td>The firm donates money to charity</td>
<td>.69</td>
<td></td>
</tr>
<tr>
<td>The firm actively invests resources and/or money in activities outside its business which aim to benefit the community</td>
<td>.73</td>
<td></td>
</tr>
<tr>
<td>Management of the firm sees the reputation of the firm as more important than profit</td>
<td>.44</td>
<td></td>
</tr>
<tr>
<td>Shareholders (or owners) are seen as the most important stakeholders of the company</td>
<td>.23</td>
<td></td>
</tr>
</tbody>
</table>

Table 33.1: Reliability Analysis
Table 33.2: CFA Results — Factorial Independence of the Marketing Orientation Construct

<table>
<thead>
<tr>
<th>Competing Model</th>
<th>Goodness of Fit Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>( \chi^2(d.f) )</td>
</tr>
<tr>
<td>Null Model</td>
<td>716.65 (36)</td>
</tr>
<tr>
<td>One Factor Model (all items)</td>
<td>232.55 (27)</td>
</tr>
<tr>
<td>One Factor Model (less Social Resp)</td>
<td>196.24 (14)</td>
</tr>
<tr>
<td>Two Factor Model</td>
<td>203.45 (27)</td>
</tr>
<tr>
<td>Three Factor Model</td>
<td>211.63 (28)</td>
</tr>
<tr>
<td>Four Factor Model</td>
<td>251.78 (30)</td>
</tr>
</tbody>
</table>

Table 33.2: CFA Results — Factorial Independence of the Marketing Orientation Construct

than 0.10 is acceptable. The RMSEA statistic provides an estimate of how well the model with the parameter values derived from the sample could be expected to fit the population covariance matrix (Browne and Cudeck, 1993). Values of less than 0.05 indicate a good fit, while values up to 0.08 indicate reasonable fit and values between 0.08 and 0.10 indicate mediocre fit. These statistics were all used in the present study.

Results for the measurement models

Table 33.2 contains the fit statistics of the nested models reflecting the different factor structures. The one dimensional solution less the items which measure social responsibility seemed to be best fit of the all the models concerned. This measurement model though did not fit the data well, as shown by an overall significant chi-square and poor fit indices. A further confirmatory factor analysis was undertaken to determine the final one factor model which was a better representation of the data.

Null model: all items represent different latent variables.

One factor model: all items represent a single latent variable.

One factor model (Less Social Responsibility items) Items of social responsibility not included in the model. Note: the normalised chi-square calculation in Table 33.2, suggested this model was initially the best solution.

Two factor model: items relating to lobbying government and industry association represent one latent variable and items relating to charity and social responsibility represent the other latent variable.

Three factor model: items relating to industry association representing one latent variable, items relating to lobbying government representing one latent variable and items relating to charity and social responsibility representing one latent variable.

Four factor model: items relating to industry association representing one latent variable, items relating to lobbying government representing one latent variable; items relating to charity representing one latent variable and items relating to social responsibility one latent variable.

The fit of the model was marginally improved by inspection of the inspection of the squared multiple correlations (SMCs) of the items of the measurement model. Item 1, “The firm is a member of an industry association” and item 2, “The firm regularly sends representatives to industry conferences”, had squared multiple corre-
### Table 33.3: Further CFA of the Societal Marketing Orientation Measure

<table>
<thead>
<tr>
<th>Competing Model</th>
<th>Goodness of Fit Measures</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\chi^2(d.f)$</td>
</tr>
<tr>
<td>One factor model (less Social Resp)</td>
<td>196.24 (14)</td>
</tr>
<tr>
<td>One factor model (less Social Resp) less item 1</td>
<td>135.14 (9)</td>
</tr>
<tr>
<td>One factor model (less Social Resp) less item 1 and item 2</td>
<td>118.20 (5)</td>
</tr>
<tr>
<td>One factor model (less Social Resp) less item 1 and item 2 and covariance b/w iteme3 iteme4 and eitem6 and eitem7</td>
<td>3.10 (3)</td>
</tr>
</tbody>
</table>

Table 33.3: Further CFA of the Societal Marketing Orientation Measure

relations less than .3, in other words their variance is not well explained by the latent construct. The final model contained some correlated error variances between item 3 “The firm provides advice to government on behalf of the industry” and item 4, “The firm actively lobbies government”, indicating that respondents answered both questions in a similar way, as shown in Figure 33.2, the covariances between these error terms was of concern being .67. The final model also had another correlated error term of .40, between item 6 “The firm donates money to charity” and item 7, “The firm actively invests resources and/or money in activities outside its business which aim to benefit the community”. Indicating again, a similar response style when answering both questions. The final model represents the data, well ($\chi^2 = 3.10$, $d.f = 3$, $p > .40$) other fit indices were also acceptable (SRMR=.03, and RMSEA=.01, AGFI=.97, NNFI=.99 and CFI=1.00), suggesting that the model represents the covariances of the original dataset. The final model as shown in appendix 1, had an alpha reliability of .82, and consisted of the items 3, 4 and 5 which measured the dimensions of lobbying government and those of charity item 6 and item 7. In order to further validate the measurement model a procedure as recommended by Steenkamp, Hostede, and Wedel (1999) was followed. The parameters of the original measurement model were fixed to being equal to the countries of the study, Australia, Singapore, the Netherlands and China. The measurement model with these increased constraints still matches the data well ($\chi^2 = 37.55$, $d.f = 33$, $p > .27$). Comparing this model to the measurement model without these constraints lead to an insignificant chi-square ($\chi^2 = 37.55 - 3.10 = 34.45$, $d.f = 33 - 3 = 30$, $p > .10$), suggesting no differences between the constrained model of fixed country parameters, with that of the overall model across the dataset. Or, in other words the factorial structure of the final model is invariant across all of the countries in
Construct Validity

To quote Narver and Slater (1990, p. 25), “Evidence of construct validity is present when the patterns of correlations among variables confirms what is predicted by theory”. A Societal marketing orientation should be moderately positively correlated with marketing orientation (showing convergent and divergent validity) and be linked to the performance of the firm, which shows predictive validity. The measure of marketing orientation consisted of the 15 items of the Narver and Slater (1990) scale which consisted of items measuring customer, competitor orientation and interfunctional coordination. Items scored from 1 to 5, a 5 indicating that the firm carried out activities linked to marketing orientation to “a very great extent”. The scale had a mean of 55.83, a standard deviation of 8.62 and an alpha reliability of .88. Performance was measured by summing four items which assessed the financial condition of the firm. These consisted of sales, gross and net profit, and level of current assets. Each measure was scored from 1 (less than $100 000 US) thorough to 7 (greater than $100 million US). The final measure had a mean of 16.45, a standard deviation of 6.38 and an alpha reliability of .93. A measure from the study, that of Industry Association was also included in the analysis. This measure consisted of the two items of industry association; being a member of an industry association, and sending representatives to industry conferences. The mean of industry association was 7.08, with a standard deviation of 2.13, the alpha reliability for this measure was adequate at .72.

Table 33.4 shows the pattern of correlations between constructs and the societal marketing orientation, marketing orientation and performance. The correlation between societal and marketing orientation was as expected (see Narver and Slater,
positive (Pearson correlation coefficient $= .19$, $p < .01$), which provided some evidence of convergent but was low enough to support divergent validity. The correlation between industry association and societal marketing orientation was positive and significant, (Pearson correlation coefficient $= .50$, $p < .01$). A global measure of social responsibility, that of “The firm’s reputation being as important as profit”, which originally formed part of the measure of societal marketing. This measure of concern for a firm’s reputation was found to correlate somewhat the measure of societal marketing (Pearson correlation coefficient $= .36$, $p < .36$, $p < .01$). This provides some convergent evidence that societal marketing is related to a concern for social responsibility, but the correlation is not large enough to suggest that this may be the same construct, thus there is evidence of divergent validity of the construct.

There was also a positive correlation between the societal orientation of the firm and performance (Pearson correlation coefficient $= .30$, $p < .01$), which was also expected from the literature (Abbott and Monsen, 1979; Bragdon and Marlin, 1979; Graves and Waddock, 1993; Spencer and Taylor, 1987).

Conclusion

The study found evidence that the measure of societal marketing orientation was one dimension, and consisted of the actions of lobbying government, and providing charity. The dimensions of social responsibility and industry association do not form part of the measure, but may well be separate related constructs. The correlation coefficient, between industry association and societal marketing being positive (Pearson correlation coefficient $= .49$, $p < .01$). Items of social responsibility were found not to form part of the measurement of societal marketing. A possible explanation for this might included the way social responsibility was measured. It may well need to be measured by number of variables across a number of constructs, (e.g governance, ethics and corporate citizenship). This also suggests that the construct of social responsibility may more complex and difficult to define, hence more difficult to measure than first thought. The measurement of societal marketing was found to be associated with concern for a firm’s reputation ($r = .36$) suggesting that it is a related construct to that of social responsibility, but seems to be an independent measure.

The measurement of societal marketing orientation though, was correlated as expected with measures of marketing orientation, industry association and performance. This provides important evidence of the validity of the construct. Confirmatory factor analysis also found that the measure was factorially invariant across the major countries of the study, suggesting its applicability as a global measure of corporate behaviour.

The findings of this research study though are limited somewhat by the nature of the sample and low response rate. There is also a clear need for further validation of the measure in different settings, such as countries not included in this study. Larger samples would also allow further validation of the measure with related constructs such as social responsibility (Abbott and Monsen, 1979). It is also possible that a measure of societal marketing is best determined by use of a formative measurement.
model, (Diamantopoulos and Winkhofer, 2001; Jarvis, Mackenzie, and Podsakoff, 2003) rather than a reflective model which was the case in this study. In other words, future research should investigate whether societal marketing is a tendency, or collection of related business behaviours, rather than a unique construct. Although, as yet there are no statistical or contrasting goodness of fit tests that can be used to determine the superiority of one measuring procedure over the other (Diamantopoulos and Winkhofer, 2001; Jarvis et al., 2003).

Future research should also examine in detail the link between societal marketing and performance. It might also be that a societal marketing orientation is a type of business strategy that is best suited to particular environmental conditions. Elliot (1990), for example has suggested that this type of business strategy is best suited to turbulent business conditions. As the world experiences rapid and unprecedented changes since 911, there is clearly thus a need and interest for research in this area to continue.

References


**Appendix A: Final Scale Items of the measurement of Societal Marketing Orientation**

<table>
<thead>
<tr>
<th>Scale Item</th>
<th>Previous sub-scale</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The firm provides advice to government on behalf of the industry.</td>
<td>Lobby government</td>
</tr>
<tr>
<td>2. The firm actively lobbies government.</td>
<td></td>
</tr>
<tr>
<td>3. The firm spends considerable money on public relations</td>
<td>Charity</td>
</tr>
<tr>
<td>4. The firm donates money to charity.</td>
<td></td>
</tr>
<tr>
<td>5. The firm actively invests resources and/or money in activities outside</td>
<td></td>
</tr>
<tr>
<td>its business which aim to benefit the community.</td>
<td></td>
</tr>
</tbody>
</table>
Macromarketing and Corporate Social Responsibility: A Suitable Case for Treatment

Tim Breitbarth
University of Otago

Phil Harris
University of Otago

Is corporate social responsibility (CSR) a previsite for businesses operating around the globe and particularly for companies based or operating in developed societies? There is a view widely held about what CSR actually means that suggests it is ‘old wine in new bottles’. However, there is also agreement that CSR requires the business world to think about ‘big picture’ issues: “What is the relationship between business and other parts of society?”; and “Who is responsible to whom and in what fashion?”. If marketing is the process of a firm to strategically develop, maintain and foster relationships within its organisational context, the question has to be added: “What can marketing do for CSR and what will be the impact of CSR on marketing?”. On a conceptual basis if macromarketing is the ‘big picture’ perspective within the marketing discipline, this must mean it is suitable to highlight the changing nature within societies and its impact on the marketing system.

Important and relevant observations of the relationship between business and society as well as its impact on the marketing system are as follows:

- One can see changes in the nature of the role of governments and civil society in western societies. Consequently, the fundamental societal triad state-market-civil society is readjusting and rebalancing. This process opens new ‘spaces’ within this triad. These can be described (e.g. the retreat of the state as direct service provider for the community), and at the same time create opportunities for companies to make themselves relevant for society.

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• However, these ‘spaces’ are increasingly regulated by governments (or their agents) and are under observation from civil society (or their agents). Long-term opportunities for firms need to be compromised and cannot be fully exploited for business purposes.

• This requires businesses to actively get involved in public policy processes. Successful and meaningful contributions to public policy processes can win the company competitive advantages.

• Once adopted, CSR affects all functional levels of marketing. The conceptualisation of CSR as a guiding narrative for corporate strategies, operations and communications requires its implementation into all areas of traditional marketing.

The major contribution of this paper lies in the analysis of the mutual beneficial relationship of CSR and macromarketing thought. The authors are not aware of any article relating CSR to macromarketing and vice versa. Therefore, the intention of this paper is to provide the ‘topsoil’ for future fruitful works to grow in this field.

The rationale to nurture such thinking is as follows: CSR practice and theory have derived from changes in the balance of the triad state-market-civil society. However, to be relevant for business practice, CSR activities constantly need to be explained and justified by the benefits it offers for the organisation. These benefits are mostly relationship-based or resource-based. Both concern the marketing discipline and are grounded in a systems perspective underlying dominant macromarketing thinking. Thus, macromarketing provides a framework for CSR. Likewise, research into CSR can explore the dynamic nature of relationships within societies and reveal links to the marketing system. By doing so it grounds macromarketing research works and it offers more ‘grip’ for its empirical relevance.
Paper 35

Representing Corporate Environmental Citizenship: An Investigation of New Zealand Electricity and Gass Retailers’ Online Communications

Andrea Insch¹
University of Otago

This paper presents an exploratory study of how companies in New Zealand’s electricity and gas retail sector communicate their corporate environmental citizenship on the World Wide Web. The natural environment is the focal issue for analysing the way these companies represent their commitment to the community, and society in general, for two reasons. First, concern for and management of the environment is one of the most important social issue facing energy retailers. Second, prior empirical studies of corporate communication of social responsibility initiatives have investigated the extent and content of these messages without focusing on a particular social issue. A content analysis of the web pages of eighteen companies in the sector was selected to investigate what environmental issues and stakeholder groups are given priority and how they describe their attitudes toward their stakeholders and relationships with them. The results demonstrate an instrumental reformist moral position towards the natural environment underlying their communications. This philosophy was present in the environmental issues most frequently mentioned in their online communications and the principles motivating their environmental stewardship activities. While the majority of the companies presented their environmental initiatives on their web sites, most are not employing forms of interactive communication to enhance their online relationships and create a dialogue with their stakeholder audiences.

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Background to the Study

As energy companies ride the wave of a global energy boom they are pressured to increase supply from conventional sources, whilst investing in more efficient ones. Pressure to develop renewable energy resources is being applied from many directions — environmentally conscious consumers, governments, NGOs, investors and commercial customers. Unlike most industrialised nations, New Zealand generates most of its electricity from renewable sources, particularly hydro, although this supply is unreliable during the peak winter period. Rising energy consumption at 2% each year and a reliance on non-renewable sources of energy has elevated concerns about the sustainability of New Zealand’s energy supply. The country has experienced three ‘dry years’ in the past decade (Wilson and Cheng, 2004). As a signatory to the Kyoto Protocol the country is also grappling to find ways to reduce its carbon dioxide emissions from transport and electricity generation which have increased by 37%, relative to emissions in 1990 (for the Environment, 2005).

As suppliers of electricity to different user segments in New Zealand electricity retailing companies serve multiple, often rival stakeholder groups. Each stakeholder group competes to push their interests to top of the agenda. Electricity retailers also occupy a conspicuous role as stewards of the natural environment due to the impacts of their activities to meet users’ energy requirements. In responding to stakeholders’ needs by providing electricity to fuel modern life, how do these companies reconcile their environmental impacts as part of their broader social responsibilities? This tension creates a problem for companies that must communicate their environmental citizenship initiatives to diverse stakeholder groups. To understand how companies deal with this dilemma, this study examines the corporate signature web sites of New Zealand’s electricity retailers to explore: 1) which environmental issues are priorities for these companies? 2) which stakeholder groups feature prominently? and 3) how do these companies describe their attitudes toward their stakeholders and relationships with them?

Review of Relevant Literature

Corporations, Responsibility and the Natural Environment

Companies in the energy resource sector place stress on the natural environment through their exploration, production, generation and transportation activities (Banegge, 1998; Carroll, 1993; Kent and Taylor, 1998a; Sharma and Vredenburg, 1998). At the same time, they are increasingly aware of their environmental impacts and their role in addressing many of the environmental problems, like ozone depletion, that they have helped to create (Guimaraes and Liska 1995; Sharma and Vredenburg 1994; Post 1991; Hart 1995, Sethi, 1995). Research into the reasons why firms integrate environmental stewardship into their overall strategy is based on a reformist moral perspective. According to this view, morality is ‘a key strategic variable of the firm, something it must change to respond to external pressure’ (Crane, 2000, p. 148). A firm’s environmental proactiveness is driven by a desire to meet stakeholder
demands and, in turn, to enhance eco-efficiency, profits, and corporate reputation (Hart, 1995; Henriques and Sadorsky, 1996; Klassen and McLaughlin, 1996; Porter, 1990, 1991; Shrivastava, 1995; Welford, 1996). This approach has been classified as ‘shallow’ and ‘instrumental reform’ in the environmental ethics field as firms do not challenge the anthropocentric paradigm underlying corporate greening.

A complementary view to the moral or ethical perspective is research into the role of business in society under the recent label of corporate citizenship. According to this approach, environmentally proactive firms are motivated by an assumption of responsibility for the natural environment, reflected in their corporate philosophies (Hutton, D’Antonio, and Johnsen, 1998) and their environmental processes, policies and programs (Maignan, Ferrell, and Hult, 1999; Wood, 1991). Unlike the moral view, this approach does not seek to evaluate the morality of corporate greening. Empirical research in this field aims to identify the organizational activities and processes through which businesses meet their social responsibilities and what the antecedent philosophies and perceived benefits of good corporate citizenship are (Maignan et al., 1999). Previous studies of corporate citizenship (e.g. Maignan et al., 1999; Pinkston and Carroll, 1994) have provided an indication of the corporate philosophies that foster higher levels of corporate citizenship such as market-orientated and humanistic orientated corporate cultures (Maignan et al., 1999). Meanwhile, the potential business benefits have been suggested to include enhanced customer loyalty and employee commitment (Maignan et al., 1999).

**Corporate Citizenship in a Stakeholder Society**

Following Maignan et al.’s (1999) conceptualisation of corporate citizenship, this study defines corporate environmental citizenship as the extent to which businesses assume the economic, legal, ethical and discretionary environmental responsibilities placed on them by their various stakeholders. This conceptualisation of a firm’s responsibilities along four dimensions (Carroll, 1979) is combined with Wood’s (1991) principles of Corporate Social Responsibility (CSR) to provide a working framework for the present study. Accordingly, at the organisational level, regulatory standards (i.e. laws, regulations, agreements and voluntary standards) and corporate philosophies and values are reflected in environmental processes, programs and policies (Wartick and Wood, 1998; Wood, 1991). The construct provides a neat categorisation of areas of activity that impact upon a firm’s external environment and allows for the examination of various social issues from the perspectives of specific stakeholders, rather than the “abstract” notion of society as the carrier and communicator of expectations (Clarkson, 1995; Zarkada-Fraser, Kusku, and Fraser, 1999).

Businesses are accountable to society through their relationships and interactions with stakeholders. Their relations are mediated by the disclosure and communication of information about CEC motives and practices. The Word Wide Web (WWW) is being embraced as a platform for communication between companies and stakeholders. As the WWW is a pull medium, users actively seek out information they require and process the information more effectively than users of traditional mass media (Esrock and Leichty, 1998). Stakeholders’ active interest in obtaining this in-
formation forms an important part of the process of ‘sociologizing’ the corporation in society (Bell, 1974).

Communicating Responsibility in the Digital Age

Corporate signature web sites are a major medium to communicate images of corporate citizenship. They are a powerful public relations tool since they reach diverse audiences like investors, journalists, customers, suppliers, activists, employees and researchers. Unlike traditional mass media, the information presented on corporate web sites is not vetted by the gatekeeping function of journalists or barred by temporal restrictions of broadcast and print media. As a result, companies have more scope to present favourable images of themselves to enhance their reputations. This lack of vetting makes heightens public distrust of companies’ self-presentations and scepticism of the quality and reliability of web-based information (Hurme, 2001; Pinkham, 1998).

Compared to traditional mass communications mediums, the Internet has minimal barriers to entry for individuals and groups of stakeholders. Lower relative costs of information dissemination and greater interactivity allows users to participate in ‘setting the agenda’ of social issues they expect companies to address and how they should deal with them (Esrock and Leichty, 1998). To counterbalance information produced by companies, some users have adopted other computer mediated communication tools like chat rooms, email discussion lists and blogs to voice their discontent with corporate environmental practices and policies. Companies in turn have begun to incorporate some of these features and tools to engage users. Some observers argue that the Internet has modified the dynamics of communications between companies and their stakeholders to facilitate direct dialogue between the parties (Kent and Taylor, 1998a,b). This depends on companies designing their web sites to feature interactive tools to elicit feedback, monitor public opinion and engage in dialogue about social issues.

Prior empirical studies of the ways companies communicate their responsibility to society and commitment to stakeholders in the online environment are broad in scope. They have investigated the extent and content of businesses’ communications about CSR in France, UK, USA and the Netherlands Maignan and Ralston (2002); how Fortune 500 companies use their web sites to present themselves as socially responsible and advance their policy agendas (Esrock and Leichty, 1998); and the use of language in the web sites of Fortune’s ‘global most admired’ list of companies to establish relationships with their audiences (Pollach, 2005). The findings of these studies indicate that companies do discuss their corporate citizenship activities on the web as a means of creating a positive image and responding to stakeholder concerns. In addition, these messages differ in their frequency and content depending on the industry and the country in which firms were based. Therefore, there is a need to determine whether companies in environmentally-sensitive industries located outside Europe and the USA, such as in New Zealand, discuss their CEC practices in a similar way.

Internet use among households and businesses in New Zealand is relatively high.
The country has one of the highest internet penetration rates in the world. Despite heavy reliance on dial-up, 61% of New Zealanders are regular Internet users and 46% use it daily. Businesses have embraced this communication medium with 56% of New Zealand firms having their own website and 91% use email (NZ, 2006). There is evidence from the UK that consumers are increasingly sourcing information relating to their energy consumption from energy companies’ web sites (Nielsen//NetRatings, 2006). Following months of impending rises in the price of gas, UK consumers’ visits to their suppliers, competing suppliers’ and comparison web sites peaked in late February 2006. As market analyst Nielsen//NetRatings (2006, p. 2) note:

the gas price issue highlights the increasing importance of the web as an intrinsic part of life. For hundreds of thousands of people the Internet is the first port of call after an issue surfaces that could directly affect their lives.

To understand how New Zealand’s energy companies actually communicate their environmental citizenship activities in the online environment, this study describes how organisations use their web sites to present themselves and maintain contact with their publics. Three research questions were formulated: RQ 1 What environmental issues are reported by New Zealand energy retailers as the major priorities in their environmental citizenship agendas?; RQ 2 Which stakeholder groups feature prominently in connection to their environmental citizenship activities?; RQ 3 How do they describe their attitudes to communicating their corporate environmental citizenship (CEC) initiatives including their relationships with external stakeholders?

**The Research Method**

Companies’ signature web sites, those bearing the name of the parent company, were chosen as the online communication medium investigated in this study. As noted by Esrock and Leichty (2000), these web sites are an iconic representation of the company. They are purposefully designed by the company to present its identity to diverse audiences and stakeholder groups. Previous research has demonstrated that companies do discuss their involvement in CSR in their web sites (Esrock and Leichty, 1998; Maignan and Ralston, 2002; Pollach, 2005). Separate, but linked web pages and standalone sites dedicated to a particular product, advertising campaign or subsidiary were not considered.

**Research Design**

The identities of companies operating as electricity and gas retailers in New Zealand were obtained from lists produced by Energize and Energy InfoNZ. A total of 21 companies were identified at this stage. Companies that were described as only operating distribution lines were excluded as they do not have a direct relationship with end users. In addition, electricity and gas distribution, transmission or lines companies do not face the same environmental issues as retailing firms that are also involved in generating and trading energy for retail sale. Therefore, they cannot be compared
directly with companies defined as energy retailers. From then, companies were included in the analysis if their corporate web sites could be located and accessed. Two companies that were identified as subsidiaries and did not produce a separate web site were excluded. Another subsidiary company had a web site that was under construction. These companies were removed from the list leaving eighteen companies in the analysis.

**Data Collection and Analysis**

The exploratory, descriptive nature of this research dictated the choice of material for the analysis. Content analysis of the text of the corporate signature web sites of New Zealand electricity retailers was chosen as the primary data analysis method. The home pages and linked sections presenting the company (usually named ‘About Us’) were selected as the unit of analysis since they represent the most prominent display of a company’s purpose and identity. In addition, these two pages were searched to identify other web site areas that directly referred to the company’s responsibilities and commitment to the natural environment and specific stakeholder groups.

The majority of corporate citizenship and corporate social responsibility studies have utilised quantitative research methods, using surveys of managers or structured interviews. Other studies, however, have approached the topic from a qualitative perspective similar to that adopted for the present study (Abbott and Monsen, 1979; Aupperle, Carroll, and Hatfield, 1985; Bowman and Haire, 1975; Rondinelli and London, 2003). Some writers argue that corporate communications are the product of professional orchestrated and expensive public relations efforts. This, as well as their voluntary nature, however is a source of bias that is explicit and known, and can be accounted for in any investigation. Moreover, there are a number of regulatory, market and competitive constraints on the content and accuracy of corporate web sites, such as anti-fraud laws; increased scrutiny by the independent financial press, investors, NGOs, competitors and the public that safeguard the accuracy of factual information reported.

**Data Analysis Framework**

Different procedures were utilised to address each research question. Firstly, to investigate the environmental issues of most concern to the companies, references to the natural environment in web pages were recorded. An initial coding scheme was developed, based on an iterative analysis of five web sites. As the coding unfolded, additional items were added to the initial list and websites were rechecked for the presence of these items. Furthermore, the coding scheme developed was based on the conceptualisation of CEC as motivating principles, processes and stakeholder issues. The appearances of specific words (relating to the firms’ attitude towards their social and environmental role) were coded into three categories to analyse the principles motivating their environmental citizenship. These categories were: value-driven, stakeholder-driven and performance driven, and correspond to the positive duty, negative duty and utilitarian duty respectively. Following Maignan and Ral-
ston (2002), CEC processes were coded where reference was made to organisational policies and programs designed to implement CEC principles and/or address particular stakeholder issues. Similar to the coding scheme for environmental issues, the scheme for coding CEC processes emerged over the coding procedure. For each policy or program either already implemented and producing results, designed and partially implemented or planned for implementation within a specified time frame, ‘1’ was entered into the database. Multiple references to the same policy were coded but not entered into the database. The complete websites were reviewed for references to corporate environmental policies and programs. Similar to Maignan and Ralston (2002), there was some overlap between different categories of CEC processes and it was difficult to directly link specific programs to discrete stakeholder issues.

Secondly, to assess which stakeholder groups received attention, the home pages and about us sections were coded for the presence or absence of section titles and active hyperlinks that explicitly targeted particular stakeholder groups. Following Esrock and Leichty’s (2000) approach, each incidence of icons and hyperlinks on these two pages was treated as an indicator of the attention given to particular audiences. These stakeholder audiences were: residential customers, business customers, student/teachers, prospective employees, the community/general public, contractors/suppliers/channel partners, the press, and investors/shareholders/financial community.

Thirdly, two procedures were adopted to assess the attitude toward the communications and relationship of the corporations with external stakeholders. As Pollach (2005, p. 296) argues, web site authors can create relationships with users applying ‘either textual features or hypertextual features’. To examine the textual features of the relationship between the company and its audiences two categories of pronouns commonly used in mass communications were used. These were first-person pronouns (“we”/ “us”/ “our”) and second-person pronouns (“you”/ “your”). According to discourse analysis, the use of first-person pronouns helps to establish relationships with stakeholder audiences since the web site author states information as beliefs, not as facts (Fairclough, 1989). Use of second-person pronouns assists to involve readers into the discourse as a means of reducing the impersonality of mass communications (Callow, 1998).

To assess the interactivity of the web sites two procedures were adopted. First, the presence or absence of interactive features and tools in web sites was assessed and recorded. These tools included feedback or e-mail links to the corporation (including ‘contact us’), on-line surveys and comment/response features for public consultation. Second, the presence or absence of functions or features that makes it easy for visitors to access information. Each company’s home/front page and ‘about us’ page was coded for the presence or absence of a site map or index, a search engine and the availability of downloadable material. According to Kent and Taylor (1998a,b), these features are vital for building equitable relationships with stakeholder audiences.

In addition to examining the web pages for these items, a number of different attributes for each company was noted: ownership, assets, annual sales, numbers of employees and customers and primary activities. Each site was coded for the type of environmental responsibility messages (eg speech reprint, press releases, special reports, links to outside sites, audio/visual clips, on-line publications), and whether
there was a direct link for environmental responsibility items on the first/home page (as an indicator of the prominence given to environmental citizenship messages). Finally, the role of web sites as a potential platform for ‘setting the agenda’ with regards to CEC was investigated by reviewing each web site for editorials, commentary, third party opinions and other content advocating a stance on public policy on environmental issues. The number of pages included in the analysis was also counted and recorded.

Establishing the validity of content analysis involves developing an accurate coding scheme and coding the text according to an objective criterion in a simple, rational, stable, accurate and reproducible manner. The coding and data entry were carried out by the researcher. Since one coder was used, the coding scheme that was developed and applied was designed in a manner that does not require subjective judgement, that is, the coding scheme records the presence or absence of certain features and/or counts their frequency. This permits another coder to independently verify the accuracy of the application of the coding scheme. The web pages of each site were saved as local files with all the images they contained to preserve the navigational structure and layout of the web site. All data were coded electronically using copies of the files in rich text copy form and entered into a spreadsheet. Files such as Macromedia© Flash animation and mpeg video files were excluded, only classic hypertext features, ie. text, images, and links were included in the analysis. Table 35.1 shows the companies included in the analysis, their web addresses, and the number of pages that were examined.

<table>
<thead>
<tr>
<th>Name</th>
<th>URL</th>
<th>Pages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auckland Gas Company</td>
<td><a href="http://www.aucklandgas.co.nz/">www.aucklandgas.co.nz/</a></td>
<td>10</td>
</tr>
<tr>
<td>Bay of Plenty Electricity</td>
<td><a href="http://www.bopelec.co.nz/">www.bopelec.co.nz/</a></td>
<td>14</td>
</tr>
<tr>
<td>Contact</td>
<td><a href="http://www.mycontact.co.nz/">www.mycontact.co.nz/</a></td>
<td>17</td>
</tr>
<tr>
<td>Directenz</td>
<td><a href="http://www.directenz.co.nz/">www.directenz.co.nz/</a></td>
<td>15</td>
</tr>
<tr>
<td>Energy Online</td>
<td><a href="http://www.energyonline.co.nz/">www.energyonline.co.nz/</a></td>
<td>8</td>
</tr>
<tr>
<td>Empower</td>
<td><a href="http://www.empower.co.nz/">www.empower.co.nz/</a></td>
<td>8</td>
</tr>
<tr>
<td>Genesis Energy</td>
<td><a href="http://www.genesisenergy.co.nz/">www.genesisenergy.co.nz/</a></td>
<td>50</td>
</tr>
<tr>
<td>King Country</td>
<td><a href="http://www.kcenergy.co.nz/">www.kcenergy.co.nz/</a></td>
<td>13</td>
</tr>
<tr>
<td>Meridian</td>
<td><a href="http://www.meridianenergy.co.nz/">www.meridianenergy.co.nz/</a></td>
<td>67</td>
</tr>
<tr>
<td>Mercury</td>
<td><a href="http://www.mercury.co.nz/">www.mercury.co.nz/</a></td>
<td>71</td>
</tr>
<tr>
<td>Mighty River Energy</td>
<td><a href="http://www.mightyriver.co.nz/">www.mightyriver.co.nz/</a></td>
<td>13</td>
</tr>
<tr>
<td>NGC</td>
<td><a href="http://www.ngc.co.nz/">www.ngc.co.nz/</a></td>
<td>20</td>
</tr>
<tr>
<td>Nova Gas</td>
<td><a href="http://www.novagas.co.nz/">www.novagas.co.nz/</a></td>
<td>8</td>
</tr>
<tr>
<td>OnEnergy</td>
<td><a href="http://www.onenergy.co.nz/">www.onenergy.co.nz/</a></td>
<td>18</td>
</tr>
<tr>
<td>Rockgas</td>
<td><a href="http://www.rockgas.co.nz/">www.rockgas.co.nz/</a></td>
<td>7</td>
</tr>
<tr>
<td>Todd Energy</td>
<td><a href="http://www.toddenergy.co.nz/te/">www.toddenergy.co.nz/te/</a></td>
<td>10</td>
</tr>
<tr>
<td>Trust Power</td>
<td><a href="http://www.trustpower.co.nz/">www.trustpower.co.nz/</a></td>
<td>47</td>
</tr>
<tr>
<td>Wanganui Gas</td>
<td><a href="http://www.wanganuigas.co.nz/">www.wanganuigas.co.nz/</a></td>
<td>10</td>
</tr>
</tbody>
</table>

Table 35.1: Sample Features
Discussion of Findings

Analysis of the content of the web sites listed in Table 35.1 revealed that the majority of these companies featured information about the environmental issues they consider priorities and mentioned the specific initiatives they take to address them. However, most did not explicitly explain what motivates this behaviour and did not employ audio-visual communications tools, instead they favoured traditional corporate communications forms. Means of contacting these companies to obtain further information and offer feedback about their environmental initiatives were standard online — email, contact details and enquiry forms — equivalents to printed forms. Companies customised information for residential and business customers more frequently than other stakeholder groups and did not make extensive use of interactive features to foster dialogue with their stakeholders. In the next section, the results of the content analysis relevant to each of the three research questions are discussed in turn.

All but one of the 18 web sites included an explicit reference to the natural environment. As shown in Table 35.1, the number of web pages analysed for each company ranged from 8 to 71 pages. Users’ access to information about the natural environment was aided by a site map found on half of the companies’ web sites. Nearly 40% of the web sites had a search engine to locate this information and 33% featured a direct link from either the front page/home page or ‘about us’ section. Companies placed information about their attitudes to the natural environment and their environmental citizenship activities in a variety of locations in their web sites. The most popular locations (6 companies, 33%) were a dedicated environment section and a section on their energy generation. The second most popular locations (4 companies, 22%) were in the following sections: ‘about us’/our company, in the news/news centre. The third most popular locations (3 companies, 17%) were in the sponsorship section and benefits of ‘energy source’/energy of the future section. At least one company located information on their CEC activities under either: sustainability, employment, community, FAQs, products/services, corporate governance and residential/business customers.

Environmental Issues

The most frequently mentioned environmental issues are listed in Table 35.2. The environmental issue that was most frequently reported by companies in the sample was the drive to achieve greater efficiency in energy usage. In 67% of the web sites there was a reference to the way these companies aimed to improve energy efficiency through use of enhanced technology and energy sources. As one company stated:

environmental efficiency can be achieved by using new generation technology. Smaller “embedded” generation units allow savings to be made while more efficiently using input fuel.

The second most frequently reported issue was the desire to minimise negative environmental impacts through the use of ‘clean’ and/or ‘green’ energy sources with
### Table 35.2: Ranking and Frequency of Environmental Issues

<table>
<thead>
<tr>
<th>Environmental Issue</th>
<th>Rank</th>
<th>Frequency (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Energy efficiency</td>
<td>1</td>
<td>67</td>
</tr>
<tr>
<td>Minimising environmental impacts/Clean and green energy sources</td>
<td>2</td>
<td>56</td>
</tr>
<tr>
<td>Kyoto protocol/Greenhouse emissions</td>
<td>3</td>
<td>44</td>
</tr>
<tr>
<td>Resource consents</td>
<td>4</td>
<td>28</td>
</tr>
<tr>
<td>Renewable energy</td>
<td>4</td>
<td>28</td>
</tr>
<tr>
<td>Environmental management systems/ISO 1400/Environmental policies</td>
<td>4</td>
<td>28</td>
</tr>
<tr>
<td>Conservation/Sponsorship of environmental sanctuary</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>Recycling/Waste reduction programs</td>
<td>5</td>
<td>17</td>
</tr>
<tr>
<td>Environmental education</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>Energy saving</td>
<td>7</td>
<td>11</td>
</tr>
<tr>
<td>Managing energy demand/Shortages</td>
<td>8</td>
<td>6</td>
</tr>
<tr>
<td>Environmental awards</td>
<td>8</td>
<td>6</td>
</tr>
</tbody>
</table>

56% of the web sites mentioning how the energy sources they extract and use are more ‘environmentally friendly’. Discussion of this issue was prominent among the gas retailers and the companies using renewable energy sources like hydro powered electricity. The third most frequently mentioned environmental issue related to New Zealand’s obligations under the Kyoto Protocol and the aim of reducing greenhouse emissions, with 44% of companies’ web sites discussing this important issue. About a quarter of the companies discussed the resource consent process, renewable energy sources and their use of environmental management systems. 17% of companies’ web sites mentioned the discretionary programs they have in place: conservation and sponsorship of environmental sanctuaries for endangered species and recycling and waste reduction programs. Only 11% of the web sites included reference to programs designed for their customers: environmental education in the local community and energy saving programs. Just 6% mentioned the debate on energy shortages and the fact they had received an award for their environmental performance.

In the web pages examined, few companies explicitly mentioned the principles motivating their CEC initiatives. Of the 18 companies in the sample, 7 (39%) discussing their environmental citizenship activities adopted the stakeholder-driven perspective. This approach was described by one company as fostering:

> close relationships with the community and stakeholders, so that their views can be incorporated into the environmental decision-making processes. Good environmental management is a two-way process and we acknowledge there is much to learn from others. To be credible, any information collected must be independent and robust. It must have buy-in and input from all those affected.

Only 4 (22%) companies mentioned that their commitment to CEC was performance driven. Just 2 (11%) of the companies’ justified their commitment to CEC as
Stakeholder Audiences

Next the results were analysed for the priority given to different stakeholder audiences and to identify the configurations of audiences that corporate Web sites most frequently address in relation to their environmental responsibilities (ie. customers, the press, investors). Table 35.3 and 35.4 summarises this frequency data and Figure 35.1 shows the combinations of stakeholder audiences targeted by the companies in the sample. The results show that all companies targeted at least one stakeholder group, with one company targeting all but one of the possible groups of stakeholders mentioned in these websites. Surprisingly, none of the web sites purposefully targeted internal stakeholders. Customer stakeholders were categorised into two distinct groups, residential and business customers. The descriptions of business customers on five web sites made a distinction between large or industrial customers and small and medium sized commercial clients. Also within this category, four companies deliberately targeted farming businesses.

Attitudes and Relationships with Stakeholders Consistent with Pollach’s (2005) study, the use of first-person pronouns outnumber second-person pronouns in these web pages. Table 35.5 shows the average number of pronouns per front page/home page and ‘About Us’ sections, the corresponding standard deviations, and the ranges

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>Rank</th>
<th>Frequency (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Residential customers</td>
<td>1</td>
<td>95</td>
</tr>
<tr>
<td>Business customers</td>
<td>1</td>
<td>95</td>
</tr>
<tr>
<td>Press/media</td>
<td>3</td>
<td>38</td>
</tr>
<tr>
<td>Investors/shareholders/financial community</td>
<td>4</td>
<td>22</td>
</tr>
<tr>
<td>Students/teachers</td>
<td>4</td>
<td>22</td>
</tr>
<tr>
<td>Potential employees</td>
<td>4</td>
<td>22</td>
</tr>
<tr>
<td>Community/general public</td>
<td>4</td>
<td>22</td>
</tr>
<tr>
<td>Contractors/suppliers/channel partners</td>
<td>8</td>
<td>17</td>
</tr>
</tbody>
</table>
Figure 1: Occurrences of Stakeholder Audience Combinations

Counts of Auckland Gas, Bay of Plenty, Contact, Directen, Empower, Energy Online, Genesis Power, KingCountry Energy, Meridian Energy, Mercury Energy, Mighty River, NGC, Nova Gas, OnGas, Rockgas, Todd Gas, Trust Power, and Wanganui gas are shown in the diagram. The counts range from 0 to 8 in the sample of websites. In 11 of the websites, the use of second person pronouns (i.e., you) is observed.
of these pronouns across the web sites in the sample. In 11 of the websites, use of second person pronouns (ie. you/your) appears only two or fewer times. Interestingly, one company used the first person pronoun ‘my’ eight times in these two web pages and one company had a domain name featuring this pronoun — www.mycontact.co.nz. These two categories of pronouns do not fully represent attitudes and ways of communicating with stakeholders. For instance, verbs in the imperative form also attempt to include audiences in corporate discourses, but were not included in this analysis.

Few companies used their web sites as a vehicle to advance their positions on public policy issues concerning the natural environment and energy usage. Only three companies (17%) featured editorials, two companies (11%) included commentaries and submission to public authorities and enquiries and third party opinions and public campaigns featured in only one website (6%). These companies were more likely to feature conventional forms of corporate communications about environmental issues and their CEC initiatives. The most frequently used were: media releases (78%), FAQs (67%), online publications (61%), newsletters (50%), special reports and policy documents (44%), profiles of their board members (44%) and links to websites related to the environment and/or energy issues (39%). Fewer companies’ web sites featured audio/visual clips (22%) such as webcasts, commercials and a picture gallery, and letters/special statements (22%), events calendar (22%), separate environmental/ sustainability reports (17%), speech reprints (17%), presentations (17%), email news bulletins (17%), glossary (17%), testimonials (11%), case studies (11%). One company even featured a blog that encouraged dialogue with external stakeholders.

Several interactive forms of communicating and locating information about the companies’ environmental citizenship activities were commonly used. The most popular were: contact/contact us tab (89%), webmaster email (78%), online contact/enquiry form (56%), and online registration (28%). Fewer companies featured a company contact directory (17%), specific contact details for the environmental management officer (6%) or encouraged feedback on their environmental/sustainability reporting (6%).
Conclusions and Avenues for Future Research

The findings of this study of the self-presentations of New Zealand’s electricity and gas retail companies on the WWW demonstrate a reformist moral perspective towards the natural environment. This philosophy was present in the environmental issues most frequently mentioned in their online communications. More than half of the firms in the sample referred to the pursuit of greater energy efficiency and minimising their environmental impacts through the use of ‘clean and green’ energy sources. Less than half of the companies indicated that they recognised their obligations under the Kyoto Protocol to reduce greenhouse gases and their responses. About a quarter of the companies stated that they managed their impacts on the environment through the regulatory resource consent process, developing renewable energy generation and implementing organisational environmental management policies and systems. These presentations of corporate responses to environmental issues suggest an instrumental reformist position described by Crane (2000). They represent a strategic management approach to dealing with the natural environment driven by eco-efficiency and motivated by stakeholder concerns, rather than internally ethical principles.

Given the heated debate in New Zealand about electricity shortages this winter, it is surprising that only a small number of companies utilised their web sites as a mechanism to promote their position on policies concerning energy pricing, generation and consumption. Even though they presented a variety of conventional printed forms of corporate communication, they did not incorporate digital and interactive forms of communicating with key stakeholder groups such as blogs, audio/visual, email bulletins, presentations and separate environmental performance reports to the same extent. If these companies are to develop dialogues with their stakeholders, achieve greater transparency and accountability in communication and present a credible web presence they need to improve the interactivity of their web sites.

In particular, the web sites generally did not provide specific information on the companies’ environmental initiatives and delegation of responsibility. Firstly, they did not provide directories or disclose contact details for environmental management and marketing/public relations personnel so that users could contact them directly. Secondly, few included separate environmental or sustainability reports that could be easily accessed and downloaded from the web site. Thirdly, they did not encourage users to contribute feedback on their environmental and sustainability reporting and performance. These companies also need to improve the specificity of the information presented in their web sites about their environmental concerns and commitments, demonstrated through their CEC activities. Most of the web sites featured sophisticated search facilities, so the inclusion of more detailed information could be easily accessed by users.

As the WWW is a pull medium and information providers compete for the attention of internet users, these companies need to ensure that their sources are perceived as modern, reliable, detailed and easy to locate. Like Esrock and Leichty’s (1998) examination of the communication of CSR images on web pages, this study provides further evidence that most web sites used an information push approach to communicate their CEC that is not designed to foster a ‘meaningful two-way interaction...
between organizations and their publics'. Another obvious indicator of the outdated communication style was the prominent use of first-person pronouns, common in traditional mass communication, over second-person pronouns that are designed to establish relationships with readers. The use of language to some extent reflects the author's attitudes towards intended audiences and should be more carefully considered when creating and maintaining web site content. There was also a noticeable lack of explicit explanation of the motivations underlying their CEC activities. Only half of the companies offered a justification for their commitment to the natural environment. This sense of responsibility was driven by the need to meet stakeholder concerns, rather than internally driven values or an ethical code of conduct.

This study of New Zealand's electricity and gas retailers' primary online communications medium — their web sites — has identified the environmental issues they represent as the most important and their responses to these issues through their environmental policies and programs. Stakeholder groups like the press, government policy makers and NGOs are likely to access this information on a regular basis to assess these companies' support for proposed energy policy initiatives. Conversely, these communications are regularly updated and they may be analysed to offer an indicator of their potential resistance to adopt new energy conservation and natural environment management procedures and systems. The exclusive focus on New Zealand's electricity and gas sector limits the generalisability of the findings. This limitation can be addressed by future research that expands the context of the research by selecting a broader range of industries and a larger sample size. Logically, companies operating in the coal and oil resources sector could be included in an expanded sample frame. Next, industries that are heavy consumers of energy in New Zealand could be analysed and then compared to the first group. The findings from this study could be compared with firms operating overseas. A setting like Australia would provide a useful comparison since the country generates and consumes energy from a different mix of sources and does not face the same obligations under the Kyoto Protocol. Therefore, these companies might differ in the environmental issues they consider priorities, the stakeholders they rank as important, and their attitudes and relationships with these influential groups. Another limitation of this study is the small proportion of the web sites' content that was analysed. Future research could audit entire web sites and take a user approach to evaluate web site quality. This type of evaluation requires assessment by users themselves and should include multiple stakeholder perspectives since corporate signature web sites target a variety of audiences.

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Session X

Consumption, Markets and Culture: Wednesday 11.00am-12.30pm
(Parallel Stream)
Paper 36

What Role Does Consumption Play in the Motherhood Identity? Exploring the Motherhood Institution, Motherhood Ideals and Mothering Experiences

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This paper provides a conceptual framework to explore the relationship between consumption and the motherhood identity. From an assessment of a diversity of literature from different disciplines it is shown that the identity of motherhood is framed by the interrelationships between the motherhood institution, motherhood ideals and mothering experiences and consumption plays a significant role in shaping this identity. While there is substantial literature available on the motherhood institution and ideals there is less information on mothers actual mothering experiences and even less on the role consumption plays in shaping the motherhood identity. As such the authors argue further empirical research, particularly from a societal standpoint, to explore these interrelationships, focusing specifically on mothering and consumption experiences, is warranted.

Introduction

The birth of a mother does not take place in one dramatic, defining moment, but gradually emerges from the cumulative work of the many months that precede and follow the actual birth of the baby. (Stern, Bruscheiler-Stern, and Freeland, 1999, p. 3)

Much has been written about motherhood in many different fields, from many different perspectives. While there has been some excellent work in disciplines such as anthropology, the humanities, social sciences and design history (e.g. Antonucci and Mikus, 1988; Bailey, 1999; Clarke, 2004; Layne, 2000; Maushart, 2999; Miller, 2005; Smith, 1999b,a), there have also been calls for more research on the topic (e.g. Taylor, 2004), particularly that which privileges women’s actual experiences of motherhood (Smith, 1999b,a; Maushart, 2999; Brook, 1999; Arendell, 2000; Miller, 2005). Moreover, with some notable exceptions (e.g. Prothero 2002; Jennings and O’Malley 2003; Carrigan and Szmigin 2004; Hogg, Curasi, and Maclaren 2004; Thompson 1996) consumption’s role in shaping mothers’ identity has been largely ignored in the marketing and consumer research fields.

The lack of research within our own discipline seems remarkable, since it has long been established within the field of consumer research that there is an important link between consumption and role transitions (Schouten, 1991) in that consumption is used to create and maintain new identity positions (McCracken 1986; Kleine and Kleine 1999). It has also been recognized in the marketing literature that periods of transition within the family life-cycle, including that to parenthood, “may well be associated with major changes in consumption patterns” (Commuri and Gentry 2000, p. 8). Indeed, the consumption of items both for pregnant women and their newborn babies represents an incredibly lucrative market. In the UK, for instance, it has been
estimated that it costs £52,000 to raise a child to aged five (Ward, 2005). Some recent works in marketing have demonstrated the importance of consumption in the transition to motherhood and the creation and maintenance of mothering identities (Prothero 2002; Jennings and O’Malley 2003; Thomsen and Sorensen 2006). Other research confirms that consumption continues to play a central role when women have established and enact their mothering roles (Carrigan and Szmigin, 2004; Hogg et al., 2004). Interestingly, unlike other role transitions where new behaviours and tasks are often substituted for old ones, women who become mothers are generally faced with taking on additional roles and responsibilities:

... [the] transition to motherhood challenges our sense of who we are as identities, and experiences shift and coherent biographical narratives become more difficult to construct: becoming a mother changes everything. (Miller, 2005, p. 49)

It seems particularly pertinent to examine this subject given suggestions that the transition to motherhood leads to a major identity crisis (Maushart, 1999; Warner, 2005) and in some instances a “loss of individuality” for women (Rossiter, in Maushart, 1999). In 2000 a survey of mothers found that 70% felt motherhood was “incredibly stressful” (Warner, 2005), and in 1997 81% of mothers said motherhood was more difficult now than twenty years ago (Pew Research Centre, in Douglas and Michaels, 2004). Indeed when talking about motherhood transition mothers used terms such as “shock”, “panic” “anxiety”, “not knowing”, “feeling out of control” (Rossiter, in Maushart, 1999) or talk of their identity being “cloven in two” and their “independence cut by half” (Wolf, 2001). It has also been suggested, in the USA, that up to 20% of new mothers could be suffering from postnatal depression (Douglas and Michaels, 2004) and a contributing factor to this depression can be women's withdrawal from social networks which were in place before they became mothers (Mauthner, 2002). Thus, it is clear that women go through an identity change when they become new mothers and this can be both a positive and negative experience (Maushart, 1999; Wolf, 2001) for them. One influence on their experience of motherhood may be the extent to which they embrace or reject dominant motherhood ideologies (Jennings and O’Malley, 2003).

In recognition of this important yet under researched area, this paper presents a conceptual framework intended to stimulate thinking and debate on how mothers are created in our society and how this influences their experience(s) of motherhood. The paper argues that consumption plays a critical role in the enactment of motherhood and, on this basis, establishes a research agenda for advancing knowledge in the field. Moving beyond simplistic considerations of what is consumed, it attempts to highlight the relationship between consumption, motherhood as an institution and mothering experiences. Above all, it aims to lay the conceptual groundwork for further exploration of the societal implications of mothering consumption.
Motherhood Identity

What does it mean to be a mother and where does this come from? Is there a mother identity? Are there many mother identities? Motherhood and what it means will always be in a state of flux, since the terms ‘mother’ and ‘motherhood’ are socially and historically constructed, influenced by fields as diverse as politics, medicine and literature (Forcey, 1994; Greenfield and Barash, 1999), and of course by women’s personal experiences of motherhood, mothering, and of being mothered. Figure 36.1 provides a framework to explore the development of a motherhood identity. The themes illustrated are further considered below.

Recent literature (Miller, 2005) has taken its cue from the ground-breaking research of Adrienne Rich in the 1970s and makes the distinction between motherhood as an institution and mothering as experience; the latter refers to what mothers actually experience in their roles as mother and the former to what society expects motherhood to be. Thus, implicit in this is the understanding that motherhood is a socially constructed phenomenon (Glenn, 1994). For Rich (1977) the motherhood institution was dominated by patriarchal ideals. Miller’s (2005) recent work on the motherhood institution offers a broader perspective. She defines ‘mothering’, ‘motherhood’ and the ‘motherhood institution’ as follows:

'Mothering' refers to the personal, individual experiences that women have in meeting the needs of and being responsible for their dependent

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It should be noted that the motherhood issues presented here are very much from a middle-class (predominantly white), Developed nations, perspective and the authors acknowledge that further research outside of this group of mothers is also warranted.
children. ‘Motherhood’ on the other hand refers to the context in which mothering takes place and is experienced. The institution of motherhood in the Western world is, then historically, socially, culturally, politically and, importantly, morally, shaped. (Miller, 2005, p. 3)

Given that consumption is the dominant social paradigm in the Western world (Kilbourne, McDonagh, and Prothero, 1997), one would expect it to exert a profound influence on both the institution of motherhood and the experience of mothering. We argue that mothers’ identities are affected by the motherhood institution and mothering experiences, that notions of the ‘ideal’ mother is derived from both, and that these in turn are affected by consumption experiences. This is similar to Commuri and Gentry’s (2000, p 4) argument that there is a distinction between ‘a family’ (current household and its lived experience) and ‘the family’ (the institution and its role in society) and that research within marketing has “not attempted to explain the relationship between a family and the family”.

Waerdahl (2005) discusses the role of consumption in helping children anticipate and shape their identities as they approach adolescence. Similarly, we may expect that the pregnant woman uses consumption to help her confront the practical and symbolic challenges that the new role of mother presents. Women for example could utilize the purchase of the ‘right’ item, as defined by various influences, to assure themselves of their legitimacy and adequacy as a mother — in the sense of ‘I’ve bought the right mattress so my child won’t die of cot death’.

It is important to explore the various factors that influence how mothers form their identities in this fundamental transition. For instance, how women act as mothers and feel about motherhood is directly influenced by cultural, societal, political, historical and physiological factors, what Rich (1977) calls the motherhood institution. These factors also shape women’s identities as mothers and their understanding of this role. Within all areas consumption plays a significant role.

The lack of a definitive template inevitably impacts upon the modern mother, how she perceives herself and how she is perceived by others, what she experiences and ultimately in shaping her motherhood identity. Consequently an assessment of the institution of motherhood is further considered below, before the other influences upon the motherhood identity: experience, ideals and consumption are considered.

### Motherhood As Institution

There is an extensive literature, drawn from many different fields, which discusses and debates the institution of motherhood and shows how it has been framed, over time, by medical, legal and political, and socio-cultural factors.

#### Medical Influences

The medicalisation of childbearing, in conjunction with the pervasive ideologies and practices that shape expectations of motherhood, can be seen
to powerfully reinforce notions of appropriate ways of preparing for becoming a mother and how a good mother ‘naturally’ acts. (Miller, 2005, pp. 46-47)

During the eighteenth century maternity in medical texts began to be referred to as a physical condition (Greenfield, 1999), and as such an illness, and since that time the medicalisation of pregnancy in developed nations has been widely debated. Despite this, even by the turn of the nineteenth century infant mortality rates (in Developed nations) were hovering around twenty per cent, and therefore, many mothers sought out the advice of experts, usually doctors, who could show them how to minimise the risks associated with birth and child rearing. Interestingly, even as late as the 1940s, women’s groups were campaigning for safer, hospital procedures for pregnant women (Miller, 2005). As such in many of today’s developed nations it is the ‘norm’ to have one’s baby in a hospital setting and for one’s pregnancy and subsequent labour to be managed in a medicalised fashion. In the UK, for example, 98% of all births in 2003 were hospital-based (Social Trends, 2003). Thus, in today’s modern world hospital births are the norm, (a notable exception to this is Holland where home births are common for low-risk pregnancies). In such situations, it is also common for pregnancy to be ‘managed’ by medics, in particular the obstetrician and gynecologist, who appear to dominate care, even for low-risk pregnancies, in many developed countries. Interestingly, there is an increasing trend for women to seek out a more natural birth within a hospital setting, and there is much current discussion on this topic (Halliday and Hogarth-Scott 2000; Hyde and Roche-Reid 2004; Thompson 2005). Thus, in most Western nations today the medical and health professionals, in particular the obstetrician and gynecologist, have the expert knowledge and ‘cultural authority’ for pregnancy care (Miller, 2005). The medicalisation of pregnancy and childbirth has therefore occurred over a long period of time and is now constructed by the majority of pregnant women, and indeed society generally, as simply the way things are (Davis-Floyd and Sargent, 1997). There are, of course a number of practical implications that result from this. It is common practice to ‘deliver’ a baby in a hospital environment under the care of an ‘expert’ consultant. This consultant will decide if it is ‘safe’ to have the baby ‘naturally’. Thus, consultants make decisions on, if and when to initiate labour, whether a Cesarean section (C-section) is necessary and appropriate, and what, if any, pain relief is to be offered. Interestingly, this has led to a market for labour, in the sense that many women choose their obstetric services, and some women opt for a C-section out of personal choice rather than necessity. Such women (such as the celebrity Victoria Beckham) have been mocked by tabloid newspapers as the “too posh to push” mum and compared to others (such as Jools Oliver, wife of celebrity chef Jamie Oliver and author of a book on parenting) who are lauded for their ‘natural’, albeit medicalised option.

One consequence of the medicalisation of pregnancy and childbirth is that there is much less reliance by mothers on the knowledge of past generations (Miller, 2005). Moreover, it has been argued that the prevalence and extent of medical intervention has led to women becoming separated from knowing what is happening with their bodies (Rothman, 1989), and that the management of pregnancy has become
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a patriarchal activity (Miller, 2005). As such, the medicalisation of pregnancy and childbirth has not been uncontested. Indeed, since the 1970s there has been considerable debate focusing on issues such as: hospital versus home births; natural versus assisted labour; the increasing rationalization of pregnancy and birth in a hospital setting; and the subsequent assembly-line delivery mechanism for child-birth — all of which happened with the move from midwifery-assisted home births to obstetric based hospital births (e.g. Oakley, 1979; Armstrong and Sperry, 1994; Tew, 1998; Davis-Floyd, 2004; Hyde and Roche-Reid, 2004; Miller, 2005; Thompson, 2005). Consequently, there is much debate over the medicalisation of pregnancy and its dominance by the ‘expert’ (mostly male) professional. While much of today’s debate focuses on excessive medicalisation for low-risk pregnancies, it should be noted that many women welcome this medicalisation, are happy to receive various medical interventions, such as inducement or an epidural; or in some cases advocate the choice of delivery mechanism, including planned C-sections.

All these trends play their part in how the motherhood institution is developing and in the experiences of new mothers, and this is evident in consumption experiences and the development of social relationships. In the case of hospital births the dominant, medicalized ideology means that women may feel they do not have a home-birth choice, for example, because this would be deemed irresponsible and dangerous to the health of the unborn baby, and indeed the mother; the medical interventionist approach may be deemed the morally correct and ‘safest’ option. Thus, pregnant women are cast as agents for their unborn babies, and consequently their own ‘choice’ may feel illusory and circumscribed. The same is also true for breastfeeding which has become the ‘right’ thing to do for one’s baby in recent times (Wall, 2001), in contrast to the bottle-feeding ethos of the 1960s and 1970s. Blum (1999, in Wall, 2001) argues that there is both a maternalist and a medical model of breastfeeding that can be particularly oppressive when combined: the maternalist model celebrates the embodied connection between mother and child provided by breastfeeding, while the medical model focuses on the medical benefits of breastfeeding and sees mothers as “disembodied providers of milk who must be educated and scrutinized” (Wall, 2001, p. 594); as a result of both pressures women therefore become “in part, builders of better babies or burdens on the social security net” (Wall, 2001, p. 604).

The rise in hospital births has led to the development of particular ritualistic consumption practices. For instance, “have you packed your [hospital] bag yet?” is now a ubiquitous opener when two pregnant women begin to develop a social relationship, and retailers, midwives and pregnancy books all offer lists (in our experience with very diverse opinions on what is needed!) of what to pack for the visit to hospital. Similarly, the “coming home” clothes worn by the baby and mother may be the subject of considerable deliberation, with the baby clothes worn on this occasion acquiring a particular significance, where the influence of family rituals and gift-giving are of particular importance.
Legal and Political Influences

In a discussion of mothers’ identities, it is important to remember that throughout time the institution of motherhood has both been used for political purposes and regulated by the state (Greenfield, 1999). Motherhood is thus eminently political. Indeed, an examination of the various texts during the eighteenth and nineteenth centuries shows us that “maternity has long been the site of political change and debate... Because maternal images and meanings remain malleable over time, at least some political influence can be exerted at the level of representation” (Greenfield, 1999, p. 26). The medical profession, as a result of the “cultural authority” vested in them over the last two centuries or more, has had a profound influence upon the institution of motherhood and how it is regulated. So too have various religious authorities. These influences have been manifest in legislation on abortion, adoption, and children’s rights, government agendas to promote childhood vaccination; government provision (or lack of) of child care facilities and maternity provision, to name but a few. What it means to be a mother (and indeed a father and a child) is thus very much embedded in the political norms of the day. Interestingly, as a result of the elevation of the medical and moral ‘experts’ women’s voices have been undervalued and, unfortunately, often silenced (Maushart, 2999; Warner, 2005). Consumption practices emerge as a result of the political landscape. For example, previous Government campaigns promoting bottle feeding or breastfeeding (e.g. the Breast is Best campaign in the UK) may influence women’s decisions regarding how they feed their babies. The provision of obstetric/midwifery care inevitably influences women’s ante-natal experiences. The period allocated to baby-related consumption is also influenced by the legal/political tableaux in which women find themselves, such as statutory requirements concerning the timing of maternity leave. This time period is often utilized to buy items for the baby, and perhaps to pamper oneself with various products and services; a massage, for example, as a new mother begins to wind-down from the working environment and begin to move into a new-mother space. Thus, the transition to motherhood, for many mothers, is culturally embedded in the laws of the state and the time ‘allowed’ in preparing for motherhood.

Societal/Cultural Influences

Motherhood has been and continues to be a socially and culturally ‘contested terrain’ (Rothman 1989, in Clarke, 2004, p. 8). Rothman (1989) notes that cultural conflicts regarding societal values and organization often become visible in motherhood images and practices. As an institution, motherhood becomes an ideological battleground for various societal groupings. With women’s transitions to motherhood and their own perceptions of their children are bound up with the various projections of social desires in publicly available representations, and as such are also directly influenced by legal, political and medical factors as described above. Motherhood has always had a mystic, unfathomable and thus potentially dangerous element that society has tried by various means to control. As far back 1748, Cadogan refers to breastfeeding as a mother’s biological responsibility, and calls for “every Father to have his child nursed under his own Eye, to make use of his own Reason and Sense
in superintending and directing the Management of it.” (Greenfield, 1999, p. 5). For the latter part of the eighteenth and early nineteenth century the father’s role became less important. As Jordanova (1989, p. 8) notes, a significant shift away from associating children ‘naturally’ with their fathers and towards associating them ‘naturally’ with their mothers occurred during this time; this shift threatened the male dominance Gelpi (1992). Even as early as the seventeenth century there are texts that discuss the cultural anxieties about reconciling the new role of the mother with that of patriarchal power (Greenfield, 1999). Thus, much of the societal discourse could be analyzed as an attempt to control the mothering role and align it with the dominant societal discourse of the time. It was certainly viewed this way by Rich in the 1970s and by those who have developed her work since then (O’Reilly, 2004).

The stakes are high because if a child becomes a dysfunctional adult then the ‘blame’ for this very often rests with the mother. Perhaps the most extreme statement of this view comes from Lundberg and Farnham (1947, in Warner, 2005, p. 77):

We may casually remark that Hitler was not a woman, nor was Mussolini... biographers will, one day, we hope come to understand that their true subject is hardly the man (or woman) they have chosen to scrutinize... but the mother or her substitute. Men, standing before the bar of historical judgment, might often well begin their defense with the words ‘I had a mother.’

Around the 1950s there were strong suggestions that fathers should be equal partners in the raising of their children (Spock, 1946). This marked an interesting departure from their more objective and distant role of overseeing or ‘managing’ the raising of their children, as discussed by Cadogan above. Moreover, while it is socially and culturally desirable today for parenting as partners, the role of mothers seems to have become elevated rather than diminished. Stakes are higher in so far as society in today’s Western World espouses the ‘good’, indeed the ‘perfect’ mother as something to which all women should aspire. Thus, the society in which most women find themselves today focuses on perfect mothering, for which one is expected to buy all the necessary ‘stuff’ that a baby needs, the right brands, from the right shops; and to continue this buying until the child can vocalize her/his own demands. As Douglas and Michaels aptly point out working mothers from the 1970s onwards “became the most important thing you can become in the United States: a market” (Douglas and Michaels, 2004, p. 11), and this just happened to coincide with the explosion of niche marketing. The authors argue that much of what new mothers feel today can be attributed to the activities of marketers and the media in general. It seems imperative therefore that we consider the societal implications of this; research must focus not just on what women consume on their journey to motherhood, but why, and at what social cost. What is noticeable is that marketing is implicated in the social construction of the new mother and this warrants further research. Nowhere is this more noticeable than in the construction of the ‘good’ mother, which is further detailed below.
Motherhood Ideals: Good Mothers, Bad Mothers, Ideal Babies, Real Babies

The various influences which make up what has been referred to as the institution of motherhood, combined with mothers’ own experience come together to impact on what we call motherhood ideals: what is a ‘good’ mother? What is a ‘bad’ mother? What are mothers’ visions for their ideal baby? What are mothers’ experiences of their very, real babies? All these questions are of course culturally embedded in the overriding morality of the day.

In the advertising world, cute babies are cuddled by strong-but-sensitive men with naked torsos and hugged by happy mothers who, with a little help from various brands, have reached a state of fulfillment thanks to their idealized babies. Often, marketing messages and mothering books imply that if our own offspring does not correspond to the vision of the ideal baby society imprints in women, fault is not to be found in our inflated expectations, but in our underachieving as mothers. This social construction of the perfect mother is very much caught up in the activities of marketers and the media, particularly since the 1970s onwards (Douglas and Michaels, 2004), where the ‘bar’ for perfection is constantly raised higher and higher. Even when pregnant, it seems that there is no escape from idealized body images; we have observed, for example, that maternity clothing catalogues tend to depict pregnant women with a ‘neat’ four-five month bump and do not show them in month eight or nine. We may well question the impact of images of perfection upon the new mother. What of the pictures in the glossy magazines of the latest celebrity being back to her ‘size’ four to five weeks after her baby is born; or worse still a size 14 when the baby is now a toddler? Or the images in TV shows or films of the ‘perfect’ mother? In this context, Douglas and Michaels (2004, pp. 2-3) remark:

we are fed up with the myth — shamelessly hawked by the media — that motherhood is eternally fulfilling and rewarding, that it is always the best and most important thing you do, that there is only a narrowly prescribed way to do it right, and that if you don’t love each and every second of it there’s something really wrong with you.

So then, what is the ‘good’ mother, and what is the ‘good’ baby?

For all these writers, civilizations find metonymic representation in the figure of the good mother — the guardian and reproducer of the values of civilized society. For all, the good mother is identifiable by her self-sacrifices, her capacity to nurture, and her possession of moral goodness — the same figure in all cases. The good mother is, of course, an idealized, monumental figure who casts a shadow of underachievement over all real mothers. (McDonagh, 1999, p. 228)

Greenfield (1999) points out that the idealization of the full-time mother whose sole purpose was to bear and nurture her children is an early modern development. While the twenty-first century may allow for a somewhat broader definition of the
good mother and of her social purposes, the ‘good’ (read: fulfilled, coping, happy, knowledgeable) mother image remains an ideal in the public imagination. Feminists however have noted this image and the labeling of mothers as ‘good’, ‘bad’ or indeed using any other labels, for example, lesbian mothers, to be invidious (Garcia, Surrey, and Weingarten, 1998) and often result in women feeling unsure, inadequate and/or guilty about their actual mothering skills (Wolf, 2001; Douglas and Michaels, 2004).

To achieve the status of a ‘good mother’, women are not left to their own devices. A range of books, Internet sites, brochures, magazines, hotlines, videos and other media are at hand to teach women ‘good’ mothering (O’Malley, Patterson, and Ni Bheacháin, 2006), to allow mothers to perfect their roles as ‘intensive’ mothers (Hays, 1996). Yet, as Maushart (2999, pp. 7-8) remarks, “getting a grip on them [the facts in these media outlets] seems to get harder and harder. For all the information we have amassed on ‘how to do it’, we remain more clueless and insecure about what we are doing and why we are doing it than perhaps any previous generation.” The books and manuals that are popular at any particular time indicate that they have struck a particular cord with readers (Hays, 1996) and reflect the mothering ideals that dominate at a particular time (O’Malley et al., 2006). Thus, the ideology of mothering that dominates in the Western world today, we argue, implies:

- That motherhood represents the ‘ultimate’ fulfillment for women;
- That children need their mothers rather than any other care giver;
- That bonding and maternal love are instinctive and natural, and;
- That mothers are ‘naturally selfless and self-sacrificing.

In fact to become a ‘good’, ‘intensive’ mother places huge burdens upon new mothers because as Douglas and Michaels (2004, p. 6) point out:

> With intensive mothering, everyone watches us, we watch ourselves and other mothers, and we watch ourselves, watching ourselves…Intensive mothering is the ultimate female Olympics…The competition isn’t just over who’s a good mother — it’s over who’s the best.

This ‘good’ mother ideology derives from the institution of motherhood and is problematic in several ways. By its very nature it establishes rigid criteria for a ‘good’ mother and allows mothers who fail on one or more of these criteria to be considered ‘bad’ mothers. There is indeed a wealth of information about ‘bad’ mothering, take for example how a ‘bad’ mother can be ‘born’ during pregnancy:

Like a bad parent, the literature of pregnancy bristles with threats and the promise of reprisal, with ghoulish hints at the consequences of thoughtless actions. Eat patÔ and your baby will get liver damage. Eat blue cheese and your baby will get listeria, a silent and symptomless disease that will nonetheless leave your baby hideously deformed. Stroke the cat and your baby will get toxoplasmosis, a silent and symptom less disease
that will nonetheless leave your baby hideously deformed. A temperature of more than 104 degrees sustained for several days could damage your baby in the first seven weeks of gestation, so don’t use saunas, have hot baths, or for that matter wear a jersey at any point in pregnancy lest your baby be hideously deformed. Don’t drink or smoke, you murderer. Don’t take aspirin… Anyone thinking that pregnancy is the one time in their life when they are allowed to be fat can think again. Don’t eat cakes, biscuits, refined white flour, chocolate, sweets, fizzy drinks or crisps. When you raise your fork to your lips, reads one book on this subject, look at it and think, Is this the best bite I can give my baby? If the answer is no, put your fork down. (Cusk, 2001, pp. 29-30)

No pressure on becoming a mother then! And if a pregnant woman thinks this will all end upon the new baby’s arrival, there’s the breastfeeding to contend with; something which the World Health Organisation recommends all mothers do for the first two years of a babies life. Thus, a profound sense of insecurity may indeed be the overarching feeling of many first-time mothers, despite the deluge of publicly available information on how to achieve the ‘good mother status’. Indeed the socio-cultural and medical factors discussed earlier have led to less reliance on past generations for information; instead the reliance on the medical profession and written works has taken their place. For instance, between 1970 and 2000 over eight hundred books on motherhood have been published (Douglas and Michaels, 2004). This leaves mothers with much knowledge from ‘experts’, but no real experience, or sense that the reality isn’t actually like what it says in the book, or appears in the ads. Thus, one needs to ask what role marketing plays in shaping new mothers’ identities and experiences and what the societal implications of this might be. What does a perfect mother look like, where does she come from? What are the ramifications for mothers, their babies and partners (if there are partners), and indeed society generally if women attempt to become the ‘perfect’ mum?

In recent years men have also been portrayed as perfect fathers; but as Douglas and Michaels (2004) stress, the bar, at least for now, is much lower than for women:

fathers too have been subject to a media ‘dad patrol.’ But it pales in comparison to the new momism. After all, a dad who knows the name of his kids’ pediatrician and reads them stories at night is still regarded as a saint; a mother who doesn’t is a sinner. (Douglas and Michaels, 2004, p. 8)

Consequently, motherhood ideals are very much (in)formed by the dominant institution of the day, but also shaped by women’s very real experiences of becoming mothers. It is these experiences which are considered next.

**Mothering As Experience**

It’s 5.22pm. You’re in the grocery checkout line. Your three-year-old is writhing on the floor, screaming, because you have refused to her a
Teletubby pinwheel. Your six-year-old is whining, repeatedly, in a voice that could saw through cement, ‘But, mommy, puleeze, puleeze, because you have not bought him the latest ‘Lunchables’, which features, as the four food groups, Cheetos, a Snickers, Cheez Whiz, and Twizzlers. Your teenager, who has not spoken a single word in the past four days except, ‘You’ve ruined my life’. Followed by ‘Everyone else has one’, is out in the car sulking, with the new rap-metal band Piss on the Parentals blasting through the headphones of a Discman. (Douglas and Michaels, 2004, p. 1)

The above discussion provides some flavour as to the institution of motherhood and how it has developed over time and also what the motherhood institution looks like in the Western world today (at least for the middle classes). This next section focuses on the actual and individual experiences of mothers in meeting the needs of their dependent children and in being responsible for them. In this sense we ask the question: what is it actually like to be a mother? Surprisingly, this aspect of women’s experiences has attracted very little academic attention. However, we do know that many women have set themselves unrealistic, unattainable expectations for what their motherhood experience will be and should be (Oakley 1993; Chase and Rogers 2001; Mauthner 2002; Warner 2005):

The demon images of perfect motherhood that haunt us are very largely of our own creation. They are not just a matter of what we think and what we do. They are part and parcel of who we are. (Warner, 2005, p. 44)

These expectations emerge as a result of exposure to the institution of motherhood and acceptance that, as discussed above, the ideologies of motherhood espoused by governments and religious bodies and portrayed in books, media and day-to-day life are both necessary and attainable:

The messages we receive about mothering promise an Easymix lifestyle: having kids will prove not only fun and good for us, but will blend effortlessly with the other ingredients that go to make up ‘the good life’ (work, leisure, relationships, sex, to name just a few). The reality hits when the real baby in our lives abruptly displaces the ideal baby in our minds. It is then we realize there are no ‘easy steps’ to follow. Sooner or later we realize we’re going to have to make the whole thing up from scratch. (Maushart, 2999, p. xiii)

What of mothers’ stories themselves? How do women actually ‘do’ mothering? While we know very little about the experiences of individual mothers it does seem that “…for some women, the experience of becoming a mother does not resonate with expectations. The gap between ideologies and lived experience can appear bewilderingly large and difficult to reconcile and voice” (Miller, 2005, p. 47). That is, the institution of motherhood promotes particular ideologies and women’s actual experiences of mothering fail to match those ideologies creating dissonance. However, the problem is further exacerbated because there is a culture of silence:
Women without children seem disturbingly unprepared for the challenges of motherhood, and that women with children seem disturbingly unprepared to discuss those challenges. (Maushart, 2999, p. xxi)

Thus, even when women do talk together, there are some aspects of the mothering experiences they cannot or will not talk about:

It is permissible, for example, to talk a lot about guilt, but not a lot about ambition. You can talk a lot about sex (or its lack), but not about the feelings that are keeping women from sleeping with their husbands. You can talk about society’s lack of “appreciation” of mothers and the need for more social validation — but not about policy solution that might actually make life better. (Warner, 2005, pp. 31-32)

At the same time every new mother’s experiences are unique and as Cusk eloquently put it in her wonderful memoir of early motherhood, “the experience of motherhood loses nearly everything in its translation to the outside world.” (2001, p. 3). Thus, although women are exposed to other mothers, this often leads them to evaluate particular approaches and skills. While this is vital in the making of mothers, it seems that first time mothers in particular are wary of how they will be perceived by others (Prothero, 2002). New mothers inevitably attempt to portray themselves as good mothers. In this sense, they tend to align themselves with the axioms of ideal motherhood, and underplay or hide the situations in which they deviate from this perceived, ideal state of being the perfect mum. This may explain, why postnatal depression remains taboo and is not widely discussed in our culture. When mothers feel overwhelmed by the demands of the real baby, they may believe that it is their inadequacies as a mother that is the cause of the problem, and when mothers seek childcare options outside of the home (as many women inevitably do) they experience an extraordinary level of guilt. Indeed, in the middle of writing this paper, one of the authors was handed the front page of the Sunday Times (February 12th, 2006) where a well-known (male) Australian writer on childcare was stressing that children under three should be cared for at home by their mothers, since young children who experienced full-time day-care in a crèche tended to become more aggressive as they grew older.

What is clear is that when experiencing and preparing for mothering, women consume a great deal — for themselves, their babies, their partners, siblings and even grandparents. What do women consume, why do they consume it, and what impact does this consumption have on their relationship with their baby, their partner and the outside world? What are the societal implications of consuming on the journey to, and during motherhood? These are all questions that warrant further examination. In particular we need to explore women’s experiences to begin to fill the current gap in the literature on this topic.

Despite the general dearth of mother stories, considerable attention has been paid to the physiological aspects of being pregnant, giving birth, breastfeeding and ‘reclaiming’ one’s body following a baby’s birth.
Motherhood As Physiology

While the institution of motherhood, as discussed above, has been shaped in part by the medicalisation of pregnancy and birth there is still a very individual experience for all new mothers of actually being pregnant. Motherhood involves considerable physiological impact - the vast majority of new mothers have to experience pregnancy before becoming mothers. Motherhood is thus embodied in the self in very particular ways. It seems therefore that the physiology of pregnancy, combined with the various influences highlighted above, come together to play a significant role in how new mothers experience mothering. For instance, the embodied experience of becoming a mother becomes particularly visible in the very public choice of the clothes a pregnant woman chooses and/or feels she is allowed to wear:

Today I went to a maternity store. Maternity clothes. Those dreadfully 'cute' or resignedly serviceable garments. Should I insist upon non-sexist maternity clothes? They have them! Denim overalls, studded jeans, lumberjack shirt, mixed in with the little-girl pinafores, the sturdy shirt-waist dresses... What I'd like to wear, my baby, is a hundred-breasted, thousand-jeweled garment of sapphire; a great coat of many colors; disposable gowns flecked with fake precious metals. Large, exotic clothes, to loudly and gorgeously proclaim your passage into being. Where can I buy such clothes? Where can I wear such clothes? (Chesler, 1979, p. 33)

Consequently, one can ask how the motherhood institution impacts on women's decision making. For instance, is a woman 'allowed' to publicly 'display' her pregnant body or does society expect her to hide her 'circumstances' in a variety of clothing options that normalize her body and make it 'easy' for others to overlook her becoming a mother? How do others react to the sight of a pregnant body? How do women themselves cope with the drastic transformation of their own physiology, inhabited by an 'alien' being that is dependent on a woman's consumption choices for its wellbeing? Can a pregnant woman still dress as 'herself', in terms of her personal style, or is she curtailed by the norms of the day and indeed the choices available to her? Marketing has not even started to explore these vital questions, yet their impact on mothers' well being, and that of their babies, is significant, and merits further attention within the macromarketing field.

In seeking to make sense of what motherhood means and where motherhood identities come from, it becomes clear that the institution of motherhood, the experiences of mothers, and the ideals of motherhood - both written in the literature and craved (or indeed not craved) by mothers - are all directly influenced in some way or another by consumption experiences. This is explored further below.

The Role of Consumption in the Enactment of Motherhood

Through the buying, giving, and preserving of things, women and their social networks actively construct their babies-to-be. (Layne, 2000)
It is possible to view expectant mothers as (baby) bricoleurs where they draw on consumption as one familiar tool to utilize in constructing their new identity in their transition to motherhood and also in physically preparing for the arrival of the new baby. In Miller’s work (1995; 1998), baby-related consumption can be seen as “an expression of [social] relationships” (Miller, 2004, p. 36). In this context, Clarke (2004, p. 71) argues that:

The process of consensus through which certain items, such as the ‘right’ baby monitor, an ‘ethical’ toy, or a ‘pretty’ dress, are identified is an entirely social process through which mothers are made in relation to each other, as much as individuals in relation to their infants.

It seems that the influence of consumption on motherhood is of great everyday concern to the individual woman labouring to define her role as a mother; Taylor (2004, p. 12) expresses this by asking “What must I (and what can I) do and have and buy in order to properly love, value, educate, nurture, provide for, raise — in a word, mother — my child(ren)?” Advertisers recognize this and inevitably attempt to influence consumption choices and thus, as discussed earlier, they play an important role in defining how motherhood is constructed in the 21st century. They promote the ideology of motherhood and employ particular representations of mothers in this endeavour. Moreover, the type of appeal used by advertisers tends to comply with good mother/bad mother ideologies.

Consumption plays a fundamental role in preparing for pregnancy and birth. The range of items required is inevitably much greater today then previously and these too reflect not only actual physical needs but also ideological ones. The products bought, borrowed or provided second-hand, range from catering for the pregnant body (maternity clothes, creams to avoid stretch marks); to preparing for the birth (hospital clothes, high glucose candy to suck for energy, a calming CD a cooling sponge, and so on); and coming home (definitely a car seat and maybe a new car — and perhaps a nursery, a playroom, or even a new house). The nursery must be furnished and decorated appropriately; several items of clothing must be bought even if the baby’s gender is not known; the buggy and the sterilizer are all required before the birth and few babies are born without a teddy or other soft toys to celebrate their arrival. As lifecycle marketers have long noted, consumption continues but shifts at different stages of the child or children’s life. Despite this, Taylor (2004) notes that of the multitude of writings on motherhood, the issue of consumption has rarely been central. While feminists have written about motherhood and about consumption, these two streams of reflection have rarely been related and have tended to move in very separate directions. However, in a consumer society, motherhood identities and ideologies are very much shaped by consumption (Clarke, 2004); objects play a significant role in the making of mothers, and indeed their children (Latour 1993).

If mothers feel they are not coping too well in their new role there are also a myriad of health products available to get them through this difficult time. For example the tranquilizer Pactal was advertised to “release the housewife from the grip of neurosis” in the 1960s (in Warner, 2005, p. 38) and in the USA today ads for products such as Prozac show pictures of happy, relaxed homemakers. We also consume via
entertainment, the recent global success of NBCs Desperate Housewives being a good illustration.

Nothing was so scary that a little potpourri and bubble bath couldn’t soothe it. (Wolf, 2001, p. 51)

Wolf’s Misconceptions text shows that what tends to be written about consumption, in the myriad of baby manuals available, is how it can help women who are stressed or anxious about their pregnancy. Consumption, as illustrated above, however, plays a much larger role than this in preparing expectant mothers for their new role; New mothers are constantly made (produced) through the various societal, cultural, legal, medical discourses — and also through consumption. Consumption for new mothers plays as multi-faceted a role as it does in all other aspects of women’s lives. It can be planned or unplanned; low or high involvement; running the gamut from the mundane (“I need more washing powder”), to the fun (what a cute baby-grow”); exciting (“in a few weeks my very own baby will be sitting in this car seat!”); or extremely stressful (“if I don’t buy the right cot mattress will my child be at greater risk from sudden infant death syndrome?”). Whatever else it may be, consumption plays a role in preparing women for the mothering role that lies ahead of them. It helps shape and is shaped by the motherhood institution, the ideology of motherhood and mothers’ very real experiences of mothering.

As academics we need to further explore the role of consumption in the making of mothers and in the making of their babies. We need to evaluate the impact of advertising and its activities in relation to motherhood. We need to attempt to understand the mothering experience and the myriad roles that consumption plays therein, and ultimately begin to assess the role consumption plays in shaping the motherhood identity of the twenty first century.

An Agenda for Future Research

The above discussion illustrates the myriad of different issues that affect consumption activities for new mothers and as a result the opportunities for future research in this under-researched field are significant. A number of research agendas can be considered; some examples of which include:

- The above discussion illustrates the importance of exploring mothers’ experiences of mothering and the role consumption plays in shaping their identity and behaviour from a macro perspective. For instance, what are mothers’ consumption experiences and how are these influenced by socio-cultural, legal-political, medical and physiological factors?

- How do mothers’ experiences vary across different cultural and social contexts? Are there class and race differences and/or similarities? Are there country-by-country differences and/or similarities? If so, what are the implications of these?
- How do the experiences of different groups of mothers vary — for instance new mothers; mothers of young children; mothers of teenagers; mothers of children who have left home; mothers of children who have returned home; single mothers; lesbian mothers etc.

- Exploring the role of fathers in shaping mothers identity(ies) and consider whether, from a macro perspective, when exploring mothers experiences it is also necessary to explore father's experiences as well, and thus focus on parenthood; or whether it is legitimate and indeed appropriate to focus on mothers and/or fathers experiences individually.

- To consider the impact of mothers' experiences upon her partner, children, the family unit as a whole, and the wider family.

As well as these very significant research agendas there are also a number of sub-themes to explore when considering the influence of consumption on mothers' experiences and how these may vary across a range of different cultural and social contexts. For each of these sub-themes it is also possible to explore and assess the societal implications that also arise. Some possible research avenues include:

- What are the rituals and gift-giving mechanisms associated with becoming new mothers and how does consumption as practice contribute to new mothers shaping their mother identity(ies)?

- What role does consumption play in mothers' opinions of themselves as 'good' or 'bad' mothers?

- What role does consumption play in allowing mothers to conform to particular roles expected of them in society?

- During transition to motherhood how do women 'learn' about becoming a mother? How are they influenced by families, friends, health-care professionals, and complete strangers on the one hand and by literature (books, magazines, newspapers, internet sites, blogs) and popular culture (film, television) on the other?

There are also a number of methodological and ethical issues to consider:

- What methodologies are appropriate for researching mothers' experiences — possibilities to explore include: co-operative inquiry, phenomenology, reflexive ethnography and feminist methods?

- What are the ethical issues involved in researching motherhood, particularly for first-time mothers?
Conclusions

It is crucial for macromarketers to examine how mothers express their relationships with their child and others (i.e. partner, other siblings, friends etc) through their consumption activities, to explore the tensions that are played out through consumption practices, and ultimately the societal implications of such actions. Our experiences as mothers are woven into a complex net of social and commercial exchanges, relationships and influencing factors that, in their totality, form the experience of mothering and are derived from the established, but constantly changing institution of motherhood.

Clarke (2004) points out that the things we buy and accumulate — be they via gifts or loans — are inextricably linked with the politics of mothering and the construction of mothers and their children. It seems imperative that we explore these issues further and consider the role consumption plays in the making of mothers from a macro perspective. As marketers, and indeed as mothers (to sixteen children, the 16th being one day old at the time of writing!), we hope to further our understanding of a topic that has received insufficient attention within the marketing academy, but which, we argue, has significant societal implications.

For this paper we have explored these themes by focusing on a number of areas that shape women’s experiences of mothering and impact on the construction of the institution of motherhood, and thus the overall motherhood identity. An exploration of these factors from a marketing perspective reveals that the knowledge we have about consumption’s role in preparing women for motherhood and how it impacts on mothering experiences and motherhood identity in transition to becoming new mothers is very limited. Consequently, further research to explore the impact consumption has upon the making of mothers is required and exploring these from a societal perspective, we would argue, is imperative. We need to conduct research on mothering (and consumption) experiences when exploring the transition to motherhood, in attempting to make sense of motherhood ideologies and identities, in the twenty-first century.

References


My special possessions that I don’t own (and one we had that was stolen from us)

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The concept of special possessions has become a significant part of the investigation of consumer behaviour. It has been concerned with things that have either never been part of the market place or have been removed from it by being given, and returning, significance and meaning that is separate from commercial exchange value. Lately, there has been a plea to widen the definition of ‘special possessions’ by examining the role of special places. Further, recognising the difficulty of expressing emotional meanings in emotionally screened ‘scientific’ language, it has been suggested that to convey the meaning of special places better, we eschew the strictures of ‘detached’ scientific writing. This essay focuses on places and cultural histories that are not personally owned by the writer; they are either owned by other people, or are owned collectively, and are experienced as part of every-year life. It is an introspectively derived account of the meanings of these things, and of the ways in which they act to increase wellbeing and feelings of wholeness, and in so doing contribute to a developing spirituality.

Introduction

There is an extensive marketing literature on possessions that have special meanings for their owners (for a small selection see Belk, 1988, 1990; Belk, Wallendorf, and Sherry, 1989; Dittmar, 1992; Grayson and Shulman, 2000; O’Guinn, 1987; Richins, 1994; Wallendorf and Arnould, 1988). Sometimes these are described as ‘special’ possessions, and also more grandly as ‘sacred’ possessions, indicating a degree of meaning that goes beyond the personal to the metaphysical.

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Six years ago it was insightfully suggested (Sherry, 2000) that we ought to consider the specialness of places as well as of things. Fay, in an autobiographical paper (Fay, 2005) responded to this suggestion, and sought to illustrate through his evocation of places, that the private ownership of special possessions, despite its hegemony in capitalist economies and capitalist academic writing, is only one form of significant ownership. Because private ownership is so much a part of the ‘way we are’, it has become invisible to those who live in that world, and yet it is an arrangement that is often in deep conflict with the espoused economic rationality. Its power is such that it is self-reinforcing, limiting the establishment of economic arrangements that are more economically rational, and undermining the establishment and management of systems of public and shared ownership. It is only one cultural arrangement within many other forms of ownership, rather than something that is ‘natural’ and taken as given.

In the same paper in which (Sherry, 2000) suggested that we should write of special places, he also challenged consumer behaviour researchers to embrace more poetic styles of expression to better convey our insights and the meanings and emotions that we attach to things. This paper is a response to that plea, seeking to make writing and reading pleasurable experiences, but the depressing blanket of the contrived artlessness of what is called scientific writing is a powerful depressant. As Nell (1994) has observed, an academic training provides an excellent refuge from emotion, and whilst my academic training may have been somewhat lacking, I have absorbed enough by osmosis to have to continually battle to allow the use of words that properly describes feelings to emerge.

By its nature, this essay is largely about material things, but nonetheless takes issue with Brewer and Potter’s (1993) assertion that “Our lives are dominated by the material objects that proliferate all around us”. The assertion is, of course, literally true (although ‘day to day’ inserted between ‘Our’ and ‘lives’ would improve it), but it is only a small truth. I suspect that they, and many others, confuse ‘material things’ with ‘market things’, which is an altogether different concept. Although definitionally ‘material’, many of the special things of this essay have only a tenuous relationship to the market place. Their exchange value is not important because they have not been commodified or have been de-commodified. In my own youth, the major motivators were a varying mix of playing rugby and seeking sexual gratification, and these activities remain more important than a plasma television screen or an eight-burner barbecue. And I am not alone. There are millions of people in the rich countries who have never subscribed to this market materialism; their lives are variously dominated by religious faith, by their family, by climbing mountains, by making music, by sculpture, by a quest for the perfect rhododendron prostitum gigantum. There must be a hundred more examples.

It is argued that publicly owned and unownable phenomenon as diverse as monuments, mountains, sunrises and bird song, and the cultural meaning that they possess, can be at least as deserving of the ‘special possessions’ label as the privately owned things. It is the unique pleasures and rewards that each provided that is important, rather than the things themselves. The things are merely tools, part of the route to satisfying our experiential needs rather than essential trivia for the construction of an image (Csikszentmihalyi, 2000). Our discipline betrays the marketing
portion of its DNA too often with its preoccupation with the marketplace, where the rich economies make it so easy for their citizens to obtain the objects of desires that they create (Belk, Ger, and Askegaard, 2003). As the objects themselves inevitably become commodified, their use is transmogrified into ‘new experiences’ (Pine and Gilmore, 1999) to heap on top of those that we have already had. We often write as if there is an unchallenged acceptance that commercial arrangements and private ownership are the major source of supply of significant consumption experiences, when it is clear that the incremental happiness gained from owning material things soon runs out (Belk, 1985; Csikszentmihalyi, 2000; Emmons, 1999; Murray, 2002; Richins and Dawson, 1992). This would seem to be a lesson that the succeeding generations will have to discover for themselves too, as age and experience allows them the chance to emerge from the ceaseless propaganda of materialism and commodification.

Some notes on method

In favour of case studies and rich text

The case study and rich text are the compliment to empirical generalisations and model construction. The latter plainly have their place in depicting broad currents of activity, but they can be poor guides to understanding the complexity of a particular case whose trajectory might be kindly described as erratic (for example see Fay, 2006). Furthermore, it is reasonable to make a generalisation that the more complex the phenomenon about which we seek to generalise, the more idiosyncratic the particular cases are likely to be. For example, the behaviour of a particular oak tree is likely to be closer to the general model of oak tree behaviour than a general model of squirrel behaviour is to a particular squirrel that lives in it. To generalise without appreciation of variation is an example of the ignorance and arrogance of unworldly marketing academics. Contrary to the belief of a coterie of readers of the Journal of Marketing Research and similar escapist literature, the richness of singular cases, and indeed of life, is not conveyed by reportage of standard deviations. When reporting the single case there is no ironing out of idiosyncratic richness towards what is often a meaningless mean, and whilst a case study may lead to a degree of generalisation, it will be generalisation that is informed by appreciation of diversity.

In favour of lumping - 1

Meaningful—Special—Cherished—Irreplaceable—Inalienable—Sacred?

Taxonomists have squabbled long and heatedly over how many divisions (Kingdom/Order/Phylum etc) there are within the natural world, with those favouring fewer divisions being termed ‘lumpers’ and those in favour of more, ‘splitters’. At my core I am a ‘lumper’ rather than a ‘splitter’, concerned that splitting can be ‘ad infinitum’ process that serves to obscure understanding rather than generate it. In my more cynical moments I am even inclined to regard academic ‘splitting’ as to do
with niche creation and career advancement at the cost of arcane obscuration. Consequently I regard the creation of further refined classifications, typically supported by arguments that indicate neither effect size nor limits of applicability, as little more than pseudo-science. And so it is with the sequence that heads this section of the essay. With the misused exception of ‘sacred’, I can see no sensible point where one category stops and the next starts, and furthermore, perceive all of the sequence from ‘meaningful’ to ‘inalienable’ is affected by commodity value and by circumstance. It is easy for something to be ‘inalienable’ when its commercial value is tiny, but if it could yield a quarter-million dollars to pay for medical care, or allow a comfortable old age, or provide one’s children with a home and education, then inalienability may be negotiable. Less nobly, precedent suggests that ‘inalienable’ family wealth will sometimes be squandered on fast cars, slow horses and beautiful sexual partners. This behaviour has even become incorporated in popular language with the observation ‘Clogs to clogs in three generations’, where two generations of hard won wealth is dissipated by a wastrel inheritor. ‘Inalienable’ is an elastic concept.

‘Sacred’, which I would define as something provided or touched by a deity and often concerned with life and death (for a more authoritative source, see any dictionary), can properly claim exception. However, it is a label that is used too often to sanctify ownership and ensure special privileges. The ‘Divine Right of Kings’ that was claimed by European monarchs through the bulk of the second millennium is a politically neat example of self-serving sanctification. It has its contemporary manifestation in the rights to land and resources claimed by nation states and local suzerains, which often comes with a spiritual or metaphysical justification. The Nazi ‘Lebensraum’, Britain’s imperial destiny to rule an empire on which the sun never set, and the United States belief in its civilising mission in oil rich parts of the world have all come with convenient claims to a mystical ‘destiny’. I shall reserve ‘sacred’ only for things and places of life and death. Places such as ‘Ground Zero’, whether it is in New York, or is Hiroshima, Auswitz or Culloden, are sacred. So is the homeland of a dispossessed people who have nowhere else that they can culturally and spiritually go to. The reservations and refugee camps are no substitute; they do not contain the life-force, and the people die.

Because I hold an iconoclastic position on conceptual fragmentation, I have chosen to use the word ‘special’ throughout this essay, allowing the reader to attach a more intense meaning where they wish. In another essay (Fay, 2006) I have detailed my personally owned special things. Included are items that are as apparently ordinary as a pair of hand made carving mallets that have functional, aesthetic and symbolic qualities, they are as personal as a dog-eared and faded photograph of my son as a young boy, and as sentimental as a lace edged handkerchief embroidered with the letters B.E.F. (British Expeditionary Force), that my father sent to my mother just before the retreat to Dunkirk. This tiny piece of cloth is not even mine, as it was given to my wife by my father after my mother died, and will probably be passed from her to one of her daughters. This kind of ownership is closer to guardianship, and whilst it approaches sacredness, the relationship is not at the same level as the ‘Wailing Wall’ in Jerusalem or the Great Mosque at Jedda. These latter things tie those that are living to the cosmos of past and future; their destruction attacks the meaning of life. Maybe, if my father had been killed at Dunkirk the handkerchief...
would be sacred... but for whom, for I would not have existed.

In favour of lumping — 2

The special possessions literature has been very largely concerned with privately owned material things. This focus has allowed the development of thought on special possessions, but conversely, this concentration on private ownership and materiality may have obscured the essential property of specialness. Geographical, cultural and broader historical specialness is largely ignored, causing by default the reinforcement of the values of a particular economic system and the reification of material goods. Sherry and Schouten (2002) recognised the paradigmatic limitations of this exclusiveness in suggesting that special places should be written about, a simple plea that has the potential for profound consequences. It contains an implicit acceptance that private ownership is not an inviolable criterion for possessing, and may be irrelevant for many special things. Their specialness lays not with the ownership of the object itself but with the meanings that the user attributes to it (Oldenberg, 1991). Consider the nearby rocky peninsular called Mapoutahi which was once a Maori pa and scene of a tribal bloodbath, and is owned by the government and people of New Zealand (although this might be disputed by some members of Ngai Tahu). I have no legal title to Mapoutahi, but it is one of my frequently visited special possessions whose beauty and history enrich my life. There are local Maori for whom the connection is deeper, and they decline to gather mussels from its seaward rocks.

When we have accepted the idea that specialness resides in a things meaning, rather than in its ownership or materiality, it becomes clear that that things that no longer exist can be special possessions. If Mapoutahi was destroyed in an earthquake and sank beneath the Pacific waves it would still be one of my special possessions that I don't own. If it were to be purposefully destroyed by quarrying or used as a site for a tourist hotel, its specialness would be enhanced by its martyrdom. If the imagination is let loose we might conclude that the most influential of special possessions are ones that do not, or did not, exist. The past and present non-countries of Palestine and Israel, the putative Basque and Kurdish states, and a hard won Irish Free State are special possessions that men and women have been willing to die for. And we can expand further; the most special of all special possessions are probably those have no past or future physical existence at all. There is the mythic Maori homeland of Hawaiki and all the other creation myths; there are all the various heavens and hells, and all the various Gods.

A diversion into introspection

Writing introspectively in the context of understanding consumer behaviour has a history of chequered appreciation, but declines to go away (Brownlie and Saren, 1995; Brown, 1999; Gould, 1991, 1995, 2003; Holbrook, 1995; Wallendorf and Brucks, 1993). It seems to me that understanding the specialness of the places, times and objects that I have referred to in this essay is the very stuff for introspective enquiry (Ellis and Bochner, 2000; Sherry, 2000; Sherry and Schouten, 2002; Schouten, Lo-
cander, and Pollio, 1989; Richardson, 2000). To catalogue the places and understand their importance is not something to be gained from an extended interview; the process takes weeks, months even, of consideration. Hypotheses have to be created and tested by putting them against behaviour and emotional reaction, and then rejected or modifying until they fit all the layers of the mind to yield a satisfied whole. It is very hard work, and it is the necessity of repeated iteration that makes the act of writing a research method of itself (Richardson, 2000). New knowledge that is yielded by the act of writing is probably the normal outcome of any sort of thoughtful descriptive endeavor; but when the subject matter includes the mind of the writer, the new knowledge also leads to an increase in self-awareness. This may not be a conscious motive for writing, but the increase in self-awareness seems to happen regardless of the motive. The construction of the personal narrative with its integration of past, present and future (McAdams, 1993), and the inclusion and exclusion of what is important and what is not, causes the writer to become a different, and hopefully, a wiser and happier person. Self-awareness seems to appear magically on the computer screen, though in reality it is the product of much intellectual effort and rigor (Sherry, 2000).

Before beginning the catalogue of special things it is necessary to note an important piece of self-discovery that happened during the essay’s construction. In an earlier draft I had noted briefly that I would be sparing in my use of the word ‘sacred’. Despite its incorporation into consumer behaviourist writing, I was not yet ready to accept that the meaning had changed so much that it could be properly applied to a dress once worn by Monroe, or a guitar played by Hendrix. Plainly this word produced some small unease, albeit ill formed and hovering just above the horizon of consciousness, and certainly far from any idea of profanity. By the time the first draft of the essay was done, it had become clear that unbeknownst to me, a degree of spirituality had become an important coda for my relationship with the world; it pervades the essay and is best made explicit rather than being a sub-text. My revealed spirituality does not recognise a deity, but is near enough to require saving ‘sacred’ for situations that I view as deriving from forces to do with creation and destruction, life and death, rather than in the diluted meaning that it takes on when appropriated by consumer behaviourists. In taking this position I am not suggesting that the feelings that many people have towards material objects that they own (cars in particular) are at least as intense as any spiritual emotions that they might have. However, to elevate such emotions and objects to ‘sacred’ betrays a lack of vision on the parts of both the subject and the observer; the profane does not become sacred just because there is nothing that is properly sacred.

Re-introduction

The ungrammatical title of the essay is intended to draw attention to a vast arena of consumption experiences that are neither conventional services nor things that can be considered to be personal possessions. It concerns bits of the physical and historic environment that have become mine and special through experience over many years (Strahilevitz and Loewenstein, 1998). They form a widened concept
of ‘extended home’ and ‘third places’ (Oldenberg, 1991) to include eight hundred years of social history and very ancient geological events. These special things are as mundane as a defunct corner grocery shop, and as ethereal as the sense of human temporariness induced by the exposed edges of lava flows that have been tipped vertically by ten thousand millennia of subterranean grumbling by the Pacific and Indo-Australian tectonic plates. On a far longer time scale, this same process has created the islands that thirteenth century Pacific voyagers called Aotearoa, Te Waka-a-Aoraki and Rakiura, and a seventeenth century Dutch explorer called New Zealand (King, 2003). On the delightful ‘Milky Way Scale’ (Holbrook, 1995), my special places and things fit between positions nine (eleven to a hundred years duration) and fourteen (a million to a billion years duration), rather than the brief durability of things at positions five and six that have been the preponderant province of research consideration.

The subject matter. . . at last

An overview (literally) of the special possessions I don’t own

Between my home and office is the last (so far) Dunedin volcano, Mount Cargill, (Kapuka-tua-mahaka until Captain Cargill came) which last erupted ten million years ago. I bring our visitors here, often on the way to my home from picking them up at the airport, to convey some of the physical and temporal magic that captures me. Mount Cargill is old, but a stripling in comparison with the plateau that stretches inland. On this time-scale, the country’s human connection began eight seconds ago when Maori sailed here from the north, and six seconds later the sealers, the whalers and the sheep flocks occupied the land.

From the seven hundred and seventy meter summit of Mt Cargill, most of the places visited in this essay are visible, and all are within a cycle ride. Directly below the hill is the city of Dunedin, then the long harbour bounded by other old volcanic peaks, with the Pacific coastline fading into the distance for eighty kilometres north and south. Inland to the west is an upland plateau named Maniototo (see Appendix A for a guide to Maori pronunciation), with weathered ranges of hills that are giant pressure ridges forced up by the Earth’s crustal battles. New Zealand is a geologically unquiet land, which is given to violent shakes near the main fault line where the tectonic plates squabble over which of them will form the earth’s outer layer. Like Los Angeles and San Francisco, we are part of the Pacific’s “Ring of Fire”, which in poor and densely populated countries causes thousands of deaths from earthquakes. But New Zealand is a sparsely populated and wealthy land with strictly enforced earthquake building codes. We are safe. . . until the ‘big one’.

The Wool Store: cathedral to the glory of sheep

The foundation of the province’s wealth was not wool; it was flibbertigibbet alluvial gold that poured its temporary but substantial glitter into Dunedin’s coffers. But wool, the product of the sheep’s back has been steadier source of wealth. We are
good at growing wool in Otago, whether it is coarse carpet fibre from the crossbred flocks on the lowlands or spider’s web fine merino from the high country for Hugo Boss’s executive suits, Versache’s posh frocks, and Icebreaker’s café sportswear. For one hundred and fifty years it has provided the commercial backbone of the province.

The wool-stores are large warehouses near to the old quays, where the wool clip is collected and graded. It used to come by bullock wagon and then railway, to be loaded onto sailing ships bound for the ‘home-land’ via Cape Horn. Now the wool is delivered from the hinterland by truck and trailer units carrying the sweet stench of sheep and the names of their agricultural bases; Taieri Carrying Co., Waipahi Transport, Waitaki Transport. The tightly compressed bales of wool are unloaded and stacked by cheerful madmen who drive their weaving forklifts with the panache of Jesen Button. Then it goes into containers and onto the big boats at Port Chalmers for delivery to the low cost labour markets of China and Southeast Asia. Although wool is a lesser component of our trade than it used to be, its importance in the modern history and culture of New Zealand is huge. When I delivered my annual bale or two of wool to the store, I became linked, at least in my own soul, to the land’s history. I become a late entry to that miracle by which hard work and an equable climate created a prosperous society from a commodity based agricultural economy.

Mr Skinner’s corner grocery store

Just as the road through North-East Valley diverges to begin the climb over the sea-ward flank of Mount Cargill, there is a shabby weatherboard building that was Mr. Skinner’s corner grocery store. The old shop is in the process of ‘urban renewal’, and it will soon be unrecognisable as a one-time store, but the tale of Kevin Skinner, shop-keeper, Otago and All Black prop forward, and New Zealand heavyweight-boxing champion in the 1950’s, will live on. The two feared power- houses of world rugby, the New Zealand and South African forward packs, locked shoulders at Carisbrook, and the ‘All Black’ scrum was under severe pressure from the all-white ‘Springboks’. Skinner was asked, quietly, if he could do something about it, and a few minutes later his oppositional prop forward was taken from the field feeling unwell. Skinner was moved to the other side of the front row, and after another few minutes that South African prop left the field too. Skinner always maintained that it was ‘just one of those things’ but he would say that wouldn’t he? It’s far too good a story to let go... and it won’t be. Behind the quiet shopkeeper’s apron was the hardest of the hard men, a real-life legend better than those from a hundred reel-life histories of the American west.

The view from Mount Cargill Road

Before I reach the Dunedin suburbs, the drive to work takes me over the south-eastern flank of Mount Cargill, with world tourist route views of the long harbour and enclosing peninsula. I have made this journey thousands of times, but still stop when nature puts on displays that would be considered ‘primitive’ or even ‘vulgar’
by artistic criteria. Sometimes the whole of the harbour is full of clouds that seem solid enough to walk on, with only the volcanic cones showing above them. On other mornings, for just a few minutes as the sun rises through the harbour heads, the hills become glowing pink and then glowing green. Literally breathe taking.

There is sadness here too, shared and personal. Twenty years ago a friend chose this beautiful place to ask me to stop the car, and told me that he did not think he could make it through his depression. I provided words that I hoped were encouraging, but didn’t really believe what he was telling me. Two days later his life ended, and I still wonder if he was asking for help. Could I have provided any? And the shared sadness? From the road you can see the village of Aramoana at the head of the harbour, where, on a summer evening in 1990, a sad, lonely, and finally deranged man killed thirteen people, including several children. I knew some of the victims slightly, but my abiding memory is of the next day, when helicopters churned up and down the harbour as the madman was hunted to his suicide by police terrorist squad bullets. For years afterwards, someone chose this place to mark their grief with a bunch of flowers propped against a paddock gate.

Sadness is important in our lives, although almost ignored in the happy-clappy refrains of the marketing mode. We need to encompass it; to recognise that past sadness does not necessarily diminish the joy of a place, but instead can add to it by providing the counterpoint that crystallises meaning. When the past involves life and death this crystallisation it can make a beautiful place properly sacred by signalling the triumph of goodness over evil.

Port Chalmers

In 1844 at Port Chalmers, then called Koputai, the representatives of the British Crown met with Maori, including the chiefs Tuhawaiki, Taiaroa and Karetai, to negotiate and sign the deed of purchase for the ‘Otago Block’. The price was £2,500 for one hundred and sixty-two thousand hectares, about one and a half cents per hectare, which was considered a fair price (Griffiths and Goodall, 1980). Port Chalmers has (regrettable this may soon become ‘had’) that magic that is peculiar to industrial river cities. It is a mini Glasgow, Liverpool or Newcastle in the preceding century; a mix of proletariat, artisans, intellectuals and artists that spawns a rich folk culture, music and revolutionary intent. The proletarian numbers have diminished with containerisation, but the dominant ethos is still that of an industrial port, with many of the pubs not yet yielding to effete middle-class chic. The port is now the outlet for our containerised exports of meat and wool and dairy products, and for the inexhaustible supply of Pinus Radiata logs and wood chips that fill the wharves. The community of artists, after much sound and fury, seem to have come to accept that container cranes and creativity can co-exist in symbiotic frisson. This rapprochement has its positive side, but I worry that something has been lost with what we call ‘social harmony’. ‘Social homogeneity’ may be a less kind but more accurate description of the emerging social relationships in the port, but without the raw edge of conflict, the raw edge of creativity may go?

Cruise ships come to the port now; impossibly huge, slab-sided and ice cream
coloured. I can cope with the visits of the cruise liners because they come and go, but their dominating presence confirms that this once lonely and remote corner of the world is being commodified. Perhaps chiefs’ Taiaroa and Karetai had the same foreboding. I cannot ignore the spectre that paradise might be for sale; have the passengers come just to gaze in wonder and buy a few trinkets, or will they return with carpetbags full of dollars to buy fenced off privacy and beauty? When even Sargarmath (Mount Everest), which is properly sacred to some of the Nepalese people, can be despoiled by adventure tourists’ dollars, then nowhere on our earth is safe (Simpson, 1997; Sherry, 2000). If the political will to terminate the sale of special places to private interests does not exist, then I hope that at least we can extend the rights of public access to all around our coasts, lakes and rivers. Too much has already been appropriated by those who believe that their wealth and/or ancestry allows them to exclude others and make the special places their private domain.

Behind the port the hills rise steeply, and there is a ‘lookout’ that provides a seagull’s eye view of the town and docks, and of the ruggedness of the peninsular across the harbour. A small lawn has been occupied by a flock of multicoloured bantam-cocks, but their territory is invaded on sunny Saturdays by pretty brides and kilted bridegrooms who choose this place to formalise their union. There is a memorial too, to Robert Falcon Scott, who, on his way to his ill-planned race to the South Pole docked at Port Chalmers to bury a mortally injured crewman. The British like winning at least as much as any other nation does (with the possible exemption of the USA), but they are also addicted to, and draw inspiration from, glorious failure. Scott is just one of those ‘Brave Englishmen’ who feature in the pantheon of heroic cockups that stretch from Boudicca’s revolt against the Romans in 61 AD to the beaches at Dunkirk in 1940. New Zealand behaves in similar manner over the disaster at Gallipoli in 1915. No wonder that the French think of the English as a nation of masochists; they are right. I blame the public (private) schools.

The Mole at Aramoana

At the right seasons the wildlife is almost over-abundant at Aramoana. Fur seals, once hunted to near extinction on the main islands, have returned and numbers increase each year... the strong smell (a sealy sex attractant?) announcing their presence before they are seen. Tara (sea swallows or terns) nest here, after the male has acquired his mate with offers of a mullet or sardine. They gather in thousands, and create excitement rather than fear as they fill the air around visitors’ heads in preparation for the impossible trans-hemispheric journey to eastern Siberia and Alaska.

For a few years after the killings in 1990 I avoided coming to Aramoana, but time mellows sadness and now I return often. In the sand-hills and maram grass there is a simple memorial to those who died in the mayhem delivered by a lost soul with an automatic rifle. I like to stand quietly beside it for a minute before walking along the mole, a thousand meters of rock breakwater pointing to Chile, eight thousand times that distance across the southern Pacific. On the tidal flats there are hundreds of kuaka (godwits), the whole flock able to lift into the air without a sound. My dictionary says that the origin of the English name is obscure, but I choose to believe...
that Godwit was chosen because their massed silent departure was seen as a symbol of departing souls. The mole has become a pathway to peace for the memories of the murdered children of Aramoana.

**Taiaroa Head and Otakou**

Across the harbour entrance is Taiaroa(s) Head where his defensive pa was located, but the headland’s present fame resides with a breeding colony of Toroa (Royal Albatross), returning every three years from their circumnavigations of the Southern Ocean to nest and raise their young. When the chicks have reached the right age they are abandoned by their parents, losing weight until hunger forces them to an all or nothing take off. Those that do not die on long-liners hooks will circle the eighteen thousand kilometres of the southern ocean two or three times before returning to the headland. There is a visitor centre, with guides and a certificate to take back to Japan or the U.S.A. or Europe, providing substance and truth to travellers’ tales. But from the mole, with a good pair of binoculars, the birds illusionally effortless gliding on three metre wings (two percent muscle, ninety eight percent wind) can be enjoyed just as well, without the magic being compromised by what has become an expensive tourist-dollar reaping machine.

When the first European sealers and whalers came, there were several Maori camps and settlements around the inlets (Hamel, 2001), and the settlement at Otakou that was and is just inside the harbour, gave its name to the province. The present pronunciation of Otago (‘Oh-tar-go’ by the Dunedin middle class, ‘atarga’ if you mine coal at Kaitangata in the south east of the province), are both reasonably close to the original Maori articulation. Perversely, today’s usual pronunciation of the settlements name is ‘Oh-t-cow’. It didn’t matter whether the language of the colonised land was French or Welsh or Maori; the British confirmed their imperial hegemony by refusing to ape the rough tongue of the natives.

In 1831, Otakou became the site of Otago’s first commercial whaling station (Grady, 1986). The social relationships between the indigenous Ngai Tahu and the whalers seems to have been relatively cordial by the start of the 1830’s, but less than twenty years earlier, the interaction between Maori and Europeans was not always harmonious. In the notes on the voyage of the sealing ship Matilda, it is laconically recorded that in 1813 a “ship’s officer and six Lascars deserted at Port Daniel (Otago Harbour), later killed and eaten” (Salmond, 1997). This was only one incident of many, beginning in 1774 with the culinary demise of ten members of the crew of the Adventurer during Cook’s second South Seas expedition (Salmond, 2003). The English explorers were somewhat disturbed by the heathen practice of cannibalism, which was perhaps a little hypocritically ethnocentric in light of the execution practices in their own civilized land. Only twenty-five years earlier, the defeated Scottish ‘rebels’ of the ‘forty-five’ were half-hung, drawn and quartered; their hearts displayed to the crowd and their heads impaled on public buildings. I think I would have preferred to be cooked.

In 1817, four years after the Matilda’s crew reduction there were many deaths, mostly Maori, when the Sophia was attacked by a hundred and fifty Maori just out-
side the harbour heads at Murdering Beach (Bentley, 1999). This incident might have been a revenge attack or an attempt to regain a sacred moko mia, a tattooed head, that had been stolen by one of the crew, but the Sophia’s company was already notorious for the lawlessness of their actions. The behaviour would have to have been quite remarkably bad to achieve notoriety on that remote shore; the triggering incident was probably only the final outrage that destroyed an uneasy peace.

Blueskin(s) Bay

A steep road over the kanuka covered lava slopes of Mihiwaka leads to what is almost my backyard; Blueskin Bay and its tidal inlets of Purakanui, Waitati and Orokonui. The bay was named for a local Maori chief, variously Te Hikutuku (Tod, 1982) or Hikutu (Pullar, 1957), who was so heavily tattooed that his whole skin was blue. He would have netted eels in the creeks, collected cockles from the beaches and mussels from the rocks, speared flounders in the shallows and fished for kahawai in the bay. (Did Hikutuku’s smoked kahawai taste as good as mine do?). I still gather and hunt the things that Hikutuku knew, and try to catch salmon and sea run trout when they come back to their hatching streams to spawn. Hikutuku didn’t know salmon and trout, but he would have dined on seals and pilot whales, and carved ceremonial amulets from the whales’ teeth. I think Hikutuku and I would have enjoyed a beer together.

During the Maori raiding period in the seventeenth and eighteenth centuries, a cliffed peninsula named Mapoutahi at the northern end of Purakanui beach was used as a fortified pa, a village sited for natural defence against invasion. From here you can observe the coastline to the headland at Karitane, which the war canoes would have had to round as they came south to conquer and kill or enslave. But defensive positioning and early warning systems didn’t help, for early in the eighteenth century the pa was overrun and the inhabitants reportedly all killed (Griffiths and Goodall, 1980). The name Mapoutahi has been translated to mean the place where bones were piled high, but I suspect it referred to the cliffs on which the pa stood.

Some of the bay’s activities have been much gentler. Rabbit Island is in the Waitati inlet, and when our children were small we used to take the dingy across the bay to camp there. We were milking goats and fattening pigs at this time, so going away on holiday was not really an option, but from Rabbit Island we could commute back to the farm in the early morning and late afternoon to do these farm things. The rest of the time was spent doing those things that you do when you are camping: chasing rabbits, collecting firewood, catching a cooking fish, building shelters out of driftwood and ferns, playing hide-and-seek and word games. As compromises go, it wasn’t bad.

Quardle oodle ardle wardle doodle

Unfortunately, the warbling song of the magpie is its best feature. This bird is an un-invited and territorially aggressively Australian immigrant, who has garnered a bad press as a chick and egg stealer. They probably depredate less than some other longer
established species, but they are loud, aggressive and Australian, and hence obvious candidates for ignominy. The magpie is one of thirty different birds that come to the garden, and there can be up to ten species on the lawn at one time. They are a mix of the old indigenous birds, of now established vagrants from Australia, and of European birds that would be familiar to any visitor from the United Kingdom. This last group are the hundredth generation descendants of birds introduced by the provincial Acclimatisation Societies in the 1860's and 1870's. One might reasonably assume that ‘acclimatisation’ was concerned with the settlers adapting to the new environment, as modern athletes have to acclimatise to heat and altitude, but one would be a hundred and eighty degrees wrong. The latter part of the nineteenth century was the heyday of ‘Empire’, and it was not the British that needed to acclimatise, but rather New Zealand (or Africa or Canada or India or anywhere else that these sons and daughters of Victorian England laid claim to). So goldfinches and dunnocks and blackbirds and skylarks, and lots of other species were shipped from ‘home’, a usage that continued until very recently among some people who were five generations distant from the United Kingdom. They were released into this bountiful land, and like all colonisers have been putting the squeeze on the indigenous inhabitants ever since. Despite poking a little borax at these activities, these birds are very sweet. There is one very cocky male greenfinch that makes me think of Marie Lloyd’s “old cock linnet” as she swayed and stumbled her way across Edwardian music-hall stages:

The settlers of a hundred years ago, when Marie was the equivalent of Madonna and Britney, probably felt this historic link too. The words reflected the existential change in their lives, and it was a big enough hit to remain part of my own family’s folk culture into my post World War II childhood.

My old man said “Follow the van,
And don’t dilly dally on the way”.
Off went the van wiv me ‘ome packed in it.
I walked behind wiv me old cock linnet.
But I dillied and dallied, dallied and I dillied
Lost my way and don’t know where to roam.
Well you can’t trust a special like the old time coppers
When you can’t find your way ‘ome

It is this pot-pourri of birds that appeals so much. House sparrows bounce around, their stance and behaviour like Millwall supporters after a win at the Den. There is the morning echelon of mallards that come wheeling down to the pond; feathered echoes of Polish Spitfire pilots during the Battle of Britain. There is the song and colours of the Korimako (Bellbird), hordes of tiny Tauhou (Silvereye) who sip sugar water and love bananas, and the careful circling of the Kahus (Australasian Harriers) before they descend on the duck eggs that I put out for them. The kahus are named Eddie and Edwina after two great British heroes, and are quite big, almost eagle sized. They have an occasional domestic stoush over the eggs, when Edwina’s greater size enables her to gain the spoils, but most of the time they glide harmoniously over the paddocks with a rare wing beat. There is a resident flock of starlings (about a
hundred I think, but they are difficult to count) that appreciate the short grass in the mown paddocks as a source of soft-bodied wriggling goodies that live just below the surface. They perch in a big eucalyptus tree across the gully from the house, and as they perch they appear to disappear. How can a hundred birds do that in a tree with such open foliage? When it is time for another feed there is usually a purposive mass descent, but occasionally a lazy fall in two’s and three’s that can be mistaken for falling leaves.

Occasionally the songbirds will become silent in the middle of the day, which means that from its nest in the hills ten kilometres away, a Karearea (New Zealand Falcon) has sighted something worth eating and zipped across the valley to observe from its perch on a power pole. The rare Kareaea, is our version of Henry Williamson’s Chakchek (Williamson, 1960), and even the harassing magpies opt for discretion over territorial rights when this grey missile is hunting. The Karearea can successfully chase racing pigeons; thirty seconds of twisting mirrored flying ending in a puff of feathers and a tumbling corpse. Attempts to convince my elderly, hard-case, pigeon-fancying neighbour that he was privileged to provide this service for an endangered species did not meet with success.

The warmer winters are changing the species mix, and although they all seem to have their niches, there are slow conflicts over resources. The indigenous species, which evolved in a largely predator free environment, have not done well under the combined assaults of humans and their baggage train of birds, mustalids, rodents, possums, dogs and cats. To combat the problem locally, there are plans to establish a nature reserve on two hundred and fifty hectares of land above Orokonui inlet. It will be encircled by seven and a half kilometres of two-meter high predator-proof fence, and requires sponsors with comfortable balance sheets (Campbell-Hunt and Allen, 2004). If the project is accomplished, as I think it will be, visitors will be able to see ground dwelling Kiwi and maybe even Kakapo, which not long ago were on the very edge of extinction with only five females left. The species is not yet safe, but the efforts of the Department of Conservation and substantial corporate funding has provided hope that the Kakapo’s booming mating call will sound across my hills. There will be Tieke (Saddleback) and Kaka (Kaka) at the sanctuary too, and they (these two can fly) will probably forage in my orchard. I hope so, and will readily sacrifice a few cider apples in exchange for a kaka’s brown parrot head appearing at the top of the window as it hangs upside-down from the spouting in morning greeting. They will be a compliment to the thrushes who keep the evening watch on the lawn, after all the other daytime birds have decided that it is time for rest.

The Silverpeaks and “The Gap”

To the west of my home, across the valley, is a range of hills named the Silverpeaks. They are quite rugged, and just high enough at almost a thousand meters to provide the uplifting experience that looking down on clouds gives. And they are so easily accessible that a day's tramping can be organised very quickly, exorcising whatever rat is presently gnawing at you The demands of Vice-Chancellors, the behaviour of objectionable neighbours and need to pay the rates do not disappear after a day alone
in the hills, but the wind on Rocky Ridge and the charge of endorphins after slogging up the Devils Staircase put everyday problems into proper perspective. These local hills are the neighbourhood model for all the remote, wild places that are beyond the scope of this essay.

There is another, much less benign side to the mountains. From the kitchen window there is a clearly discernable notch in the ridgeline named ‘The Gap’, where three boys got caught in a blizzard and subsequently froze to death. The change in the weather on the spring day in 1982 was extreme. We were putting up a fence that afternoon, and I had removed my shirt because of the heat, but half an hour later my hands were too cold to hold the fencing staples and we retreated to the house. The conditions on an exposed ridge seven hundred meters higher would have been atrocious...and for the boys, lethal. Mountains are often beautiful, but it is not just their visual majesty that holds humanity in awe. The rains that give life to the plains are made in the benevolent mountains, but when they have a mind to, they can unleash terrible and indiscriminate force and fury that kills boys and destroys cities and civilisations. It is their life giving and life taking power that has caused peoples throughout the world to attribute sacredness to mountains, and to seek to appease the mountain gods with sacrifices. Maybe, when we clothe ourselves in polypropylene and Gortex, and tie crampons and an ice axe to our packs, it is in part a twenty-first century acknowledgement that the mountain gods need to be treated with the greatest respect. Although I am twentieth century man who is deeply immersed in the cultures of science and secularism, when I look up to The Gap where those boys died, there is a stirring very deep in me that is untouched by analysis. Is it caused by shared common cultural heritage? Or by a collective unconsciousness? Or has it become a sacred shrine? Heavens forbid.

Karitane, Huriawa, and Waikouaiti

The village of Karitane is at the mouth of the Waikouaiti River. In 1837, a whaling station was established at Karitane (Knight and Coutts, 1975), and along with the products of the whale, yielded New Zealand’s first recorded labour dispute and strike. Within a year, the whaling station was sold to the entrepreneurial John Jones (see below) for £225 (Malloch, 1940). Coastal whaling for oil, like the goldfields that came later, was a short-lived extractive industry where preservation of the neighbourhood took second place to profit. Munro’s description of the whaling station in 1844 (Eccles and Read, 1949) is an interesting contrast with misty, almost bucolic renderings of some artists:

As we entered it (Waikouaiti River) we passed the shears (shear-legs) by which the whales are hoisted up in the operation of stripping them of their blubber. Further on was a large shed, in which the oil was tried out (by boiling the blubber in large pots), greasy in the extreme, and smelling like a thousand filthy lamps. The whole beach was strewn with gigantic fragments of the bones of whales, and flocks of gulls, cormorants and other sea-birds and savage-looking pigs prowled about to pick up the refuse. The place altogether, like other whaling stations, is a picture of the
most perfect neglect of anything like order or neatness. The huts in which
the men live - rickety things - are stuck about in all directions, and not one
of them possesses a garden. There seem, however, to be an abundance of
poultry, as well as dogs and pigs; and another common feature of whaling-
stations was also to be seen there in perfection, in the shape of a variety
of dirty native women—half dressed in tawdry European clothes, with a
proportionate number of half-caste children.

Long before the European whalers came, Maori harvested the sea and estuary,
and in the unsettled times retreated to Huriawa, their pa on a peninsula remnant of
a volcanic caldera. Around about 1750, the pa’s defence was tested in a long siege
laid by Taoka’s men from Timaru, who camped on the spit across the river mouth.
But the pa had (still has) a fresh water spring, and access to the south for food
remained open, so eventually the besiegers departed. A hundred years on they would
have had muskets, and the outcome would have been different. The Department of
Conservation have scratched a track around this peninsula, and provided history, art
and legend to fill the memories between then and now. They have succeeded; it is
an evocative place.

In 1862, and for a couple of years after, there was a period of prosperity when
gold was discovered at Dunstan and the Hogburn (Malloch, 1940). The favoured
route to the diggings was by boat from Dunedin to Waikouaiti beach, where Maori
women would, if you were in funds, give piggybacks through the surf. After replen-
ishment at one of the several hotels that had appeared at Waikouaiti, as they did at
every gold-mining town, the miners (the original ‘diggers’ who gave their sobriquet
to generations of ANZAC’s) began the long tramp to the inland diggings. The boats
brought in supplies too, that were unloaded over the beach onto wagons with teams
of ten horses or oxen that were needed to cope with steep and poorly formed tracks.
Waikouaiti, like all the country towns, still has a wide main street that allowed these
big teams of draft horses and oxen to turn. It was bustling and prosperous then,
but prosperity assured its own demise; the revenue from the goldfields allowed the
Provincial Council to complete the road over the coastal hills to Dunedin, making the
sea route redundant. The wagoners and diggers could then push straight through
the northern settlements as they journeyed to and from Dunedin with their vari-
ously mundane or golden cargoes. Their ghosts pass my gate on the climb over
Mount Cargill, watering the horses just along the road at Water Trough Bend, where
a stream-fed stone trough has outlived the old gold.

Karitane is quiet now, but memories live on with arches over cottage gates fash-
ioned from the rib bones of the whales, in the tri-pots that have become garden
features, in the new Marae at Puketeraki, and in the names on the mail boxes, that
are those of the descendents of the “half-caste children”. But Karitane and Waikouaiti
are not just about a century and a half ago; gold has come back in the form of an
open cast mine a few kilometres inland. The mine provides well-paid employment
that has enlivened the town, and care of its massive machines has made local engi-
neering business grow. The trucks at the bottom of the excavated pit look like Tonka
toys, but with each load move three hundred tonnes of ore to the crusher. These
twenty-first century gold miners use the old Mount Cargill Road again, to trundle the
behemoths from Caterpillar and Komatsu (they are too high for motorway bridges) from the port to the mine. Last time my family was at Karitane and Huriawa we watched a fur seal diving for octopus, and the time before that, Gwyneth Paltrow was being filmed in a dingy for ‘Sylvia’. She left no traces apart from a trickle of tourists who come to see ‘Paltrow’s Beach’. Huriawa is still sacred in its proper sense.

Mantanaka and Johnny Jones

There were permanent European settlers on the Otago coast before Johnny Jones; freed and absconding convicts from the Australian penal colonies, and ex-sealers and whalers who had left their ships and literally shacked-up with Maori women (Bentley, 1999). But Jones is deservedly recognised as being among the most significant early European settlers. In 1838 he bought the whaling station at Karitane, and established a farm at Mantanaka, on the northern arm of the bay. Jones was an entrepreneurial spirit and became a wealthy man with six whaling stations, a small fleet of whaling and cargo ships, and the farm (Eccles and Read, 1949). Jones also claimed title to several thousand acres of grazing land up and down the coast and for a long way inland, but the provincial government (then based in New South Wales) did not accept the purchase as legitimate.

In 1840, Jones used one of his ships, the Magnet, to bring twenty-three adults and their children from New South Wales, to work on the farm. These farm workers were the first European (i.e. Australian) families to settle in the South Island. The barn, the schoolhouse and the privy are still there. His buccaneering spirit and his provisioning of the Dunedin settlers who sailed through the Otago heads in 1848 make him my favoured European settler. He was a ‘bit of a lad’, but a lot more fun than the worthy, but somewhat dour and pompous Free Church of Scotland settlers who came to Dunedin.

Carisbrook: The special possession that was stolen

Carisbrook was the home of Otago rugby, and of much more than rugby. The boys in blue and gold were the embodiment of provincial spirit and pride...our players, our team...to be supported when winning and losing. The ethos was amateur, but they punched well above their weight, and I proudly cheered them as they beat the British Lions and the South African Springboks. Players were drawn from the province and the University (although we did gather in Southlanders too). Kick-off was always at 2:30 on Saturday afternoon, and for ninety minutes the big crowd vicariously shared their warriors triumphs with the battle cry “Otaaaaaaaaaagoooooo” and the deep, shiver inducing chant of “Blue-Blue-Blue” as a rolling maul edged towards the try line.

The provincial side, sans its All Blacks, is still there as an end of season adjunct, but its meaning has waned and the crowds have melted away. Now the focus is on the “Otago Highlanders” (the first large group of settlers who landed in 1848 had a preponderance of lowland Scots, but the “Otago Lowlanders” doesn’t have quite the same ring to it) and the Super Fourteen Competition. This is an ersatz invention, neither Otago or Highlanders, a product of commerce and the marketing mode...part
of that evil empire that is Fox Television, CNN and the Murdoch media dynasty. It is designed for television and merchandising opportunities, with drafted professional players who change each season, and 7:35 pm kick-offs for bigger television audiences in other time zones. It is about money and profit. Provincial pride has been exploited, made synthetic and commodified in the interest of shareholder wealth and corporate power. It is no longer my team... it belongs to a media company. When I go to a game (less and less) I feel that I am paying to be an extra in a media empire’s latest blockbuster. Cultures based on commercial exchange value, and on the technologies of the intercontinental jet plane and satellite television transmission, have replaced the cultures of provincial pride and community ownership (Borgmann, 2000). It has been a poor exchange that angers and saddens me. The ‘game’ is about opportunities for corporate sponsorship and entertainment, and spin-off benefits to airlines and the euphemistically named ‘hospitality’ industry. Were it not for these commercial opportunities, new sports stadia would be built without any spectator accommodation at all, with the crowd pixeled in. And after that, how long before the players would be replaced by video-game virtual realities. That they would be neither virtual nor real doesn’t matter, the money saved could be spent to allow us to convince ourselves that it is at least as good as the ‘real thing’. Too far fetched? Coca-cola managed it.

Thankfully, there are some limits to marketing’s ability to pervert and destroy more complex values. The skills and artistry of athletes of exceptional ability; the likes of Stanley Mathews, the young Mohamed Ali, Pele and Don Bradman, reach us at a level that does not require the promotion and puffery of the ‘communications’ industries... we just know that we are seeing the very best. Playing at wing and fullback for Otago through the 1990’s, Jeff Wilson stands with those others whose sublime skills are etched indelibly on our souls. His swerve, stroking hand-off and chip kick were a privilege to watch; poetry in motion that remains uplifting and confirms that for the really really special, commercial value is a petty matter.

Some drawing together

Natural beauty and capitalism

The development of tourism in Queenstown in the New Zealand Islands is presented, debatably, as a vital source of international revenue. It is unarguably a creator of employment, but much of it so poorly paid that it provides insufficient funds for workers to live in a decent way. An alternative view is that it is an extractive industry financed by real estate speculation, there to mine tourists’ dollars for expatriation by overseas-based hotels and travel companies. It is a theme park where the paragliders stay aloft on the updrafts from a hundred bars, fast-food cafes and coffee shops, and the exhaust fumes of tour buses. Not yet as awful as the South Col on Mount Everest, which became strewn with the detritus of climbers; abandoned tents and sleeping bags, hundreds of empty oxygen bottles, and for a while, even the body of a Sherpa who died there. It was only habitable because the heaps of excrement under every rock are frozen, but now, thankfully, it has been cleaned up, and Sherpas
take freshly deposited excrement away. Close to the summit, climbers have had
to queue to ascend and descend the Hillary Step. Just ridiculous. Contrast these
scenes of desecration, where the sacred has been profaned, with the close of Salisbury
Cathedral which is as wonderful as it ever was, and certainly a lot more sanitary.

Religions, when their adherents don’t wreck mayhem on each other, have been
much better than market driven organisations in protecting our history. They have
preserved the meaning and fabric of small village churches and of the biggest mosques
and cathedrals. In New Zealand the heritage is not architectural, but is of natural
beauty in diverse forms, and it seems that for this too, that only non-market or-
ganisations can preserve both beauty and access. To leave it to the hidden hand of
the market is akin to relying on fishing companies to maintain fish stocks. We know
what happens then; the need and desire for short-term profit in a fiercely competitive
commercial environment destroys the natural environment.

The big protector is the Department of Conservation (DoC), and it is aided in
its mission by the spiritual connection (shades of old world religions) of Maori with
the land. The Department of Conservation is not universally popular organisation;
its brief is to conserve, and hence it rouses the ire of those who do not want to.
‘Fucking DoC’, like ‘Bloody Maoris’, are two of the favourite easy targets of the red-
necked bully boys, variously clothed in bush shirts, moleskin trousers or city suits,
depending on their particular greed. Indulge me as I present a lengthy example.
The Abel Tasman National Park and Track runs around a section of the north-west
coast of the South Island; regenerating bush surrounds shallow sandy bays, tree ferns
grow as tall as palm trees, and the area is used by thousands of walkers and kayakers
through the summer months. It is as good an example as I can imagine of combining
extensive tourist activity and remaining a paradise. There are no pubs, cafes, shops or
Coca-Cola machines along the track; you carry in your needs and hopefully carry out
your rubbish. There are camping grounds, accommodation huts, toilets and washing
facilities that are administered by DoC, which also police and maintain the track and
park. Without these facilities and the policing, the track would be unusable in a
month, a foetid swamp of excrement and wind-blown toilet paper. Imagine what this
delicate eco-system would be like if it was open to open slather commercialism. For
all the talk of sustainable tourism, is it really believable that its environmental values
and public access would be preserved. Dream on sister, the fences, the exclusive
(i.e. very expensive) resorts, the cable cars and monorails are on the horizon. We
have got beyond the times when half a country could be usurped to become a king’s
personal hunting domain, with trespassing peasantry hung for taking a deer, but the
divine right of private wealth still seeks to alienate that which a better socio-economic
paradigm would consider to be an inalienable right of all the people.

Sad events but happy places

Our discipline has not overly dealt with heartbreak and the consequences of the end
of lives, in part because so many of us were so young. But some of us are ageing,
and a small literature is beginning to emerge (see Bonsu and Belk, 2003); there
will be more of it. When those old sad times at beautiful places have found their
proper mental place, they need not lead to current sadness. On the contrary, the poignant memories can increase the joy derived from the once sad places; they can become natural memorials where the ended lives are celebrated. They acquire a little sacredness. I understand now that the visits of mothers to the graves of their dead children are not necessarily retreats into grief, but can be a way of invoking closeness and recalled happiness. The tragic events cannot be denied; pushing them to the back of consciousness does not eliminate them, the tectonic plates of memories keep on their subconscious churning. Better to bring them into the light and celebrate the lives, rather than think that the deaths can be hidden away from ourselves.

Spirituality

For the last couple of years I have felt very contented in that all the aspects of my life had formed a pleasing whole, and as I crafted this essay I became aware, at first uncomfortably, of a strong current of spirituality in my thoughts and words. Emmons (1999) and Baumgartner (2002) have concluded that lives that have some spiritual element are more satisfying than those without it., and I join with these writers in believing that a dash of spirituality aids this coherence (what is cause and what is effect is unclear). My version of spirituality does not flow to any particular religious form, but instead to an acceptance, that a life is more fulfilling if it is seen as being part of an encompassing physical, historical and cultural environment. Of course, such conversions are a well-trodden path for those in their seventh decade, but for the individual it comes as a surprise that requires explanation to others who may find themselves on the same pathway.

Maybe it is easier in my part of New Zealand than it is in some other places to find this harmony. The omnipresent natural beauty helps, but more importantly I think, is that European colonisation began only a century and a half ago. It has been too short a time for the murmurings of the pre-European gods of the indigenous people to be buried by the guns, diseases, whisky, money and religion of the colonisers. Before the arrival of the Europeans, the material culture of the Maori was of stone, bone, wood and skins, and their spiritual culture echoed this association with natural things. The totemic legends still resonate in every river, mountain and forest, and they have resonated with me.

My advancing years has certainly contributed to the development of these mystical meanderings. I am not planning to die tomorrow, but at least two thirds of my life has happened, and there is awareness that sometime in the next thirty years, the carbon atoms that are presently me are going to be rearranged. Being part of the totality of things provides a tiny measure of immortality, just a smidgen away from nihilistic oblivion. Major medical trauma often causes reflection and reassessment of priorities, and for me it has led to that classic paradox of planting and building as if you will live for a hundred years, whilst seeking to maximise the pleasure from everyday things (Schouten, 1991). The rearrangement of the carbon atoms might begin tomorrow, and I do not want to die wondering any more than I do now of what might have been.

Farming too. Although farming was never my livelihood, we did milk a hundred
goats and had a flock of two hundred ewes that imposed the repetitive rhythm of
the seasons on our lives: lambing, tailing, drenching, drafting, haymaking, culling,
mating, winter-feeding of the hay, and then lambing again. This yearly cycle of the
seasons, of times of cold, of mud, of wind and rain, and of sun and drought too,
has been the companion of those who have worked with the land since the times of
gatherer-hunters. It leads to an acceptance of our place in an order of things that the
insulated concrete environment of city living takes from us.

As a society, we are seen as playing rugby rather well and having an unnatural
fondness for sheep, which is all very well but not much to fashion a unique national
identity with. There is a resurgence of Maori culture, of the importance of the mean-
ing of tangata whenua (the people of the land), and I have already alluded to a
Maori dimension to my developing spirituality. It is a discovery that has surprised
me, and may have greater generality than some of the other excursions into my sub-
consciousness. In part, it explains my willingness to follow in the steps of Colin
McCahon (Bloem and Brown, 2002; Rymer, Pound, Long, and NZ Film Commission,
1988; Wood, 1997), whose paintings embrace the spiritual link with the land, which
has become a significant part of my coda for living a full life. While it is not always
comfortable for many of European descent, we would gain from embracing more of
Maori culture. But before we can do that we have to get our mono-cultural love
affair with rationalism and technology into its proper place, and that is no small
task to accomplish. This is not a plea for further development of such nonsense as
oxymoronic ‘Maori Cultural Tourism’, but for the incorporation of Maori-ness into a
distinct twenty-first century New Zealand culture. It is visible to the world in the
haka, the war dance that has been proudly appropriated by the dominating race. It
precedes international rugby games and is used spontaneously by expatriates across
the world to honour and join with sporting and cultural heroes. There is far more in
Maori culture that would enrich the lives of all New Zealanders, and I believe that
it is the Maori dimension, and particularly its living spirituality, that contains the
possibility of making New Zealanders special.

And what of a more general contribution?

What could readers take from my musings? What small contribution to theory does
it make in a discipline that is overburdened by a plethora of theories? The essay is a
case study, and unless I am so odd as to be generally unique, which seems unlikely,
there may be generalities. Firstly, I suggest that the disciplines concentration on
material objects, even important ones, limits our understanding of consuming. I
have considered two other parts of my life, places and histories, which are so rich in
their complexity that extensive intensive enquiry techniques are required to approach
understanding. Others have written of special possessions, usually famous or bizarre
ones, but what I have tried to demonstrate is that ‘ordinary’ places are a vital part of
an ordinary life. With unlimited word length, many more examples could have been
included in the essay; the village war memorial, my personal volcano; a sky scrubbed
bright blue by the winds of the southern ocean; a fallen sun backlighting the clouds
through unpolluted ether. Such things are not visible from an air-conditioned New
York apartment.

And we do so avoid history when examining motivations, except when ‘tradition’ is employed as an added value. This avoidance is probably a shadow of the marketing ethos that is about NOW, NEW, IMPROVED, EASIER and FASTER! Notwithstanding advertising re-creation, and even the creation, of a bucolic past (the ‘ploughmans lunch’ is a modern marketing invention), the important past that shaped us is old fashioned. Sometimes too, the past is sad, and that concept is certainly not part of the marketing agenda. Perhaps we have some shred of excuse for avoidance in that it is avoided in every-day intercourse too, and is largely confined to ritualised situations. But sadness is there, and as beings we are quite conscious of it. As scholars, we could usefully give it more consideration.

A brief concluding expansion to the edge of the known universe

The awareness of my developing spirituality has led me to cogitate on consumer behaviour researchers reluctance to examine spirituality as a research topic. Formalized religion would seem to be in retreat in many of the prosperous, developed societies. Rationalism, science and materialism are embraced as more useful gods than those that were previously worshiped (Berman, 1981), but spirituality is far from being dead. The juxtaposition of nihilistic materialism with the anti-materialism of spirituality would seem to be worthy of more investigation than the occasional poem or paper on the ersatz sacredness of some family heirloom or discarded possession of the rich and famous (Borgmann, 2000). Maybe it is that the discipline (and ‘discipline’ is not a lightly chosen word) can accommodate a few iconoclasts as institutionalised devils advocates, but to prosper in rational and scientific world it must not stray too far from ‘the scientific method’. Despite all the voices that have cried out during the last twenty-five years, the cognitive information processing paradigm remains the most popular model for publication. (The sceptical are advised to carry out a content analysis of any eight recent issues of the Journal of Consumer Research). We have trouble dealing even marginally adequately with any behaviour that cannot be forced into the cognitive information processing and behavioural decision theory paradigms, and spirituality must have good claim to fitting the CIP and BDT models least well. Maybe it is time that we became re-enchanted by the unconscious, recognising that sometimes, maybe much of the time, we are unaware of the richness of our motivations. This may be a hopeless plea when science, technology, materialism and secular rationalism have the high ground; these things are important place, but they do not unravel what is in our soul.

References


REFERENCES


REFERENCES


**Appendix A: A brief guide to pronunciation of Maori names - amended from Reed (2001)**

There was no written language prior to the arrival of Europeans, and consequently the written form was constructed from equivalent English sounds. Because there are only ten consonants (including ng and wh), the vowel pronunciation is very important.

- A as the ‘a’ in ‘father’
- E as the ‘e’ in ‘hen’
- I as the ‘ee’ in ‘teenager’
- O as the ‘o’ in ‘border’
- U as the ‘oo’ in ‘room’

When two vowels are used together, each is often given its own sound, and at other times the first vowel sound is diminished; e.g. “Waikouaiti” is pronounced “Why-coo-eye-tee”. ‘Ng’ has the sound of the ‘ng’ in the middle of ‘bringing’, but in the South Island there is a tendency to replace ‘ng’ with ‘k’. ‘Wh’ is close to ‘f’, but without the top teeth touching the bottom lip, which makes it softer and breathy.
The broad focus of this paper is the interface between a somewhat neglected group of vulnerable consumers and marketing institutions. The group in question are bereaved consumers. The bereaved typically find themselves dealing with an array of financial, legal, religious, health and funeral service providers yet, the number of marketing scholars examining the nature of these encounters is quite limited (Gabel, Mansfield, and Westbrook, 1996; Gentry, Kennedy, Paul, and Hill, 1994). The vulnerability of this consumer group flows primarily from the trauma of loss and the psychological and physical decrements it can have on comporting oneself as a “normal” consumer (Raphael, 1984). If the bereaved as a group have been overlooked, so too has the response of market institutions and service providers with whom they find themselves having to interact. This study sought to explore this issue by examining the experiences of frontline service staff in ten Irish newspapers and the nature of their interactions with bereaved clients. These clients were placing In Memoriam anniversary verses in the papers for their departed family members and friends.

The findings raise a number of aspects concerning the relationship between marketing systems and social issues (Fisk, 1981). Historically the verses have been used to frame female roles and boost national birth rates in the UK (Adams, 1997). In the context of the present study In Memoriams provide a vivid example of marketing functioning as part of a wider social system regulating and moderating the process and public expression of grief. Interviews with newspaper staff reveal a modicum of ambivalence stemming from their own roles of being company operative, fellow
community member and co-bereaved. Similarly they also suggest ambivalence on the part of bereaved placers borne of “profit and loss” unease — the feeling that market institutions may be exploiting their loss for commercial gain. Staff also recount several examples of this marketplace offering being utilised to negotiate a range of inter and intra family agendas. Finally, management attitudes towards the contribution of frontline staff in their dealings with the bereaved are discussed.

References


Session XI

Systems: Thursday 8.45am-10.30am
Sociometric Status in the Top 37 Marketing Journals using Social Network Analysis

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Ben Wooliscroft²
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There has been much research into the importance of different marketing journals and some research into the relationship between journals based on citations. This paper considers the relationship between journals using social network analysis, using the membership of editorial boards as the link to the journals' node.

Introduction

The importance of publishing in the best journals has increased in many countries recently (Brownlie and Saren, 1995; Hult, Neese, and Bashaw, 1997; Klein and Chang, 2004; Parasuraman, 2003). The Hong Kong and British universities have Research Assessment Exercises (RAE), New Zealand universities have Performance Based Research Funding (PBRF) and Australian universities have the Department of Education, Science and Training (DEST) administering grants based on research outputs. There is also evidence linking research publications to institutional reputation in the USA and increasing pressure for faculty to publish in high level journals (Armstrong and Sperry, 1994).

Ironically, while the pressure to publish in top journals increases, a relatively small proportion of academics appear to produce the bulk of the published research

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outputs. This trend has been evident for some time, for example, Robinson and Adler’s (1981) study of the publishing output of 1,656 North American marketing academics found that just under 11% of scholars accounted for 80% of the citations in business journals over a four year period in the 1970’s. In a more recent study the same trend was evident: Bakir, Vitell, and Rose (2000) analysed the authors of all articles published between 1991-1998 in six leading marketing journals and found that the top scholars were responsible for a disproportionate amount of the total research (28 scholars produced 10% of the 1427 articles); and similarly, the top departments accounted for a disproportionate amount of the articles (30 top departments contributed 44% of the articles). Cheng, Chan, and Chan (2003) found a similar pattern in their study of authorship of twenty marketing journals, with the top five institutions (of the 1472 identified) accounting for 33% of the material published. The same type of distribution is found within sub-areas of marketing also: For example, Morlacchi, Wilkinson, and Young (2003) found the pattern within research in the field of business-to-business marketing.

The pattern of a minority of people controlling or producing the majority of outputs is referred to as a power law distribution. The phenomenon is widespread and has been evident within academic research since the 17th century (McNamee and Willis, 1994). A power law distribution in authorship of academic research has been demonstrated empirically across a wide range of disciplines:

It is far from being a new fact that research output or scientific productivity generally follows a very asymmetric distribution. This proposition holds on the individual level, where a few scientists contribute the majority of publications, as well as on the institutional level, where high concentrations of the institutional affiliation of authors can be detected.

McNamee and Willis suggest that the power law distribution in published research is a result of the “small network of scholars within a discipline” (1994, p. 398). The work of Kuhn and others offer similar explanations for why this pattern is found throughout scientific literature: Kuhn (1970) described science as involving communities of scientists who subscribe to a particular paradigm, and these communities reject material that does not fit their worldview. Foucault’s writing on legitimation has been interpreted in a similar vein, with groups of experts controlling the production of knowledge through academic journals (Weiner, 1998). McNamee and Willis (1994, p. 397) assert that there is “considerable evidence” that an invisible college of academics “control, or influence significantly” the core journals of a discipline.

Logic suggests that the editorial boards that control the major journals are likely to be major players in any ‘network of scholars’, ‘invisible college’, or ‘community of scientists’ within a discipline. Surprisingly there has been little research carried out into editorial boards within the marketing discipline.

There have been a number of calls for the use of the networks paradigm in marketing (Achrol, 1997; Goldberg, Libai, and Mueller, 2001; Iacobucci, 1996; Iacobucci and Hopkins, 1992; Wilkinson, 2001). This research uses social network analysis to gain insight into the communities and major players in marketing’s publishing game (Scott, 2005; Wasserman and Faust, 1994).
Methodology

Before undertaking analysis of the social networks in the editorial boards of the top journals it is necessary to identify the top journals in marketing.

The Top 37 Marketing Journals

Journal ranking studies abound within the marketing literature (Table 39.1 shows a small selection). Such studies have employed a variety of approaches and called upon a range of informants from around the world. It was decided to make use of existing data sources, compiling them to give an aggregate ranking of marketing journals.

Selection of Data Sources

Selection of sources from the plethora of journal ranking and rating studies, was based on consideration of the following criteria:

- Currency — studies from the last ten years were selected.
- Coverage of marketing-related titles.
- Results in a form that could converted to rankings.
- A range of geographic coverage.
- A variety of methodologies and samples.

Six studies that were specific to the marketing discipline met all the criteria: Hult et al. (1997); Koojarenprasit, Weinstein, Johnson, and Remington (1998); Theoharakis and Hirst (2002); Baumgartner and Pieters (2003); Easton and Easton (2003); G.S. Mort, McColl-Kennedy, Kiel, and Soutar (2004).

The Social Science Citation Index (SSCI) was the next source selected for inclusion in the calculation of an overall list of the top journals. Three multidisciplinary studies that included good coverage of marketing titles were also selected for the analysis: Nottingham University, 1995, Aston University, 2003, University of Queensland, 2003.

Table 39.1 summarises the ten sources selected and provides details of the methods they employed.

The ten sources provided a total of 456 rankings of 121 unique journal titles. However, most journals received rankings from only a few of the ten sources. Research in Consumer Behavior is an example of such a journal: It was ranked 15th in Koojarenprasit et al. (1998) study and 39th in the University of Queensland (2003) study, but did not appear in the other eight sources. Ignoring the missing ranks or artificially filling in the data in the case of Research in Consumer Behavior could lead to the journal being ranked more highly than a title like Journal of Consumer Marketing which had received ranks ranging from 13th to 39th from eight of the nine studies.

In at least three of the key informant studies (Koojarenprasit et al., 1998; Theoharakis and Hirst, 2002; G.S. Mort et al., 2004), respondents could add titles to the
### Table 39.1

<table>
<thead>
<tr>
<th>Data Source</th>
<th>Type of Study/Survey</th>
</tr>
</thead>
<tbody>
<tr>
<td>University of Queensland, 2003</td>
<td>Multi-disciplinary compilation and institutional assessment. 120+ rating and ranking studies were compiled. Titles had to be rated by at least two sources and were assigned grades based on the second highest rating. University of Queensland discipline leaders constructed a list based on the scores and their own criteria. After removal of duplicate titles, results included sixty marketing journals rated from 1(best) to 5.</td>
</tr>
<tr>
<td>University of Aston, 2003</td>
<td>Multi-disciplinary opinion survey. Based on a “large” opinion survey of academics at Midlands universities (Harzing, 2004, p. 4). After removal of duplicate titles, results included forty-eight marketing journals assigned ratings from 5(best) to 1.</td>
</tr>
<tr>
<td>Hult et al., 1997</td>
<td>Marketing specific opinion survey. A list of forty-one ranked marketing journals was compiled. Journals’ importance and “ability to develop and disseminate scholarly marketing knowledge to the field” (p.44)</td>
</tr>
<tr>
<td>Theoharakis &amp; Hirst, 2002</td>
<td>Marketing specific opinion survey. Lists of ranked marketing journals were compiled for different respondent groups. The worldwide list of forty titles was used in the current study. Journals’ contribution to the discipline</td>
</tr>
<tr>
<td>Easton and Easton, 2003</td>
<td>Marketing specific study of RAE data. The current study used the ranking list based on the quality calculation. After removal of one duplicate title, fifty-two rankings were incorporated into the current study. Implied quality of journals based on RAE rank of institution and the incidence of the journal in RAE submissions</td>
</tr>
<tr>
<td>Mort et al, 2004</td>
<td>Marketing specific opinion survey. One title from the survey, the Journal of Marketing (ranked 23rd equal) was not found in any periodical directories so was omitted from the current study, leaving a list of seventy-two ranked marketing journals. Perception of overall quality of selected marketing journals</td>
</tr>
<tr>
<td>2004 Social Sci. Citation Index</td>
<td>Impact of journals as measured by citation in journals listed in SSCI</td>
</tr>
<tr>
<td>Origin of Ranking</td>
<td>Rankings</td>
</tr>
<tr>
<td>-------------------------------------------------------</td>
<td>----------</td>
</tr>
<tr>
<td>USA (Hult et al., 1997; Koojarenprasit et al., 1998)</td>
<td>61</td>
</tr>
<tr>
<td>UK (Aston University, 2003; Easton and Easton (2003), Nottingham University, 1995)</td>
<td>132</td>
</tr>
<tr>
<td>Australasia (G.S.Mort et al. (2004); University of Queensland, 2003)</td>
<td>132</td>
</tr>
<tr>
<td>International (Baumgartner and Pieters (2003); SSCI, 1999-2003; Theoharakis and Hirst (2002))</td>
<td>131</td>
</tr>
<tr>
<td>Total Rankings Assigned</td>
<td>456</td>
</tr>
</tbody>
</table>

Table 39.2:

lists provided, so, if a journal was not ranked in these studies, it was arguably not considered relevant. Additionally, SSCI and the data sources used in the Baumgartner and Pieters (2003) and Easton and Easton (2003) studies did not discriminate against inclusion of any titles, so ignoring the absence of a title from their rankings would also be inappropriate.

It was decided to look more closely at journal titles that had received less rankings to check for bias in the data. The origin of the journal was not found to be significantly associated with how frequently a journal received rankings ($p = 0.056$). There was also no significant relationship found between the age of the journal and the number of rankings ($p = 0.077$).

The outcome of the analysis of the frequently versus infrequently ranked titles was a decision to remove all but two of the journals that were ranked in less than five of the ten studies in the analysis. The two exceptions were the recently established Journal of Consumer Behaviour and Marketing Theory, which were both retained in the final list of rankings.

The rankings are shown in Table 39.2, grouped by the location of the respondents used in the sources. It is evident that the rankings are dominated by Australasian and UK sources with 57.9% of all journal rankings coming from respondents in those areas.

**Aggregate Rankings**

The removal of infrequently ranked titles left thirty-eight journals as shown in Table 39.3.
### Location of Data Source:

<table>
<thead>
<tr>
<th>Journal Rank and Title</th>
<th>Journal Origin</th>
<th>Journal Start Year</th>
<th>Number of Ranks Received</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Jnl of Marketing</td>
<td>USA</td>
<td>1934</td>
<td>10</td>
</tr>
<tr>
<td>2. Jnl of Consumer Research</td>
<td>USA</td>
<td>1973</td>
<td>9</td>
</tr>
<tr>
<td>3. Jnl of Marketing Research</td>
<td>USA</td>
<td>1964</td>
<td>9</td>
</tr>
<tr>
<td>4. Marketing Science</td>
<td>USA</td>
<td>1982</td>
<td>8</td>
</tr>
<tr>
<td>5. Jnl of the Academy of Marketing Science</td>
<td>USA</td>
<td>1973</td>
<td>9</td>
</tr>
<tr>
<td>6. Jnl of Retailing</td>
<td>USA</td>
<td>1925</td>
<td>8</td>
</tr>
<tr>
<td>7. International Jnl of Research in Marketing</td>
<td>Europe</td>
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<td>USA</td>
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<td>USA</td>
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<td>UK</td>
<td>1967</td>
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<td>15. Marketing Letters</td>
<td>USA</td>
<td>1990</td>
<td>8</td>
</tr>
<tr>
<td>16. Jnl of Personal Selling &amp; Sales Marketing</td>
<td>USA</td>
<td>1980</td>
<td>8</td>
</tr>
<tr>
<td>17. Jnl of Macromarketing</td>
<td>USA</td>
<td>1981</td>
<td>5</td>
</tr>
<tr>
<td>18. Jnl of Public Policy &amp; Marketing</td>
<td>USA</td>
<td>1982</td>
<td>9</td>
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<td>20. Jnl of Marketing Education</td>
<td>USA</td>
<td>1979</td>
<td>7</td>
</tr>
<tr>
<td>22. Psychology &amp; Marketing</td>
<td>USA</td>
<td>1984</td>
<td>7</td>
</tr>
<tr>
<td>23. Jnl of International Marketing</td>
<td>USA</td>
<td>1992</td>
<td>9</td>
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<td>32. Jnl of Business &amp; Industrial Marketing</td>
<td>UK</td>
<td>1985</td>
<td>7</td>
</tr>
<tr>
<td>33. Int’l Jnl of Retail &amp; Distribution Management</td>
<td>UK</td>
<td>1986</td>
<td>5</td>
</tr>
<tr>
<td>34. Jnl of Global Marketing</td>
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<td>1987</td>
<td>6</td>
</tr>
<tr>
<td>35. Marketing Health Services</td>
<td>USA</td>
<td>1981</td>
<td>5</td>
</tr>
<tr>
<td>36. Services Marketing Quarterly</td>
<td>USA</td>
<td>1985</td>
<td>5</td>
</tr>
<tr>
<td>38. Jnl of Non Profit &amp; Public Sector Marketing</td>
<td>USA</td>
<td>1986</td>
<td>5</td>
</tr>
</tbody>
</table>

**Table 39.3: Highly Ranked Marketing Journals**
<table>
<thead>
<tr>
<th>USA</th>
<th>UK</th>
<th>Australasia</th>
<th>International</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td>(2005)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2003)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
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<td></td>
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<td></td>
<td></td>
<td>(2003)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(2002)</td>
<td></td>
</tr>
</tbody>
</table>

| 1 | USA | 1.70 | 2.33 | 4.38 | 5.78 | 7.00 | 11.38 | 11.56 | 11.67 | 12.00 | 12.50 | 16.43 | 16.75 | 16.80 | 17.25 | 18.88 |
| 3 | 1   | 2    | 3    | 2    | 4    | 5     | 11    | 15    | 11    | 5     | 12    | 6     | 15    | 25    | 18    | 19.00 |
| 2 | 3   | 1    | 1    | 6    | 8    | 9     | 10    | 11    | 12    | 13    | 16    | 17    | 14    | 15    | 25    | 32    |
| 6 | 4   | 1    | 4    | 1    | 7    | 8     | 4     | 5     | 6     | 5     | 5     | 6     | 6     | 5     | 17    | 32    |
| 5 | 5   | 1    | 4    | 5    | 8    | 11    | 9     | 20    | 8     | 7.00  | 13    | 15    | 24    | 17    | 18    | 17.25 |
| 4 | 5   | 1    | 4    | 9    | 20   | 8     | 7.00  | 13    | 15    | 24    | 17    | 18    | 17.25 | 18    | 18.88 | 19.00 |
| 26 | 1   | 4    | 8    | 5    | 22   | 19    | 6     | 11.38 | 11.56 | 11.67 | 12.00 | 13.50 | 16.43 | 16.75 | 16.80 | 17.25 |
| 8  | 1   | 16   | 7    | 11   | 5    | 12    | 32    | 12    | 12    | 11    | 15    | 17    | 14    | 15    | 17    | 18    |
| 9  | 8   | 11   | 6    | 9    | 5    | 15    | 27    | 15    | 15    | 15    | 11    | 11    | 11    | 11    | 17    | 18    |
| 10 | 7   | 11   | 5    | 13   | 5    | 11    | 15    | 11    | 11    | 11    | 11    | 11    | 11    | 11    | 11    | 11    |
| 19 | 3   | 7    | 7    | 13   | 15   | 24    | 13.50 | 16    | 16    | 16    | 16    | 16    | 16    | 16    | 16    | 16    |
| 13 | 20  | 1    | 16   | 6    | 42   | 17    | 16.43 | 16    | 16    | 16    | 16    | 16    | 16    | 16    | 16    | 16    |
| 30 | 11  | 21   | 14   | 11   | 16   | 17    | 14    | 16.75 | 16.75 | 16.75 | 16.75 | 16.75 | 16.75 | 16.75 | 16.75 | 16.75 |
| 34 | 1   | 27   | 10   | 5    | 25   | 11    | 17.25 | 17    | 17    | 17    | 17    | 17    | 17    | 17    | 17    | 17    |
| 10 | 34  | 16   | 19   | 16   | 16   | 16    | 19.00 | 19    | 19    | 19    | 19    | 19    | 19    | 19    | 19    | 19    |
| 15 | 16  | 20   | 28   | 16   | 24   | 19.86 |
| 27 | 1   | 21   | 16   | 40   | 36   | 10    | 20.38 |
| 16 | 11  | 16   | 29   | 35   | 25    | 21.14 |
| 24 | 11  | 11   | 23   | 16   | 42    | 28    | 30    | 21.78 |
| 31 | 20  | 22   | 8    | 16   | 34    | 29    | 22    | 24.33 |
| 34 | 34  | 23   | 16   | 38    | 37    | 35    | 25.38 |
| 20 | 20  | 9    | 28   | 16   | 38    | 37    | 35    | 25.38 |
| 34 | 34  | 27   | 16   | 25.67 |
| 20 | 30  | 18   | 23   | 16   | 41    | 40    | 26.86 |
| 25 | 14  | 20   | 36   | 19   | 34    | 31    | 37    | 27.00 |
| 21 | 18  | 20   | 13   | 38   | 39    | 35    | 36    | 27.50 |
| 20 | 25  | 17   | 28   | 39    | 38    | 27.83 |
| 36 | 19  | 20   | 15   | 45    | 39    | 39    | 30.43 |
| 34 | 35  | 20   | 38   | 39    | 33.20 |
| 37 | 34  | 28   | 54   | 5     | 45    | 33.83 |
| 32 | 34  | 26   | 45   | 39    | 41    | 37.00 |
| 34 | 39  | 24   | 54   | 39    | 38.00 |
| 45 | 31  | 58   | 39   | 49    | 44.40 |

Table 39.3: Highly Ranked Marketing Journals
Analysis of Editorial Board Membership

With the top journals now identified, the editorial boards were collected in January 2006 from publishers’ websites and physical copies of the latest issues of the journals. *Advances in Consumer Research*, while included in the top 38 journals, was eliminated from further analysis because of its unusual structure, being generally regarded as a monographic series rather than a journal and not having an enduring stable editorial board membership.

One thousand seven hundred and sixty eight unique editorial board members were identified and a total of 2552 editorial board memberships. The membership of multiple top 37 editorial boards is shown in Figure 39.1. A clear power law relationship is illustrated in this graph, with the majority of subjects appearing in only one editorial board and two subjects appearing in seven of the top 38 editorial boards.

In an attempt to identify the most important connections (people) in the network three methods were used. The first involved counting the number of connections, a basic analysis with no allowance for the different ranks of the journals.

The next method used was to assign the membership of each editorial board a value equivalent to its ranking, with a score of 37 being assigned to the highest journal ranking. This method takes into account the different ranks of journals, but may give too much influence to the higher journals.

To deal with the scaling problem introduced by the ranking using 1 to 37 a third weighting was used, with 100 points given to the highest ranked journal and 64 points given to the lowest ranked journal in this study. This compensated for the problems introduced with the previous weighting, but was arbitrary in its use of 100 as the highest weighting.

Results of all three approaches appear in Table 39.4 where the top thirty network connections are presented. It is evident that in the top thirty there is considerable change among the members between the three scores, with the count and index 100 appearing to be closer than the index 37 ranking.
<table>
<thead>
<tr>
<th>Count</th>
<th>Count</th>
<th>Index Base 100</th>
<th>Index Base 37</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wayne Hoyer</td>
<td>7</td>
<td>Wayne Hoyer</td>
<td>615</td>
</tr>
<tr>
<td>Morris B. Holbrook</td>
<td>7</td>
<td>Morris B. Holbrook</td>
<td>582</td>
</tr>
<tr>
<td>Les Carlson</td>
<td>6</td>
<td>Jan-Benedict Steenkamp</td>
<td>581</td>
</tr>
<tr>
<td>Christine Moorman</td>
<td>6</td>
<td>Barton Weitz</td>
<td>570</td>
</tr>
<tr>
<td>Itamar Simonson</td>
<td>6</td>
<td>Jeffrey Inman</td>
<td>570</td>
</tr>
<tr>
<td>Jan-Benedict Steenkamp</td>
<td>6</td>
<td>Christine Moorman</td>
<td>564</td>
</tr>
<tr>
<td>Barton Weitz</td>
<td>6</td>
<td>Itamar Simonson</td>
<td>558</td>
</tr>
<tr>
<td>Jeffrey Inman</td>
<td>6</td>
<td>Les Carlson</td>
<td>497</td>
</tr>
<tr>
<td>Arch G. Woodside</td>
<td>5</td>
<td>Donald R. Lehmann</td>
<td>479</td>
</tr>
<tr>
<td>Donald R. Lehmann</td>
<td>5</td>
<td>Dilip Soman</td>
<td>464</td>
</tr>
<tr>
<td>Hubert Gatignon</td>
<td>5</td>
<td>Ravi Dhar</td>
<td>464</td>
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<tr>
<td>Adamantios Diamantopoulos</td>
<td>5</td>
<td>Hubert Gatignon</td>
<td>454</td>
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<tr>
<td>S.Tamer Cavusgil</td>
<td>5</td>
<td>Barry Bayus</td>
<td>450</td>
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<tr>
<td>G. Tomas M Hult</td>
<td>5</td>
<td>G. Tomas M Hult</td>
<td>447</td>
</tr>
<tr>
<td>Barbara Stern</td>
<td>5</td>
<td>Sharon E. Beatty</td>
<td>446</td>
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<tr>
<td>Sharon E. Beatty</td>
<td>5</td>
<td>David W. Stewart</td>
<td>443</td>
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<tr>
<td>Nicole Coviello</td>
<td>5</td>
<td>Deborah MacInnis</td>
<td>437</td>
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<td>Leslie De Chernatony</td>
<td>5</td>
<td>George M. Zinkhan</td>
<td>434</td>
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<tr>
<td>George M. Zinkhan</td>
<td>5</td>
<td>Barbara Stern</td>
<td>433</td>
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<tr>
<td>James W. Gentry</td>
<td>5</td>
<td>James W. Gentry</td>
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<td>Barry Bayus</td>
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<td>S.Tamer Cavusgil</td>
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<td>Deborah MacInnis</td>
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<td>Adamantios Diamantopoulos</td>
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<tr>
<td>David W. Stewart</td>
<td>5</td>
<td>Nicole Coviello</td>
<td>402</td>
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<tr>
<td>Dilip Soman</td>
<td>5</td>
<td>Arch G. Woodside</td>
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<td>Nigel Piercy</td>
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<td>Douglas Bowman</td>
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<td>Ravi Dhar</td>
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<td>Vikas Mittal</td>
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<td>Ruth Bolton</td>
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<td>Venkatesh Shankar</td>
<td>382</td>
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<td>John F. Tanner</td>
<td>4</td>
<td>Sunil Gupta</td>
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</tr>
<tr>
<td>Jagdip Singh</td>
<td>4</td>
<td>Russell S. Winer</td>
<td>381</td>
</tr>
<tr>
<td>Jean J. Boddewyn</td>
<td>4</td>
<td>Peter Fader</td>
<td>381</td>
</tr>
</tbody>
</table>

Table 39.4: Most Important Network Connections (Editorial Board Members) by Three Scores
A correlation between the scores, for all 1768 editorial board members, reveals that they are all positively correlated, with the two weighted indexes more highly correlated (see Table 39.5).

### Connections between Journals

In Figure 39.2 the number of connections each journal’s editorial board has with other editorial boards is shown. A Spearman’s Rank Order Correlation between journal ranking (*Journal of Marketing*, 38) and the number of connections produces a $\rho$ of .646, with a p-value of 0.000. This indicates that the higher ranked journals have more connections to other journals.

The *Journal of Advertising Research*, the tenth journal in the aggregate ranking, is a noteworthy exception to this generalization, with their board made up of predominantly practitioners, who are not members of other editorial boards.

### Editorial Board Membership and Social Network Analysis

Using Agna, a freeware social network analysis package for Mac OS X, the network was plotted (see Figure 39.3).

The Agna social network software was also used to calculate sociometric status, a measure of prestige or influence within the network. Results are presented in Table 39.6 below with the right hand column showing the ranking of the journals’ sociometric status statistic, with 1 being the highest rank.

Sociometric status (*Katz, 1953*) is computed with the equation:

$$P_R(n_i) = x_{11}P_R(n_1) + x_{21}P_R(n_2) + \cdots + x_{gi}P_R(n_g).$$

Where $P_R(n_i)$ is the “actor-level rank prestige measure for actor $i$ within the set of actors”, or the measure of sociometric status (*Wasserman and Faust, 1994*, p. 206). So, the sociometric status is calculated as a “function of of the ranks of the actors who choose the actor” (*Wasserman and Faust, 1994*, p. 206). A journal which is connected to a small number of high ranked journals or a large number of lowly ranked journals will receive a high sociometric status score. In this analysis the strength of the connections between each pair of journals is given by the number of shared board members.

Obviously there will be $g$ equations which depend on the scores of each other, which are solved through a transformation of the vector.

The ranking based on sociometric status produces some interesting results:

<table>
<thead>
<tr>
<th>Count</th>
<th>Index Base 100</th>
<th>Index Base 37</th>
</tr>
</thead>
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<td>Count</td>
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<td></td>
</tr>
<tr>
<td>Index Base 100</td>
<td>.790</td>
<td>1</td>
</tr>
<tr>
<td>Index Base 37</td>
<td>.682</td>
<td>.958</td>
</tr>
</tbody>
</table>

Table 39.5: Correlation between Important Connections Scores ($\rho < 0.000$ for all $\rho$)
$y = -2.9836x + 121.28$

$R^2 = 0.4649$

Figure 39.2: Number of Connections by Journal
Figure 39.3: Graphical Network
<table>
<thead>
<tr>
<th>Journal Rank</th>
<th>Node</th>
<th>Status</th>
<th>Status Rank</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Journal of Marketing</td>
<td>293.22</td>
<td>2</td>
</tr>
<tr>
<td>2</td>
<td>Journal of Consumer Research</td>
<td>272.17</td>
<td>3</td>
</tr>
<tr>
<td>3</td>
<td>Journal of Marketing Research</td>
<td>294.86</td>
<td>1</td>
</tr>
<tr>
<td>4</td>
<td>Marketing Science</td>
<td>232.31</td>
<td>4</td>
</tr>
<tr>
<td>5</td>
<td>Journal of the Academy of Marketing Science</td>
<td>219.36</td>
<td>6</td>
</tr>
<tr>
<td>6</td>
<td>Journal of Retailing</td>
<td>150.14</td>
<td>9</td>
</tr>
<tr>
<td>7</td>
<td>International Journal of Research in Marketing</td>
<td>121.69</td>
<td>10</td>
</tr>
<tr>
<td>8</td>
<td>Journal of Business Research</td>
<td>227.42</td>
<td>5</td>
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<td>13</td>
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<td>15.39</td>
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<tr>
<td>11</td>
<td>Journal of International Business Studies</td>
<td>29.89</td>
<td>26</td>
</tr>
<tr>
<td>12</td>
<td>European Journal of Marketing</td>
<td>22.83</td>
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<td>13</td>
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<td>12</td>
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<td>14</td>
<td>Marketing Letters</td>
<td>158.67</td>
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<td>Journal of Personal Selling and Sales Marketing</td>
<td>41.17</td>
<td>23</td>
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<td>16</td>
<td>Journal of Macromarketing</td>
<td>75.50</td>
<td>14</td>
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<tr>
<td>17</td>
<td>Journal of Public Policy and Marketing</td>
<td>105.17</td>
<td>11</td>
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<tr>
<td>18</td>
<td>Journal of Product Innovation Management</td>
<td>35.25</td>
<td>24</td>
</tr>
<tr>
<td>19</td>
<td>Journal of Marketing Education</td>
<td>51.69</td>
<td>19</td>
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<td>Journal of Consumer Psychology</td>
<td>173.42</td>
<td>7</td>
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<td>21</td>
<td>Psychology and Marketing</td>
<td>71.58</td>
<td>15</td>
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<tr>
<td>22</td>
<td>Journal of International Marketing</td>
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<td>23</td>
<td>Journal of Marketing Management</td>
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<td>Journal of Consumer Behaviour</td>
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<td>25</td>
<td>International Journal of Market Research</td>
<td>8.53</td>
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<tr>
<td>26</td>
<td>Marketing Theory</td>
<td>41.92</td>
<td>22</td>
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<tr>
<td>27</td>
<td>International Marketing Review</td>
<td>35.25</td>
<td>25</td>
</tr>
<tr>
<td>28</td>
<td>Journal of Services Marketing</td>
<td>14.42</td>
<td>31</td>
</tr>
<tr>
<td>29</td>
<td>Journal of Consumer Marketing</td>
<td>23.89</td>
<td>27</td>
</tr>
<tr>
<td>30</td>
<td>International Journal of Advertising</td>
<td>53.42</td>
<td>17</td>
</tr>
<tr>
<td>31</td>
<td>Journal of Business and Industrial Marketing</td>
<td>47.28</td>
<td>21</td>
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<tr>
<td>32</td>
<td>International Journal of Retail and Distribution Management</td>
<td>2.50</td>
<td>37</td>
</tr>
<tr>
<td>33</td>
<td>Journal of Global Marketing</td>
<td>22.72</td>
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<tr>
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<td>Marketing Health Services</td>
<td>10.83</td>
<td>33</td>
</tr>
<tr>
<td>35</td>
<td>Services Marketing Quarterly</td>
<td>6.42</td>
<td>35</td>
</tr>
<tr>
<td>36</td>
<td>International Journal of Bank Marketing</td>
<td>11.36</td>
<td>32</td>
</tr>
<tr>
<td>37</td>
<td>Journal of Non Profit and Public Sector Marketing</td>
<td>4.92</td>
<td>36</td>
</tr>
</tbody>
</table>

Table 39.6: Sociometric Status of Nodes (Journals) In Network
• The *International Journal of Advertising* in spite of being the 30th ranked journal has the 17th ranking for sociometric status in the network

• The *Journal of Advertising Research*, ranked 10th most important journal, is only ranked 30th for sociometric status

• The *Journal of Marketing Research* has the highest sociometric status in the network, followed by the *Journal of Marketing*

• The *Journal of Business Review*, in spite of being a general business journal has the 5th highest sociometric status score in the network.

**Discussion and Conclusions**

This study applied the new tool of social network analysis to academic journals within the marketing discipline. This preliminary analysis of the large social network of top marketing journals’ editorial boards, reveals a number of interesting findings. The power law distribution describes all of the distributions in the network, as we are led to expect by the body of research into networks in the physical and social sciences (Buchanan, 2000).

The more connected a node/journal is within the network, the more influential its position in the network will be, a suggestion supported by the independent rankings/ratings of the journals.

The implication for editors of lower ranked journals is that their rankings could be enhanced by ensuring that their editorial boards include more people who also serve on the highly ranked journals.

A journal doesn’t exist independent of its editor, its editorial board, its authors and its readers. It is created by the network of people connected to it. As such this early analysis of the most obvious connections between journals in marketing, taken as a snapshot in time, provides a better understanding of the network of the top journals in the marketing discipline.

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The construction of reality is dependant upon and influenced by those assumptions about the way things are that are uncontested and taken for granted. Understanding, or at least identifying these assumptions, is important if significance is to be given to their consequences. This paper explores the concept of hegemony in relation to this construction of reality by looking at particular aspects of marketing and suggests that we need to look more carefully at the underpinning assumptions upon which particular marketing views are based. By looking at the assumptions underpinning conceptions of the market, the role of marketing, the experiences of consumption and the relationships between branding and advertising, this paper attempts to show how prevailing ideologies operate hegemonically to privilege particular realities.

Introduction

Trying to understand why people behave as they do and make the choices that they do is, ultimately, at the heart of all consumer and marketing research. Monitoring and analysing the results of such behaviour and decision making can provide useful descriptions of particular patterns and trends. However, while they produce useful evidence of certain actions they do not provide the reasons for them. These reasons, the holy grail of marketers, are located at a much more fundamental level of belief and understanding.

Conventionally, this search for understanding is framed within a socio-cultural context and is concerned with theories of psychological motivation (Lawson, Tidwell, Rainbird, Loudon, and Della Bitta, 1996). Such macro level considerations
include the influence of class, family and group affiliation, for example and micro level concerns with personality factors such as learning styles, self image and attitude formation. Combining these with investigations into the role of motives, the importance of involvement and the nature of information processing provides a conventional compendium of the major factors that influence behaviour.

However, while these factors may provide the principal components of behaviour, they do not address wider ideological questions such as what is the function of markets and how do we understand the role of marketing. These questions are essentially ideological and the answers are embedded in a number of contexts. Hegemony, with its focus on the ideological processes that help to construe particular views of the world provides a useful lens to explore these different contexts.

**Hegemony**

Nothing appears more surprising to those, who consider human affairs with a philosophical eye, than the easiness with which the many are governed by the few; and the implicit submission, with which men resign their own sentiments and passions to those of their rulers (Hume, 1748, online)

Hegemony was originally, used to describe one country, city or state exercising its influence over other countries, cities or states ( Luck, 2000). Its classical pre-Gramscian meaning is most often associated with the influence of Athens over other cities during the height of Greek influence (Brown, 1993).

With his focus on class interactions, Marx stated that "the ruling ideas of each age have ever been the ideas of its ruling class" (Feuer, 1959, p.26). It was this observation that lead Marx to coin the term ideology. Marx saw this ideology as being transmitted through institutions, like the church and, more dominantly now, the mass media.

Following on from Marx, the Italian Communist theorist Antonio Gramsci investigated the relationship between the ruling class and the ideas of an age more deeply and came up with the theory of hegemony. He ended up with a concept of hegemony that,

means political leadership based on the consent of the led, a consent which is secured by the diffusion and popularization of the world view of the ruling class. (Bates, 1975, p.352)

Gramsci used hegemony in the context of the battle between democratic capitalism and communism, but it has since been used by historians, sociologists, political scientists, culture studies and others, when discussing the dominance of any particular group in society (Gottdiener, 1985; O'Sullivan, Hartley, Saunders, and Fiske, 1983).

Gramsci’s study of the role of intellectuals in society led him to break down the superstructure into two great “floors,” which he described as
“civil society” and “political society.” Civil society is composed of all those “private organisms” — schools, churches, clubs, journals, and parties — which contribute in molecular fashion to the formation of social and political consciousness. Political society, on the other hand, is composed of those public institutions—the government, courts, police, and army—which exercise “direct dominion.” It is synonymous with the “state.” The ruling class exerts its power over society on both of these “floors” of action, but by very different methods. Civil society is the marketplace of ideas, where intellectuals enter as “salesmen” of contending cultures. The intellectuals succeed in creating hegemony to the extent that they extend the world view of the rulers to the ruled, and thereby secure the “free” consent of the masses to the law and order of the land. To the extent that the intellectuals fail to create hegemony, the ruling class fall back on the state’s coercive apparatus which disciplines those who do not “consent,” and which is “constructed for all society in anticipation of moments of crisis of command . . . when spontaneous consensus declines.” (Bates, 1975, p. 353)

Gramsci argues that dominance is achieved by “prestige . . . which the dominant group enjoys because of its position and function in the world of production” (1971, p. 12). It is related to economic power, which seduces the subordinate group into sharing the values of the dominant group. It is suggested by Gramsci that the work of domination is undertaken not by the dominant group but by their deputies, the intellectuals.

Gramsci was not concerned with studying hegemony, rather he wanted to create a Marxist hegemony to overthrow the capitalist government of the day (Price, 1997). How could the “moral or cultural leadership he had in mind” be created (Price, 1997, p. 104)?

It is this association that leads to the most common criticism of hegemony, that is, its guilt by association with Communism via Gramsci and his pursuit of the Marxist ideal. This criticism is flawed and were we to reject all ideas to come out of political ideologies that we do not agree with, much of modern thought would be lost to us. The word hegemony could almost be replaced by peer pressure, a concept which we are quite happy to use in daily conversation. After all, as Bates states, “The basic premise of the theory of hegemony is one with which few would disagree: that man is not ruled by force alone, but also ideas” (1975, p. 351).

It is important to note that hegemony does not require a dominant group to set out to impose their world view on other groups, rather it is their belief that their own world view is right, usually without question, that leads to their influencing behaviour. In this way, the values, attitudes and norms of the powerful are transferred to the less powerful in a society.

Hegemony can also be seen to parallel Kuhn’s paradigms or Polanyi’s republics. The republics represent a market place of ideas where the influence of fellow scientists decides the worth of an individual’s work (Polanyi, 1962). The peer pressure of the republic is influence through persuasion. There are different levels of this republican hegemony, including, the hegemony of science over the ordinary person, the
hegemony of hard science over social sciences and the hegemony of the dominant paradigm in a discipline over competing paradigms.

In both the geopolitical and the social definitions of hegemony the dominant player is a passive, in that they are a not overtly aggressive influencer of the subordinated player(s). It is not the direct threat of force that subordinates, but the use of more subtle forms of influence — example, support, encouragement and, perhaps most common of all, the failure to consider that there is another possible way than that of the dominant player (Price, 1997).

Because the subordinated players are convinced, rather than forced, by the dominant player(s), the subordinated players are — in a successful hegemony — convinced that the views of the dominant player(s) are their own views as well. For this reason research dealing with hegemony can be challenging to read as it often asks the reader to consider that their own beliefs are created/influenced by others.

The “economic, political and cultural direction of the nation” should also explicitly include the research direction of the nation. For it is the research that a nation undertakes that gives the members of that nation the facts about themselves, whether it be measuring the country’s well being by a measure of Gross Domestic Product or Quality of Life. The different measures and paradigms of research will have a marked impact on a society’s understanding of itself. These neutral activities, like scientific research, have thus come under considerable study from hegemony researchers. As O’Sullivan et al. (1983, p. 103) discuss;

the concept of hegemony is more often to be found in those studies which seek to show how everyday meanings, representations and activities are organized and made sense of in such a way as to render the class interests of the dominant ‘bloc’ into an apparently natural, inevitable, eternal and hence unarguable general interest, with a claim on everybody.

Thus studies which concentrate on the hegemonic aspect of culture will focus on those forms and institutions which are usually taken to be impartial or neutral; representative of everybody without apparent reference to class, race or gender.

If the reader accepts hegemony as a framework for studying institutions in society, then its applicability to the marketing system must also be acknowledged.

The Market System as a Hegemonic System

From cultural studies there is the suggestion that there is much public relations/ art/ movies/ television that subtly suggests that the market system is right (Cook, 2001; Kukari and Ogoba, 1999). Citizens are convinced that the market and supply and demand will take care of them and offer them opportunities to succeed.

The corporate culture of firms has been analyzed through the framework of hegemony (Ogbor, 2001), but the marketing discipline has yet to utilize the framework of hegemony for self-reflection.

The authors humbly submit that there are a number of areas that hegemony can be applied to the marketing system.
Marketing as Hegemony

Dominant members of the market economy spend considerable effort to ‘normalize’ the world view of democratic capitalism, to the benefit of those same powerful members of society who gain most from that system. There is no conspiracy, though there have been suggestions of some with regard foreign policy interference by powerful countries, just a lack of ability for those associated with what they are promoting to understand a different world view with regard to the ideology being marketed.

The market economy passes on the expectation of consumption to new members and impresses the expectations on those reluctant to take part. The world view of the market economy’s dominant members doesn’t allow for alternatives to the market economy and capitalist consumption patterns as a way of life.

Marketing Undermining the Market

At the same time that marketing practice supports the ideology of the market system every action that marketers undertake is designed to corrupt the supply and demand curves of ‘perfect competition’. In this way the ideology of opportunity and equality (McNamee and Miller Jr., 2004) promoted by the marketing system is in direct conflict with the goals of the actors in the system.

Brand Hegemony

The relationship a customer has with a brand can be seen as the customer sharing the world view of the brand. Sharing the values, beliefs and attitudes of the chosen brand or brands. The advertising and promotions that surround a brand can be seen to convince consumers that the brand’s values are correct/normal/desirable.

Advertising and promotion encourages the viewer/audience to share the world view of the company undertaking the promotion. This view of advertising can obviously be extended to include product placement in television and movies, and a host of other promotional activities than normalize types of consumption.

Conclusion

Hegemony is a very powerful tool for analysing the influence of the masses. It is limited in its testability, but not in the richness of its explanatory power. The application of the hegemony framework to the analysis of marketing systems will yield a new perspective on marketing — one not based on conspiracy, but on differing world views.

References


The evolution of marketing thought that has been summarised by Vargo and Lusch (2004) as the “Service Dominant Logic of Marketing” (henceforth SDL) presents a serious challenge to those who wish to conceptualise the role of marketing in a broader societal context. To some extent the message of SDL is “old hat” to services businesses, while the claims of SDL being appropriate to goods-based manufacturing businesses have been met with scepticism. A central thesis of the SDL is that all firms are service firms. With this in mind we set out to explore what a firm traditionally classified as being goods-based, but that that fully embraces SDL, might look like. Further, we explore the probable implications for marketing, businesses and society should the SDL become dominant.

Based on our understanding of the SDL and its implications we suggest that the business model adopted by firms operating in the “Open Source” software development industry epitomise the consequences of a service dominant perspective. While many firms trying to adopt and implement the SDL attempt to incorporate the customer into their existing value chain, Open Source businesses inherently recognise the limitations of this approach. They view the value creation process as a function of the network, where rather than the firm being seen as a value delivery system, value can only be co-created by interaction between members of the network. This suggests that value is not limited to the sum of individual value creating activities.

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performed in the traditional dyad, nor is constrained by the firm’s view of value.

In this paper we explore the fundamentals of the SDL and its implication for businesses, and illustrate how Open Source business models provide a glimpse into the future. We also consider the impact of this perspective on understanding value creation processes and the implications this has for marketing and society in general. We suggest that more value can be generated in a SDL world due to the removal of constraints, resulting in benefits accruing to both firms and society. Thus, our paper addresses the following questions:

1. How might all firms adopt and implement the SDL (not only service firms)
2. What is the role of the firm in a SDL world?
3. How do these changes in perspectives impact on marketing and society?

References

A Strategic Marketing Approach to National Development Initiatives Involving Large Scale Collaborative Ventures (LSCV)

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This paper relates to government initiatives which aim at advancing their country's economic development and investor attractiveness. Large scale projects that involve collaboration between government and business (a large scale collaborative venture — LSCV) are identified as one aspect of competing in the new economy. The study pursued the research proposition that a LSCV can be effectively facilitated by following a theory based process similar to what is used in corporate practice. An approach to managing such ventures is outlined, based on strategic marketing theory applied to a major project, the Multifunction Polis. It is proposed that such an approach may enhance the success of a collaborative venture and thereby help countries participate more successfully in global competition through such ventures.

During the past several decades in the era of globalisation and the new economy, countries have sought ways of growing their economy beyond established commodity and manufacture-based industries (Bacheller, 2000; Lowengart and Menipaz, 2001; Thornburgh, 1988). One approach has been to focus on the creation and ownership of intellectual capital as the basis of growing their economy through innovation and the use of knowledge and ideas (Hanson, 1999; Hearn, Mandeville, and Anthony, 1998; Lamberton, 1997). This is consistent with the requirements of successful participation in the new economy where the emphasis is on the provision of innovative
services based on information technology (Barnard, Tillier, and Gwin, 1998; Mandeville, 2000). Another trend has been to undertake large-scale projects that facilitate economic development and attract international investment (Cheung, Hexter, and Lin, 2004; Ford, 1997; Leman, 2002; Matuinovic, 1998) — projects often requiring high capital, high intellectual and advanced technological input. Examples include: major infrastructure works; new industry facilities; new technological products especially for communication and transportation; technological and scientific research leading to new product application; iconic cultural and sporting facilities and events; education and research institutions; and new forms of residential, leisure and resort facilities. The purpose of this paper is to examine the characteristics of such ventures, to identify significant issues and challenges associated with their development and implementation, and to propose a management approach that addresses these issues and facilitates greater success.

Large Scale Collaborative Venture Projects

In many instances, these projects, referred to in this paper as large scale collaborative ventures (LSCV), require collaboration and participation from governments and business in the host country and sometimes from foreign countries. This is again a feature of the new economy — the creation of new ways of networking and collaborative alliances between economic agents (Ohmae, 1990) and involves new collaborative arrangements — not just between firms but also between firms and government and between governments (Bureau of Industry Economics, 1991; Craig, 1993; Dicken, 1992). Such trends require new perspectives and new approaches, not only with regard to business and industry, but also in public policy (Friedman and Mason, 2004; McMahon, 1998; Plosila, 2004). Consequently, policy makers are in need of more relevant conceptual models to effectively respond to the requirements of the new economy. Just as Rooney and Mandeville (1998) argue that a policy framework based on the approach to managing intellectual capital in firms can be adapted to the public policy arena in managing the new economy (Svieby, 1997), it could also be proposed that processes used in the corporate context can be applied to the public policy arena, specifically with regard to formulating roles, responsibilities and relationships for government, industry and other participants involved in a large international collaborative venture.

Methodology

The study undertaken to support this proposal investigated the characteristics, issues and requirements associated with large-scale projects involving collaboration between government and private sector (LSCV) and this study also sought to determine the key elements of business theory evident in corporate practice that may provide a guide for the management of an LSCV. The research followed the principles of grounded theory (Briggs 2005; Glaser and Strauss 1967; Gummesson 2001),
1. LSCV Data: Case Study of MFP
   - Original concept proposal
   - Feasibility study

2. Relevant Theory: Strategic Marketing Process

3. Application of Theory: MFP Scenario

4. Cross Evaluation: Comparison of Case v Scenario

5. Conclusion

Figure 4.21: Overview of Study

essentially addressing the questions: What and how was it done? How could it have been done? The steps involved in the study, which are now outlined, include:

1. LSCV Data: Identify and document the activities and arrangements evident in a LSCV through a case study of the Multifunction Polis (MFP).

2. Relevant Theory: Identify and document the elements of theory from the literature which constitute good business practice and which are relevant to the LSCV data.

3. Application of Theory: Use a scenario to show how the MFP would be managed according to successful business practice as identified in relevant theory.

4. Evaluation: Compare the activities and arrangements evident in the Case with the Scenario and evaluate their relative effectiveness.

5. Outcome / Conclusion: Determine the extent that business related academic theory, concepts and practices as adopted by a corporation in planning and implementing a major venture can successfully adopted by the MFP and such LSCV projects.

LSCV Data: The Multifunction Polis

This data was compiled through a case study of a major project considered broadly representative of the characteristics of a LSCV — the Multifunction Polis (MFP). The MFP was considered appropriately representative of an LSCV project because: it was
a truly large-scale, innovative and complex project, it was international as proposed by Japan and Australia with the opportunity for extensive international participation; and it involved extensive participation from the private sector working in close partnership with governments. Furthermore, it had significant economic and social implications for the host country which required consultation with an extensive range of industry, academic, community and special interest groups.

The Multifunction Polis Proposal

The MFP project was proposed at government level by Japan to Australia at a joint ministerial meeting in 1987, introduced as follows: “Japan and Australia located at the northern and southern tips of the Pacific Rim, will cooperate to build a multifunctioned and futuristic cosmopolis to become a forum for international exchange in the region and a model of new industries and new lifestyles looking ahead to the 21st Century” (MITI, 1987a).

In essence the MFP was advocated as a new city with an international role and focus, with particular reference to the Pacific Rim Region. Australia and Japan would be partners in providing a wide spectrum of activities facilitating economic and social development for nations within that developing region. Two sets of industries were envisaged, technology and lifestyle based. These industries would be accommodated in a new city with leading edge infrastructure, a city which would accommodate a transient international population of researchers, business investors and entrepreneurs, all enjoying the benefits of this ultimate infrastructure and enhanced lifestyle in a collaborative working environment.

The lifestyle and economic challenges facing Japan and Australia were the underlying motivation for the proposal and help explain the proposed nature and purpose of the MFP. Japan was experiencing difficulty in coming to terms with their success, and government leaders were searching for ways of rewarding their people for the success (Anonymous, 1987; Maekawa, 1986). The MFP was an attempt to look for ways of improving lifestyle for all city-dwellers, particularly their own (MITI, 1990). Japanese were much more conscious of the inhumane conditions in industrial society than were Australians, who enjoyed a leisurely lifestyle and were, therefore, not as aware of such problems (Hamilton, 1991). Their situation could be seen as a paradox, or an inversion of Australian concerns with their economic problems. Australians, who had for so long headed the world economic rankings in terms of per-capita GDP and living conditions, were faced with the deterioration of these and a somewhat pessimistic outlook on their future prosperity and lifestyle (Mackay, 1993; Maddock and McLean, 1987). In these circumstances, there was a contrasting but potentially complementary situation between the two countries. Japan, having been down in the past and now succeeding, was having difficulty in coming to terms with prosperity and freedom. Conversely, Australia, having been prosperous for so long, was having difficulties facing up to its deteriorating economy and sliding lifestyle prospects.

Japan’s lifestyle considerations were encapsulated in the Fifth Sphere concept, a concept which proclaimed that modern urban living had become an aggregation of
four separate functions that constituted living (home, workplace, recreation and nature), rather than an integration of the various aspects of life. To improve on this, 21st century lifestyles would require a city not just residential or industrial, but having all the elements of the four spheres of life — home, workplace, recreation and nature. The MFP future city would therefore require “the proximity of amenities necessary for everyday living, recreation and workplace and simultaneously abundant natural beauty and comfort”. Software infrastructure for this future city would include the provision of “information of diverse aspects, strata, and form, as well as for relaxation, comfort, surprise, joy, entertainment and intellectual stimulation... This completely new structure... has no precedents today and therefore is expected to generate new industries” (MITI, 1987a).

This MFP future city would provide a springboard for science, technology, and advanced enterprise, be a centre for research and application of advanced technology and social science in the high-touch industries, and a city with a innovative infrastructure. The high-touch industries were those essentially associated with people and lifestyle, such as resort and leisure, education, health and entertainment. The MFP would involve substantial investment and participation not just from Japan and Australia, but also from many other countries and multinational corporations and would be a truly international development.

Australia’s economic development interests were accommodated in proposals involving a combination of research and development for new industry, science and technology, and collaborations that would facilitate the development and commercialisation of products and services for the 21st century. The industrial potential of the MFP was highlighted with reference to a number of industry areas to be incorporated in the city, including: biotechnology, new materials and rare metals, computer software, conventions, resorts, medical and health care, education and training, information, and transportation. Synergies were identified around complementary strengths and weaknesses, for example:

- despite the large number of inventions and discoveries made in Australia, they have faced problems in commercialisation due to the small size of businesses ... fusing of Australian innovation with Japanese production engineering would lead to the development and manufacture of highly competitive software packages. (MITI, 1987b)

In summary, the MFP proposal consisted of a new city incorporating leading edge 21st century-type infrastructure and amenities with three future-oriented functions:

- **technology and industry development** function, which would create a pool of industrial expertise and support functions for 21st century-oriented industries;

- **human welfare** function which would embody a model of new lifestyles and involve recurrent adult education in response to the modern extended life span; and

- **cosmopolis** function, providing an opportunity and a forum for international exchange.
The MFP as envisioned here never eventuated. Following an elaborate feasibility study of the proposal during 1989-90, the concept was considerably revised and the site to accommodate this 'future city' in Adelaide, South Australia, was considered far from idyllic by many of the key proponents. Despite substantial government involvement, investment and promotion, the project did not attract the broad ranging interest it required and was abandoned in 1996 (Parker, 2001; Multifunction Polis, 1997).

While the MFP failed as a project, it was selected for this study on the basis that it was truly representative of a LSCV in concept, and the issues that emerged from the MFP feasibility study provided a suitable basis for applying and testing the relevance of business theory, concepts and practices. The MFP feasibility study (1988-1990) was the process that analysed and sought to develop the concept in form, scope and composition. The subsequent success or failure of the project was mainly contingent on the management and output from this feasibility study and it is therefore the most relevant reference information for this study.

The Multifunction Polis Feasibility Study

The MFP feasibility study was arranged by the Australian federal government to ascertain more specifically the nature and the requirements for the proposed project (DITAC, 1987a,b). This brought together personnel from Australia's state and federal governments, with representatives of numerous private sector organisations as well as academics and representatives of social and special interest groups in the wider community to share in the deliberations on what this project would be, what it would do, where it would be and its potential implications. Similar arrangements were established in Japan, and a joint committee of Australian and Japan executives was established for the project study. Specific tasks included:

- defining the essential elements of the project and nominating the functions, activities and facilities that would constitute the economic and social character of the proposed project;

- defining management and governance arrangements, including management structure and personnel responsible for the ongoing management of the project and responsible for key decisions needed for the successful development and operation of the project;

- investigating the different form options — whether it would be a new city built on a greenfield site, on a greyfield site, an urban development project integrated in an existing city, multiple sites including a dispersed network such as a centralised hub-and-spokes arrangement, or a decentralised network;

- determining the geographical location for the project, including the issue of one site or multiple sites;

- determining how the activities, facilities, infrastructure and resources required by MFP would be assembled, and associated investment, participation, ownership and equity arrangements;
investigating the likely impact of the project, including its economic and social implications.

The complexity of the proposed project is evident in terms of the number of considerations to be addressed in the feasibility study, together with the diversity of participants and stakeholders who had to be consulted and allowed to have input to the study. While the study was approached with initial enthusiasm and optimism, numerous issues soon emerged to disrupt and challenge the viability of the process, and ultimately the success of the project. Among these issues were:

- the lack of planning guidelines and policy at government level to facilitate a project of this size and complexity;
- the lack of consensus as to who was driving the project — private sector or government, and which entity in the management arrangement was in charge;
- insufficient arrangements to canvass community concerns and the proper processing of these concerns, including appropriate channels of communication and consultation with various stakeholders and the community;
- disputed criteria for decisions on key issues such as form and location, particularly claims that the criteria was weighted in favor of larger cities on the premise that the project required an established industry base and infrastructure available only at a large city. This raised concerns about whether the process allowed for creative and diverse input regarding the decisions on form, functions and location, and whether the project was sufficiently vision driven, in contrast to institutional interests. The counter claim was that location was important on the basis of space, identity and aesthetic environment, rather than from existing industry and infrastructure, or — “a place where the spirit of the future won’t be swamped by the institutions of the past. . . . a place where Australia is going in the 21st century, not where it has been” (Mandeville and Lamberton, 1988).

While the process produced valuable input in the form of studies and reports, it lacked overall cohesion, direction and authentic leadership. The resultant set of recommendations in the final report was a blueprint based on compromise, bearing little resemblance to the vision incorporated in the initial MFP proposal. The process and outcomes of this project feasibility study were hotly debated and led to some serious questioning of Australia’s ability to engage in this type of international collaborative venture (Davidson and Worrell, 1990; Inkster, 1990; McCormack, 1991). The attitudes and mindset which affect Australia’s behaviour as a nation with regard to leadership, planning, discipline, the management of socio-cultural and other environmental factors, as well as crucial areas of international relations such as migration, foreign investment and trade, were all cited as serious deficiencies. ABC TV journalist Walter Hamilton summed up the emotion in this quote:

The MFP has held a mirror up to this nation and revealed pettiness and self doubt which run deep into the foundations of our contemporary society ... [It] offers Australians a valuable critique of the problems we have
as a society, as an economy and as a member of the international community (Hamilton, 1991).

Given the potential of the project, the range of issues it encompassed, and its relevance to innovation and development strategies for competing in the new economy, the data associated by the proposed concept and its feasibility study can be seen as an invaluable resource. LSCV projects and opportunities are likely to occur with more frequency and because the stakes are so high for their proponents and participants, it is important to reflect on the experience, to investigate the causes of failure, and to derive from this analysis how complex projects such as this can be undertaken more effectively.

**Theory Relevant to LSCV Management**

The managerial requirements for a LSCV project — a management approach that specifies process, structure and systems — might possibly be identified through the study of successful instances of other large scale projects, such as science and technology parks and new city projects, major infrastructure planning and engineering projects, new industry ventures and major construction projects. Many of these may demonstrate what is required to succeed; however, while they may be relevant in some aspects, they are unlikely to offer a blueprint that is adaptable and transferable across different types of projects involving different cultures and different circumstances (Hofstede, 1991; Parker, 2001; Sohmen, Lane, and Parker, 2005). The study, therefore, referred to theoretic literature which underlies business practice as a more generic basis for a process model.

The principles of macromarketing in association with strategic marketing management were selected as an appropriate theoretic domain relevant to the research situation, particularly because it could accommodate a diversity of other professional and academic disciplines associated with a LSCV, including project management, leadership and governance, financial viability, communication and promotion, and the various other macro and micro environmental considerations commonly included in planning, analysis and implementation (Aaker, 1995; Biggadike, 1981; Day and Wensley, 1983; Hunt, 1978; Hunt and Lambe, 2000; Matuinovic, 1998; Meade and Nason, 1991). It was also considered appropriate to the grounded theory methodology used in this study in that it could provide “theoretical constructs and categories on which data can be organised and enable comparisons and relationships between theory and real world phenomena” (Marshall and Rossman, 1999).

The modern industrial firm can be defined as a collection of operating units, each with its own specific facilities and personnel (Chandler, 1962, 1994; McDon-ald, 1991, 1992). The way in which the corporation's resources and activities are co-ordinated, monitored and allocated by a hierarchy of managers contributes to the growth and efficiency of the firm (Monks, 1993, 1994); the aim is to achieve operation efficiencies and outcomes for the whole enterprise which are greater than what could be achieved from the sum of its units in individual isolation. Organisations may differ widely in their arrangements for management, planning and decision making,
however these various arrangements draw on a common body of business theory.

In a corporate context the critical tasks involved in organizing and operating the business can be grouped in four categories that apply to preliminary and overriding arrangements and an overall strategic process (Berg, 1988; Drucker, 1958, 1988; Meade and Nason, 1991; Mintzberg, 1987, 1994; Westley and Mintzberg, 1989; Wood and Vitell, 1986).

- Governance and leadership: a system of senior management and leadership.
- Corporate intelligence: a system capable of producing, monitoring, analyzing and communicating relevant information as required.
- Strategic Process: a defined process of analysing, planning and decision making leading to the implementation of programs.
- Organisational Structure: a hierarchy of levels involved in planning, management and decision making.

A rich body of literature expounds on these concepts and it is this body of theoretic knowledge that is referred to implicitly and explicitly, with particular emphasis on the strategic process and organizational structure, as the basis for the following application, comparison and recommendations for the management of a LSCV.

**Strategic Process**

There is general consistency with practitioners and the literature that the strategic marketing process follows the tasks: define; analyse; assess; decide; implement (Ansoff, 1965; Aaker, 1995; Bagozzi, 1975; Day, 1990; Meldrum and McDonald, 1995; Webster, 1988, 1994). The essence of the process with some of the prominent contributors is summarised as:

- **Defining the business** (Corey, 1971; Day, 1994; McDonald, 1991, 1992; Webster, 1988) in terms of its mission and objectives (Collins and Porras 1996; Hesserbein, Goldsmith, and Beckhard 1996), the firm’s proposed product and market priorities (Ansoff, 1965; Reis and Trout, 1986), and its leadership and organizational structure (Mentzer, 2003).


Table 42.1: Planning and Management Levels

- **Decisions** on product offering and differentiation (Beane and Ennis 1987; Corey 1971; Day 1977, 1986; McDonald and Dunbar 1995; Reis and Trout 1986), which group(s) of customers it will provide to (Day, 1994; Drucker, 1958; Hunt, 2000; Hunt and Morgan, 1995), and how the firm will compete to gain a successful place in the overall market (Jain and Punj, 1992; Plank, 1985).

- **Implement** strategies and programs that assign responsibility and resources to specified areas of the organization and their operations (Bennet, 1996; Czepiel, 1992; Kotler, 2003).

For diversified large corporations like General Electric, Mitsubishi, Sara Lee, Gillette and 3M, whether their activities are centered on engines or electronics, cakes or clothing, blades or brushes, it is the strategic marketing process which draws the diverse activities together, which gives the corporation an overall form and structure, which integrates and distributes and sets common goals around which the organization derives synergies and direction. It also provides the basis for the separation and defining of responsibilities for planning, allocating, operating, implementing and controlling on hierarchical, functional and product-market criteria.

### Organisational Structure

A corporation's organisational structure commonly consists of three distinct planning and management levels — corporate, business unit or division (SBU), and operational/functional — each with a particular management focus, scope and timeframe. An important aspect developed for this study was an expanded context where a higher level of management was added to the usual three (Table 42.1). In this expanded framework, the higher level focus was on national interests, such as the portfolio of preferred industries for the national economy, the setting of national goals and priorities and subsequent resource allocation, and the provision of overall authority and direction especially in the initial stages of a national project such as a LSCV.
Application: MFP Scenario

An idealistic scenario was prepared wherein the MFP Feasibility Study was perceived as a corporate planning unit commissioned by the national planning level. The scenario surmised how the MFP concept would be handled along the lines of the strategic marketing process as outlined for a corporation. It began by defining the MFP, together with the arrangements and structure for its leadership and participation during the initial evolving stages.

As a new and evolving initiative, some tasks and processes for the MFP required new and special arrangements. Furthermore, as the MFP evolved, project leadership and participation would necessarily change according to the project’s changing scope and focus. The initial task of articulating the proposal to provide a common briefing from which potential stakeholders could begin would be national level responsibility. Preliminary phase one in the scenario would: define the project in terms of national objectives; propose spatial and function options; set guidelines for participation and investment; draw appropriate parties into the process; and propose an entity that would have overall responsibility and authority for directing the project.

Preliminary phase two would involve significant consultation from national level with state government and industry leaders. The task focus would be to define and establish the MFP entity, its initial leadership body, and its relationship with potential key project participants. The intent would be to identify and accommodate the parties with a key interest in the planning process and the potential to play a pivotal role. The key stakeholder groups are represented in Figure 42.2, each with a separate and distinct status and a defined role to play. Like a SBU, each group would exercise independence within its own domain, while conferring and complying with the directives of the project authority. The matrix in Table 42.2 provides an overview of participants and tasks in the project. It identifies, through the number of Xs in cells, the areas of each group’s particular participation and responsibility.
Table 42.2: Group-Task Focus and Participation Matrix

<table>
<thead>
<tr>
<th>Participants</th>
<th>Tasks and Issues</th>
<th>Special Arrangements</th>
<th>Functions</th>
<th>Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Government</td>
<td>XXX</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>States Governments</td>
<td>XX</td>
<td>XXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Business and Industry</td>
<td>XX</td>
<td>XXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>International</td>
<td>XXX</td>
<td>XXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance /Investment</td>
<td>XXX</td>
<td>XXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social Interest</td>
<td>XXX</td>
<td>XXX</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Special Interest</td>
<td>XXX</td>
<td>XXX</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Key: Level of Participation: XXX Predominant; XX Consulted; X Some.
Planning and Implementation Process: Separation and Sequencing of Tasks

In preliminary phase three, MFPPA would function as a special corporate entity charged with coordinating and directing the process. The process of separation and sequencing of tasks in the scenario is summarised as follows, showing the interaction between corporate, SBU and operational levels as planning proceeds through the 20 steps.

**Corporate**
1. National government defines preliminary goals associated with the project and establishes the project authority group (MFPPA), charged with responsibility to National government for all MFP planning and consultation processes.
2. Industries and relevant parties informed and asked to consider MFP concept and goals from their perspective and submit feedback.

**Strategic**
3. Industries and groups define their charter, objectives and strategy.
4. Industries and groups prepare specific goals and requirements. Submit to MFPPA.

**Corporate**
5. Proposals considered, revised as necessary, and approved by MFPPA.
6. MFPPA defines national MFP development strategy together with tentative national and industry goals.
7. MFPPA calls for industry programs with their list of identified MFP related opportunities.

**Strategic**
8. Industry objectives and strategy stated. Call for programs and specific projects.

**Operational**
9. Businesses prepare program proposals and submit to MFP Industry group.

**Strategic**
10. Select best mix of programs.
11. Recommend industry programs, projects and resource requirements.

**Corporate**
12. MFPPA defines national MFP economic / industry development goals.
13. Make tentative resource allocations to industries and projects.
14. Call for industry budgets.

**Strategic**
15. State industry goals. Call for program budget estimates.

**Operational**
16. Develop budgets and submit for approval.

**Strategic**
17. Co-ordinate, review and approve budgets.
18. Submit for approval.

**Corporate**
19. Approve budgets and resource allocation.

**Strategic and Operational**
20. Implement programs.
Evaluation

From the literature and the analysis of issues arising from the case study, five key aspects of management of a LSCV were identified: management and planning context; structure, leadership and planning process; management adaptations at evolving stages; consultation and decision-making; implementation. These five areas were used in the study to compare the process in the MFP case with that in the scenario. This comparison is outlined in Table 42.3, and it identifies areas in which the scenario improved on the MFP case. These are:

- leadership structures with areas and lines of authority clearly defined;
- leadership personnel that drew on appropriate experience and expertise;
- changing management structures and arrangements suited to the evolving stages of the project;
- a hierarchy of planning and management which provided appropriate leadership at specific levels and across specialised areas, together with an integrated process that ensured referral to expertise across the project; a process which followed an ordered and disciplined set of steps

Conclusion

In identifying relevant aspects of business theory and demonstrating the effectiveness of their application to the MFP example, the study supported the proposition that the strategic marketing concepts and processes that enable business to successfully manage complex projects could be applied effectively to a LSCV and, subsequently, that the adoption of such practices in similarly complex LSCV projects and development programs may offer significant benefits.

Large, complex and collaborative projects as referred to in this study are important and increasingly common initiatives, as evident in the form of new city projects such as Pudong new city in Shanghai; new manufacturing and handling facilities and associated institutions like Europe’s aerospace industry’s Concorde and Airbus; and iconic cultural and sport structures like the Darien Centre Singapore, the Sydney Opera House and Olympic Games facilities. While these are successful examples, many proposed LSCVs like the MFP have failed. Intuitively, success or failure may be attributed to financial and political factors, but there is a need to go beyond such intuition to assess their particular circumstances and prescribe approaches to ventures that extend across typical organisational dimensions and which impact broadly across domestic and international factors. This study addresses that need by presenting a theory based blueprint applied to one major project that may be transferable across different types of projects involving different cultures and different circumstances.

The outcomes of the study are relevant to planners, participants and stakeholders involved in LSCV projects and other areas of planning and economic development,
<table>
<thead>
<tr>
<th>Management and planning context</th>
<th>MFP Scenario</th>
<th>MFP Case Study</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>National planning context</td>
<td>Policy and planning vacuum</td>
</tr>
<tr>
<td></td>
<td>Systematic planning</td>
<td>Lacked systematic approach</td>
</tr>
<tr>
<td></td>
<td>Extensive information systems</td>
<td>Fragmented information bases</td>
</tr>
<tr>
<td></td>
<td>Factual knowledge base for decisions</td>
<td>Rational evaluation overridden by emotional claims and paranoia</td>
</tr>
<tr>
<td></td>
<td>Systematic response</td>
<td></td>
</tr>
<tr>
<td>Structure, leadership and process</td>
<td>Formal planning process and carefully considered decisions</td>
<td>Lacked overall framework</td>
</tr>
<tr>
<td></td>
<td>Timely, coordinated sequence</td>
<td>Leadership confused and ambiguous</td>
</tr>
<tr>
<td></td>
<td>Steps in the process occurred in a structured and ordered way</td>
<td>Fragmented process</td>
</tr>
<tr>
<td></td>
<td>Hierarchical integrated planning</td>
<td>Spirit of conflict and debate</td>
</tr>
<tr>
<td></td>
<td>Spirit of coordination/cooperation</td>
<td></td>
</tr>
<tr>
<td>Evolving stages</td>
<td>Recognised distinct stages in the evolution of the project</td>
<td>Lacked awareness of changing considerations and short-term management</td>
</tr>
<tr>
<td></td>
<td>Arrangements changing to suit the needs of each stage</td>
<td>requirements as the project evolved</td>
</tr>
<tr>
<td></td>
<td>Hierarchical structure of corporate, divisional and operational units</td>
<td>Lacked direction or vision as to: how the project would evolve; future roles</td>
</tr>
<tr>
<td></td>
<td>Enabled MFPPA to accommodate and direct a diversity of planning activities</td>
<td>and arrangements.</td>
</tr>
<tr>
<td>Decision-making</td>
<td>Issues/stakeholders clearly identified and consulted</td>
<td>Emotion/ ego-driven decisions</td>
</tr>
<tr>
<td></td>
<td>Stakeholders involved in separate but integrated roles in the decision</td>
<td>Did not expressly identify and link issues and stakeholders</td>
</tr>
<tr>
<td></td>
<td>making process</td>
<td>Confusion and conflict</td>
</tr>
<tr>
<td>Implementation</td>
<td>Distinct stages of analysis, decision making and implementation</td>
<td>Tasks undertaken almost in parallel</td>
</tr>
<tr>
<td></td>
<td>Steps outlined for transition from planning to implementation</td>
<td>Not necessarily in a logical sequence</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Not conducive to systematic development</td>
</tr>
</tbody>
</table>

Table 42.3: MFP Scenario Vs MFP Case Comparison
such as infrastructure development and major facilities associated with urban renewal, regional development, new industry development and a variety of resource management and environmental management programs which may impact across borders and across diverse interest groups. With reference to the new economy, such projects are increasingly common globally, and the results are both relevant and adaptable to a variety of projects involving industry and government collaboration in most countries.

Correspondingly and in addition to these practical benefits in the fields of planning and implementation, the study makes an academic contribution in demonstrating the effective application of business theory in a wider context, particularly with regard to large scale and complex projects involving government, corporate and community participants.

References


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MITI, 1987a. MFP Pre-Feasibility Study: Multifunctionpolis Scheme for the 21st Century — Basic Concept.


Webster, F. E., Jr., 1988. The Rediscovery of the Marketing Concept. *Business Horizons*.


Session XII

Culture: Thursday 11.00am-12.30pm
As the Journal of Macromarketing celebrates its twenty fifth anniversary it is an appropriate time to evaluate its position within the discipline. While this may be achieved in many different ways, a method that has empirical validity is the analysis of the communication pattern within the journal by an examination of historical citations. Evidence is presented from an analysis of citations suggesting that the journal has an interdisciplinary base and a vibrant research community.

Introduction

George Fisk’s 1981 “invitation to participate in the affairs of the macromarketing journal” heralded not only the appearance of a new journal but perhaps more importantly the development of a community of scholars whose interest in the macro issues associated with human welfare formalized a unique perspective in marketing (Fisk, 1981). To this group and indeed the more general marketing community the journal has provided a focus and a direction to research endeavors aimed towards the improvement of the human condition. It is therefore appropriate that close to the journals 25th anniversary an attempt is made to evaluate the journals position within the marketing community. While this may be achieved in many different ways, a method that has empirical validity is the analysis of the communication pattern within the journal by an examination of historical citations.
ways, a method that has empirical validity involves the analysis of communication patterns within the journal by an examination of historical citations. This approach is consistent with the views of historians and philosophers of science who emphasise institutional and social factors, and who suggested that the nature and interactions between scholars are determinant of the progress within and between disciplines (e.g. Bechtel, 1990; Kuhn, 1962a, 1970). Scientific communities are, therefore, presented as social systems whose communication patterns determine the direction and nature of scientific development. It is our purpose to provide some preliminary evidence of the nature of this process associated with the Journal of Macromarketing by partially examining the citation patterns within the journal.

Background

Dissemination and exchange of information is essential for scientific progress. Published work in journals plays a critical role in this process because it is a basis on which methodological and paradigmatic orthodoxy is built (Kuhn, 1962b, 1970). Although what is published may be influenced by many factors (such as submissions and editorial policy), it is published work that has the greatest impact on the discipline. Publication in a journal not only influences the future progress of the discipline, but is also used as a basis for personnel decisions in selection, promotion and tenure. Research into journals, their publication policies and the nature of their interrelationships is of benefit not only to individual academics but also to the general community. The importance of this issue has been demonstrated by the increasing amount of research into journals and their associated communication networks (e.g. American Marketing Association, 2006).

Studies in the general communication network area have focused on different variables and/or units of analysis that may be classified into three classes of theoretical variables: (1) the producers of the communication (e.g. authors, research teams, institutions, fields, or countries), (2) the artefacts (e.g. the formal product or output such as articles and conference papers), or (3) on concepts (e.g. words, terminology or other forms of content). However, when translated to the specific focus on journals the research has been conducted in what may be described as three interrelated streams. The first, is concerned with editorial policies and procedures, as well as with the meta-theoretical issues of the published outcomes. The second addresses the issue of journal quality or importance to the discipline. The third involves analysis of complex flows of information between and within journals, in an attempt to untangle their interrelationships (American Marketing Association, 2006; Everett and Pecotich, 1993, 1991; Pecotich and Everett, 1989).

In this study we partially focus on the flows of information as detected by citation analysis. This has the major advantage in that it allows the evaluation of information flows as well as the development of journal rankings. Coombs (1964, p. 463-480) appears to have been the first to recognise the possibility of developing a configuration of journal positions in a two (or more) dimensional space based on the analysis of an asymmetric citation matrix. It is surprising that this pioneering work, designed to demonstrate a possible application of multidimensional scaling, was largely over-
looked. In this study we used citation analysis in a very limited way to provide some preliminary insights concerning the _Journal of Macromarketing_.

**Method**

This investigation is partially based upon an idea first proposed by Coombs (1964, p. 463-480) and applied by Everett and Pecotich (1993; 1991; Pecotich and Everett 1989) within the bibliometric tradition and since applied in marketing in similar forms (American Marketing Association, 2006). When fully applied the method involves the generation and analysis of an asymmetric matrix of citation frequencies using data from the Social Sciences Citation Index (Garfield, 1972, 1979). A loglinear model of citation frequencies is then applied, such that the expected frequency of citation is proportional to the “Receptivity” of the citing journal multiplied by the “Importance” of the cited journal and the “Similarity” of the two journals. From this are derived ratings of journal Importance, Receptivity and a symmetric matrix of journal Similarities. On the basis of these derived values a map can be created, yielding an objective picture of the network of journals. The results permit an objective ranking of the journals in Importance, Receptivity and also analysis of the Similarities to show how the journals form related clusters.

Garfield (1972, p. 471) recognised the importance of “citation analysis” as a tool in journal evaluation and suggested that “the network of journals that play a paramount role in the exchange of scientific and technical information is little understood”. He suggested that one reason for this lack of progress was the “practical difficulty of compiling and manipulating manually the enormous amount of necessary data”. A solution to the problem was the appearance of the Science Citation Index (SCI) (Garfield, 1972, 1979; ISI Web of Knowledge, 2006). However, as the _Journal of Macromarketing_ is not yet fully listed in the index the full manual enumeration method was necessary for this study. This enumeration has only been partially completed by simply the examination of the references within the _Journal of Macromarketing_ from its inception in 1981 to 2004. Nonetheless, it is hoped that our preliminary results will be of interest to the macromarketing community.

**Results and Discussion**

Within the _Journal of Macromarketing_ there were 5732 references to 1114 journal articles or conference proceedings ranging from the ABER to Zeitschrift für Unternehmensgeschichte. The summarized results for journals having over 19 citations are shown in Table 43.1. The data suggests that the top sources of of macromarketing ideas may be emanating from journals largely regarded as the top marketing journals. It is interesting that there is a strong indication of self-feeding. While this is not unusual to the extent that it indicates a closed system it is a cause for concern. To compensate, however, there is an indication, from the wide variety of journals cited, that considerable amount of cross-fertilisation may also be taking place. The interdisciplinary nature of the citations is illustrated by the high rankings of the _American_
| Journal of Marketing                  | 670 |
| Journal of Macromarketing           | 504 |
| Journal of Consumer Research        | 206 |
| Journal of Marketing Research       | 128 |
| Harvard Business Review             | 127 |
| Macromarketing Conference           | 108 |
| New York Times                      | 92  |
| Journal of Public Policy and Marketing | 90  |
| Journal of Business Ethics          | 81  |
| Wall Street Journal                 | 76  |
| Business Week                       | 68  |
| American Economic Review            | 61  |
| European Journal of Marketing       | 60  |
| Journal of Retailing                | 56  |
| Advances in Consumer Research       | 55  |
| Journal of International Business Studies | 50  |
| Journal of the Academy of Marketing Science | 50  |
| Academy of Management Review        | 45  |
| Journal of Business Research        | 43  |
| Advertising Age                     | 42  |
| California Management Review        | 36  |
| Columbia Journal of World Business  | 36  |
| Social Indicators Research          | 36  |
| Quarterly Journal of Economics      | 35  |
| MSU Business Topics                 | 34  |
| Journal of Personality and Social Psychology | 33  |
| World Development                   | 31  |
| Journal of Consumer Affairs         | 30  |
| American Sociological Review        | 29  |
| Journal of Advertising              | 29  |
| Fortune                             | 27  |
| American Journal of Sociology       | 26  |
| Business Horizons                   | 26  |
| Current Digest                      | 26  |
| Economist                           | 25  |
| Journal of Political Economy        | 23  |
| Review of Black Political Economy   | 23  |
| Review of Economics and Statistics  | 23  |
| American Psychologist               | 22  |
| Strategic Management Journal        | 22  |
| Academy of Management Journal       | 21  |
| Administrative Science Quarterly    | 21  |
| Human Relations                     | 21  |
| International Marketing Review      | 21  |
| Journal of Advertising Research     | 19  |

Table 43.1: Sources of References in the Journal of Macromarketing
Economic Review, Harvard Business Review, and some psychology and sociology journals. In total there were 408 articles with 71 having multiple publications (including those jointly authored).

In Table 43.2 are shown the authors with multiple publications. Only authors with three or more single or joint publications are shown. As can be seen this list includes the macromarketing pioneers as well as many regular contributors. Additional insight is provided by Table 43.3 that shows the names of the most cited authors from the Journal of Macromarketing. The raw data for this table was derived from the ISI Web of Knowledge (2006). The nature of the data is such that it is limited to the journals within the database where the Journal of Macromarketing is only indirectly listed. Nonetheless the table contains some evidence as to the impact of macromarketing authors on the specific and general scientific community. There were 250 unique, externally cited authors with a total set 1027 citations. As can be seen by examining Tables 43.2 and 43.3 the relationship between the number of articles and citations is imperfect. The most cited author was found to be Shelby D. Hunt with 257 citations the majority (227) of which were for his article on “marketing ethics” with Scott Vittel (Hunt and Vitell, 1986), which therefore becomes the most cited article in the journal. O. C. Ferrell and his co-authors (Ferrell, Gresham, and Fraedrich, 1989) provide the second most cited article (112) in the journal. It is interesting that the most cited articles appear to be dealing with ethics.

As would be expected a clear power law distribution, or exponential curve, is seen in Tables 43.1, 43.2 and 43.3 — few journals/authors/cited authors with very high citations and increasing numbers of journals/authors/cited authors as the number of citations decrease.

Conclusions

Our limited exploration of the citation data suggests that macromarketing is a young discipline with broad intellectual roots. The extent and the number of contributors suggests that the Journal of Macromarketing is accepted and is rapidly achieving a position of respectability within a well-established discipline. The issue is, however, where to go from here. Macromarketing is interdisciplinary and source material from the mainstream of the social sciences, as evidenced by the citation patterns of its leading journal. It is also in a rare and advantageous position of being at the interface of the applied, academic and international fields. This position of influence carries an immense responsibility.

References


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Table 43.2: Authors with Multiple Publications
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Table 43.3: The Most Cited Authors


Paper 44

From Mao to Maccas: Economic, Legal and Political Influences on the Development of Franchising in China

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Since its development in the US in the 1950s business format franchising has revolutionised the distribution of goods and services in virtually all industry sectors and in most countries. Until recently China was the major exception. It was not until the "open door" policies of Deng Xiaoping in the late 1970s ended three decades of isolation and re-engaged China with the international community that the massive economic reforms which followed created an environment in which franchising could be utilised, as by then it had been in the West generally, to deliver substantial benefits to the business sector, to consumers and to the economy. This paper addresses the impact of the underlying economic, legal and political environments which have been influential in shaping the recent rapid development of franchising in China.

Franchising

Franchising in its contemporary business format mode is a sophisticated method of business operation which, since its original development in the US in the 1950s, has revolutionised the distribution of goods and services in most industry sectors and in most countries. It is essentially a strategy for cloning a business through the

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replication of management systems: a franchisor who has developed a unique or individual manner of doing business and permits the franchisee to use that system, in a controlled fashion, in the operation of the franchisee’s independently owned business. It is characterised by an ongoing business relationship between franchisor and franchisee which includes the product, service and trademark, as well as the entire business concept itself — marketing strategy and plan, image, comprehensive operational standards, systems and formats, operating manuals, training, quality control and a continuing process of assistance, guidance and supervision. It is a symbiotic relationship in which the needs of the franchisor and the franchisee blend in a commercial marriage of convenience which merges the seemingly conflicting interests of existing businesses with those of aspiring entrepreneurs in a single process that promotes business expansion, entrepreneurial opportunity and shared cost and risk (US House of Representatives Committee on Small Business, 1992, p. 13). This synergy delivers substantial benefits to both franchisor (who derives income from any initial franchising fee and from access to a continuing cash flow through product sales and from licence fees without having to provide additional capital or to directly manage the outlet) and franchisee (who gains from access to established business systems, developed products or services, training and business advice, group advertising and lower risk (House of Representatives Standing Committee on Industry, Science and Technology, 1997)).

Franchising has been described as “one of the greatest inventions of western capitalism” (US House of Representatives Committee on Small Business, 1992) and it is perhaps ironic that in socialist China it is poised to become the “dominating force in the distribution of goods and services” as it already is in the west. The appearance of Colonel Sanders in 1987 and the Golden Arches in 1992 within the precinct of Tiananmen Square are graphic symbols of the emergence of the new China and the transition from the isolationist era of Mao Zedong to the reformist era of Deng Xiaoping.

Franchising in China

The development of the Chinese franchising sector since the late 1980s when the concept was first introduced — and the term itself first entered the Chinese language — has been spectacular. Today China claims 2100 franchise systems which makes it the most franchised country in the world in terms of system numbers. The scale of franchising operations is nevertheless very limited from both per capita and percentage of GDP perspectives. Franchising accounts for only 3 percent of China’s retail sales compared to 40 percent in US.

Franchising was introduced to China in the way same it was introduced to other countries — by the international expansion of US franchise enterprises, particularly

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3The original franchise model — product distribution franchising — which developed in the US a century earlier was essentially an exclusive branded distribution arrangement under which the franchisor provided the product (or the essential ingredient or knowhow to enable its manufacture) to a franchisee to distribute in a territory under the franchisor’s trade marks, but without the imposition of an entire business and management system.
the fast food systems. KFC was the first major US fast-food franchise company to enter China, in a joint venture with two state owned enterprise after three years of negotiations with government agencies. It opened its first outlet, in Beijing, in November 1987 to massive consumer interest in its distinctive outlet and distinctive product. The opening day of its 650 seat Beijing restaurant broke KFC world sales records for a store opening. The system grew to about 150 outlets in the first decade of operation but its growth since then has been spectacular — with today over 1,500 outlets in more than 250 cities. McDonald’s was a later entrant into the Chinese market opening its first outlet in 1990. Although it first adopted a similar strategy to KFC in establishing a joint venture with a state owned enterprise, it commenced its operations not in the national capital but in Shenzhen in the south of China, one of the first Special Economic Zones established by Deng Xiaoping to experiment with foreign investment. McDonald’s soon moved to Beijing and in April 1992 opened an outlet in Wangfujin (the major shopping street of Beijing) which is still the largest in its 30,000 plus worldwide chain (McDonalds, 2005). Today, McDonald’s has more than 750 outlets in China (McDonalds, 2005). Pizza Hut commenced operations in 1990 with a more “up-market” dining concept and today has almost 200 restaurants. The success of these pioneers has lead to many other American franchising concepts being launched in China including 15 of the worlds top 20 franchise chains in terms of worldwide sales.

As in other countries the pioneering US franchise systems provided the catalyst for local franchising development. The success of the international brands alerted the local business community to the unique advantages of the franchising concept and encouraged its adoption by local entrepreneurs. The lead was provided by state-owned enterprises but private enterprises quickly embraced the concept. The first Chinese enterprise to franchise its operations is reputed to be Lining Corporation (Li, 2000), a sportswear company established in 1990 by Li Ning — a sporting legend, who won three gold medals in gymnastics of the 1984 Olympics (Ning, 2005). Li Ning expanded his business from 1993 through franchising, and soon created another legend by developing his system throughout the country (Li, 2000). Another early entrant was the Quanjude Group, a state owned enterprise, which was established in 1993 to take over Quanjude — the oldest and most famous Peking duck restaurant in Beijing which originally commenced operation in 1864 (http://www.poultryinfo.org/farechannel/ShowArticle.asp?ArticleID=58274). The Quanjude Group a state owned enterprise, quickly adopted franchising to expand

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4Special Economic Zones (SEZs) are development zones established by the Chinese Government to encourage foreign investment, delivering jobs, technical knowledge, and future tax revenues in return for significant tax concessions at start-up and over a number of years. The first SEZs, established in 1980, were Shenzhen, Zhuhai, Shantou and Xiamen.

5The “honour roll” includes fast food and restaurants (KFC, McDonald’s, Pizza Hut, Kenny Rogers, TGI Friday, Subway, Tony Roma’s, Taco Bell, Papa John’s Pizza, Hooters, Burger King, California Pizza Kitchen, Sizzler, Outback Steakhouse, Domino’s Pizza), beverages and ice-cream (Starbucks, Coffee Beanery, Haagen Dazs, Coffee Bean & Tea Leaf, Diary Queen, Swensen’s), individual and business services (Century 21, Coldwell Banker, Chemdry, Roto Rooter, PostNet, Snap Printing, Kodak, Sir Speedy, Slim & Tone, Sign A Rama), education and consulting (Gymboree, Wall Street Institute, Informatics, LMI, FastAltrackKids, Smart Kids’ Club, FranNet), hotel and motel (Super 8 Hotel, Green Tree Inn, Howard Johnson) retail (Office 1 Superstore).
its operations, and it currently has more than 60 stores of which 37 are franchised (Quanjude). It is one of the few Chinese franchise companies that has franchised outside China with restaurants in the US and Japan and a proposal to open in Chinatown in Sydney Australia.

The example set by successful franchisors — international and domestic — has led to the wider adoption of franchising by local enterprises servicing most consumer and increasing business-to-business sectors. However, the rapid growth of franchising in China — from less than 500 systems to more than 2000 systems between 2000 and 2004 — has not been without problems. This is not an experience unique to China and most, probably all, franchise sectors in their early stages of development experience predictable growing pains. The franchising success stories led many Chinese entrepreneurs to believe that franchising was a magic formula and a guarantee of business success. Unethical practices, trading off the franchise model without the capacity to deliver on it, and a lack of understanding of franchising and the intricacies of the franchisor/franchisee relationship have been factors which have required a regulatory response.

Franchising, whether in China or any other country, does not operate in a vacuum and cannot be quarantined from economic, legal and political realities. However, given the massive re-engineering of China over the last two decades it is hardly surprising that these influences are particularly compelling. This paper addresses the impact of the underlying economic, legal and political environments which have been influential in shaping the development of franchising in China.

Economic Environment

The establishment of the People’s Republic of China on 1 October 1949 was to have a profound effect not only on a country which today comprises almost a quarter of the world’s population but also, and increasingly, on the very fabric of global commerce. In the closed, centrally controlled environment which prevailed in the PRC for three decades private enterprise was a capitalist folly and anathema to the communist ideals of public ownership propounded and rigorously enforced under the leadership of Mao Zedong. It was not until the “open door” policies of Deng Xiaoping in the late 1970s ended three decades of isolationism and re-engaged China with the outside world that the massive economic reforms created an environment in which franchising could be applied, as by then it had been in the west generally, to deliver substantial benefits to the business sector, consumers and the economy generally.

The private sector, and private enterprise, is now firmly entrenched in the new China. State owned enterprises still dominate but their influence and role is steadily reducing. China’s private sector now contributes about one third of the nation’s gross domestic product and creates jobs for more than 200 million people (Ling, 2004). The claims of a leading private entrepreneur — that the private sector is the fore-runner and most energetic part of China’s market economy and that private firms have played a leading role in promoting development of the national economy, facilitating economic restructuring, creating jobs, expanding exports and developing social welfare sectors (Kan, 2004) — may be regarded as self-serving but has official
backing. Premier Wei Jiabao has recently acknowledged and confirmed key the role of the private sector in the national economy referring to the non-public sector as “a vital component of China’s socialist economy.” The Premier pledged “unwaveringly to encourage, support and guide the development of the private sector” through a range of initiatives such as granting private enterprises the same treatment as state firms, repealing restrictive laws and removing strict approval and supervision procedures for private enterprises, and granting equal access to finance to public and private enterprises (Ling, 2004). The public sector has nevertheless been an influential force in the development of franchising in China — as illustrated by the joint ventures KFC and McDonald’s formed with state owned enterprises and the franchising of Quanjude noted above — and continues to be a powerful force in the adoption of franchising by major enterprises. In this context it should not be forgotten that Business Review Weekly’s list of Australia’s biggest franchises by store numbers has Australia Post, with 2919 outlets, at the top and substantially ahead of the private sector systems which nevertheless dominate the list (2004).

The economic reforms following the introduction of the “open door” policy which moved China from a command economy to a socialist market economy and “revived communism by injecting it with limited doses of capitalism” (Chandler, 2004) signalled the start of what has been described as “one of the greatest industrial revolutions in world history”, (Walker, 2004) and created an environment in which franchising was possible. However, it has been WTO accession commitments and obligations to open retail, services and franchising sectors to foreign competition, coupled with stronger intellectual property protection under the TRIPS Agreement and the introduction of an appropriate regulatory regime for the franchising, which have had the greatest influence on the future development of franchising in an increasingly open and flexible economy.

Given China’s long period of isolation it is hardly surprising that the priority of China’s massive economic reform program was to “assist China in reaching its goals of economic and technical modernisation rather than to assist foreigners in exploiting the Chinese domestic consumer markets” (Oake, 1992). China has had a restrictive and highly complex foreign investment regime and participation in certain sectors has been strictly controlled. The success of well known international franchise brands in China is proof that the regulatory and bureaucratic challenges can be overcome. However, the operations of these companies in China are primarily through a chain network of owned and managed outlets with a joint venture partner rather than through conventional franchising (Currently only 50 of KFC’s 1500 outlets and only one of McDonald 750 outlets are franchised. Pizza Hut, Burger King and Taco Bell have no franchised outlets).

The recent history in China has been one of increasing liberalisation in terms of market entry, participation in formerly restricted business sectors and in modes of business operation. Foreign business has been more liberally sanctioned in Special Economic Zones established early in the opening up era to encourage foreign trade

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6China was admitted to the WTO in November 2001 15 years of trying and 51 years after withdrawing from the then international trade system which it denounced as a “capitalistic club”. The WTO chief at the time, Mike Moore of New Zealand, described China’s WTO accession as “one of the most significant events of the 21st century (The Australian, 24 September 2001).
and investment in a controlled manner and cross-border franchisors with persistence and ingenuity have found indirect routes for franchising even without establishing a traditional foreign invested enterprise. It is in the nature of a developing legal and regulatory system replete with approval processes and bureaucratic discretion at local levels that there have been exceptions to the general rules. The retail sector was opened for foreign investment, beyond the confines of the Special Economic Zones, through joint ventures in 1997 subject to examination and approval requirements by the State Council. The sector was further liberalised, despite high market entry thresholds and complex bureaucratic approval mechanisms often unevenly applied, under *Measures for the Trial Establishment of Foreign Invested Commercial Enterprises* in 1999. Under the protocol governing its membership of the WTO in 2001 China agreed to open franchising to foreign franchisors in wholesale, retail, services and franchise sectors, by the end of 2004. Pursuant to these commitments, in June 2004 *Measures for the Administration of Foreign Investment in the Commercial Sector* which repealed the previous 1999 *Measures* came into effect. They remove many of the restrictive requirements for establishing commercial foreign investment enterprises.

The 2004 *Measures* open foreign investment in retail and franchising operations to foreign companies, enterprises and other economic organisations, and individuals engaging in these activities through a foreign investment enterprise in China. Such operations must be through a “commercial enterprise with foreign investment” — either a sino-foreign equity or co-operative joint venture or, from 11 December 2004, a wholly owned foreign enterprise. The *Measures* remove the high threshold requirements for establishing a commercial enterprise with foreign investment although examination approval and licensing requirements remain.

The market liberalisation reforms will have a significant impact on the Chinese franchising sector. Domestic franchise systems which comprise the last majority of the systems currently operating in China are generally at an early development stage. 30% of franchisors do not have a franchise manual, and 20% have no operations manual (China Chain Store and Franchise Association, 2005). The term “franchise” is widely used to describe arrangements which are often simply unsophisticated distribution arrangements offering little in the way of operational formats, assistance and training. The example of experienced foreign franchise systems which apply the proven model for successful franchising will be influential in raising standards within the sector.

**Legal Environment**

**Underlying Legal Infrastructure**

Franchising, as for any other method of business operation, requires an underlying legal infrastructure which is necessary to promote and protect business assets. Despite rapid development the Chinese legal system is still at an immature stage from a western perspective and the transformation from a socialist law system to a civil law system is not complete. Over recent years, and particularly in preparation for and as a consequence of WTO accession, China has been active in law making. Advances in
developing commercial laws on western models and implementing reforms designed
to establish a more transparent and predictable regime for business dealings, and
legal certainty, are impressive but the reform process is a work in progress. China’s
commitment that foreign businesses will be protected by transparent laws meeting
international standards is significant.

The intricacies of Chinese law making pose particular challenges for the foreign
enterprise. The laws of the National People’s Congress are supplemented by regula-
tions of the State Council and Measures of the State Ministries. The latter are more
in the nature of administrative or industrial guideline rules but can nevertheless be
applied by the courts. The national scheme is to some extent duplicated at provin-
cial level with Provincial People’s Congresses having the power to pass regulations
not inconsistent with national laws and Departments of the National Ministries at
provincial level having the power to formulate Measures.

This complex structure demands laws that, at least from a western perspective,
are broad, vague and uncertain. A recent paper on the complexities of the Chinese
legal system explains that:

The final but not unimportant reason for the chaotic state of Chinese law
lies in Chinese legal drafting. The fundamental principle of Chinese legis-
lative drafting is that primary legislation should be both ‘general’ and
‘flexible. The justification for this principle of generality and flexibility is
to facilitate the implementation of the legislation throughout the coun-
try and also adaptation to local conditions, In China, national legislation
must not only be unitary in nature, it must also allow for regional diver-
sity. In addition, it must also allow for legislative stability in that the law
can be effectively amended through changes in interpretation rather than
through alterations in the actual text.

It would be ideal if subordinate regulations, that is, regulations promul-
gated by the State Council and other state administrative organs, be drafted
in more precise language to flesh out the primary legislation, but this is
not so. Subordinate regulations are, unfortunately, often drafted in the
same broad and indeterminate language as the primary legislation. Thus,
they often lack the very detail which they are supposed to provide. One
dire consequence of the vague drafting of national legislation is that it
loses its capacity to constrain subordinate regulations.(Tan, 2005)

The influence of local levels of government bureaucracy, and administrative dis-
cretions inherent in comprehensive approval and licensing requirements, remain a
concern and a frustration. Writing in 2001 of Subway’s experience in negotiating
government approvals at various levels its Chinese founder noted a 100—fold in-
crease in bureaucracy in comparison to the US but nevertheless acknowledged that
“with each bureau I met with I was given cordial treatment and fairly clear instruc-
tions on how to start this kind of business”(Bryant, 2005).

From the franchisor’s perspective intellectual property protection and the sanc-
tity of contracts are two of the most important legal issues. Despite significant WTO
reforms under the TRIPs Agreement, intellectual property remains a difficult area
— not so much in the obtaining of the intellectual property right (trademarks are
granted on a first-to-file basis rather than a first-to-use basis although well-known
trade mark are protected without registration) but in its enforcement. The com-
mercial need to formulate and register a Chinese version of the brand raises further
complications. Contracts and their enforcement are a key concern to franchisors
who “have great faith in the legitimacy of the printed word to guide them through
the long-term relationships with franchisee” (Wilkerson, 2004). Concern is expressed
by foreign franchisors that contracts are not accorded the sanctity they enjoy in the
West and, at a business if not a legal level, are regarded more as memoranda of
understanding inviting renegotiation at regular intervals. In the words of one com-
mentator, “the written word is not considered the final authority of meaning. In
China, words and contracts are merely the beginnings of understanding, not sacro-
sanct agreements” (Wilkerson, 2004).

Franchise Regulation

In November 1997 the then Ministry of Internal Trade issued Measures on the Admin-
istration of Commercial Franchise Operations (Trial Implementation) which created
the first regulatory framework for franchising in China. The Franchise Measures
were established to “standardise franchising activities, to protect the legal interests of the
franchisor and the franchisee and to promote the development of chain operations”
(article 3). While in some, perhaps most, national franchise sectors regulation may
be regarded as an unwelcome albeit increasingly common intrusion into the free en-
terprise system, in China the introduction of a rudimentary franchise law in 1997 was
a significant and necessary step in the development of franchising. Legal uncertainty
is a particular problem in China and a framework for franchising was both necessary
and welcome. In the Chinese system in which business activity is generally prohib-
ited unless it is expressly authorised, the introduction of the Franchise Measures was
a significant development. Although franchising commenced in China a decade ear-
lier its sustained development was closely linked to the introduction of a regulatory
framework.

From a Western perspective the Franchise Measures were not particularly sophis-
ticated. In effect they described how franchising works rather than setting out a
comprehensive regulatory regime for franchising. The Measures were written more
as a general guide to basic rights and obligations than as a detailed statement of such
rights and obligations and contained no provisions dealing with their contravention.
They contained a broad statement of the principles under which franchising should
operate:

“Franchising business shall be conducted in adherence to the principles of
voluntariness, fairness, compensation, good faith and standardisation.”
(article 4)

In the context of a system in which activity which is not expressly authorised is,
by implication, prohibited the Franchise Measures, despite being administrative rules
of a general nature, had a significant role in the official recognition and, by implica-
tion, encouragement of franchising as a distinct method of business operation (Oake, 1992).

Writing of the draft, and later abandoned, 2004 Provisional Measures on the Administration of Foreign Invested Enterprises Engaged in Commercial Franchising proposed to support the newly liberalised regime for foreign investment in China’s franchise sector, Piper Rudnick, a prominent US law firm in the franchise sector, explains the significance of franchise regulation in China generally:

If we step back from the [largely tolerable but obviously flawed set of requirements], we can glimpse a larger reality: this legislation may be that rare example of a law which franchisors do not oppose, but actively seek. Franchisors have historically taken the position that the only legal conditions needed for franchising to thrive are a recognition of the sanctity of contract and protection of intellectual property. China may prove to be the exception to that rule.

The Chinese market is so huge that no franchisor can afford to ignore it. The uncertainties of the Chinese legal system, and the questions hovering over the legal status of the new marketing technique called franchising, have led multinational franchisors to reconsider the historic opposition to franchising.

For almost two decades we have heard the arguments made in socialist and post-socialist societies, “It doesn't make any difference that we have not had any real abuses necessary to ‘justify’ a law. What matters is that franchising will never be a fully accepted way of doing business until we have a law addressing it.” For almost two decades we have scoffed at that simplistic approach. We are not scoffing any longer. (Anonymous, 2004)

There was wide acknowledgement both from the domestic and international franchise sectors as well as officially within China that the 1997 Franchise Measures required replacement by a more carefully developed regulatory regime having formal legal effect. The Measures provided a guide to appropriate franchising conduct but did not solve many practical problems. The rapid growth of franchising in China has been accompanied by problems that are familiar to all franchising sectors — that of the “scam-merchant” to use the colourful American expression as well as the under-prepared, inexperienced, and ill-advised franchisors and franchisees with little understanding of the subtleties and realities of the complex franchisor/franchisee relationship trading off the promise of franchising without the capacity or will to deliver on it. Much franchising in China is not in the full business format mode which has exacerbated the problem of bad practices in key areas such as training, support, supply, standards and so on. Guo Geping, Chairperson of the China Chainstore and Franchise Association, speaking at the CCFA International Franchising Conference in Shanghai in October 2004, addressed this issue directly:

Taking advantage of the poor legal environment, some franchisors conduct substandard businesses or even cheat franchisees of money while franchisees also delay payments to the franchisor or infringe the intellectual property rights of the franchisors. The construction of a sound legal
environment will efficiently regulate the activities of both franchisors and franchisees, though we have been advocating self-discipline throughout the industry.

A law tentatively titled the *Commercial Franchising Regulation* to replace the 1997 *Franchise Measures* has been on the agenda of the State Council since 2001. There is wide recognition within the State Council and the Ministry of Commerce that the development of franchising in China needs to be supported by a sophisticated national law rather than industrial guideline “rules”. Speaking at the CCFA International Franchising Conference in Shanghai in October 2004, Wang Xiaochuan, deputy director of the Department of Commercial Reform and Development within the Ministry of Commerce, stated that:

“[China’s] booming franchising business has entered a rapid development stage [requiring] a professional law to regulate the industry.”

This statement echoes official statements that have been appeared regularly since the Chinese media, presumably with official approval, released an exposure draft of the proposed new regulation as early as July 2001.

The long anticipated *Commercial Franchise Regulation* has not appeared but, on 31 December 2004, *Measures for the Administration of Commercial Franchise Operations* were released by the Ministry of Commerce. These *Measures*, which came into effect on 1 February 2005, repealed the 1997 *Interim Franchise Measures* and, for the first time subjected both domestic and foreign franchisors to a uniform regulatory regime. The current 2005 *Franchise Measures* repeal the 1997 *Franchise Measures* and prescribe a uniform regulatory regime for domestic and FIE franchisors. The 2005 *Franchise Measures* are formulated “for the purposes of regulating commercial franchise operations, protecting the legitimate interests of the parties involved, and promoting the healthy and orderly development of commercial franchising” (article 1). Both direct and sub/regional franchising are covered (article 4). Franchise operations are to be conducted under the laws and regulations of the People’s Republic of China, and pursuant to the principles “of voluntariness, fair dealing, honesty, and credibility” (article 5). Legitimate rights and interests, of consumers are not be impaired through franchising and a franchisor cannot through franchising cause market monopoly or impede fair competition (article 5). The *Measures* address a number of specific matters: qualifications of the parties (The most controversial provision is that an enterprise must have at least two direct sale stores in operation for more than one year within China before commencing franchising (article 7)), prior disclosure, rights and obligations of the parties (The most controversial provision is the franchisor’s liability for the quality of goods supplied by designated suppliers (article 10)), content of the franchise agreement, advertising and promotion, and administration. Contrary to WTO principles, foreign franchisors are subject to an application and approval regime which does not apply to domestic franchisors (Article 33).

A particularly welcome feature of the 2005 *Franchise Measures* is the recognition of “freedom of contract”. Franchisor and franchisee rights and obligations are in all cases subject to “other provisions stipulated in the contract” and the prescribed content of the franchise agreement is supplemented by “other provisions agreed to by
the parties”. Also, welcomed by foreign franchisors will be the emphasis they accord to intellectual property (The Measures require that prior to engaging in franchise operation, a franchisor shall register the trademark licensing agreement in accordance with the Trade-mark Law of the People’s Republic of China and its implementation rules (article 31)). The 2005 Franchise Measures prohibit the franchisee and its employees, during the course of and subsequent for termination, from disclosing the franchisor’s trade secrets (article 21) and impose confidentiality obligations on prospective franchisees in respect of trade secrets acquired through the prior disclosure exercise (article 22). More generally, franchisors are prohibited from imitating a third party’s trademarks, scenes and lines in commercials, or any other signage to identify themselves in any misleading, deceiving or confusing way (article 25).

While the broad generality of many of the obligations are a concern to a foreign franchisor, the introduction of a viable regulatory regime for franchising in China whether by Chinese domestic or foreign franchisors and a more settled point of reference for conducting franchise operations is welcome. The 2005 Franchise Measures are nevertheless a temporary measure issued to honour WTO obligations by the end of 2004. As Ministry rules their status in litigation is uncertain and a more comprehensive regulatory regime at the State Council level is necessary. The current Measures are a significant development in the short history of franchising in China but a more definitive legal framework for franchising is required. Legal uncertainty is “clearly not the milieu in which franchisors normally covert to do business,” (Wilkerson, 2004) and many of the leading international franchise system in China who currently operate primarily through a chain network of owned and managed outlets rather than through franchising shares the sentiment of the President of McDonald’s Chinese operations that: “McDonald’s will begin franchising only after relevant regulations and laws are defined in China.” (Tan, 2002)

The Political Environment

The political environment of course underlies the massive economic and legal reforms noted above. The Chinese Constitution enshrines a structure of government which is separate from the Communist Party of China but the policies of the CCP nevertheless continue to have a dominating influence on government law making and enforcement and judicial power.

By seeking WTO accession China committed itself to a market environment in which franchising was possible and practicable for both domestic and foreign enterprises. However, franchising in China is not simply tolerated as an inevitable consequence of economic reform and market liberalisation. It is actively encouraged the growth and development of franchising in China is driven, as it is in the rest of the world, not by political and ideological agendas but by the intrinsic merits of the concept. The drivers of franchising throughout the world — the power of brands, the premium of proprietorship, the primacy of systems and the utility of networks — which are harnessed so effectively through franchising are as powerful and compelling in China as in any other country. Franchising has been embraced in China, as elsewhere, because it is an intelligent way of doing business for the existing business
seeking to expand as well as for the prospective entrepreneur wishing to enter a business sector and is supported by the Chinese policy makers because of the benefits it brings to the business community, consumers and the economy generally.

Not surprisingly, the economic reforms which have made possible the development of franchising have not been without casualties. The reforms of past twenty years have resulted in some unwelcome and previously unknown consequences, including a rising unemployment rate, which has become a critical problem for the government and the public. It is in part because franchising is seen by the Chinese government as a strategy to solve these problems that its development has been encouraged by the government. The existence of unemployment and the prevalence of entrepreneurship provide an ample supply of potential franchisees. The development of Chinese private companies and the growth of private capital provide a solid base for franchising business. China has a great number of potential franchisees with strong sources of funding. Franchising compensates for their commercial inexperience by linking their investments to well-tested concepts and operating systems and comprehensive training and support.

Research reports in Australia and overseas confirm that the franchising sector “contributes substantially and beneficially to the strength” of local economies and that by its very nature, is perhaps “the only form of business organisation that tends to create new business units providing new entrepreneurs, new jobs, new services as well as new export opportunities.” (Frazer and Weaven, 2004) Franchising provides significant social benefits including:

- contributing to the growth of the services sector;
- encouraging diversity and the servicing of niche markets;
- delivering greater consumer choice, and convenience;
- promoting consistent quality in products and services;
- providing the economic and social benefits of proprietorship to those franchisees who would otherwise be employees;
- increasing the viability of small business.

In fact, the benefits are even more significant. In competition terms, the community benefits through a reduction in the extent of vertical integration in the marketplace and the efficient utilisation of small business: franchising enables “the development of small business where the only other option is direct operation by bigger business”. (Trade Practices Consultative Committee, 1979) China would presumably echo the sentiments expressed by the US Supreme Court in United States v Arnold Schwinn (1987) 388 US 365 at 386 — franchising provides ‘significant social and economic contributions of importance to the whole society’.

The benefits of franchising to developing and transitional economies are even greater. The international systems entering China bring not only their distinctive business concepts but their technology, their managerial and technical expertise, and
their high standards of business operation. McDonald's is often credited with introducing the queue to Chinese consumers (Watson, 1997, p. 28) and for “starting a revolution of rising expectations [in respect of] high standards of public hygiene (Watson, 1997, p. 33). McDonald's is indeed “a model of management and food hygiene by local imitators as well as by government officials” (Watson, 1997, p. 74).

The success of McDonald's, KFC and other international brands have spawned imitators which peaked in early 1990s with what the Beijing media termed the “fast food war” (Watson, 1997, p. 74). It is a sign of the increasing maturity of the local franchise sector that more recently competition has come from local operators — most of whom learned management techniques as employees of the international systems who have developed Chinese — style fast food concepts. The international fast food pioneers contribution to China far transcends the system product. What endures is not simply a new business but a new way of thinking about doing business which the entrepreneurial Chinese have embraced with enthusiasm.

The pioneering US franchise systems are regularly castigated, in both developing and developed countries, as agents of “cultural imperialism” — a sentiment powerfully captured in the title of George Ritzer’s book The McDonaldisation of Society. The fast food systems are clearly a powerful symbol particularly in China, of a new life-style but the leading foreign franchise systems go to “extraordinary lengths” to fit into the local cultural setting (Watson, 1997, p. 73) (In terms of their operations “multi-local” is possibly a more accurate description than “multinational”. The most common entry vehicle has been a 50-50 joint venture with a local enterprise and the vast majority of product is sourced locally). Ironically, one of the reasons the McDonald's model is attractive is because of its “lack of pomp and unrelenting predictability”. James Watson suggests that the success of transnational fast food chains is associated with their atmosphere of equality and democracy: “the menu is comfortably limited and there is no opportunity for competition . . .”

The Future for Franchising in China

Deng Xiaoping, the architect of China’s new economy, is reputed to have said that “it is glorious to grow rich” (Fenby, 2004). Franchising offers the opportunity to China’s aspiring entrepreneurs to seek this glory while at the same time benefiting the Chinese economy through introducing competition, technology, employment, capital investment in addition to standardised quality, consistency, convenience and the servicing of niche markets.

China is a market of current opportunities and unlimited potential for franchising which offers a dynamic method of establishing a presence in the world’s largest developing market. It has emerged as an increasingly attractive strategy for the development of brand recognition and market penetration. The sheer volume of a quarter of the world’s population is obviously significant in itself but access to this market by foreign franchise systems is now increasingly possible because of economic reforms and liberalisation of market access and increasingly attractive through equally significant commercial and social factors. These factors, combined with the current under-development of the franchise model, suggest an exciting future for franchising
in China. In the words of Guo Geping, Chairperson of the Chinese Chainstore and Franchise Association, which were spoken in 1998 but which are even more realistic today: “The time is right for developing franchise operations in China and there is great potential.”

References


Tan, P., 2002. President of the McDonald’s China Development Co. on 8 July.


How National Culture Impacts on the Information Search Behaviour of International Leisure Travellers?

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This paper investigates the impact of national culture on the usage of external information sources of overseas leisure travellers. A conceptual model systematically linking Hofstede’s four national value dimensions with external information sources, together with the inclusion of both country-level (per capita income and statutory leave provision) and individual-level (age and gender) covariates, is tested empirically for international leisure travellers visiting Australia from 22 Asian, European and North American countries, using the secondary data obtained from the quarterly Australian International Visitor Survey (from quarter one 2000). The findings show a significant role for national values, especially uncertainty avoidance, in influencing the usage of external information sources. Key words: national culture, information search, international leisure travellers.

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Introduction

Global travel and tourism, one of the world’s largest economic sectors, is expected to generate US$6,201.40 billion of economic activity in 2005, contributing to a 10.6% of total GDP, 221,568 jobs or 8.3% of total emplacement and 12% of exports, services and merchandise (World Travel and Tourism Council, 2005). Similarly, the travel and tourism industry makes an important contribution to the Australian economy. In 2003-04, international visitors consumed $17.3 billion worth of goods and services produced by the Australian economy, accounting for 12.1% of the total exports of goods and services (Australian Bureau of Statistics, 2005).

Given the significance of international travel and tourism in a world economy, as well as in Australia, effective and efficient international tourism marketing is vital for both tourism industry managers and policy makers (e.g., federal and state government tourism authorities). With the accelerated process of globalization and intensified competition in a global market that has occurred over the last two decades, one of the principal dilemmas facing tourism marketers is the choice or balance between local adaptation and standardization in the selection of management/marketing strategies to reach and serve international markets effectively and efficiently (e.g. Clark, 1990; Douglas and Wind, 1987; Levitt, 1983; Ryans, Griffith, and White, 2003).

A deeper understanding of the pre-purchase behaviour of international travellers, such as information search behaviour, is therefore one of the critical areas for tourism marketers. Without the desired information the consumer cannot buy, and without cogent communication the marketer cannot sell. Corresponding to an increased need for a deeper understanding of the role of national culture in the pre-purchase behaviour of the international consumer/tourist, academic interest in culture-related research has also grown and revealed similarities and differences in information usage behaviour (see e.g. Chen, 2000; Dawar, Parker, and Price, 1996; Doran, 2002; Gursoy and Umbreit, 2004; Houston and Eckhardt, 2001; Litvin, Crotts, and Hefner, 2004; Money and Crotts, 2003; Money, Gilly, and Graham, 1998).

Nevertheless, several knowledge gaps concerning the relations between national culture and pre-purchase behaviour of international consumers/tourists can be identified. First, few studies have applied three or more value dimensions (e.g. Dawar et al., 1996; Houston and Eckhardt, 2001) while a substantial number of studies in the field pay selective attention to just one or two value dimensions, usually drawn from the Hofstede model, such as collectivism (e.g. Chen, 2000; Kacen and Lee, 2002) and uncertainty avoidance (Litvin et al., 2004; Money and Crotts, 2003, e.g.). Second, in spite of improvement in recent years (Dawar et al., 1996; Gursoy and Umbreit, 2004; Houston and Eckhardt, 2001), a substantial number of studies sample just a small number of cultures (e.g., 2-5 countries) in the empirical research. Further, studies in the field include few external controls in exploring the links between national culture and consumer behaviour (e.g., country-level contextual variables including economic, politics and geographic, individual, etc.).

The paper aims to investigate the impact of national value dimensions on the external information search behaviour of international leisure travellers by 1) incorporating all four dimensions of Hofstede’s framework into hypothesis development; and 2) exploring empirically a large number of diverse national cultures while con-
Conceptual Background

Overseas Leisure Travel and Information Search

Overseas travel is often characterized as high-risk/involvement purchase behaviour as the purchaser opens to the experience of a foreign destination including people as well as natural and manmade attractions. This requires the consumer to search for and plan a coordinated series of events requiring inputs from a variety of service sectors to make the trip possible. Thus, external information search, which reduces the uncertainty and ambiguity associated with upcoming overseas travel, is an important element in overseas leisure travel behaviour (e.g. Chen, 2000; Money and Crotts, 2003). External information sources can be classified in two ways, distinguishing personal from impersonal sources and commercial from non-commercial sources (Fodness and Murray, 1997; Moriarty and Spekman, 1984). The distinction between personal and impersonal sources is based on face-to-face and/or phone contact vs. other types of communication medium, such as print, broadcast, and internet. The distinction between commercial and non-commercial sources is based on whether or not the information flow is controlled by the marketer. Consumers tend to perceive non-commercial sources as being more objective and impartial in their information content than commercial sources (e.g. Arndt, 1967; Moriarty and Spekman, 1984).

Culture and Hofstede’s National Culture Framework

In 1952, Kroeber and Kluckhohn (cited in Lenartowicz and Roth, 1999) listed 164 definitions of culture, and after this early contribution, still more definitions have been formulated with broadly similar content (Erez and Earley, 1993). In spite of definitional variability, the evolving conceptualisations provided by authors from different fields of study (e.g., psychology, sociology and anthropology) and different periods of time appear to reflect the idea that culture is a patterned way of thinking, feeling, and acting that is valued, shared and transmitted by a majority of people in a group or society (e.g. Hofstede, 2001; Schwartz, 2003).

Cultural values are a powerful force in forming distinctive attitudes and behaviour, and also serve as important guiding principles in the lives of individuals in that group or society (Lonner and Adamopoulos, 1997; Markus and Kitayama, 1991; Rokeach,
1973; Smith and Cooper-Martin, 1997; Triandis, 1994; Yoo, Donthu, and Lenartowicz, 2000, e.g.). More importantly, over the last two decades, theorists in the area of cross-cultural psychology (e.g. Hofstede, 2001; Schwartz, 2003) and sociology (Inglehart, 1997; Inglehart and Baker, 2000) have made notable progress in knowledge enhancement by developing national culture frameworks based on core value dimensions that generalize across countries.

Hofstede’s (2001) well-known value dimensions at a country-level were based on IBM personnel from 53 countries in the period between 1967 and 1973. Hofstede (1980, 2001) identified four (later five) core dimensions of national values culture that may influence consumer predispositions, known as ‘mental programming’ and behaviours, as follows: collectivism/individualism, power distance, uncertainty avoidance, and masculinity/femininity. Hofstede and Bond (1988) report a fifth dimension: short- versus long-term orientation (LTO) or Confucian Dynamism that is not captured adequately in the original four dimensions.

As the most influential national cultural framework (e.g. Kagitçibasi, 1997; Sivakumar and Nakata, 2001), this paper uses the four dimensions of the Hofstede model to develop a conceptual model and a set of hypotheses related to the impact of national culture on overseas travel behaviour. As Steenkamp, Hostede, and Wedel (1999) note, the availability and thus use of a small number of country scores and ratings poses statistical problems and as a consequence short- vs. long-term orientation dimension is not considered further in this study. Although subject to some criticisms, the major strengths of the Hofstede model are 1) the conceptual comprehensiveness and attested convergent validity of the Hofstede’s dimensions and the variety of national culture measures (e.g. Chinese Culture Connection, 1987; Hoppe, 1990; Inglehart, 1997; Schwartz, 1994, 2003); 2) the extensive empirical testing and the availability of a large number of national values scores; and 3) the high impact on social science literature and predictive validity of Hofstede’s dimensions in international marketing and management (Dawar et al., 1996; Lynn, Zinkham, and Harris, 1993; Nakata and Sivakumar, 1996, 2001; Roth, 1995; Steenkamp et al., 1999, e.g.).

Conceptual Model and Hypotheses

Figure 45.1 sets out the conceptual framework.

Several country- and individual-level control variables, necessary to validly assess the net effect of national values on external search behaviour are included in the analysis: per capita income levels and statutory leave provisions at the country-level (Dellaert, Ettema, and Lindh, 1998; Hofstede, 2001; Inglehart and Baker, 2000; Richards, 1999; Schwartz, 2003, e.g.), and at the individual level, age and gender (e.g. Inglehart and Baker, 2000; Inglehart and Norris, 2003; Moschis, 1993; Schiffman, Bendall, Cowley, O’Cass, Watson, and Kanuk, 2001). The following section presents a set of testable hypotheses concerning the systematic relations between the four sets of national values and the usage of external information sources of international leisure travellers.
Collectivism and External Information Sources

The collectivism dimension focuses on how people relate to each other, either as free agents (individually) or as members of a group (collectively). People in collectivist societies tend to hold a collectivist self-concept (‘we’ consciousness) that emphasizes connectedness and cohesiveness with in-group members with lifelong loyalty (e.g., family, profession, community, ethnicity and nation), societal norms and duties imposed by the in-groups and group goals (Hofstede, 1991, 2001; Kagitçibasi, 1997; Triandis, 1993, 1995). In contrast, members of individualistic societies place value on an independent and autonomous view of the self (‘I’ consciousness) or loose tie between individuals emphasize the separateness and uniqueness of individuals including preferences, traits, feelings and motives.

Seeking help and gaining social approval in making decisions, derived from the emphasis on social harmony, is part of the social fabric of collectivist nations, but is less so for individualistic nations. The strong networking and a higher degree of social consciousness of collectivistic nations would suggest that friends and family would be important sources of information in collectivistic nations. In addition, personal commercial sources, such as travel agents and tour operators would provide an indirect channel to gain social approval as they serve as experts and opinion leaders related to travel products. However, consumers from nations low in collectivism prefer to search for information from impersonal sources due to the independent nature of external information sources (Chen, 2000; Houston and Eckhardt, 2001). Therefore,
**Power distance and External Information Sources**

Power distance concerns the acceptance of hierarchy vs. egalitarianism and how people in a society handle unequal or hierarchical relationships between people. People in high power distance nations tend to strive to gain, maintain and increase their power, prestige and wealth as an important source of life satisfaction (Hofstede, 1991, 2001; Nakata and Sivakumar, 2001). In contrast, people from nations low in power distance focus much less on social status or class differences, and tend to less often acknowledge and display social status, prestige, and wealth in social relationship.

Due to the orientation towards higher status and power in social relationships, people in high power distance nations prefer to seek external information from more credible and reliable sources in order to achieve opinion leadership, a phenomenon more prevalent in higher power distance societies (Dawar et al., 1996; Houston and Eckhardt, 2001). A number of prior studies argue that non-commercial sources provide more credible and less biased information due to the limited control of marketers (e.g., Midgley, 1983; Mitra, Reiss, and Capella, 1999; Moriarty and Spekman, 1984). Dawar et al. (1996) and Houston and Eckhardt (2001) empirically report a positive correlation between power distance and personal non-commercial sources, such as friends and relatives. In consequence,

\[ H_2: \text{consumers from nations high in power distance search more for information from non-commercial sources including both personal and impersonal than from commercial sources.} \]

**Uncertainty avoidance and External Information Sources**

Uncertainty avoidance refers to the degree to which societies tend to feel threatened by uncertain, risky, ambiguous, or undefined situations and the extent to which they try to avoid such situations by adopting strict codes/rules of behaviour to increase stability and predictability (Hofstede, 1980, 1991, 2001). People in countries strong in uncertainty avoidance are more likely to experience anxiety and stress relating to ambiguous or uncertain situations (e.g., new experiences, ideas, information and people). Therefore, they are more likely to feel a strong sense of urgency in taking action to reduce the uncertainty in situations. In contrast, people from nations low in uncertainty avoidance are more comfortable with or tolerant of ambiguity and uncertainty in situations (e.g., more openness to new idea and people).

The felt ambiguities, uncertainties and complexity (although often seemingly trivial decisions) associated with overseas leisure travel will be greater among consumers from nations high in uncertainty avoidance and consequently encourage them to seek information from more reliable and credible sources. A number of prior studies
(e.g. Arndt, 1967; Midgley, 1983; Mitra et al., 1999; Money and Crotts, 2003; Murray, 1991) report that personal non-commercial types of information sources provide more credible and less biased information due to the limited control from marketers (e.g., a holiday destination or companies related to overseas destination experience such as hotels). Further, in high uncertainty avoidance societies a belief in experts and specialists prevails (Houston and Eckhardt, 2001) and travel professionals are often recognised as neutral sources of information in the field of tourism marketing as they are not directly connected with the service delivery itself from a holiday destination and related industries (e.g. Money and Crotts, 2003). As a result,

\[ H_3: \text{consumers from nations high in uncertainty avoidance search more for information from personal sources including both commercial and non-commercial sources than from impersonal sources.} \]

Masculinity and External Information Sources

Masculinity/femininity is defined as the extent to which a society places greater value on assertiveness and competition versus nurturance and a concern for social relationships and the living environment. Societies high on masculinity emphasize ego-directed behaviour and rationality, for instance assertiveness, efficiency, purposefulness, success, material possession and wealth, whereas societies low in masculinity place greater emphasis on relationship-directed behaviours, for example, people, caring for others, quality of life, preserving environments and unity with nature (Hofstede, 1980, 2001; Houston and Eckhardt, 2001; Nakata and Sivakumar, 2001).

The dominant values of high masculinity cultures are concerned with achievement and independence (e.g. Hofstede, 1991, 2001; Lynn et al., 1993). In societies high in masculinity, impersonal sources such as mass media, internet and travel articles are tailored to the dominant value orientations (e.g., independence, achievement and ambition) of its members should be used to a greater extent than in societies low in masculinity (for related discussion, see Houston and Eckhardt, 2001). In contrast, the propensity toward relationship orientation and openness in nations low in masculinity facilitates information acquisition from personal sources, especially from personal non-commercial sources. Therefore,

\[ H_4: \text{consumers from nations high in masculinity search more for information from impersonal sources than from personal sources.} \]

Table 45.1 summarizes the hypotheses derived in this paper.

Method

Data collection — International Visitor Survey (IVS)

Data to examine the proposed hypotheses were obtained from the quarterly Australian International Visitor Survey (IVS). The IVS is an on-going annual survey of international visitors to Australia, provided by the Bureau of Tourism Research (BTR)
Table 45.1: Summary of Hypotheses (Note: +/-: hypothesized direction)

<table>
<thead>
<tr>
<th>Hofstede’s value dimensions</th>
<th>Impersonal Sources</th>
<th>Personal Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Commercial</td>
<td>Non-commercial</td>
</tr>
<tr>
<td>Collectivism ($H_1$)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Power distance ($H_2$)</td>
<td>—</td>
<td>+</td>
</tr>
<tr>
<td>Uncertainty avoidance ($H_3$)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Masculinity ($H_4$)</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

and supported by Commonwealth and State/Territory governments. The BTR directs the questionnaire design and reporting outputs and a professional marketing research firm (AC Nielsen) is hired by the BTR to conduct the face-to-face IVS interviews.

The “International Visitor Survey” (IVS) adopts the cross-sectional interview survey method. In the year 2000, a total of 20,565 interviews were conducted at Australia’s major international airports with departing international visitors aged 15 years and over who were residents of a country other than Australia, and who had been travelling in Australia for a period of less than 12 month (Bureau of Tourism Research, 2000). A quota-sampling procedure was followed to achieve a representative sample of visitors from overseas countries and all flights from all Australian international airports (Bureau of Tourism Research, 2000). All interviews were completed face-to-face with an interviewer and an adult member of each travel party, in the departure lounges for specific flights. Overall, the cooperation and completion rates were above 90% for respondents requested to participate in the survey (Bureau of Tourism Research, 2000).

The 2000 IVS consisted of 84 questions regarding travel arrangement and travel party, motivation, planning and information sources, travel behaviour in Australia, travel expenditure and satisfaction. To ensure the clarity of the questions and ease of response, the survey questionnaire was developed in six major languages (English, German, Indonesian/Malay, Japanese, Korean, and Mandarin).

Sample profile

Quarter one (n= 4,352) of the 2000 IVS was used to test the proposed conceptual model. For hypothesis testing and analysis, the sample was further limited to the survey respondents whose countries of residence had more than 30 international leisure travellers included in the sample and to those whose purpose was noted as holiday and visiting friends and relatives (VFR) only. Consequently, international leisure travellers from the following 22 countries (n= 2,943) were used for hypotheses testing and analysis. Table 45.2 presents the lists of 22 countries and the corresponding
<table>
<thead>
<tr>
<th>Regions/Continent</th>
<th>Country</th>
<th>Sample Size</th>
</tr>
</thead>
<tbody>
<tr>
<td>North America</td>
<td>USA</td>
<td>281</td>
</tr>
<tr>
<td></td>
<td>Canada</td>
<td>91</td>
</tr>
<tr>
<td>Europe</td>
<td>UK</td>
<td>508</td>
</tr>
<tr>
<td></td>
<td>Denmark</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Sweden</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td>Germany</td>
<td>129</td>
</tr>
<tr>
<td></td>
<td>France</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>Netherlands</td>
<td>79</td>
</tr>
<tr>
<td></td>
<td>Switzerland</td>
<td>56</td>
</tr>
<tr>
<td></td>
<td>Italy</td>
<td>37</td>
</tr>
<tr>
<td>Asia</td>
<td>Hong Kong</td>
<td>124</td>
</tr>
<tr>
<td></td>
<td>Singapore</td>
<td>117</td>
</tr>
<tr>
<td></td>
<td>Malaysia</td>
<td>67</td>
</tr>
<tr>
<td></td>
<td>Philippines</td>
<td>37</td>
</tr>
<tr>
<td></td>
<td>Indonesia</td>
<td>50</td>
</tr>
<tr>
<td></td>
<td>Thailand</td>
<td>36</td>
</tr>
<tr>
<td></td>
<td>India</td>
<td>31</td>
</tr>
<tr>
<td></td>
<td>Japan</td>
<td>575</td>
</tr>
<tr>
<td></td>
<td>Korea</td>
<td>105</td>
</tr>
<tr>
<td></td>
<td>Taiwan</td>
<td>116</td>
</tr>
<tr>
<td>Others</td>
<td>South Africa</td>
<td>48</td>
</tr>
<tr>
<td></td>
<td>New Zealand</td>
<td>332</td>
</tr>
</tbody>
</table>

Table 45.2: Final Sample Profile of 22 Countries

sample size used for testing hypotheses and analysis.

Measures

The proposed conceptual model (see Figure 45.1) involves both country- and individual-level variables. The country-level variables include the focal independent variables of national values scores derived from the Hofstede model and the two covariates: GDP per capita and statutory annual leave. The individual-level variables include the focal dependent variable: external information sources and as covariates the five age groups and gender. National value dimensions. The national cultural values were drawn from the country values scores of the Hofstede model (2001). Using information in the IVS as to a respondents country of residence, in effect each respondent was assigned the relevant country value scores drawn from the Hofstede research. These are set out in Table 45.3 for the 22 nations included in this study.

Per capita income and statutory annual leave. Measures of GDP per capita across 22 countries were based on the data from the 2003 CIA world Fact Book (CIA). Table 45.4 presents the GDP per capita for the 22 countries used in this study. Measures of statutory annual leave for the 22 countries were based on the minimum days granted for annual leave by the relevant employment or labour laws. For countries that did
<table>
<thead>
<tr>
<th>Country</th>
<th>Hofstede</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Collectivism</td>
<td>Power distance</td>
<td>Uncertainty avoidance</td>
<td>Masculinity</td>
</tr>
<tr>
<td>USA</td>
<td>9</td>
<td>40</td>
<td>46</td>
<td>62</td>
</tr>
<tr>
<td>Canada</td>
<td>20</td>
<td>39</td>
<td>48</td>
<td>52</td>
</tr>
<tr>
<td>UK</td>
<td>11</td>
<td>35</td>
<td>35</td>
<td>66</td>
</tr>
<tr>
<td>Denmark</td>
<td>26</td>
<td>18</td>
<td>23</td>
<td>16</td>
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<td>Sweden</td>
<td>29</td>
<td>31</td>
<td>29</td>
<td>5</td>
</tr>
<tr>
<td>Germany</td>
<td>33</td>
<td>35</td>
<td>65</td>
<td>66</td>
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<tr>
<td>France</td>
<td>29</td>
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<td>86</td>
<td>43</td>
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<td>Netherlands</td>
<td>20</td>
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<td>53</td>
<td>14</td>
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<td>Switzerland</td>
<td>32</td>
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<td>58</td>
<td>70</td>
</tr>
<tr>
<td>Italy</td>
<td>24</td>
<td>50</td>
<td>75</td>
<td>70</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>75</td>
<td>68</td>
<td>29</td>
<td>57</td>
</tr>
<tr>
<td>Singapore</td>
<td>80</td>
<td>74</td>
<td>8</td>
<td>48</td>
</tr>
<tr>
<td>Malaysia</td>
<td>74</td>
<td>104</td>
<td>36</td>
<td>50</td>
</tr>
<tr>
<td>Philippines</td>
<td>68</td>
<td>94</td>
<td>44</td>
<td>64</td>
</tr>
<tr>
<td>Indonesia</td>
<td>86</td>
<td>78</td>
<td>48</td>
<td>46</td>
</tr>
<tr>
<td>Thailand</td>
<td>80</td>
<td>64</td>
<td>64</td>
<td>34</td>
</tr>
<tr>
<td>India</td>
<td>52</td>
<td>77</td>
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<tr>
<td>Japan</td>
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<td>54</td>
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<td>95</td>
</tr>
<tr>
<td>Korea</td>
<td>82</td>
<td>60</td>
<td>85</td>
<td>39</td>
</tr>
<tr>
<td>Taiwan</td>
<td>83</td>
<td>58</td>
<td>69</td>
<td>45</td>
</tr>
<tr>
<td>South Africa</td>
<td>35</td>
<td>49</td>
<td>49</td>
<td>63</td>
</tr>
<tr>
<td>New Zealand</td>
<td>21</td>
<td>22</td>
<td>49</td>
<td>58</td>
</tr>
</tbody>
</table>

Table 45.3: Country Scores of Hofstede's Cultural Values Dimensions across 22 Countries (Hofstede, 2001)
Table 45.4: A Comparison of GDP per capita between 22 Countries (CIA)

not have minimum requirements of annual leave by law, such as USA and Italy, the measures were based on the minimum allowed days for annual leave in practice. Table 45.5 provides detailed sources of information for the minimum statutory annual leave data used in this study.

Table 45.5: A Comparison of Statutory Annual Leave between 22 Countries

<table>
<thead>
<tr>
<th>Country</th>
<th>Minimum Statutory Annual Leave</th>
<th>Other Conditions</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>10 days</td>
<td>No statutory minimum — 96% of employers offer at least 10 days</td>
<td>Hewitt Associates (2000)</td>
</tr>
<tr>
<td>Canada</td>
<td>10 days</td>
<td>n.a.</td>
<td>Hewitt Associates (2000)</td>
</tr>
<tr>
<td>Netherlands</td>
<td>20 days</td>
<td>Extra 5 days are commonly allowed</td>
<td>International Labour Organization (2003)</td>
</tr>
</tbody>
</table>
Table 45.5: (continued)

<table>
<thead>
<tr>
<th>Country</th>
<th>Statutory Leave</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Switzerland</td>
<td>20 days</td>
<td>n.a.</td>
</tr>
<tr>
<td>Italy</td>
<td>20 days</td>
<td>Determined by collective agreements; But generally provided 4 weeks leave per year</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>7 days</td>
<td>Increased to a maximum 14 days depending on the length of employment</td>
</tr>
<tr>
<td>Singapore</td>
<td>7 days</td>
<td>Additional one day’s annual leave for every subsequent 1 year of employment and maximum 14 days per year</td>
</tr>
<tr>
<td>Malaysia</td>
<td>8 days</td>
<td>Min.12 days — 2-5 years employment; Min.16 days — 5 years or more employment</td>
</tr>
<tr>
<td>Philippines</td>
<td>5 days</td>
<td>n.a.</td>
</tr>
<tr>
<td>Indonesia</td>
<td>12 days</td>
<td>n.a.</td>
</tr>
<tr>
<td>Thailand</td>
<td>6 days</td>
<td>n.a.</td>
</tr>
<tr>
<td>India</td>
<td>15 days</td>
<td>n.a.</td>
</tr>
<tr>
<td>Japan</td>
<td>10 days</td>
<td>Additional 2 days for each additional year after 2.5 years employment; But should not be more than 20 days</td>
</tr>
<tr>
<td>Korea</td>
<td>10 days</td>
<td>Additional 1 day for every subsequent 1 year of employment; Do not exceed 20 days (although normal wages are paid)</td>
</tr>
<tr>
<td>Taiwan</td>
<td>7 days</td>
<td>Min.10 days — 3-5 years of employment; Min.14 days — 5-10 years of employment; &amp; additional 1 day for every subsequent 1 year of employment</td>
</tr>
<tr>
<td>South Africa</td>
<td>21 days</td>
<td>n.a.</td>
</tr>
<tr>
<td>New Zealand</td>
<td>15 days</td>
<td>n.a.</td>
</tr>
</tbody>
</table>

Age and gender: The age and gender questions in the IVS data were used to operationalise individual-level covariates. The 12 age categories in the IVS data were reduced to 5 age groups: 15-24, 25-34, 35-44, 45-54 and 55 plus. The five age groups were not identically the same as, but substantially similar to conventional age groupings in the area of consumer behaviour (see Mowen and Brown, 1998; Schiffman et al., 2001). These five-age and two-gender groups were nested under the each of the selected 22 nations. Table 45.6 presents the sample size for the
<table>
<thead>
<tr>
<th>Country</th>
<th>Five Age Groups</th>
<th>Gender Groups</th>
<th>Total Sample</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Age 1 (15-24)</td>
<td>Age 2 (25-34)</td>
<td>Age 3 (35-44)</td>
</tr>
<tr>
<td>USA</td>
<td>34</td>
<td>85</td>
<td>37</td>
</tr>
<tr>
<td>Canada</td>
<td>15</td>
<td>23</td>
<td>16</td>
</tr>
<tr>
<td>UK</td>
<td>84</td>
<td>135</td>
<td>54</td>
</tr>
<tr>
<td>Denmark</td>
<td>17</td>
<td>12</td>
<td>3</td>
</tr>
<tr>
<td>Sweden</td>
<td>23</td>
<td>20</td>
<td>4</td>
</tr>
<tr>
<td>Germany</td>
<td>19</td>
<td>54</td>
<td>23</td>
</tr>
<tr>
<td>France</td>
<td>9</td>
<td>12</td>
<td>4</td>
</tr>
<tr>
<td>Netherlands</td>
<td>12</td>
<td>27</td>
<td>18</td>
</tr>
<tr>
<td>Switzerland</td>
<td>15</td>
<td>25</td>
<td>5</td>
</tr>
<tr>
<td>Italy</td>
<td>9</td>
<td>13</td>
<td>4</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>19</td>
<td>46</td>
<td>39</td>
</tr>
<tr>
<td>Singapore</td>
<td>14</td>
<td>43</td>
<td>25</td>
</tr>
<tr>
<td>Malaysia</td>
<td>7</td>
<td>15</td>
<td>20</td>
</tr>
<tr>
<td>Philippine</td>
<td>1</td>
<td>13</td>
<td>10</td>
</tr>
<tr>
<td>Indonesia</td>
<td>5</td>
<td>10</td>
<td>13</td>
</tr>
<tr>
<td>Thailand</td>
<td>3</td>
<td>12</td>
<td>12</td>
</tr>
<tr>
<td>India</td>
<td>7</td>
<td>5</td>
<td>4</td>
</tr>
<tr>
<td>Japan</td>
<td>178</td>
<td>281</td>
<td>70</td>
</tr>
<tr>
<td>Korea</td>
<td>24</td>
<td>64</td>
<td>10</td>
</tr>
<tr>
<td>Taiwan</td>
<td>26</td>
<td>57</td>
<td>22</td>
</tr>
<tr>
<td>South Africa</td>
<td>5</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>New Zealand</td>
<td>48</td>
<td>78</td>
<td>44</td>
</tr>
<tr>
<td>Total</td>
<td>574</td>
<td>1038</td>
<td>441</td>
</tr>
</tbody>
</table>

Table 45.6: Sample Size of the Five Age and Gender Groups across 22 Countries
five-age and two-gender segments across 22 countries.

*External information sources.* The types of external search were derived from a question where respondents were asked to identify information sources from a list of eleven specific sources, plus "somewhere else." Multiple response data were collected when provided by the respondents. Two of the eleven sources, 'previous visit(s)' and 'somewhere else', were excluded as the primary focus of this study is on the use of external information sources. These can be classified into the four categories of external sources noted earlier. Figure 45.2 summarizes the remaining ten external sources into the four categories: personal commercial, personal non-commercial, impersonal commercial and impersonal non-commercial source.
Figure 45.2: Four Categories of External Information Sources (Adapted from Fodness and Murray, 1997; Webster, 1971)

Analysis

As noted previously, this paper aims to assess the net impact of national values on external search behavior after controlling for the multi-level covariates: GDP per capita and annual income at the country level (n = 22) and age and gender at the individual level (n = 2,943). As the age and gender profile of leisure travelers does vary substantially by country of residence (see Table 45.6), it was thought necessary to control for the potential influences resulting from age and gender variation.

Given the requirement to analyze multilevel data — individual and country levels — hierarchical linear modeling (HLM) (Raudenbush and Bryk, 2002) version 5.05 was used. HLM was developed to deal with multi-level hierarchical (or nested) data: here age and gender variables were nested within countries (see also Steenkamp et al., 1999; Fu, Kennedy, Tata, Yukl, Bond, Peng, Srinivas, Prieto, Koopman, Boonstra, Pasa, Lacassagne, Higashide, and Cheosakul, 2004). In this model, individual external search was specified as a linear function of age and gender. The coefficients of the age and gender terms were treated as random variables and were then specified as linear functions of the country values, and the country covariates. In both sets of equations residual terms were included. The Level 1 (individual-level) and Level 2 (country-level) models for testing the hypotheses were specified as follows:

**Level 1:**

\[ EIS_{ij} = \beta_{0j} + \beta_{1j}AGE2 + \beta_{2j}AGE3 + \beta_{3j}AGE4 + \beta_{4j}AGE5 + \beta_{5j}MALE + r_{ij}, \]

**Level 2:**

\[ \beta_{0j} = \gamma_{00} + \gamma_{01}COL + \gamma_{02}PD + \gamma_{03}UA + \gamma_{04}MAS + \gamma_{05}GDP + \gamma_{06}AL + u_{0j}, \]

\[ \beta_{1j} = \gamma_{10} + \gamma_{11}COL + \gamma_{12}PD + \gamma_{13}UA + \gamma_{14}MAS + \gamma_{15}GDP + \gamma_{16}AL + u_{1j}, \]
\[ \beta_{2j} = \gamma_{20} + \gamma_{21} \text{COL} + \gamma_{22} \text{PD} + \gamma_{23} \text{UA} + \gamma_{24} \text{MAS} + \gamma_{25} \text{GDP} + \gamma_{26} \text{AL} + u_{2j}, \]
\[ \beta_{3j} = \gamma_{30} + \gamma_{31} \text{COL} + \gamma_{32} \text{PD} + \gamma_{33} \text{UA} + \gamma_{34} \text{MAS} + \gamma_{35} \text{GDP} + \gamma_{36} \text{AL} + u_{3j}, \]
\[ \beta_{4j} = \gamma_{40} + \gamma_{41} \text{COL} + \gamma_{42} \text{PD} + \gamma_{43} \text{UA} + \gamma_{44} \text{MAS} + \gamma_{45} \text{GDP} + \gamma_{46} \text{AL} + u_{4j}, \]
\[ \beta_{5j} = \gamma_{50} + \gamma_{51} \text{COL} + \gamma_{52} \text{PD} + \gamma_{53} \text{UA} + \gamma_{54} \text{MAS} + \gamma_{55} \text{GDP} + \gamma_{56} \text{AL} + u_{5j}. \]

where \( i \) denotes individuals; \( j \) indicated countries; EIS were the four external information search variables; \( \beta_{0j} \) (or intercept) included AGE1 (15 — 24) and Female effects (a consequence of the use of dummy variables for age), AGE2 (25-34), AGE3 (35-44), AGE4 (45-54), AGE5 (55plus) and MALE, were the remaining age and gender covariates for the individual-level respectively; \( r_{ij} \) denoted an individual Level 1 error term normally distributed with zero mean and constant variance. In the Level 2 equations, the coefficients \( \beta_{0j} \ldots \beta_{5j} \) were specified as random coefficients where the impact of the predictor variables involved was allowed to vary across countries. In these equations, \( u_{qj} \) was an error term, again assumed normally distributed with zero mean and constant variance; COL, PD, UA, and MAS were Hofstede’s value dimensions: collectivism, power distance, uncertainty avoidance, and masculinity respectively; and GDP and AL were the two covariates, GDP per capita and annual leave respectively.

The Level 1 submodel specified the effects of age and gender variables, whereas the Level 2 submodel specified the effect of Hofstede’s national culture and the two country level covariates. The Level 1 predictors were uncentred as age and gender were dummy variables (see Raudenbush and Bryk, 2002). Following the recommendations of Raudenbush and Bryk (2002), Level 2 predictors were centred around their corresponding grand means.

With efficient iterative procedures that lead to maximum likelihood estimates, HLM enables the simultaneous estimation of relationships between multi-level variables, and makes it possible to estimate cross-level effects. The procedure offers unbiased and efficient estimates of the effects of multi-level variables, as well as standardized estimates, regardless of the degree of within-country dependence between the consumers (Raudenbush and Bryk, 2002; Steenkamp et al., 1999). As a result, HLM enables the testing of hypotheses concerning national culture variables measured at the country level and their impact on the usage of external information sources measured at the individual level after controlling for age and gender effects.

Initially, estimates were found for coefficients in the full model. However, in order to simplify the analysis, non-significant variables at the level 2 (country-level) were dropped from the Level 2 equation based on OLS (ordinary least squares) estimates. Finally, hypothesis testing was conducted based on this reduced model. This approach was in line with the suggestions by Leamer (1978) and Raudenbush and Bryk (2002).

## Results

Estimates of the effects of the national cultural dimensions and multi-level covariates — age and gender at an individual level and per capita income and statutory
Table 45.7: Impact of Hofstede’s National Values, GDP per Capita, Statutory Leave, Age and Gender on the Usage of Personal Commercial Sources (Note: Test of significance is based on one-tailed test. UA = uncertainty avoidance.)

Turning to the four hypotheses, it was predicted (Table 45.1) that collectivism ($H_1$) and uncertainty avoidance ($H_3$) would have a positive influence on the usage of personal commercial sources and that power distance ($H_2$) and masculinity ($H_4$) would have a negative influence. As shown in Table 45.7, the uncertainty avoidance hypothesis alone finds some support among the youngest (15-24) female tourists ($\gamma_{02} = .006, p < .10$) and middle-aged (35-44) tourists ($\gamma_{22} = .012, p < .05$). The remaining three value dimensions do not have a significant impact on the usage of personal commercial sources. Note the masculinity hypothesis finds directional support among the older (55plus) travellers ($\gamma_{41} = -.009, p = .12$).

With regard to personal non-commercial sources it was predicted that collectivism ($H_1$), power distance ($H_2$) and uncertainty avoidance ($H_3$) would have a pos-
### RESULTS

<table>
<thead>
<tr>
<th>Fixed Effect</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>Approx T-ratio</th>
<th>d.f.</th>
<th>P-Value (one-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>For Age1 (15-24) Female</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age1 Female</td>
<td>(r00) -1.063683</td>
<td>0.090787</td>
<td>-11.716</td>
<td>19</td>
<td>0.000</td>
</tr>
<tr>
<td>UA</td>
<td>(r01) -0.010719</td>
<td>0.003214</td>
<td>-3.335</td>
<td>19</td>
<td>0.002</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>(r02) 0.020319</td>
<td>0.008748</td>
<td>2.323</td>
<td>19</td>
<td>0.016</td>
</tr>
<tr>
<td>For Age 2 (25-34)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age2</td>
<td>(r10) -0.304472</td>
<td>0.102810</td>
<td>-2.961</td>
<td>19</td>
<td>0.004</td>
</tr>
<tr>
<td>UA</td>
<td>(r11) 0.005979</td>
<td>0.004344</td>
<td>1.376</td>
<td>19</td>
<td>0.093</td>
</tr>
<tr>
<td>Annual leave</td>
<td>(r12) 0.037194</td>
<td>0.012754</td>
<td>2.916</td>
<td>19</td>
<td>0.005</td>
</tr>
<tr>
<td>For Age 3 (35-44)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age3</td>
<td>(r20) -0.331880</td>
<td>0.161599</td>
<td>-2.054</td>
<td>18</td>
<td>0.027</td>
</tr>
<tr>
<td>Power distance</td>
<td>(r21) 0.007370</td>
<td>0.007772</td>
<td>0.948</td>
<td>18</td>
<td>0.178</td>
</tr>
<tr>
<td>UA</td>
<td>(r22) 0.010027</td>
<td>0.006724</td>
<td>1.491</td>
<td>18</td>
<td>0.077</td>
</tr>
<tr>
<td>Annual leave</td>
<td>(r23) 0.035827</td>
<td>0.024309</td>
<td>1.474</td>
<td>18</td>
<td>0.079</td>
</tr>
<tr>
<td>For Age 4 (45-54)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age4</td>
<td>(r30) -0.530687</td>
<td>0.164630</td>
<td>-3.224</td>
<td>19</td>
<td>0.003</td>
</tr>
<tr>
<td>Power distance</td>
<td>(r31) 0.004565</td>
<td>0.006529</td>
<td>0.699</td>
<td>19</td>
<td>0.247</td>
</tr>
<tr>
<td>UA</td>
<td>(r32) 0.015845</td>
<td>0.007523</td>
<td>2.106</td>
<td>19</td>
<td>0.024</td>
</tr>
<tr>
<td>For Age5 (55plus)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age5</td>
<td>(r40) -0.721953</td>
<td>0.226666</td>
<td>-3.185</td>
<td>19</td>
<td>0.003</td>
</tr>
<tr>
<td>UA</td>
<td>(r41) 0.013948</td>
<td>0.011031</td>
<td>1.264</td>
<td>19</td>
<td>0.111</td>
</tr>
<tr>
<td>Annual leave</td>
<td>(r42) 0.026058</td>
<td>0.030849</td>
<td>0.845</td>
<td>19</td>
<td>0.205</td>
</tr>
<tr>
<td>For Male</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>(r50) 0.042315</td>
<td>0.079345</td>
<td>0.533</td>
<td>21</td>
<td>0.300</td>
</tr>
</tbody>
</table>

Table 45.8: Impact of Hofstede’s National Values, GDP per Capita, Statutory Leave, Age and Gender on the Usage of Personal Non-commercial Sources (Note: Test of significance is based on one-tailed test. UA= uncertainty avoidance.)

It was predicted that collectivism (H₁), power distance (H₂) and uncertainty avoidance (H₃) would have a negative impact on the usage of impersonal commercial sources and that masculinity would have a positive influence (H₄). As shown in Table 45.9, the masculinity hypothesis is supported among the youngest (15-24) female tourists (γ₀₂ = .005, p < .10) although a counter-predictive significant result emerges for older (45-55plus) travellers (γ₃₂ = −.010, p < .10 for 45-54 and
Fixed Effect | Coefficient | Standard Error | Approx T-ratio | d.f. | P-Value (one-tailed)
--- | --- | --- | --- | --- | ---
For Age1 (15-24) Female
Age1 Female (r00) | -0.871462 | 0.113462 | -7.681 | 17 | 0.000
Power distance (r01) | 0.005535 | 0.005349 | 1.035 | 17 | 0.158
Masculinity (r02) | 0.005336 | 0.003375 | 1.581 | 17 | 0.066
GDP per capita (r03) | 0.047034 | 0.010962 | 4.291 | 17 | 0.001
Annual leave (r04) | 0.020762 | 0.013097 | 1.585 | 17 | 0.066
For Age2 (25-34)
Age2 (r10) | 0.133021 | 0.089294 | 1.490 | 21 | 0.076
For Age3 (35-44)
Age3 (r20) | -0.176821 | 0.114485 | -1.544 | 19 | 0.070
UA (r21) | 0.008729 | 0.004020 | 2.172 | 19 | 0.022
Masculinity (r22) | -0.001455 | 0.004323 | -0.337 | 19 | 0.370
For Age4 (45-54)
Age4 (r30) | -0.285885 | 0.131076 | -2.181 | 19 | 0.021
UA (r31) | 0.007023 | 0.005779 | 1.215 | 19 | 0.120
Masculinity (r32) | -0.010445 | 0.006261 | -1.668 | 19 | 0.056
For Age5 (55plus)
Age5 (r40) | -0.645106 | 0.169554 | -3.805 | 18 | 0.001
Masculinity (r41) | -0.011237 | 0.007434 | -1.512 | 18 | 0.120
GDP per capita (r42) | -0.000956 | 0.015028 | -0.064 | 18 | 0.475
Annual leave (r43) | -0.040619 | 0.020755 | -1.957 | 18 | 0.033
For Male
Male (r50) | 0.143867 | 0.073753 | 1.951 | 21 | 0.032

Table 45.9: Impact of Hofstede’s National Values, GDP per Capita, Statutory Leave, Age and Gender on the Usage of Impersonal Commercial Sources (Note: Test of significance is based on one-tailed test. UA = uncertainty avoidance.)

\[ \gamma_{41} = -0.011, p < .10 \text{for 55plus} \]. Uncertainty avoidance, unexpectedly, has a significant positive impact among middle-aged (35-44) tourists \( (\gamma_{21} = .009, p < .05) \), as well as directional support among older (45-54) tourists \( (\gamma_{31} = .007, p = .12) \). There is no significant relationship with the remaining two value dimensions. Finally, it was hypothesized that collectivism (\( H_1 \)) and uncertainty avoidance (\( H_3 \)) would have a negative impact on the usage of impersonal non-commercial sources and that power distance (\( H_2 \)) and masculinity (\( H_4 \)) would have a positive influence. As presented in Table 45.10, collectivism alone finds support among the youngest (15-24) female travellers \( (\gamma_{01} = -0.014, p < .10) \) and a significant counter-predictive result is also shown for middle-aged (35-44) travellers \( (\gamma_{21} = .034, p < .05) \). There is no significant relationship with the remaining three value dimensions, with the exception of the masculinity hypothesis where there is directional support among male tourists \( (\gamma_{21} = .007, p = .12) \). The findings reported previously are summarized in Table 45.11 where the circle
### RESULTS

<table>
<thead>
<tr>
<th>Fixed Effect</th>
<th>Coefficient</th>
<th>Standard Error</th>
<th>Approx T-ratio</th>
<th>d.f.</th>
<th>P-Value (one-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>For Age1 (15-24) Female</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age1 Female</td>
<td>(r00)</td>
<td>-2.424472</td>
<td>0.192687</td>
<td>19</td>
<td>0.000</td>
</tr>
<tr>
<td>Collectivism</td>
<td>(r01)</td>
<td>-0.014457</td>
<td>0.008969</td>
<td>19</td>
<td>0.062</td>
</tr>
<tr>
<td>Power distance</td>
<td>(r02)</td>
<td>0.003429</td>
<td>0.011386</td>
<td>19</td>
<td>0.383</td>
</tr>
<tr>
<td><strong>For Age2 (25-34)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age2</td>
<td>(r10)</td>
<td>-0.237194</td>
<td>0.261871</td>
<td>19</td>
<td>0.189</td>
</tr>
<tr>
<td>Collectivism</td>
<td>(r11)</td>
<td>0.001571</td>
<td>0.011512</td>
<td>19</td>
<td>0.447</td>
</tr>
<tr>
<td>Annual leave</td>
<td>(r12)</td>
<td>0.005129</td>
<td>0.035868</td>
<td>19</td>
<td>0.444</td>
</tr>
<tr>
<td><strong>For Age3 (35-44)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age3</td>
<td>(r20)</td>
<td>-0.796481</td>
<td>0.387864</td>
<td>18</td>
<td>0.028</td>
</tr>
<tr>
<td>Collectivism</td>
<td>(r21)</td>
<td>0.033702</td>
<td>0.016263</td>
<td>18</td>
<td>0.027</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>(r22)</td>
<td>0.126346</td>
<td>0.049723</td>
<td>18</td>
<td>0.011</td>
</tr>
<tr>
<td>Annual leave</td>
<td>(r23)</td>
<td>0.048374</td>
<td>0.047276</td>
<td>18</td>
<td>0.160</td>
</tr>
<tr>
<td><strong>For Age4 (45-54)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age4</td>
<td>(r30)</td>
<td>-0.924927</td>
<td>0.508443</td>
<td>18</td>
<td>0.043</td>
</tr>
<tr>
<td>Collectivism</td>
<td>(r31)</td>
<td>0.012301</td>
<td>0.023372</td>
<td>18</td>
<td>0.303</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>(r32)</td>
<td>0.084772</td>
<td>0.057650</td>
<td>18</td>
<td>0.080</td>
</tr>
<tr>
<td>Annual leave</td>
<td>(r33)</td>
<td>-0.043115</td>
<td>0.066184</td>
<td>18</td>
<td>0.262</td>
</tr>
<tr>
<td><strong>For Age5 (55plus)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Age5</td>
<td>(r40)</td>
<td>-1.672329</td>
<td>0.802764</td>
<td>19</td>
<td>0.026</td>
</tr>
<tr>
<td>Collectivism</td>
<td>(r41)</td>
<td>-0.024027</td>
<td>0.030303</td>
<td>19</td>
<td>0.219</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>(r42)</td>
<td>0.081611</td>
<td>0.066927</td>
<td>19</td>
<td>0.119</td>
</tr>
<tr>
<td><strong>For Male</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>(r50)</td>
<td>0.024558</td>
<td>0.181907</td>
<td>19</td>
<td>0.447</td>
</tr>
<tr>
<td>Masculinity</td>
<td>(r51)</td>
<td>0.007107</td>
<td>0.005890</td>
<td>19</td>
<td>0.122</td>
</tr>
<tr>
<td>GDP per capita</td>
<td>(r52)</td>
<td>-0.021088</td>
<td>0.019460</td>
<td>19</td>
<td>0.147</td>
</tr>
</tbody>
</table>

Table 45.10: Impact of Hofstede’s National Values, GDP per Capita, Statutory Leave, Age and Gender on the Usage of Impersonal Non-commercial Sources (Note: Test of significance is based on one-tailed test. UA= uncertainty avoidance.)
Table 45.11: Summary of Findings for the Effect of National Values on External Information Search Behaviour

<table>
<thead>
<tr>
<th>Hofstede’s value dimensions</th>
<th>Impersonal Sources</th>
<th>Personal Sources</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Commercial</td>
<td>Non-commercial</td>
</tr>
<tr>
<td>Collectivism ($H_1$)</td>
<td>-</td>
<td>$\bigcirc^+$</td>
</tr>
<tr>
<td>Power distance ($H_2$)</td>
<td>-</td>
<td>+</td>
</tr>
<tr>
<td>Uncertainty avoidance ($H_3$)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Masculinity ($H_4$)</td>
<td>$\bigcirc^+$</td>
<td>[ ]</td>
</tr>
</tbody>
</table>

Note: $\bigcirc$ = significant results obtained; $\bigcirc^+$ = supported; $\bigcirc^-$ = rejected; [ ] = directionally supported.

indicates significant results obtained, while $+/-$ shows supported or rejected results respectively. As can be seen from this Table uncertainty avoidance has a significant relationship with three types of external sources used by international leisure travellers to Australia: impersonal commercial, personal commercial and personal non-commercial sources. A significant relationship was not been found between power distance and the four types of external information sources. Both masculinity and collectivism have limited influence on the usage of external information sources, with masculinity tending to have a slightly stronger impact. Further, as reported previously, the impact of national values on external search behaviour varies by age and gender membership within a country: strongest among the youngest (15-24) female travellers, followed by middle-aged to older (33-55plus) tourists. The youngest (15-24) female segment has shown a significant relationship with each of the four types of external information sources.

**Discussion and Implications**

As reported earlier, the findings for national values suggest that, except for power distance, the remaining three value dimensions do have some influence on the use of external information sources by international leisure travellers visiting Australia. Further, the inclusion of multi-level covariates based on 22 countries, culturally and geographically varied in a global context, increases the validity of the results concerning national culture and external search behaviour. Related to this, the paper introduces and demonstrates the usefulness of multi-level (HLM) modeling in cross-cultural consumer behaviour research. There has been an increasing awareness of nested research design for culture-related international marketing and business research (e.g. Erez and Gati, 2004; Fu et al., 2004; Lenartowicz and Roth, 2001; Steenkamp et al., 1999).

Uncertainty avoidance appears to be a primary value dimension for external search behaviour, confirming earlier research (see e.g. Dawar et al., 1996; Houston and Eckhardt, 2001; Money and Crotts, 2003; Litvin et al., 2004).

The findings also suggest the varying degrees of impact of national values on age
and gender groups on the usage of external sources: strongest among the youngest (15-24) and female travellers, followed by middle to older travellers (35-55plus). Related to this finding, Inglehart and Baker (2000) and Inglehart and Norris (2003) found larger values differences, particularly amongst females across 65 (later 81) countries in comparison to older generation across the 65 (later 81) nations. Nevertheless, more extensive empirical testing is needed to assess the relative strength of the impact of national values for age and gender groups in a cross-cultural setting.

With respect to managerial implications, this study shows the potential usefulness of Hofstede’s national values scores as an international marketing tool, especially explaining and predicting the usage of external information sources. National values scores may help marketers to generate relevant insights into potential external information search patterns of international leisure travellers in a global context, and subsequently, assist in developing a more proactive international tourism marketing strategy, such as communication and promotion. In addition, the study suggests that uncertainty avoidance is a more powerful predictor for the usage of external information than are the remaining value dimensions. Subjected to the limitations noted a little later in this paper arising from low sample numbers from Eastern Europe, Latin America and Africa, such findings would be useful for travel and tourism marketers in formulating more effective and efficient international marketing strategy.

Finally, the study contributes further insights into the standardization vs. adaptation decision in international tourism management. The study shows that while national values have been found to be important, the contribution of national culture differs across travel behaviours and travellers’ characteristics. In particular, the impact of national values appears strongest among the youngest (15-24) and female travellers. This points towards an adaptation strategy where these travel behaviours and these segments are central to planning.

Limitations and Future Research

This study has a number of limitations mainly arising from the structure of the model, data analysis and data collection, which present opportunities for future research. With respect to the structure of model, the dependent variables of this paper are limited to external search behaviour. Given the counter-predictive findings in the relationship between national values: uncertainty avoidance and masculinity and impersonal commercial sources, it may be useful to explore the impact of national values on each of the impersonal commercial sources included in the study. Related to this, some prior studies (e.g. Kerstetter and Cho, 20004; Money and Crotts, 2003) suggest that travellers tend to perceive the guidebook as one of the credible sources, while advertisements in the mass media as one of the least credible sources. Also, this paper does not include other potentially important confounding effects, such as experience, trip motive and geographical distance between travellers’ home country and holiday destination. The conceptual model of this paper could be extended by introducing wide range of overseas travel behaviour including consumption behaviour at a destination and post-purchase behaviour and by incorporating other potentially powerful confounding effects. Such a future study may provide more comprehensive
and valid views of the role of national culture on overseas travel behaviour.

Regarding data analysis, the empirical study is limited to international leisure travellers to Australia and for one time period. Thus, the extent to which the results are generalisable beyond this setting is a question for further empirical work. Using other quarters of the IVS, this study may be replicated to test the reliability of findings. Further, while the study includes a larger number of countries in comparison to the existing studies in cross-cultural consumer behavior research, this study does not include countries from South America, Eastern Europe and Africa and 6 out of total 22 countries have a sample size of less than 50. Further empirical testing would be desirable based on a larger number of countries and increased sample size for each nation. With an extended IVS data set, a future study can provide more valid results concerning cross-cultural consumer behavior.

Finally, with respect to data collection, the measures of independent, dependent and control variables were drawn from the secondary data. More specifically, the independent variables of the national values scores were drawn from the national values scores from the Hofstede model. The dependent variables of the study are from the Australian International Visitor Survey (IVS). While country-level control variables are drawn from external sources, individual-level covariates are from the IVS. In consequence, the study is subjected to measurement error. Based on the five dimensions of the Hofstede model, Yoo et al. (2000) have developed cultural values scales, known as CVSCALE, which may be more suitable for consumer behaviour. With application of the measures of individual consumers across cultures, future study in the field may lead to more valid investigations of the role of national values in cross-cultural consumer behaviour. Further, given the substantial development in the theory of national culture in the domain of psychology and sociology, such as the Schwartz (1994, 2003) and Inglehart (1997); Inglehart and Baker (2000) models, future research may provide a more comprehensive view of national culture by exploring other theories of national values.

References


REFERENCES


Do Cultural Values Matter in Health Care Service Quality Assessment? An Empirical Study of Hospital Service Quality in the People’s Republic of China

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Tianjin University of Commerce, Tianjin Finance and Economy University

Pia Polsa
Swedish School of Economics and Business Administration

Pei Shuyuan
Tianjin University of Commerce

With the deepening process of the globalization, culture becomes more and more important in global management. The paper explores the relationship between cultural values and service expectations, as well as perceptions in the context of hospital services in an economy that both socially and economically and even culturally is under a process of huge transition. The preliminary results show that contemporary Chinese patients cultural values indeed influence their assessment of health care services and that the values itself are under flux. However, service quality expectations seem not to have strong relationship with the cultural values. The results are tentative and the work is in process.
**Introduction**

The core purpose of the paper is to study whether customers’ cultural values influence their assessment of the hospital service quality. Quality of health has been a major topic of research both locally and globally. Studies have dealt with health issues as well as a number of studies have integrated different disciplines to access a broader view on quality of health. The discipline of marketing has contributed to the above bulk of literature by applying service quality measures into health care (e.g. Kara, Lonial, Tarim, and Zaim, 2005; Wisniewski and Wisniewski, 2005; Boshoff and Gray, 2004; Kilbourne, Duffy, Duffy, and Giarchi, 2004; Youssef, Nel, and Bovaird, 1996; Bowers, Swan, and Koehler, 1994; Vandamme and Leunis, 1993). The main contribution of these studies shows that applicability of SERVQUAL on health context can be problematic and that there exists a relationship between service quality and loyalty and satisfaction. The more detailed analysis of these studies can be found in Appendix A.

Our aim is to rather than validate SERVQUAL’s applicability to use it to measure service quality in a hospital. The relationship between culture and service quality has been studied at least by Donthu and Yoo (1998), Furrer, Liu, and Sudharshan (2000) and Mattila (1999). However, the empirical setting of these studies has not been that of hospital environment or health care in general (see for an overview Liu, Furrer, and Sudharshan, 2001). The novelty of our work is increased by the fact that the empirical context of our study is China. Nowadays the number of Chinese service enterprises is increasing and foreign service enterprises are entering China, which lead to more fierce competition in domestic service industry. The evaluation of customer to service quality plays a decisive role in enterprise’s service quality, as well as service productivity particularly.

Traditionally, before the reform era of the Chinese society health care was largely organized by working units (danweis), i.e. enterprises, universities, and other working places. In the course of reforms these institutes become profit responsible and needed to cut down costs that they had inherited from the epoch of state support and warranty resulting for example the collapse of China’s Cooperative Medical System (Wang, 2005). Such costs were related to the task organizations had in taking care of their employees in all aspects of life. Hence, working units run hospitals, health care centers, schools, day care, supermarkets, and pharmacies, as well as were responsible for pension programs. Today, these organizations’ sole duty is to be financially independent and preferably profit generating. The old system of social services under care of danweis is now sailing under bare sky of market forces (for implications see for example Eggleston and Yip, 2004; Gao, Tang, Tolhurst, and Rao, 2001). This means that social services face competition from private and overseas service providers (Zaminska, 2005) and need, thus, reconstruct their offerings to meet customer needs. Furthermore, they need to revise their old task as the nation’s caretaker. Will they adapt strategies of free market competition or keep part of their old principles and position themselves as non-profit organizations in the service of the nation’s welfare?

Our study is one seminal attempt to investigate the novel position of hospitals and their customers who also face the new society and may be culturally in transition. The current paper presents the first findings of the relationship between hospital service
quality and cultural values of Chinese patients. The results of the paper are tentative rather than confirming.

Quality in Health Care Services

The service quality of hospitals that are independent of patient perceptions has been divided into outcomes, processes and structures (Bowers and Kiefe, 2002). Marketing view on service quality is rather the customer perceived satisfaction that will bring the customer back to the same service provider (Bowers and Kiefe, 2002). The latter view is adapted in the current study as the main focus is to assess quality in an ever increasingly competitive environment, a market to where new service providers are entering.

We assess the traditional dimensions of service quality; tangibility, reliability, responsiveness, assurance and empathy. In the context of hospital service quality tangibility refers to physical environment of the hospital as well as functional quality of diagnoses and good communication. Reliability attributes to trustworthiness of service delivery by keeping promises and time, by being sympathetic and reassuring and by keeping records accurately. Responsiveness in hospitals is defined as exact delivery of services, willingness to help, allocation of time and trustworthiness. Assurance of the delivery of hospital services is measured as safeness of diagnoses, politeness and good and relevantly specialized knowledge. Finally, empathy in our setting is characterized as personnel’s ability to reflect the needs of the patients.

The current paper assumes that the assessment of hospital tangibility, reliability, responsiveness, assurance and empathy is dependent on the cultural values of a customer. Next, the paper addresses the perceived culture in the context of health care.

Cultural Values

In marketing as well as in management literature culture has been widely studies concept and it has mainly been operationalised according to Hofstede’s five cultural dimensions (Sivakumar, 1999; Sodegaard 1994). In the context of quality of services scholars have studies culture and found it to be significantly related to assessment of service quality (Wisted, 1997; Donthu and Yoo, 1998; Mattila, 1999; Furrer et al., 2000, e.g.). As Hofstede’s cultural dimensions stem from his empirical work at IBM they reflect the values that people perceive as important in working setting which in turn reflects highly competitive and prestigious environment. The setting of a hospital or health care in general will probably trigger different values.

Due to the highly different setting compared to that of the original situation of Hofstede’s empirical work we do not use the published cultural scores of his work but re-measure the cultural values. It can be assumed that values that the setting of hospital activates are more feminine, less individual, closer power distance and higher uncertainly avoidance. Since the earlier research found that the latter two dimensions’ effects on service quality in China were little (Fan, 2002), the paper only
chose to investigate the first three dimensions, i.e. masculinity, individualism, and power distance.

### The Relationship between Cultural Values and Hospital Service Quality

Following the earlier findings (Wisted, 1997; Donthu and Yoo, 1998; Mattila, 1999; Furrer et al., 2000) the paper proposes 15 kinds of correlations to exist between three cultural dimensions and five service quality dimensions of expectation and perception. The paper also supposes relative importance of culture dimensions comparing with service quality.

The proposed correlations are summarized in Table 46.1 and 46.2. Attentively, the Table 46.1 suggests that large power distance positively relates to all the service quality expectations (marked as +). High uncertainty avoidance trigs similar correlations. However, low uncertainty avoidance will have also positive correlation with tangible service quality even if small power distance and low uncertainty avoidance otherwise cause negative correlations with the service quality dimensions (marked as —). Despite the level of individualism the correlations are proposed to be negative in exception of empathy that is posited to have positive correlations both with high and low individualism.

Table 46.2 suggests the correlations between cultural value dimensions and service quality perceptions. These hypotheses follow the findings of Furrer et al. (2000).

### Research Method

A total of 300 respondents, who were customers of Tianjin’s Number One Hospital, participated in the survey. 150 questionnaires were received, yielding 96 usable responses, that is, the valid rate of collection was 64%. The first section of the questionnaire includes customer profile information; the second dealt with their cultural value tendency; and the third and fourth asked their service quality expectations and perceptions, respectively.
THE RESULTS

<table>
<thead>
<tr>
<th>Service Quality Dimensions</th>
<th>Power Distance</th>
<th>Uncertain Avoidance</th>
<th>Individualism/Collectivism</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Small</td>
<td>Large</td>
<td>Low</td>
</tr>
<tr>
<td>Tangible</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Reliability</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>—</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Assurance</td>
<td>—</td>
<td>+</td>
<td>+</td>
</tr>
<tr>
<td>Empathy</td>
<td>+</td>
<td>+</td>
<td>+</td>
</tr>
</tbody>
</table>

Table 46.2: Correlation between Culture and Service Quality Perception

<table>
<thead>
<tr>
<th>Culture dimensions</th>
<th>Mean</th>
<th>Max.</th>
<th>Min.</th>
<th>Std. deviation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Power distance</td>
<td>3.27</td>
<td>6.00</td>
<td>1.27</td>
<td>0.92</td>
</tr>
<tr>
<td>Uncertain avoidance</td>
<td>4.30</td>
<td>5.75</td>
<td>2.50</td>
<td>0.52</td>
</tr>
<tr>
<td>Individualism/collectivism</td>
<td>3.30</td>
<td>5.00</td>
<td>1.00</td>
<td>0.70</td>
</tr>
</tbody>
</table>

Table 46.3: Cultural Value Tendency of Chinese Hospital Customers

The first section mainly investigated customer’s sex, educational background and the time receiving service. Individual’s cultural values tendency was measured by using the value statements from Hofstede (1991). Customer's expectation and perception of service quality and its evaluation were found in the third section (The paper adopts the refined scale of SERVQUAL advanced by Parasuraman in 1991. The translations to these terms are provided by SERVICE QUALITY EVALUATION and MANAGEMENT (Wei, 2005). Original measures are adapted to fit the service quality in hospitals. The study used a 7-point scale. The measures and the reliability are shown in Appendix B.

The Results

The results of the empirical study are presented in the following order. First, the cultural value scores are reported as mean values. Then the correlations between the cultural values and hospital service quality dimensions are presented following the logic of the findings of the cultural values of the respondents. Finally, the discussion of these results will bring forward the implications of the findings.

Cultural values of Chinese patients in the hospital setting

Table 46.3 takes up cultural value tendency of Chinese patients in a setting of hospital environment.

The score for power distance is 3.3 in a 7-point scale meaning that Chinese patients tended to have a small power distance when filling out the value items in a hospital. The mean for uncertainty avoidance was 4.3 indicating that customers
Table 46.4: Correlation between Culture Dimensions and Service Quality Expectation and Perception (E = expectations; P = perceptions, *sig. > 0.01, **sig. > 0.05.)

<table>
<thead>
<tr>
<th>Service quality dimensions</th>
<th>Power distance (Small)</th>
<th>Uncertainty avoidance (High)</th>
<th>Individualism</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>E</td>
<td>P</td>
<td>E</td>
</tr>
<tr>
<td>Tangibles</td>
<td>0.036</td>
<td>0.235*</td>
<td>0.015</td>
</tr>
<tr>
<td>Reliability</td>
<td>-0.083</td>
<td>0.224*</td>
<td>0.152</td>
</tr>
<tr>
<td>Responsiveness</td>
<td>-0.120</td>
<td>0.152</td>
<td>-0.035</td>
</tr>
<tr>
<td>Assurance</td>
<td>-0.217*</td>
<td>0.236*</td>
<td>0.001</td>
</tr>
<tr>
<td>Empathy</td>
<td>0.004</td>
<td>0.330**</td>
<td>0.161</td>
</tr>
</tbody>
</table>

It tended to have relatively high uncertainty avoidance. The mean for individualism/collectivism was 3.3 supposing the Chinese patients to be rather individualistic than collectivistic.

These results diverge from the original findings of Chinese culture (Hofstede, 1980) and the reasons can be many. First, the culture was measured differently than in the original work of Hofstede. Second, the values were measured in a totally different empirical setting than that of the original empirical environment of Hofstede’s study. And finally, the cultural values of the Chinese nation are in flux and even that societal condition will influence the results of Table 46.3.

The correlation between the cultural values and service quality

Following the findings of the cultural values of the patients we now present the correlations between the service quality dimensions and small power distance, high uncertainty avoidance and individualism. The supposed 15 relations between cultural value dimensions and service quality expectations and perceptions were checked with Pearson’s correlation coefficient. The results are presented in Table 46.4.

Small power distance and hospital service quality

Table 46.5 shows that small power distance correlates positively with perceived tangibles, reliability, assurance and empathy. None of the correlations between the expected service quality dimensions and small power distance are significant except that of assurance. Assurance shows significant negative correlations with small power distance. Responsiveness, both expected and perceived do not correlated significantly with power distance.

Comparing to the hypothesis, we can confirm following hypothesis. Assurance has a significantly negative correlation with small power distance as Table 46.1 suggests. None of the other relationships between expected service quality and small power distance were statistically significant. Perceived tangibility, reliability and empathy have significant positive correlation with small power distance as proposed but in contrary to the hypothesis assurance has a positive significant association with
Table 46.5: Comparison of Culture and Service Quality Dimensions with Hypothesis (E = expectations; P = perceptions. The positive correlation is represented by “+” and vice versa; bold means that the significant results do not converge with hypothesis. None of the significant correlations are shown.)

small power distance. Responsiveness did not show significant relationship with small power distance.

High uncertainty avoidance and hospital service quality

High uncertainty avoidance did not correlate significantly with any of the service quality dimensions. Due to these results we cannot confirm any of the suggestions concerning the relationship between high uncertainty avoidance and expected or perceived service quality of a hospital.

Individualism and hospital service quality

Individualism and hospital service quality expectations did not show any statistically significant correlations. Thus, all the hypotheses concerning the service quality expectations and individualism have to be refuted. However, service quality perceptions demonstrate statistically significant relationships with individualism for all the dimensions except that of tangibility. These relationships are all positive in contrary to our hypothesis proposed in Table 46.2.

Summary

The summary of the results were shown in Table 46.5. It can be noted that only some of the hypothesis concerning the small power distance and hospital service quality can be confirmed. Rest of the proposed 15 relationships did not show significant correlations or had reversed correlations than those of the posited ones. Individualism and service quality show significant correlations but positive ones in contrary to the proposed negative relationship.
Conclusions and Discussion

The current paper has presented the preliminary findings of hospital service quality assessment and the relationship between service quality and cultural values. The results are tentative but they carry some important implications for further empirical work as well as some interesting findings.

First, as in other studies using SERVQUAL also our study illustrates difficulties applying the expectations part of the SERVQUAL. The reliability assessment of SERVQUAL expectations are lower (Cronbach’s Alpha ranging from 0.80 to 0.88) that those of perceptions (Cronbach’s Alpha ranging from 0.88 to 0.95). Only one correlation out of 15 proposed ones was statistically significant giving further doubt to use the expectations scale. For the further empirical work it would be advisable to measure only perceptions which seem to be easier to assess than expectations.

Second, our study found Chinese cultural values to be other than those previously reported ones. The respondents in our study were more individualistic, had lower power distance and finally scored lower on uncertainty avoidance than the original Chinese culture in Hofstede’s research (1980). These results may reflect the divergent way of measuring culture adapted from Furrer et al. (2000) but they may also mirror the changing Chinese culture or influence of the interview environment on the results. These findings suggest that further research should be taken to measure culture within one nation but in different empirical contexts to demonstrate the influence of the setting on cultural values. Furthermore, the stable nature of culture should be challenged the similar way as research has confronted uniform nature of national culture.

Third, interestingly power distance was the cultural dimension that was statistically most robust in the relationship with the service quality dimensions. Given the empirical setting of health care one can assume that the hierarchical role of a patient in contrast to the health care service providers has an impact on the findings. A patient, in any culture, is often totally dependent on the higher knowledge of the health care service providers and may feel inferior in this role. Furthermore, patients may have totally different roles in their life outside the hospital. The powerful become less powerful while in a hospital that carries a different power structure.

Fourth, individualism was the other cultural value that had a significant impact on perceived service quality. We posited negative correlation on the bases of earlier studies but our results point out a positive correlation between all the service quality dimensions except tangibility. These tentative results suggest that individualism associates positively with assurance, reliability, empathy and responsiveness. Further research is needed to demonstrate the direction of this association. However, our results direct some interesting findings. First, it is important to stress that China today is more individualistic than in eighties when these values were originally measured. Second, the rapid transformation of state health care to private responsibility of health may have further escalated the individualism of our respondents meaning that the patients perceived that there is no collective system to take care of their health issues but each individual are responsible for their private health insurance.
References


Session XIII
Religion: Thursday 2.00pm-3.30pm
Modernity and postmodernity has fostered changes to macro-societal structures. These changes are felt in the domain of religion where a highly developed society would at the macro level, experience a decline in religious activity according to secularisation theory. This theory is evaluated against the rise of a contemporary church in Australia. Through discourse analysis, the alignment of sacred and secular orientations is studied through a reading of Christian music produced by a contemporary church. Findings show how the church and its music selectively draw upon different discourses which are not entirely religious in nature, but are a syncretised combination of both sacred and secular discourses that resonates with current socio-cultural conditions.

Introduction

The theme is prosperity. The experience is emotionally charged and spectacular. The music is hip and entertaining. The message is motivating and empowering. This is a contemporary church that is full of life and over-flowing in attendance with eager consumers. Books with titles such as “You Need more Money”, “I’ll have what she’s having”, “How to Flourish in Life” and “Prosperity with Purpose” are some of the merchandise that is offered to the religious consumer. This is also a church that regularly and cleverly markets itself and its offerings through the media, practices relationship marketing through a well-maintained database and successfully attract new ‘customers’ evidenced by its tremendous growth in numbers.

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Social theorists such as Weber have proposed that the spirit of capitalism will result in a worship of rationality through science while faith and religion will fade in influence and presence. This became the backbone of secularisation theory (Berger, 1967) where a society moves away from theology and its manifestations, proving the secular’s dominion over the sacred. Whilst secularisation has happened at the macro level in a modern society like Australia, this theory does not explain at the meso level the continued growth of a particular type of church within the Christian denomination which produces the kind of expressions illustrated above. Proposed social changes in recent times that may impact the sacred and secular include the shift from modernity to post-modernity, order to fragmentation and from rationalising to experiencing (Venkatesh, 1999). These changes are transforming the macro-societal structures underlying the socio-cultural and socio-historic conditions of a society, producing an ‘alignment’ effect on the church. As a result of these effects, religious expressions ranging from songs, sermons and rituals are also changing.

The aim of this paper is to study the alignment between sacred and secular orientations and the macro-societal structures through a reading of Christian music. As a result of this alignment, the research focuses on the process of how a socially situated church appropriates sacred and secular discourses to fit the circumstances of their social settings and their sense of relevance to current audiences. Christian music is used as the medium to understand this process and how it relates to larger discourses in society, the alignment with socio-cultural changes, and consumer values. A collection of Australian contemporary Christian songs belonging to the praise and worship genre are analysed textually. Through a study of this alignment process between both sacred/secular and the macro-societal shift, this research contributes to a theoretical re-conceptualisation of sacred and secular theory that is in line with macro-societal shifts, as well as the socio-historic patterning of institution appropriation processes that help create a better understanding of the relationship between religious institutions, societal changes, and marketing of religious products.

Macro-societal Structure & Religion

Against the backdrop of sacred and secular is the macro-societal structure. Australia is classified as an advanced economically developed society according to the latest wave of data from the World Values Survey (2001). The World Values Survey is a worldwide investigation of socio-cultural and political change. Principal investigators, Inglehart and Baker (2000) argue that economic development is linked with systematic changes in basic cultural values. Using data from three waves (1990-1991, 1995-1996, 2000-2001, current period is still in data collection stage, www.worldvaluesurvey.org) of its World Values Surveys which included 65 nations, they found evidence that economic development has systematic and to some extent predictable cultural and social consequences. Linked with a society’s economic progress through industrialisation and modernisation, cultural values subsequently followed to change although there is dependence on a country’s cultural heritage (whether a society is historically Protestant, Roman Catholic, Orthodox, Confucian, or Communist). What Inglehart overlooked here though is that within these traditional religious categories,
there have been mutations and transformations which in themselves could be attributed to the change in macro-societal structures.

Through industrialisation and progress, modernisation theory (Inglehart, 1997) states that rationality, empiricist, and scientific thinking would replace traditional religious belief systems and norms. This was strongly influenced by Weber’s work in “The Protestant Ethic and the Spirit of Capitalism” (2001) which gave rise to the idea of a rational worldview undermining the foundations of faith in the supernatural, the mysterious and magic. This would eventually turn a society once religious into a secular society which is consistent with secularisation theory (Berger, 1967). Not solely attributing it to rationalisation, secularisation theory is defined by Berger (1967) and Martin (2005) as the process by which society and culture are freed from ecclesiastical connections and theology. Even though secularisation is not necessarily ‘anti-religion’, it manifests itself in many faces including the separation of the church from the state, the disappearance of religious symbols in public celebrations, and the decline in religious content in the arts, philosophy and literature. Most of all, secularisation has produced in many individuals a greater sense of self who look upon the world with their own lives and identity.

Secularisation is a widely noted pattern, specifically and commonly to mean the decline in religion in a modern society (Hunt, 2002). More importantly, this decline is dominantly expressed in a linear fashion (Hammond, 1985) where a society moves from some sacred condition to progressively secular conditions, with the sacred receding more and more behind the scenes. Secularisation in itself implies there is division between sacred and secular so therefore, as the process happens, it ‘contaminates’ the properties of the other (Eliade, 1959). The ‘other’ in this context is religion. Belk, Wallandorf, and Sherry (1989) identified secularisation of religion as one of the processes (the other being sacralisation of the secular) that is shifting the boundaries between the sacred and the profane. Secularisation though, is not simply a decline in religion as its ‘stubborn refusal to disappear’ (Chaves, 1994, p. 749) has forced a re-evaluation into this so-called theory. As previously mentioned, this theory also does not explain the growth and anomalous appearance of ‘new’ religious movements and expressions. If secularisation theorises decline, how is growth within Christian churches explained? If secularisation theorises fading away of religious symbols in content, does this get reflected also in religious products? How does this explain the nature of particular versions of the sacred ‘growing’?

There are many faces to secularisation. It can refer to a society, a population, an institution, an activity or a mentality (Somerville, 1998). Traditionally, it’s been explained as a process (Martin, 1965) or as an aspect of life (Dobbelaere, 1985). Chaves (1994) further argues that it is not so much the decline of religion, but of religious authority. This is concurred by Lambert (1999) who distinguishes secularisation as thresholds which include autonomization of religious authority as well as abandonment of religious symbols, which was classically established by Berger (1967). This suggests a complex arena where there is no sense of agreement on exactly what secularisation means, which not only can be explained at various levels of analysis but arguably, with various discourses.

In a developed society like Australia, the decline in institutionalised religion concurs with secularisation theory at the macro level. Based on the 2001 census, many
Christian denominations declined in actual numbers including the Uniting Church, the Presbyterian and the Reformed, The Salvation Army, and to a lesser extent, the Anglican Church. Churches of Christ and the Brethren experienced the greatest declines (cited in “Details of the 2001 Census”, Christian Research Association www.cra.org.au). Another source even concluded that the Uniting Church is almost universally in advanced stages of decline (Morris, 2006). The Census also reported a decline in Jehovah’s Witnesses, despite growth in 1991-1996. Catholics, Lutherans and Seventh Day Adventists grew but a slower rate than the population while the Baptists and the Orthodox Church remained stable.

Secularisation as decline however, may not be reflected at the meso and micro levels evidenced by a growth in spirituality type movements (New Age, Eastern meditation for example). At the meso level, secularisation theory does not explain the continued salience of religion in the rising popularity of Pentecostalism even in highly-developed societies such as Australia with significant growth rates of above 10% as reported by the same census data. Similarly, a study of Singapore by Pereira (2005) also shows that religion is still deeply embedded in its society despite having experienced rapid economic modernisation, although this has more to do with the government’s role of both directly and indirectly promoting religion. Macro-societal shifts have influenced how sacred/secular discourses play out each other, resulting in a shift in how churches present itself to the contemporary audience. This includes the whole repackaging of its contents, rituals, symbols and expressions resulting in the articulation of a hybrid of discourses.

In highly advanced developed societies where there are high levels of security, Inglehart (1990) posits the post-materialist theory where religion may not necessarily disappear with economic development but be replaced by individual spirituality. Post-materialism emphasises self-expression values and a shift from emphasising physical security (characteristic of modernisation) to subjective well-being and quality of life. Featherstone (1991) also noted that the decline of religion and its institutional bases in society often leaves behind a vacuum for both the individual and society. How this vacuum is filled varies by individuals. The sacralisation of material goods through consumption is apparent (Belk et al., 1989) as well as through heirloom possessions such as jewelry (Fernandez and Veer, 2004) and life transforming experiences such as skydiving (Celsi, Rose, and Leigh, 1993) and river-rafting (Arnould and Price, 1993). This vacuum also creates other ways in which meanings and values get transferred through other conduits such as music, material objects and spiritual products alternative to traditional religion.

Amidst these different secular ways of ‘filling up the vacuum’, it is apparent that some still choose religion or some version of it as evidenced by the growth of Pentecostal churches even in advanced societies. Rather than simply accepting that modernization has led to religious decline in the modern landscape of societies, it is even more intriguing to understand what nature of relationship the sacred and secular have with each other given the consequences of modernity or as some argue (Venkatesh, 1999) the postmodern turn. At the very nexus of this sacred/secular relationship is the marketing of religious products.
Marketing and Religious Products

Religious products are carried by the marketing system, charged with meanings (Tharp and Scott, 1990) into what Roof (1999) terms the ‘spiritual marketplace’. Arguably, it is not only religious products that operate in this marketplace but religious beliefs competing alongside with various kinds of spirituality such as Deepak Chopra, Scientology, Anthony Robbins, astrology and so on. Whether it is an outcome of modernity where the hegemony of the marketplace (Firat and Venkatesh, 1995) has shaped the offering of ‘branded religion’ (Twitchell, 2004) or as an effect the marketing system has on society, it is evident that the sacred and secular dualism (traditionally conceptualised this way by Durkheim (1965) and Eliade (1959)) is much more complicated today.

The intersection between religion and marketing (Mittelstaedt, 2002) or religion and globalization (Kale, 2004) gets manifested most clearly at what is being sold in the marketplace. The products, its contents, its packaging and its appeal clearly show the syncretisation (Stewart, 1999) of religion and marketing. For example, a Christian crusade was held in Disneyland (Anaheim, California) in order to attract ‘secular’ theme-park goers (Lyon, 2000). Another example is the transformation of bibles into ‘magazines’ targeted at young women, teenage girls and teenage boys respectively which include shaving, beauty and dating tips (Libaw, 2004) in order to make the bible ‘less freaky’. The extent of sacred and secular alignments, arguably with macro-societal shifts warrants a closer look. Another medium to study this alignment effect is through Christian music.

Christian Music as Sacred/Secular Alignment

Reference to music is made numerous times and occasions throughout the Bible. Songs are revered to regardless of denomination although the style and appearance varies. There is also a visual representation of the way it is played and performed which varies by religious institutions. Music is a conduit to culture and meaning (Frith, 1988). As a religious product, it is a site where ideology circulates as well as a mirror used to represent the sacred which is highly visible, audible, saleable and malleable to socio-cultural forces. Music style is never neutral, but is organically wed to the socio-cultural setting in which the music is created and developed (Romanowski, 1992) in order to convey certain meanings to a particular audience. Music is chosen as the primary medium of this research as not only it is a highly visible product, it is also a religious product that is secularly marketed and sold. It is an appropriate medium to study the alignment process that is acted out by the church in playing out the tensions between sacred and secular.

Liedermann (2004) in a study of ‘The Free Monks’, a Greek rock band of black-robed Orthodox monks was analysed against the backdrop of the social, cultural and political role of the Orthodox Church in Greece. This was a new cultural phenomenon as the ‘singers’ were a group of Greek Orthodox monks and ordained priests (Father Panteleimon and Father David as lead singers), who perform in an MTV-style video singing modern rock music accompanied by live concerts and initial albums that
reached gold and platinum status in sales in Greek pop charts. This phenomenon of ‘sacred songs with a secular beat’ can be seen as one example of a mutation that has occurred in the Christian discourse as a result of alignment with changes in the macro-societal shifts, but more is needed to understand the intricacies of this alignment in another setting.

**Background to Christian music**

The historical background to Christian music goes back to the Bible and also to the Reformation (Cusic, 2002). Ranging from the Gregorian chant, to English hymns, to Gospel music (religious music of African-Americans as well as those in Southern gospel, Powell (2002)), to contemporary Christian music or CCM, this genre has definitely moved along with time, socio-historic and socio-cultural changes resulting in an assortment of language, style, mutations and arguably, discourses. The term CCM is defined by Romanowski (1992, p. 79) as “evangelical popular music that co-opted existing popular music style with religious lyrics added for ecclesiastical purposes, specifically worship and evangelism”. CCM artists include the likes of Michael W. Smith and Amy Grant who regularly release albums into the CCM industry. This category is not the focus of this research as given the aim laid out earlier, the primary focus is on the church and how it appropriates sacred/secular discourses through its music. Therefore, it is the praise and worship category that is focused. These are songs produced either by a church (such as Hillsong Church) or members of a church affiliated to a particular denomination (for example EMU Music and the Anglican Church in Australia).

In Australia, praise and worship music gained popularity and momentum from the late eighties; spearheaded in Australia by the Sydney based Hillsong Church. A number of other churches followed suit producing albums (for example Christian City Church and other Assembly of God churches) that have transformed the landscape of church praise and worship which has characterised and homogenised many contemporary churches with a charismatic flavour. Christian music represents 5.6% of the total music sales in Australia in 2004, with audio sales of more than $30 million. The Australian Christian music industry is dominated by Hillsong Church (which since 2003 has been distributed by Sony Music Australia: www.hillsong.com) with 14 albums recognising gold status, and one platinum status in sales worldwide (Australian Christian Music Fact Sheet, Woodlands Media, 2005). A recent Hillsong church album even hit number two in the secular ARIA (Australian Recording Industry Association) charts in July 2005.

**Background to the Religious Institution**

Before moving on to the methodology, it is necessary to briefly explain the nature of the religious institution that will serve as the site of investigation in this research. In order to capture change and alignment effects in religious expressions over time, the religious institution very much is the conduit that not only mirrors but expresses
The Pentecostal Church

Pentecostalism is a Christian religious movement that is made up of several denominations (for example Assembly of God, the Apostolic Church, Christian Outreach Centres) that is primarily concerned with the experience of the Holy Spirit and the practice of spiritual gifts (Anderson, 2004). The emphasis is on experience and practice, not so much on theology and doctrine. It is a movement that expresses contemporary mobility and collectively promotes a religious version of the ‘feel good’ factor (Martin, 2001). This is girded by a customer mentality that basically operates under what Hutton (2005) terms a ‘feel good society’ where instant gratification pervades and that church goers are customers that expect service. Wallis (1984) even goes on to say that Pentecostalism as a new religious movement is a ‘world-accommodating movement’. Versions of Pentecostalism not only resemble the secular culture but re-makes religion in the image of a business with buildings more like a cinema than a church, offerings that blur the boundary between what is sacred and what is secular (for example, motivational content, Pilates courses and a Smart Saver account), music style that take on pop or rock, and messages that are creatively spoken by charismatic and often attractive looking speakers. Christian rituals such as baptisms and communion are still practiced, but the delivery of them varies in a manner which transforms the traditional to more contemporary representations. The popularity of this version of the Christian church is demonstrated by soaring church attendances in Sydney Australia such as Hillsong Church with its 20,000+ growing members, making it equivalent to a ‘mega church’ (Twitchell, 2004). This church has created a theme that fosters an environment which made church fun, hip, and entertaining. It has defied declining church attendances over other traditional denominations in Australia despite its young history which started in the late seventies (National Church Life Survey, 2001). Overall, Pentecostalism is one of the fastest growing Christian denominations in Australia and worldwide (Brierley, 1998), of which Hillsong Church is the largest in Australia.

Methodology

I explored the meanings of a collection of Hillsong songs dating from 1990 — 2005 (total of 46 songs). Hillsong songs are chosen as they dominate the contemporary praise and worship genre in Australia and are well known for composing some of the most popular songs performed in Pentecostal churches worldwide (Anderson, 2004). I used discourse analysis (Elliot, 1996) to study the lyrics line by line in order to discover the meaning expressed through the language of the songs. Discourse analysis is an analysis of any form of discourse which Potter and Wetherall (1987) mean to be all forms of spoken interactions, formal and informal, and written texts of all kinds. The assumption behind DA is that language is used as a medium orientated towards action and function (Elliot, 1996). Language is used to ‘do’ things whether...
it is to persuade, accuse or convey and what is said is also a way of not saying something else. DA is concerned with the strategies employed in trying to create a certain effect or meaning (Bryman, 2004). Seen this way, DA is not merely the linguistic analysis of texts but views texts in terms of the different discourses they draw upon and articulate together.

Given that a discourse is essentially a system of statements that construct an object, DA lends itself to textual analysis as its main method. The text according to Elliot (1996) may consist of formal written records such as news reports, company statements and reports, academic papers, transcripts of interactions such as conversations, or from media such as television programmes, advertisements, magazines and novels. This usage of texts as a way to examine the social processes behind its creation is one way of reading a piece of advertisement, for example (Scott, 1994). An advertisement as a cultural text can also be read literarily and analytically to ‘read’ an audience (Stern, 1989), to be deconstructed to shed layers of meaning (Stern, 1996) and its contents assessed (Hirschman, 1990; Phillips and McQuarrie, 2002) to examine representations of a phenomenon such as portrayal of women or affluence. This method of textual analysis is a form of close reading (Scott, 1994; Stern, 1996), which can also be done on films (Hirschman, 1988; Holbrook and Grayson, 1986) and poetry (Sherry and Schouten, 2002).

Close reading is a way of reading from lyrics the social forces that produced them (Frith, 1988). In the case of music, meanings are ultimately dependent on the song-text to make sense of the visual images (Bradby, 1992). This raises the importance of inter-textuality in studying the meanings these songs produce. Inter-textuality refers to the way that meanings are not only dependent on one text or image, but also on the meanings carried by other images and texts (Rose, 2001). The objective is to explore the social and institutional apparatuses that articulate the discourse and most texts are hybrids which draw upon more than one discourse. The visual materials consist of pictures of the music performance, the congregation, the architectural space, images of the people (audience, song performers, and church leaders), and pictures of artefacts produced by the church, coupled with observation field notes. Three DVD recordings of the music performance were used. The intertextual reading starts with materials that tell a story about the church, proceeding to the song lyrics.

Through discourse analysis, the network of meanings represented by the data set is uncovered. Through the songs and other ‘voices’ of the institution, the meanings draw upon discourses which are a combination of sacred/secular orientations.

In Hillsong church, services are highly experiential beginning with praise and worship, played by a band of musicians on stage with a team of worship leaders and choir, culminating to a ‘lively’ pastor preaching with a ‘motivational’ style. This is performed on stage that is choreographed with props and d◎cor, for an audience of thousands across seven multiple services on the weekend in a convention style-seating auditorium which is also broadcasted on television across 160 countries (www.hillsong.com). Services are usually one and a half hours long. This ‘spectacu-
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lar' experience is exemplified in events which the church regularly conducts such as its annual conference which attracts 20,000 people held in the same venue that once held the Sydney Olympics. Expressing Pine and Gilmore (1999) staging of the experience, it is intentionally created to be memorable and rich with sensations inviting the ‘customer’ to be involved, engrossed emotionally and spiritually.

The clever use of multi-media by the church greatly enhances the delivery and experience. The Gospel message which has been around for thousands of years gets transformed into what Debord (1994) calls a spectacle which is accelerated by the influence of media and technology. The sacred becomes a collection of images represented by a band of musicians, singers as worship leaders, an entertaining and often attractive looking pastor with charisma, and a massive audience swaying, clapping, or their hands up in the air engrossed in a ‘worship experience’. Entangled within the service is often an announcement and promotion of Christian ‘resources’ to empower the believers. The merchandise of Hillsong Church has included books, audio tapes/CDs of sermon messages preached, T-shirts, mugs, calendars, music tapes/CDs, DVD recordings of its album production and events, etc.

As a genre, Christian songs act out meanings that are consistent with the Christian faith in that they carry messages such as Christ, love, grace, and mercy for worship purposes. Christian songs have historically been an expression of worship to God but the discourse especially of the contemporary Pentecostal version suggests more and others. The four arching themes found through an analysis of the songs are explained as follows.

**Self-Empowerment**

Through the songs, there is an expression as to how the self is perceived. The standout of the word ‘I’ in many of the Hillsong songs can be interpreted as a manifestation of individuality and self-expression. The frequency of ‘I’ on the one hand, is a modern linguistic usage compared to the old English that form hymns, for example. There is a theme of the empowered self as the ‘I’ is empowered to ‘change the world today’, to ‘move mountains’, and to believe that ‘life could be all that you want it to be’. Both the ‘can be’ and ‘can do’ attitude is an attractive appeal, especially to young people which make up the majority of the church’s congregation, who are often at a stage of constructing their identities. Self empowerment is a big theme not only in Hillsong songs but in their books and sermon messages as well. This is grounded in the Pentecostal ‘prosperity preaching’ (sometimes also dubbed the Health and Wealth Gospel; Faith preaching) version of the Gospel that it is often criticised not only by the public but by other Christian denominations also. Apart from empowering the self, the expression of belief neither as redeemed sinner, nor humble servant but as an answer to dreams is also apparent.

**Prosperity and Blessings**

Another finding in studying the lyrics of Hillsong songs is the prevalent use of ‘positive’ words such as miracles, wings, strength, joy, hope, love, grace, with almost no
mention of any ‘negatives’ apart from the word ‘fear’ which occasionally appear. This is a rather stark contrast to hymns which do make reference to sin, sinners, death, judgement and hell. The over-emphasis on goodness produced a second theme, that of being blessed. As ‘favour pours in’ and one is “so blessed that I’ve got to give it away”, this is a very attractive theme. In a physical world, being blessed denotes all the goodness associated with life such as success, peace of mind, comfort, well-being, happiness, both in a material as well as a spiritual sense. After all, the churchgoers are living in the secular which generically means worldly. This is again a strong connection with the ‘Prosperity Gospel’ which Pentecostal churches are claimed to preach. However, when this is linked with blessings and favour framed in a self-empowering way suggests much more than simply praising God’s goodness. It is the ‘self’ or ‘I’ who desire to be blessed and empowered which when hermeneutically linked back to the bible, is quite paradoxically inconsistent.

Here and Now

In terms of time focus, Hillsong songs produced a here and now theme which seem to situate the blessings, dreams coming true, favour and miracles to happen today. From a hermeneutical biblical stance, is quite contrary to an eternal heaven and the after life. There is no focus on ‘suffering’ in the present and reaping joy in the future but it’s about harvesting and living to the full now. The sacred gets expressed to a ‘present help in my time of need’ which clearly is situated in the secular. This is a departure from the far apart, intangible ‘kingdom of heaven’.

I, You and Me

Words expressing the self (I, me, my) were very prominent in the songs. Moreover, these words outnumbered those that feature God (Lord, God, Jesus, Father). The word ‘you’ was evident, although it is not always directed to God but the audience. This different usage of the pronoun ‘you’ to refer to the one who is being addressed illustrate a language that is couched in a personal relationship as opposed to ‘thou’ in a traditional hymn. This difference illuminates interesting points of departures between Hillsong songs and hymns, for example. The intimacy of ‘you and I’ introduces a spirit of closeness, warmth, and approachability that seems far-fetched with the traditional stereotype of religion that denote doctrines, authority and rules. Also, this is interesting to have emerged out of this genre of music as typically hymns are about God, while this is directed to God or the audience. This reaching up and reaching out suggests freedom in interactions and absence of hierarchy, which is deviant from the traditional perception of religion. This suggests an individual, expressing oneself to a relationship that is close and personal, whilst inviting the audience to get involved. The notion of ownership (‘my God’, ‘my Saviour’) is also evident.
Discussion

Overall analysis of Hillsong songs reveals very much a self-individuation focus towards religion. This is expressed through a relationship rather than religion with doctrines. The personal expression of ‘I’ and referring to Jesus as a friend and not just a saviour but ‘my personal saviour’ suggests an extreme form of personal closeness. Love is strongly conveyed much, to the point that lyrics resemble a love song with no obvious links to a higher figure. If one of the distinguishing feature of a piece of Christian music is its lyrics (and its direct referral to God and other Christian symbols, characters and icons) as stated by Romanowski (1992), the absence of this in supposedly a Christian praise and worship song raises the question of the sacred/secular orientations evident in the song. Self-empowerment, positive connotations, personal closeness, framed in the present context suggests very much an expression that is ‘from me, to me, for me and about me’ rather than about reverence to the sacred. Whilst sacred discourses to do with Christianity are apparent, this is mixed with other discourses that one might argue is more secular in nature. These discourses in turn are reflections of what Inglehart (1997) terms post-materialist values which highlight self expression and self empowerment prevalent in highly developed societies where existential security already exists. Because physical security is already adequate in highly developed societies, the discourse on religion appears to play a more self-serving role framed in an individualistic culture. This is quite the contrary to what Malinowski (1948) and Durkheim (1965) conceptualised in terms of religion’s role as an avenue to reinforce social norms to promote social solidarity. This evidently is a mirror reflection to the changing times and macro-societal structures which has given rise to those kinds of values.

Taking the lyrics aside, the visual appearance of the song through its singers (their clothing, hairstyle, physical look), décor of the stage, tempo and rhythm, are in every way a close resemblance to a pop/rock performance. The absence of Christian symbols and icons in the church building (as mentioned, it is more an auditorium style setting) and its events adds to the secular look of the setting. While this type of church belonging to the Pentecostal denomination is not the majority of the Christian population in Australia (Catholics and Anglicans are), it is one that is growing amidst decline in the rest. It appears that a process of appropriation Thompson and Haytko (1997); Cova and Cova (2000) has taken place whereby the church aligns itself to changing socio-cultural shifts to incorporate both sacred and secular discourses into its identity that gets manifested in its offerings, contents and rituals. Consumer driven and market bound, this type of church and its offerings appears to be the version that resonates with current religious consumers.

Conclusion

This research is limited to one case of a contemporary church, one type of religion. Comparisons between denominations (both in decline and in growth other than the Pentecostal church) and other religions would give more holistic insights to the alignment patterns of sacred and secular. The dialectic between sacred and secular shares
a long history that has placed both either as polar opposites (Durkheim, 1965; Eliade, 1959) or as a continuum (Arnould and Price, 2004). Given the changes and shifts in the macro-societal structures over time that gets reflected in socio-cultural values, this either/or conceptualisation may be out of place. Instead, a both/and (Kelly, 2006) conceptualisation may be more appropriate to understand the tensions each exert on each other, as manifested in the socially situated church and religious products. Not only does this have implications on faith, meaning and values, but also fits in very well with macromarketing as it provides the framework to understand the interrelationships between marketing, society and institutions (Dixon, 1984).

References


The wide impact of religion on human life has long been recognized. Islam is a religion that has increased in influence and has strong implication from day-to-day life of consumers. A particular aspect of Islamic law that has had unique impact is Islamic banking. It is our purpose to provide an outline of the nature and scope of Islamic banking and to develop a preliminary conceptual model of its likely effects.

Introduction

According to surveys, most of the people in the world say that religion is very important in their lives. Many would say that without it, their lives would be meaningless. It’s tempting just to take them at their word, to declare that nothing more is to be said — and to tiptoe away. Who would want to interfere with whatever it is that gives their lives meaning? But if we do that, we willfully ignore some serious questions. Can just any religion give lives meaning, in a way that we should honor and respect? What about people who fall into the clutches of cult leaders, or who are duped into giving their life savings to religious con artists? Do their lives still have meaning, even though their particular “religion” is a fraud?
Churches make a great show about the creed, but they don’t really care. A lot of the evangelicals don’t really care what you believe as long as you say the right thing and do the right thing and put a lot of money in the collection box.

Churches have given us great treasures. Whether that pays for the harm they have done is another matter.

Daniel C. Dennett

Religion and/or spirituality in its various forms has had a major influence on humanity since prehistoric times and recently it has been suggested that it is evolutionary (Chisholm, 1999; Dennett, 2003). At its broadest it is a macromarketing variable that has the potential to affect all aspects of marketing. (Mittelstaedt, 2002, p. 6) in his seminal work, in macromarketing, on the topic has stated, “scholars need to understand the effects of religion on the kind of issues they face in business and, more important, how these issues are defined, informed, and regulated by religion.” In the more general context his statement has most recently been echoed by Dennett (2006) who presents a cogent argument for the application of modern scientific methods to the exploration and evaluation of modern theories of religion and their social implications. This argument must be tempered by the historical ever-present hostilities and prohibition against the discussion of religion lest one be accused of blasphemy or heresy, and the possibility of the related dire consequences (The Economist, a,b,c,e). Nonetheless, the ubiquitous presence, power and authority of religious teachings and their effects are too important to continue to be avoided by marketing scholars.

Perhaps the most interesting starting point for any research agenda is the existence of hostility between the various forms of religious social groupings, despite the often cited similarity in the major forms of their divinely inspired dogma (e.g. Campbell, 1949; Dennett, 2006). The antagonism both externally (between different religions) and internally (between different sects of the same religion) is surprising given the common emphasis on compassion and peace of most religions. Indeed, some of the most cogent questioning of religious precepts have emanated from deeply religious philosophers (e.g. Dostoevsky, 1912; Wasserman, 1970) and is sympathetically handled in many religious tracts (Jones, 1966). For example,

24 Thomas, called the Twin, who was one of the Twelve, was not with them when Jesus came. 25 So the other disciples said to him, ‘We have seen the Lord,’ but he answered, ‘Unless I can see the holes that the nails made in his hands and can put my finger into the holes they made, and unless I can put my hand into his side, I refuse to believe.’ 26 Eight days later the disciples were in the house again and Thomas was with them. The doors were closed, but Jesus came in and stood among them. ‘Peace be with you,’ he said. 27 Then he spoke to Thomas, ‘Put your finger here; look, here are my hands. Give me your hand; put it into my side. Do not be unbelieving any more but believe.’ 28 Thomas replied, ‘My Lord and my God!’ 29 Jesus said to him: You believe because you can see me. Blessed are those who have not seen and yet believe. Jones (1966)
In part, The Economist (f, p. 78) in a review of Dennett (2006) captures the essence of the present situation as follows:

Had he been writing today, in a month when Muslims and Christians are engulfed in passionate conflict over the ridiculing of the Prophet Muhammad in a European cartoon, Mr. Dennett, a philosophy professor at Tufts University, might have used a different metaphor or parable to convey the difficulties of discussing religion across high cultural barriers. Just as a set of rules and rituals can seem self-evidently horrific to some people and perfectly natural to others, the symbols of religion — holy persons, holy artefacts or holy buildings — can evince reactions ranging from awe to repulsion to indifference among people who in other contexts would find little to disagree over.

This relativist argument illustrates some of the difficulties associated with the translation and interpretation of abstract metaphysical texts into the applied context of day-to-day living where power considerations, uncertainty and conflict are ever present. Further, the complexity of the divine message leads the ordinary citizen to rely and have faith in particular human interpretations and their manifestations in rituals and normative rules (Dostoevsky, 1912; Wasserman, 1970). It is these interpretations, the derived normative rules or religious law and the strength of faith in them that determines much of social debate and action. In the marketing context there is perhaps no greater impact than that of the interpretation that has led to the development of the unique characteristic of “Islamic Banking.” It is our purpose to focus on this one aspect of one particular religion and attempt to postulate some preliminary conceptual relationships for future macromarketing evaluation.

The Nature of Islamic Banking and Its Sources

Islam is the fastest growing religion in the world and has over 1.5 billion followers by conservative estimates (Central Intelligence Agency 2005). This growth, coupled with the inordinate amount of media attention that Islamic fundamentalism has received in recent years, has raised awareness of the Islamic philosophy and precepts on several aspects of life such as economics and politics. The rhetoric of Muslim clergy and scholars have either proposed an alternative to secularism and economic liberalism, at best; or at worst, instigated a shift towards fundamentalism to regain the glorious days of the Islamic empire. This fundamentalism emanated in the modern time from the work of the Egyptian scholar Qutb who saw major contradictions between the evolving Western culture and the religion of Islam, and who initiated an attempt to revive its relevance (Sharma, 2005).

Although it is important to note that Islam is a varied religion, Muslim scholars in general agree that Islam is more than just a religion; it is a comprehensive way of life, prescribed through norms and practices outlined in the Holy Book, known as the Quran. Notwithstanding the broad and equivocal interpretations of Islamic scripture, there is little disagreement on the principles and laws of Islam, known as
Shariah. These Shariah principles are not new and pervade all aspects of a Muslim’s life, including financial affairs (Taylor, 2003). The bases of the Islamic law governing economic transactions has its sources in the Quran where it is emphasized that all natural means of production, and resources have been created by God and it is, therefore, God who determines what is lawful (halal) and unlawful (haram) (Index to the Qur’an; Sharma, 2005). At its most general level this ancient law has many striking parallels with Christian religions and prohibits liquor, pork, gambling, pornography, usury and anything else, which is morally or socially injurious. An individual has the right to property ownership and to seek economic well-being, however this must be realized according to Islamic law and wealth must be used judiciously and not hoarded or wasted. While surplus wealth may be retained a portion must be allocated for the well-being of the community as a whole, so ensuring social justice without inhibiting individual enterprise.

From this general, basis Shariah is applied to financial matters because Muslims believe that it is God (Allah) who determines the fate of one’s financial wealth and endeavors. As a consequence, financial exchanges or transactions should be conducted in accordance to Shariah if one wishes the outcome to emerge as duly fated by Allah. A product of one such philosophy is the concept of Islamic banking. In Islamic banking, financial transactions adhere to the rules and injunctions imposed by Shariah with the intended outcome of improved equality, as well as, financial and spiritual welfare. Therefore, in principle, Islamic banking is characterized by compassion for the poor, the sharing of risk, abolition of greed and the exploitation of one class by another (Zangeneh, 1989). Advocates of Islamic banking argue that departure from conventional banking practices and the adherence to Shariah hold the solutions to economic problems (Bjorvatn, 1998).

Since the modern incarnation of the Islamic banking movement began less than sixty years ago as an effort to defend Islamic civilization against foreign cultural influences (Kuran, 1995b), Islamic banks around the world today are managing about USD$200 billion in funds. To date, there are over 250 Islamic financial institutions operating in 48 countries, many of which are non-Muslim countries (The Institute of Islamic Banking and Insurance, 2006). Economist (The Economist, d) has recently reflected on Islamic Banking as follows:

These are profitable days for banks in the Persian Gulf. And no wonder, you might say, with the price of oil topping $50 a barrel this week. The Gulf is awash in money, and banks, the conduits and depositories of it all, are doing nicely. In Saudi Arabia, by far the biggest of the six countries in the Gulf Co-operation Council (GCC), banks’ profits in the first half of this year were 30% higher than in the same period of 2003. Last year wasn’t bad, either: according to the Middle East Economic Survey, a weekly newsletter, full-year profits at GCC banks rose by almost one-fifth from 2002’s level, to $7.1 billion. Only one of the 67 banks surveyed reported a loss.

At the outset, this provides credence for Islamic banking, not only as a legitimate and viable alternative to conventional banking, but perhaps, also as solution
to economic problems. These particular issues should be of great interest to macro- 
marketers — the legitimacy of Islamic banking as an alternative form of banking, its 
viability, and contribution to societal welfare — issues that are still relatively unex- 
plored or unaddressed.

Principles of Islamic Banking

Operationalizing the Shariah in the banking context leads to a very interesting com- 
parison between conventional and Islamic banking, and the application of financial 
principles. A distinguishing characteristic of Islamic banking is the prohibition of in- 
terest. The injunctions against the collection and payment of interest or usury (riba) 
are stated clearly in the Quran (These injunctions are contained in several verses in 
the Quran such as Sura II.). The bases for this injunction is the belief that income 
should not be generated without labor on the part of the lender and that exchanges 
based on interest are considered to benefit the rich at the expense of the poor (Noor- 
zoy, 1982). The condemnation of usury is not unique to Islam; it is also frowned 
upon in Christian and Jewish teaching as well as by philosophers such as Aristotle 
(Hardie and Rabooy, 1991; Jones, 1966). Nonetheless, the sentiment against usury 
among Islamic scholars and religious leaders is well captured in the following quote 
by Taleqani (1983, p. 103):

The greedy people with the poison of money through usury, extracted the 
economic blood from the body of the producing classes, which are the 
active and progressive organs of society, and injected into their fat bodies, 
which are the parasite of society... usury (is) the foundation and root of 
all or most social and economic problems.

As strange as these concepts sound in conventional banking, let’s take the exam- 
ple of a home mortgage. Here, a bank operating in conventional banking, loans the 
homebuyer money and charges interest on the principal. In Islamic banking how- 
ever, the bank will buy the house from the seller and resell it to the homebuyer at a 
markup, which is equivalent to the time value of money and a premium that will be 
the bank’s profits. The homebuyer pays the resale price to the bank in installments 
until it is fully paid up. Until then, the bank retains legal ownership of the house. 
These two separate transactions — the purchase of the house by the bank and the 
resale of the house to the homebuyer — circumvent the injunction on charging in- 
terest on the loan. This arrangement is known as Murabaha, which is analogous to 
‘rent-to-own’ schemes in conventional finance.

A similar example in trade financing is Bai’ Bithaman Ajil, where a business owner 
is looking to purchase equipment and inventory. In conventional banking, a business 
owner approaches the bank for a business loan, and upon approval which is subject 
to the feasibility of the business, the bank will provide that loan which is payable 
with interest. In Islamic banking, the bank purchases the equipment and inventory 
concerned and sells it to the business owner at a markup, which is equivalent to the 
time value of money and the bank’s premium. The business owner is allowed to 
make deferred installment payments until the amount of the sale price is fully paid
up. Until then, the bank retains legal title of the equipment and inventory. Again, the bank's resale of equipment and inventory with a markup equivalent to the cost of credit circumvents the prohibition of *riba*.

Consistent with this prohibition, banks are allowed to accept deposits from depositors but are prohibited from paying interest to attract or retain such deposits. Similarly, Muslim depositors are prohibited from expecting and collecting interest on their deposits. Yet Islam recognizes the need for a banking intermediary. In Islam, when a bank accepts a depositor's money, it becomes a trustee for his or her money. This deposit is available to the depositor at call and may be repayable with a 'gift' from the bank as a reward for using the funds. Often this 'gift' is equivalent to the time value of money but the bank does not officially guarantee its payment or a preset amount. This arrangement, known as *Wadiah*, is offered and promoted as an alternative to interest-bearing deposits.

The injunction against *riba* is supported by other Islamic principles advocating the sharing of risk, individuals' rights and duties to society, property rights and the sanctity of contracts (Zaher and Hassan, 2001). However, it is the Islamic principle that encourages fellow Muslims to share the risk and fate of financial exchange that is of particular interest. Between the bank and the business owner, this arrangement complements the injunction on usury because bank revenue conventionally received in the form of interest charges is now substituted with profit or dividends from its investment in its debtors' business ventures. Profit and loss sharing arrangements are also encouraged for its role in achieving and maintaining economic equality — one of the central tenets of Islam. Therefore, in principle, the sharing of profit and loss in commercial enterprise, known as *Mudharabah*, is another salient feature that distinguishes Islamic banking from conventional banking.

Let's take an example of a business loan in Islamic banking. In conventional banking, the bank loans the business owner money, which is repayable with interest that is equivalent to the prevailing market rate, irrespective of the eventual financial performance of the enterprise concerned. In Islamic banking however, the bank will lend the money to the business owner without charging any interest or fees. If the enterprise is profitable, the bank shall receive a portion of its profits, proportional to the capital loaned to it. If the enterprise makes a loss, the bank shall bear that loss. This *Mudharabah* arrangement will continue until the principal is fully paid up. Essentially, the bank's profit/loss is equivalent to the enterprise's profit/loss.

Another form of profit/loss financing encouraged in Islam is the *Musharaka* or the joint venture. In this arrangement, Islamic banks essentially perform the role of a venture capitalist by providing capital to entrepreneurs in exchange for a pre-agreed share of profits, if the venture is profitable. If the venture is not profitable, generally the banks will bear the losses. However, if it was found that the entrepreneur was negligent or deceitful in the management of the venture, the bank does not have to bear any losses.

In the same vein of profit and loss sharing, both the issuance and amount of 'gift' payments (*hibah*) in *Wadiah* arrangements in principle are tied to the profitability of the bank. Depositors, as providers of funds, are essentially shareholders of the bank, albeit silent partners. While there is little disagreement on this principle, its current implementation is highly debatable. Nonetheless, it is a profit-sharing alternative to
receiving a predetermined interest rate, thus circumventing the injunction on riba. Ultimately, profit and loss sharing arrangements in Islamic banking are instrumental in reducing income inequality and class exploitation because it facilitates economic participation from lower socio-economic segments of the population who lack access to financing and capital.

To this end, the Shariah also discourages participation in risk-taking activities or activities where the outcome is unknown or hidden (gharar). Hence, it prohibits trading in financial risk and speculative investments as these behaviors are regarded as gambling, which is prohibited in Islam (haram). The application of these principles has significant implications on the treatment of financial risk (Hardie and Rabooy, 1991), imposing severe limitations on both Muslims and Islamic banks in the number of financial instruments available for sale, investment and trade (Noorzoy, 1982). Typically, Islamic banks do not offer its customers opportunities to trade or invest in derivative securities. It should be noted however that it is unclear whether Islamic banks themselves partake in the derivative securities markets, behaviors that would be prohibited in Islam for its characteristically high risk and volatility. It should also be noted that trading in derivative securities is permitted in many Muslim societies because the Shariah does not provide clear guidance on the acceptability of these instruments (Naughton and Naughton, 2000).

Since risk-hedging investments are also prohibited in Islam, conventional insurance is naturally prohibited. As an alternative, Islamic banks offer Takaful. In conventional insurance, the insurance premium rate is a more-than-fair (for the insurance company) outcome of actuarial calculations on uncertain outcomes (gharar), which is prohibited in Islam. With Takaful, customers agree to contribute a predetermined amount (which may also involve actuarial calculations) into a pool of funds, which will be used to guarantee fellow contributors against loss or damage. Any surplus funds will be redistributed to contributing customers. Operating under the guise of a support network, Takaful also circumvents the prohibition of products based on gharar.

In Islam, the disdain for speculative profits also limits a bank’s ability to engage in the equity markets. Vested financial interest on uncertain outcomes is regarded as gambling, which is prohibited in Islam (haram). Hence, speculative trading of equity instruments such as stocks and property by banks is generally prohibited. However, it should be noted that the Shariah permits the ownership of stock and that many Muslim societies have an active stock market, despite the presence of uncertainty and speculative opportunities in stock trading. These observations might suggest the interpretation of the Shariah is subjective and as a result, uncertainty persists with regards to which financial instruments and behaviors are haram and which are acceptable (Kuran, 1983).

There are other principles of Islamic economics that may not give rise to differences between conventional and Islamic banking that are as contrasting as those of preceding principles, but are still worthy of mention. One example is investment in activities labeled as haram. The Shariah prohibits investments in businesses that are involved in gambling, pornography, alcohol, and pork products. Islamic banks will then have to be more circumspect and transparent with their investments or confine their investments to instruments and companies that are approved by local govern-
ing Shariah councils. Another example is alms giving. The Shariah decrees that wealthier Muslims pay alms (zakat) to their poorer counterparts. In Islam, zakat is foreseen as a necessary arrangement to serve its goals in welfare distribution. While not directly related to Islamic banking, Islamic banks serve as collection agents for committees who determine its appropriation. Both these principles parallel efforts to shape banking and investment norms to conform to the Muslim way of life, but not without generating a debate about the legitimacy and viability of Islamic banking (Ali, 1964; Chapra, 1985, 2000; Sharfi, 2000).

The Benefits of Islamic Banking

The motivation for applying Islamic principles to banking is based on principles of equality and justice — values that are deemed to pervade all aspects of life including banking. The banking function plays a critical role in welfare distribution, the prohibition of riba and the sharing of profit and loss are intended to reduce inequality in income, wealth and welfare. Since interest is held to have adverse redistributive effects, the prohibition of riba seeks to eliminate the indebtedness of the poor to the rich (Wilson, 1982). The sharing of profit and loss then effectively eliminates the need for collateral, thereby providing the poor with better access to credit and financing. In turn, better access to credit and financing will increase the rate of economic participation and reduce income inequality. Along with the welfare transfer payments of zakat, this is a salient feature of Islamic banking given that most Muslim communities are characterized by sharp inequalities (Kuran, 1996).

Indeed, proponents of Islamic banking argue that it results in several positive benefits to the economy. Chiefly, Islamic banks play an important role in stimulating economic development in rural areas (Bjorvatn, 1998; Siwar and Karim, 1997). Stiansen (1995) reported that through profit and loss sharing arrangements similar to Musharaka, small-scale farmers can offer a share of the harvest, in exchange for the required financial and physical capital that would not be obtainable otherwise through conventional banking. Caragata (2000) noted that the Indonesian government provides political support for Islamic banking as an alternative to conventional banking for rural entrepreneurs.

The elimination of interest can also have positive stabilizing effects on the economy. Darrat (1988) and Khan (1986) found empirical support to attest that, in underdeveloped countries, Islamic banking is superior to conventional banking because the prohibition of interest results in a more stable financial sector. In addition, Ghanadian and Goswami (2004) indicated that Islamic banking is the most appropriate choice during the transition of an economy. Consistent with the historical perspectives of many cultures that view money lending and usury as a parasitic activity, the elimination of interest would serve to minimize class exploitation and civil unrest.

Several authors attribute other economic benefits of Islamic banking to its unique profit and loss arrangements. Naser and Moutinho (1997) argue that profit and loss sharing arrangements forges closer ties between the banks and its customers. In these arrangements, both the borrower and lender have vested interest in the feasibility and productivity of the commercial enterprise. As a result, the sharing of
information and risk between the two parties is increased, which in turn, reduces information asymmetry (Samad and Hassan, 1999) and inequitable returns (Zaher and Hassan, 2001). Zaher and Hassan (2001) purport that through profit and loss sharing arrangements, Islamic banking improves capital allocation efficiency because interest-based lending tend to reward capital to creditworthy borrowers rather than the most productive projects.

An increasingly salient benefit of Islamic banking is its viability as an alternative form of banking. In Muslim countries, for example, Pakistan, Iran and Sudan where the entire banking system was reformed to conform to Islamic banking principles, observers noted that the financial system did not collapse as some skeptics had expected (Khan and Mirakhor, 1990; Pourian, 1995; Zangeneh, 1989). In fact, banking systems in Pakistan and Iran have since recorded significant growth in investment deposits (Khan and Mirakhor, 1990). Some researchers have found that the acceptance of Islamic banking among Muslim depositors is motivated by its ability to help them fulfill religious requirements (Kuran 1996; Metawa and Almossawi 1998, Metawa and Almossawi 1998, Shook and Hassan 1988, while others theorize that Islamic banking has attracted socially-conscious depositors (Gerrard and Cunningham, 1997; Taylor, 2003). Even though the natural target market for Islamic banks are Muslims, the banks have also been able to attract non-Muslims depositors (Caragata, 2000; Gerrard and Cunningham, 1997; Haron, Ahmad, and Planisek, 1994; Kuran, 1996). Religiosity aside, the growing participation of Muslims and non-Muslims in Islamic banking is also driven by the attractive returns received to depositors (Gerrard and Cunningham, 1997; Haron et al., 1994; Metawa and Almossawi, 1998; Naser, Jamal, and Al-Khatib, 1999).

Criticisms of Islamic Banking

The concept of Islamic banking is not without its critics, both due to its shortcomings as a theoretical concept and its implementation. Naturally, the biggest source of criticism is over the prohibition of usury and the ensuing impracticalities. In this section we will discuss three such areas of controversy, the first of which is related to the irreplaceable nature of interest in an economic system. The interest rate serves as a market-clearing mechanism for capital, assuming that people are rational and seek to maximize profits. As a consequence, interest, being the return on capital, is regarded as an effective allocative mechanism for financial resources. Eliminating the interest rate would disable market signals that help investors assess the relative risk of certain investments. Eliminating interest would then reduce the incentive to save, which would limit the funds available for investment and economic development (There is no empirical evidence that demonstrates the effect of Islamic banking on economic development.). Surprisingly, economic researchers have yet correct this research shortcoming, but the economic effects of an injunction on interest are easily conceivable and certainly worth exploring.

The second area of controversy is the interpretation of riba in the Shariah. In Islam, the receipt of earnings on the rental of physical capital is permissible. But the Shariah forbids profiteering from wealth per se, without any form of labor on the
part of the lender. Critical questions arise as to the nature of the difference between these two revenue streams and which of the two is excessive and tantamount to usury. This ambiguity might also beg the question of whether interest is equivalent to usury or if zero interest means zero nominal interest or zero real interest. The most serious complicating factor emanates from the ambiguous interpretation of riba among scholars (Noorzoy, 1982). Muslim scholars and clergymen who interpret the spirit of the riba injunction argue that usury is excessive profits from increases in real interest rates, as opposed to those who interpret the injunction by the letter who argue that all forms of non-zero interest is equivalent to usury.

This duality gives rise to an array of economic and financial implications for the borrower and lender, as well as, the economy in general (e.g. Metawa and Almosawi, 1998; Metwally, 1992, 1997; Qureshi, 1974; Siddiqui, 1985; Zaher and Hassan, 2001). Noorzoy (1982) provides two basic implications that are of interest. If riba was deemed to be usury associated with excessive profits, then the author suggests that the only changes to the conventional economic model required are the elimination of monopolies and the continual intervention from the state to maintain workable market competition. If on the other hand riba was deemed to be zero interest, the entire economic system needs to shift towards stable prices, fixed returns and profit sharing.

The third area of controversy is whether existing Islamic banking offerings are truly interest-free. In the case of Murabaha, Bai’ Bithaman Ajil and other similar leasing arrangements, the bank on-sells property or equipment to the borrower and charges a markup comprising the time value of money and the bank’s profit. Critics assert that this markup is essentially disguised interest. Advocates of Islamic banking differentiate these arrangements from interest-charging loans because the bank retains legal ownership until the full sale price is paid and that the markup is fixed between both parties before entering into the arrangements. In the case of Wadiah, it is also reasonable to question the practice of rewarding depositors with payments disguised as ‘gifts’. Even though these payments are not guaranteed, they are often promoted to depositors (Khan, 1986) and paid at the rate of the time value of money. Once again, the legitimacy of these markup arrangements is contingent upon the interpretation of the injunction on riba.

How Islamic is Islamic Banking?

The debate over the true economic contribution of Islamic banking remains unresolved. In this paper, we have thus far implicitly proposed two explanations for this. The first explanation is that the current interpretation and operationalisation of Syariah governing financial transactions and relationships among Muslims makes Islamic banking indistinguishable from conventional banking. The second explanation is that Islamic banking practices today do not conform to the values of Islam and its intended effects. With its asset portfolio predominantly in markup or leasing arrangements, both Islamic banks and Muslim investors have exhibited an aversion toward profit sharing arrangements Yet it is profit and loss sharing arrangements that have the greater potential to stimulate economic development, as well as being a bet-
WHAT ISLAMIC IS ISLAMIC BANKING?

A critical question: Do Islamic banking practices today conform to the values of Islam and its intended effects? In the following section, we will discuss the state of Islamic banking today and whether Islamic banking practices contribute to greater equality and societal welfare. This discussion will assist in raising some issues regarding the longer-term viability of Islamic banking.

Currently, the asset portfolio in Islamic banks is heavily weighted towards short-term financing with an overwhelming majority in markup or leasing arrangements. Profit and loss sharing arrangements and long-term financing continue to be a small share of the overall portfolio (Aggrawal and Yousef, 2000; Bjorvatn, 1998; Dixon, 1992; Khan and Mirakhor, 1990). Such a portfolio structure is disconcerting for at least three reasons. First, Islamic banks’ aversion to long-term financing limits its ability to contribute to economic growth and development (Iqbal and Mirakhor, 1999). The high monitoring costs (The lack of industry expertise combined with profit underreporting and tax evasion by the entrepreneur makes it costly for the bank to monitor the progress of the project.) involved in profit and loss-sharing projects invariably skew the duration of these arrangements toward the shorter end. Second, the Islamic banks’ aversion towards profit and loss-sharing arrangements is perplexing because these arrangements have significant potential to catalyze rural development and increase economic participation from the poor. Mudharabah is an ideal source of financing for the rural poor because it does not require collateral from the borrower and the bank shares the risk associated with the venture. Since the bank’s return on capital is tied to the profitability of the venture, the borrower’s position is less vulnerable to fluctuations in economic conditions. Economic participation among the poor should therefore increase as capital becomes more easily obtainable under these arrangements. The desired effect of course is a reduction in income inequality. Caragata (2000) reports a successful example of Musharaka, where Islamic banks act as venture capitalists to small-scale farmers who obtain seed capital for agricultural ventures. Finally, the difference between interest-charging loans and markup or leasing arrangements may be marginal, particularly to the poor and those who lack access to credit and capital. Indeed, Taylor and Evans (1987) warn that markup or leasing arrangements may open a ‘backdoor to interest’ and recommends that Islamic banks should shift their emphasis from markup and leasing arrangements towards profit and loss-sharing arrangements. In the former, the ability of the poor to own equity on assets still hinges on their ability to pay the markup and creditworthiness — both of which deteriorate in tougher economic conditions. Despite the consequences, the bank continues to expect markup payments while retaining equity on the asset. If this illustration draws parallels with an interest-charging loan, then the Islamic banks’ reliance on markup and leasing arrangements would do little to reduce the gap between rich and poor.

The current customer base of Islamic banks also casts doubts about whether it has the capacity or willingness to reduce inequality. The typical Islamic banking customer is likely to be highly educated, have a high income, and lives in the city (Metawa and Almossawi, 1998; Naser et al., 1999; Ratnawati, 2001). Researchers propose that Islamic banking would have the most positive impact on reducing income inequality by providing financing to the poor in rural areas (Bjorvatn, 1998; Ratnawati, 2001).
Yet the coverage of Islamic banks continues to be concentrated in urban areas and is underrepresented in rural areas (Bjorvatn, 1998; Carpenter and Jensen, 2002; Sarker, 1999; Siwar and Karim, 1997). The concentration in urban areas may indeed be driven by market forces (the need to attract deposits). However, these decisions should not be solely driven by business rationality, particularly when most Islamic banks operate under the auspices of Islamic law.

Indeed, Muslim norms and religiosity are important concepts in Islamic banking. Since Islamic banking is promoted as banking that conforms to the Shariah, the natural target market consists of Muslims who want to fulfill their religious obligations. These norms are particularly salient for depositors who might have to forgo interest revenue on their deposits. With the growth in Islamic bank assets worldwide, it would be reasonable to infer that either religiosity and social consciousness among Muslims or the number of Muslims is also growing. But a closer examination suggests a different inference. The growth in Islamic banking is in part attributable to the growth in the number of non-Muslim customers who are seeking higher returns (Caragata, 2000; Gerrard and Cunningham, 1997; Naughton and Shanmugam, 1990). Moreover, Haron et al. (1994) indicated that Muslims patronize Islamic banks because of the returns they would receive from their investments. It is quite curious that returns have been consistently promised and paid at a competitive rate to depositors (Kuran, 1995b), when it can only be derived from profits from non-interest charging markups and leasing arrangements. Kuran (1995b) reported that employees of Islamic banks unofficially promise potential depositors rate of returns that are consistently close to the prevailing interest rates, and hence inferred that the returns on Islamic banking products are derived from interest-bearing investments (see also Metwally, 1997).

In light of this evidence, some researchers warn of serious defects in current Islamic banking practices and question whether interest-free banking is really interest-free at all (Hardie and Rabooy, 1991; Kuran, 1986). Errico and Farahbaksh (1998) provide several examples where actual Islamic banking practices diverge from the theoretical paradigm. Their investigation showed that all deposits in Islamic banks are always explicitly or implicitly guaranteed, as is the rate of return on investments in profit and loss-sharing arrangements. Advocates of Islamic banking concede that since many Islamic banks operate in conventional banking systems, they are compelled to adopt a ‘hybrid’ method in order to compete with conventional banks (Zaher and Hassan, 2001).

It should also be noted that the viability of Islamic banking cannot rely on the Muslim norms alone. Pro-Islamic banking rhetoric hinges on the assumptions of the solidarity and benevolence of the Muslim community. But economist Kuran (1983, 1986, 1995a, 1996) is critical of these assumptions and argues that Islamic economists tend overstate the role and enforceability of Islamic norms in today’s social environment. He argues that evasion of Muslim obligations is harder to detect in a large and heterogeneous society, thus making altruism harder to achieve. He also argues that Islam economists, scholars and clergymen have not addressed the ambiguity in Islamic norms in the modern economic and financial context, which gives rise to a multiplicity of interpretations of these norms, even from the most pious of Muslims (Kuran, 1986).
Moreover, he criticizes Islamic economists for failing to address the problem of moral hazard among Muslims, many of whom have historically exhibited the rationality and opportunism that resides in other non-Muslim individuals. Indeed, the Islamic banks' aversion to profit and loss-sharing arrangements like Mudharabah and Musharaka are largely in part a result of moral hazard. Once the entrepreneur's risk is shared by the bank, he or she has an incentive to underreport the profits of the venture. Khan and Mirakhor (1990) and Sarker (1999) report that since tax evasion and underreporting is pervasive in profit and loss-sharing arrangements, the monitoring costs and associated risk of these arrangements become prohibitively high. Thus, it would be safe to conclude that the viability of the theoretical concept of Islamic banking cannot rely on Muslim norms alone. Its viability invariably requires the support of the government and central banks. If Islamic banks were to operate under the injunction on riba, its asset portfolio would be heavily weighted towards profit and loss-sharing arrangements. This position adds substantive volatility in the banks' profitability and return to its investors and depositors. The government will be required to stabilize fluctuations in deposits and liquidity by prescribing a range of return on investments. This range however could be construed as interest, which may then shift the portfolio back towards interest-like products. Since the 'dividends' of Islamic banks and the interest rates of conventional banks are controlled by central banks and monetary authorities, pro-Islamic governments are in a position to enhance the attractiveness of Islamic banks, which might explain its relative higher returns (Kuran, 1986). In short, government support has enabled Islamic banks to better compete with conventional banks, but has also inadvertently molded Islamic banks in the likeness of conventional banks.

Indeed, the growth in markup and leasing arrangements and continual aversion towards profit and loss sharing arrangements makes Islamic banking increasingly indistinguishable from conventional banking. More importantly however, this trend underscores the divergence between economic rationalization and religious norms in the marketplace. Mittelstaedt (2002) referred to the influence of religion and religious norms on the marketplace and called for macromarketing researchers to seek a better understanding of this relationship. In heeding this call, this paper presents a conceptual model postulating not only the welfare effects of Islamic banking, but also its socio-psychological determinants. A study of the effect of religious norms on economic decisions would be incomplete without studying psychological factors.

Towards a Research Agenda in Marketing

Islam is, similar to Judaism and Christianity, a monotheistic faith that emphasizes compassion and peace. At its best it is a tolerant religion whose emphasis is on practice of Islamic law and so to human welfare. As such it has clear prescriptions for day-to-day life and strong implications for marketing for those operating within its context. In particular, one area in which it has had unique application is Islamic banking. The scant marketing literature on Islamic banking has been confined to studies of customer satisfaction and service quality (Gerrard and Cunningham, 1997; Haron et al., 1994; Metawa and Almossawi, 1998; Naser et al., 1999). Given this, it is
surprising that it has not been more extensively researched in marketing literature, nor has it been comprehensively discussed in the macromarketing forum (see Mittelstaedt 2002 for a notable exception). The question of whether Islamic banking is better for economic development and societal welfare provides a unique opportunity for macromarketing researchers to evaluate the effects of what may be described a natural experiment. It is our purpose in this concluding section to attempt to sketch out a conceptual basis for the evaluation of the effects of Islamic banking. This is being done as a preliminary step and basis for discussion rather any strong theoretical statement.

From the preceding discussion it is clear that religion plays an important part in the day-to-day lives of individual consumers. Islamic banking is a form of product or service deliberately developed from religious law. As such it not only has implications for divine retribution but much more directly for human welfare. However, in attempting to develop causal relationships between a religiously-based banking practice and human welfare, one is faced with complexities that are difficult to overcome, for religion may affect almost every aspect of human life. There are therefore complex interactions and other highly correlated cultural variables (The Economist, Gruber, 2005; Mittelstaedt, 2002). One aspect that must form a vital part of any model developed relates to the discrepancy between the normative questions of values and the descriptive issues associated with practice (Hunt, 1976a,b). The first variable in our Figure 48.1, has, therefore, been labeled “religiosity.” This is a variable full of surplus meaning, however, we are using the term strictly as an indicant of values, i.e., in the normative sense. It is a measure of perceptions of strength of faith and should be clearly distinguished between actual measures of religious practice and other external indicators.

Although Islamic banking is itself an indicator of religious practice, the next variable simply labeled “Islamic practice” is a more general formulation indicating general compliance to Islamic law without reference to banking practices. The next variable in the model “Islamic knowledge” is based on the work of Gerrard and Cunningham (1997) who surprisingly found that there was a general lack of awareness and familiarity of Islamic banking among Muslims. This suggests the existence of a problem area for Islamic banking whose promoters may have to implement stronger education and marketing practices. Based on the research by Gruber (2005) who found that a “major determinant of religious participation is religious market density, or the share of the population in an area which is of an individual’s religion,” a variable simply labeled “Islamic Density” is postulated. Another related notion is that a web of church-going relationships may foster trust. This “social capital” may facilitate business dealings, and provide support in difficult times. Each of these variables is postulated to be related to the likelihood of “Islamic banking participation” which in turn leads to increased “human welfare”. Both of these variables are postulated to be influenced by “individual characteristics” such as education.
Figure 48.1: Islamic Banking and Human Welfare
Conclusion

Religion has long been recognized as a major factor in the formation of social structure and human action. It has been our purpose to follow in the footsteps of Mittelstaedt (2002) and introduce the dogma behind Islamic banking to macromarketing scholars. This is a unique characteristic of a major world religion whose effects need to be carefully examined. After a discussion we have attempted to develop a rudimentary conceptual model whose broad boundaries may be helpful in developing future research projects. It is important that this be done because Islamic law is not only reactive by prohibiting, for example, capital investment in companies involved in harmful activities, such as gambling and alcohol, but, proactive in developing Islamic banking practice designed to guarantee social justice in financial transactions and improving societal welfare (Taylor, 2003).

References


REFERENCES


Modesty in Consumption: The Impact of Islam

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This paper considers the Islamic concept of *hayā’* from the perspective of physical modesty, using the example of Muslim women's clothing. It looks at the clothing requirements, considers how they “communicate” in a Western context and the implications for consumption.

Introduction

Muslims are increasingly members of the consuming middle-classes, both in the West and outside of it. Whether these consumers come from the “new” middle-classes in Turkey (Sandikci and Ger, 2001) or other increasingly wealthy countries such as China, or they are “new Muslims” (Western converts) who were already part of the Western middle-classes (Hill, 2001), or “new Western Muslims” (migrants or their children), all kinds of Muslims in all sorts of countries are joining the consuming middle classes. Traditional writing on culture has viewed it as being largely geographically bounded (e.g. Hofstede, 1980; Mastor, Jin, and Cooper, 2000; Schwartz, 2004), and religion has, in turn, been written about as an aspect of this geographically bounded culture. In contrast, this paper argues that Muslims from everywhere share a culture that springs from Islam (Jameelah, n.d.), and so Muslims have great commonality in how they consume, regardless of their geographical location. It is generally accepted that Islam affects the thinking and behaviour of Muslims (e.g.

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Ali, 1995, 2001; Rice, 1999; Rice and Al-Mossawi, 2002; Ibrahim, Harwick, and Al-asmar, 2005), and considering its influence from a holistic perspective, beyond the conventional geographic boundaries of culture, also fits with the societal marketing concept (El-Ansary, 1974; Pettigrew, 2005).

In such a context, understanding the Islamic guidelines to which Muslims subscribe, is increasingly important. For this paper, clothing is chosen as an illustrative example, in part because of the visible nature of its consumption, but also because of its recognised symbolic importance in the West (e.g. Mandel, 1989; Beck, 1980; Sandikci and Ger, 2005).

Whilst in English Islam is referred to as a religion and, as such, would be an element of culture, the reality is that it is represents an holistic approach to life. In Arabic, the language of The Qur’an, there is no specific word for religion, and given the scope of Islam in comparison to the Western understanding of “religion”, ‘way of life’ is a better description. To illustrate this in its entirety is obviously an undertaking beyond the constraints of this paper, so, instead, the key concept of haya’ or modesty will be considered only in its relationship to physical modesty and only with reference to Muslim women’s clothing. Muslim women’s clothing is a visible form of public consumption, and has been the subject of much debate within the mass media and Western society in general (e.g. Abu Odeh, 1993; Dwyes, 1999; Shirazi, 2000). As such, it is a particularly topical and appropriate focus for this paper.

What is Haya’?

Haya’ is an Arabic word which means bashfulness/shyness/timidity/diffidence, but which is most frequently translated into English as “modesty” (Baalbaki, 1994). It is from the root hayat which means “life”. In an Islamic context, modesty has implications for everything and impacts on every facet of daily life. Modesty is referred to in the Islamic teachings on everything from marriage to faith to speech to action to thought. In fact, the importance of this concept in Islamic teaching can best be illustrated by the following translation of the meaning of a quote from the Oral Tradition: “The Messenger of Allah said, “Every deen (way of life) has an innate character. The character of Islam is haya’” (Al-Muwatta of Imam Malik ibn Anas, 1989, 47.9).

Haya’ in Terms Of Physical Modesty

In physical terms, modesty is connected with the “awra’,” an Arabic term meaning “inviolate vulnerability” (El Guindi, 1999) [what must be covered] and consisting of the private body parts of a human being (Al-Qaradawi, 1992). For women, the awra’ is extensive and may seem complicated, especially to an outsider. A woman’s awra’, with respect to men outside her mahrem [family members/those permanently ineligible for marriage to her] and non-Muslim women, consists of her entire body, with the exception of her face and hands. There are 12 categories of mahrem and these people may see a woman’s “hair, ears, neck, upper part of the chest, arms and legs. Other parts of her body, such as the back, abdomen, thighs and two private parts, are not
Islamic Clothing Guidelines for Women

Having considered previously that modesty is central to Islam, and physical modesty is a consideration within that, modesty in clothing is an obvious component. The discussion on clothing presented here focuses mainly on women's clothing, and women's clothing in the public sphere i.e., with non-mahrem — clothing that is worn in the company of strangers. This means that the public sphere is defined here as “in the company of strangers” rather than “outside the home”, although often these two situations coincide. It does not refer to “public space” and “private space” as defined in a Western paradigm (Tarvis, 1992), and does not allocate public space as outside the home and/or solely the domain of men (or vice-versa).

There are a number of requirements and prohibitions concerning clothing in Islamic teachings. Fundamentally, the awra’ must be covered, but the method or style of coverage varies greatly from country to country and person to person. Islam permits, in fact, requires that the Muslim be careful about his appearance, dress decently, maintain his dignity and enjoy what Allah has created for the purpose of clothing and adornment. From the Islamic point of view, clothing has two purposes: to cover the body and to beautify the appearance. . . Islam has made it obligatory on Muslims to cover their private parts. . . cleanliness is the essence of good appearance and the beauty of every adornment . . . Beautification and elegance are not merely permitted but are required by Islam . . . “Say: Who has forbidden the adornment of Allah which He has brought forth for His servants, and the good things of His providing” [The Holy Qur’an, Translation of the Meaning, 7: 32],

. . . Islam makes it haram (prohibited) for women to wear clothes that fail to cover the body and which are transparent, revealing what is underneath. It is likewise haram to wear tightly fitting clothes which delineate the parts of the body, especially those parts which are sexually attractive. . . The general rule for the enjoyment of the good things of life, such as food, drink and clothing, is that their use should be without extravagance or pride (Al-Qaradawi, 1992, pp. 79-87)
To this list a prohibition on perfuming the (publicly consumed) clothing may be added (see also, al-Albani 1994). Other consumption prohibitions include: tattooing, plastic surgery, plucking the eyebrows, and using wigs and hairpieces.

For the non-Muslim observer, what is Islamic teaching and what is a reflection of local culture is hard to discern. As foreshadowed earlier, the inter-relationship between Muslim's religious beliefs and culture is somewhat different to the conventional view. Muslims share a culture that comes from the Islamic way of life (Jameelah, 1978), and so, rather than religion being part of culture, religion is the primary component of culture across all Muslims in all countries in which they live. In contrast to much Western writing on culture, religious considerations come before cultural ones. With regard to clothing, this means that cultural preferences and fashions determine the different ways in which the religious requirements are met. Modest clothing is an obvious component of a deen with the innate character of haya’.

Fundamentally, the awra’ must be covered, but the method of coverage varies greatly from country to country, culture to culture, and person to person. There are all sorts of outfits which reflect the country of origin, or the ethnic group, or the country of origin of the parents or friends of the wearer or simply, what the wearer likes best! Thus, what is seen on the street in Western countries can be any of these styles, or any mix of them. Despite the common misconceptions, no colours are specified in Islam, nor are any particular styles. Black is favoured by some in Gulf countries, but is not at all popular in Morocco, for instance. Arabs tend not to like red, but prefer browns, blacks, and blues, while other geographically based groups like brighter colours.

Similarly, the role of head-covering is part of the teaching on women’s dress and is universally accepted. “Among Islamic scholars there is a consensus with regard to female covering but there is no consensus for the actual form of the covering” (Roald, 2001, p. 271). For example, recent interviews undertaken in Morocco included the basic question, “why do you cover your head?” The first and most common response was that it “fard” (see also, Roald 2001, p. 294; Azzam 1996, p. 226). This is an Arabic term which best translates as “obligatory” (required by the deen). A similar sentiment expressed in response to this question, usually along with the response “fard”, was that of “taqwa”.

The term taqwa is often translated into English as “fear of Allah”. However, an “angry God” is not how taqwa is understood in a Muslim context. Firstly, Allah does not have human characteristics and so does not get angry or feel anger as a human does. Secondly, taqwa has a double meaning because takwa has two roots — one can be translated as “safeguard” (it-tiqa’) and one “power” (quwwa) — we take from the positive what is beneficial (power) and push away the harmful negative (safeguard). It means that you fear what Allah has forbidden for you, and you need to take the action of pushing away the harm, and also act to attract the good. This is consistent with the Islamic understanding that Allah gives the guidance he does as practices to be followed which have benefits for you and for the wider society. Therefore, wearing Islamic clothing, defined as clothing which meets the standards set out in the texts and rulings — ie, loose, covering, non-transparent, subdued, clean, neat and tidy — is an act of worship and submission to Allah (Ash-Sharawy, 1991, pp. 1977-1978).
“Translation” of the Guidelines

As mentioned above, the consensus of the scholars on clothing does not extend to the style or form of the ensemble, so there are regional variations. Typically, in Egypt for example, Muslim “women wear full-length gallabiyyas (jilbab in standard Arabic), loose-fitting to conceal body contours, in solid austere colours made out of opaque fabric” (El Guindi, 1999, p. 143).

Traditional clothing for Muslim women in Malaysia is the Baju Kurong — “a Malay dress with long skirt, long sleeves and tight neck...[and to] cover one’s head with a scarf or a small headdress, the mini-telekung” (Lie, 2000, p. 33), or “loose-fitting long tunics over sarongs” (Ong, 1990).

In Morocco, it is the jellaba — “a long-sleeved, floor-length garment which also has a hood” (Davis, 1987:26), although in recent times the jellaba can also be hoodless, “a long, hooded robe worn as outer garment by both sexes”. “…women cover their bodies when they go out. They wear “either a jellaba (long robe) and veil, or a haik, a large piece of fabric which they wrap around themselves so just their hands, feet and eyes remain visible” (Davis,1983,p. 61, in El Guindi 1999, p. 61). “The haik is a variation on the wrap worn in certain traditional circles by women in rural and urban areas of the Middle East. In that sense, it is both an ethnic and a gender marker. The hooded jellaba’...on the other hand, is worn by both sexes and is similar in appearance. As a clothing item, it is dual-gendered, bringing out the nuanced variability of clothing as used by men and women” (El Guindi, 1999, p. 61). Similarly, Moroccan traditional shoes — bilgha’ — are the same basic style for men and women.

The word hijab is used several times in The Qur’an, but only once does it refer to women’s clothing. The two items of clothing mentioned for women are khimar (the head veil) and jilbab (a long gown), which had not been newly introduced by Islam but were likely already part of the wardrobe of the time (El Guindi, 1999). “It is also evident in my ethnographic analysis of the historical record that veiling was and is a practice that is differentiated and variable, with each variant deeply embedded in the cultural systems” (El Guindi, 1999, p. 12).

The Islamic teachings thus provide guidelines regarding clothing consumption, and different cultures have developed different styles to suit their tastes and climate.

Clothing as Communication

The Muslim woman’s headscarf is an item that generates much interest in a Western context. This, too, is a communication — or miscommunication — issue. Just as Muslims are “in context” in some countries, they are “out of context” in others — usually when they are in the minority. As the “communication” of clothing messages suffers from “noise” (distortion) in these contexts, often the “message sent” by the wearer is not understood by the “receiver” — or is understood to have a very different meaning from that intended (or sent) by the wearer. This is particularly true for women who cover their heads, Roald (2001) suggests,
‘The veil’ has various connotations in a Western context. A Christian nun wearing a veil might be seen as an image of sincere religiosity, purity and peace, whereas a Muslim woman wearing a veil is likely to be seen as a symbol of the oppression of women and as making a political-religious statement. The visibility of her religious commitment may be seen to signal a ‘holier than thou’ attitude and thus evokes resentment in the non-Muslim. In... many... Western countries, religion is regarded as a private matter. Thus a common statement is that ‘religiosity should not be visible but should be a matter of the heart and one’s inner-most feelings’. The acceptance of the nun’s veil seems unaffected by such complaints against the Muslim woman’s veil, even although both share the same visibility. Why? Because the nun represents commitment to the prevailing religious tradition. She is an ‘insider’. The Muslim woman, on the other hand, symbolises the intrusion of alien beliefs contrary to the prevailing in religious tradition. This response is further reinforced by negative media reports about Muslim immigrants or Muslims in other countries (Roald, 2001, p. 254).

El Guindi also makes this point: “In 1931 Crawley wrote: ‘A Muslim woman takes the veil, just as does a nun’ ” (1931:76). This is an example of a very commonly presumed analogy that results from examining the veil as an object with universal (Christian) meaning. So the veil of the nun and the veil of the Muslim woman are presumed identical. Nothing can be more different than these two veils. The difference is in the meaning, the symbolism, the ideology, the constructed womanhood, and the notion of sexuality” (El Guindi, 1999).

This “deconstruction” of symbols leads to misrepresentations on both sides. “The instrumentalist interpretation of the phenomenon of Islamic veiling has its base in the nature of in-group/out-group communication” (Roald, 2001, p. 258). These misunderstandings are often exacerbated by research on the topic. “The analysis of Islamic veiling by social researchers must be understood in the context of recent social research which abandons religion as an instrument of analysis” (Roald, 2001, p. 257). “Secularist-bound scholars either deny the existence [of the Islamic feminist movement’s use of the veil as protest] or ideologically dismiss any scholarly discussion of such formulations (even empirical studies) as apology” (El Guindi, 1999, p. 184). Consider this example,

In the face of modern women who exhibit their femininity by the care they give to their bodies and clothes, Muslim women conceal their femininity behind veiling and thus present the “sacred body” against the “aesthetic” one... Veiled women, like their predecessors, enter into public life with the slogan “Personality But Not Femininity” (Gole, 1996, p. 130)

Clearly, Islamic teachings on modesty and normative social clothing practice in Western societies clash, but the Western paradigm sees women “who cover” as opposing them, when in fact the “social interaction” component of Muslim women’s clothing choices are often considered a distant second to “vertical concerns” (fulfilling the will of Allah). “Sharia’ [is] the Islamic law [which] switches between two
Concluding comments

Returning to the point made in the introductory comments regarding the fit between the holistic approach of Islam and the social marketing perspective, it is important to know what constitutes Islamic teaching (i.e., the shared “culture” of the Muslims) and what constitutes local or national or ethnic culture. As Sanders (1997) points out in his classification system of “Muslims”, even those in the broadest and vaguest category (ethnic Muslims), identify with the tradition — and that means that the person is aware of what is suitable and what is not at a fundamental level. It does not mean that they do it, just that they can identify it.

In his discussion of the social marketing concept, El-Ansary (1974, p. 318) identifies societal-based considerations which include “environmentally and morally compatible products”. There a number of fundamental teachings in Islam that would similarly impact consumption and so affect how life is lived by an increasing percentage of the world (and local) populations. These include teachings on the environment, social justice, consumption and even the purpose of life itself. These same teachings offer a huge reservoir for future research topics with societal marketing impacts, and they will become increasingly important as the number of Muslims and their spread across different cultural and geographic boundaries continues to grow.

References


Session XIV

Panel: Thursday 4.00pm-5.30pm