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A STUDY OF THE TRAPPED BRAND PHENOMENON

Brenda Cullen

This study explores how industry structural changes can influence the performance of brands. In particular, the study is concerned with the impact of increasing retailer and manufacturer concentration and the growth of private labels on the performance of brands within the convenience goods industry. Four mature product-markets – tea, coffee, toothpaste and washing-up liquid – are examined over a twelve year period (1982 to 1993). Three different databases – Taylor Nelson AGB, RTE and ASI – are combined to test the proposition that a particular group of brands in each market, described as trapped brands, are increasingly vulnerable or threatened as a consequence of industry structural changes. The study compares the advertising expenditure patterns and the retail distribution profile of trapped brands to those of dominant or leader brands in order to explain the increasing divergence in the strategic profile and performance of groups of brands within the convenience goods industry.

Introduction

The convenience goods industry in Ireland has been subject to gradual structural changes over the past twenty years – the increase in retail concentration, manufacturer concentration and the growth in private labels have been well reported within the industry. These structural changes have a direct impact on both the strategies and performance of brands. This study explores the extent to which the competitive position of some brands has improved considerably, while other brands have become 'trapped' in a downward spiral in market share as a direct consequence of these industry structural changes. The question the study raises is whether particular strategic choices have led to the instability of trapped brands within the convenience goods industry or whether this instability is driven by industry structural forces. Brands within four markets – tea, coffee, washing-up liquid and toothpaste – are examined in depth.

Structural Changes within the Convenience Goods Industry

The convenience goods industry in Ireland has grown substantially over the past fifteen years and is now estimated to be worth approximately IR£4.8 billion (Goodbody, 1995; Irish Trade Board, 1995). The industry can be categorised into at least thirty different product-markets (Table 1). Most of these product-markets have relatively clear boundaries which may be determined through measures of cross-elasticity of demand (Day et al., 1979; Schocker et al., 1990a). Furthermore, each of these product-markets is influenced by similar industry structural forces which impact on both brand strategies and performance.

The average rate of growth within these product-markets over the period 1993 to 1994 has been approximately 6 per cent (Goodbody, 1995). The key trends which have influenced these rates of growth in Ireland include: higher disposable income, an increase in the number of working women, more households and a growing tendency for consumers to become more health conscious.

The main industry structural forces which influence the convenience goods industry include:

1. *Retail concentration*: over time fewer retail multiples are controlling a greater percentage of sales within the grocery trade (Laaksonen, 1994; Buck, 1994; Warburg, 1995).

2. *Manufacturer concentration*: over time fewer manufacturer brands are controlling a greater percentage of sales within each market (Roland et al., 1994).

3. *Private label growth*: retailer brands are controlling a greater share of individual product-market sales (Buck, 1993; Laaksonen, 1994).

In relation to these structural changes this study then poses the question, 'As manufacturer and retailer concentration increases and as the share of private labels continues to grow within the conve-

Table 1 **Convenience Goods Industry 1994**

SALES VALUE

Sector	*£m*	*Sector*	*£m*	*Sector*	*£m*
Biscuits	100	Dressings	8	Tobacco	600
Milk	280	Sauces	20	Meat	1,000
Pet food	30	Soups	25	Other foods	255
Coffee	20	Fruit & veg	300	Detergents	115
Snacks	75	Yoghurt	20	Cosmetics	136
Fish	80	Cereals	68	Toiletries	191
Tea	40	Cheese	65	Household	90
Ice cream	79	Preserves	16		
Bread	200	Confectionery	250		
Cakes	40	Soft drinks	433		
Butter/spread	104	Frozen foods	127		

Source: Goodbody, 1995; Taylor Nelson AGB, 1994

nience goods industry, how do brands, other than leader brands, perform?'

Retail Concentration

Retail concentration has increased dramatically throughout Europe over the past 15 years as supermarkets take an increasing share of the convenience goods business. The UK is the most advanced and concentrated retailing nation in Europe with just five retail groups controlling 62 per cent of all grocery turnover. In France, the top five retailers account for approximately 48.1 per cent of grocery sales, in Germany, the top five retailers account for 55 per cent while in Ireland the top two account for approximately 43 per cent of the trade (Goodbody, 1995; Lambkin, 1996; Warburg, 1995; Roman and Recio, 1996). The extreme competitive nature of the convenience goods industry is largely attributable to these high and increasing levels of concentration of the retail trade.

In this study, retail concentration is measured as the percentage of industry sales controlled by the top two Irish retailers, Dunnes Stores and the Quinnsworth Group. To calculate retailer share estimates were made from the Taylor Nelson AGB consumer panel which measures 51 grocery product markets in Ireland. Using Taylor Nelson AGB data, the scale of retail concentration or shopping basket share* controlled by the top two retailers is presented in Figure 1. This chart indicates that retail concentration (across the 51 grocery markets) has grown from a total of 32.7 per cent in 1982 to 46.2 per cent in 1993. In 1982 Dunnes Stores accounted for 16.3 per cent of shopping basket share in Ireland and the Quinnsworth Group accounted for some 16.4 per cent. By 1993 these figures had increased to 21.9 per cent and 24.3 per cent respectively.

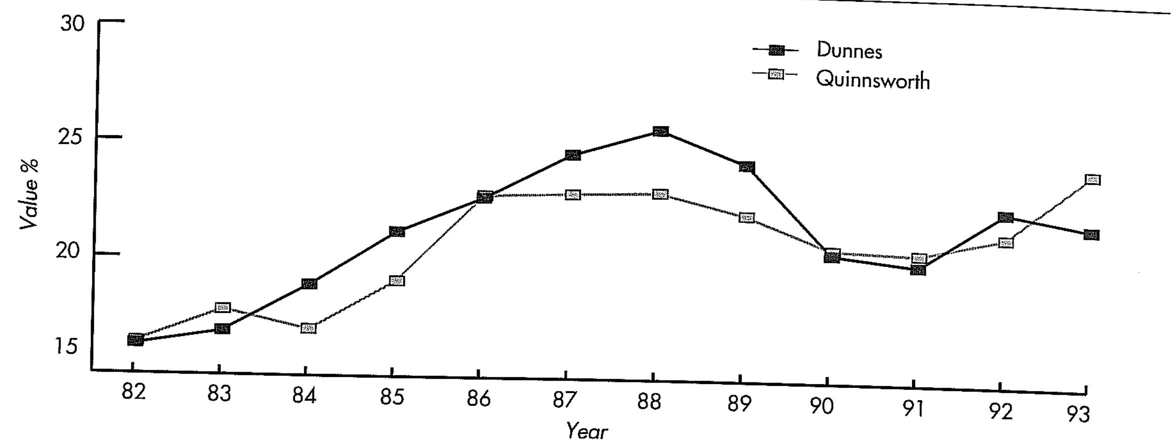
There is the danger, however, that an aggregated measure of retail concentration across many different product-markets within the convenience goods industry may be disguising varying trends within individual product-markets. In order to uncover variation in the individual scale of retail concentration across markets, the percentage of total category sales in the top two retailers was estimated separately for each of the four product markets of interest in this study – tea, coffee, washing-up liquid, and toothpaste. Table 2 illustrates the percentage of total category sales in each market sold through the two largest retailers (Dunnes Stores and Quinnsworth Group).

The gradual increase in the concentration of sales in the two largest retailers is apparent in each of the four markets over the period of analysis. The concentration of market sales in each of the four markets in 1982 was tea, 28.75 per cent; washing-up liquid, 37.14 per cent; coffee, 40.27 per cent; toothpaste, 44 per cent. These shares increased by 1993 to tea, 49.10 per cent; washing-up liquid, 50.54 per cent; coffee, 57.2 per cent; toothpaste, 58.5 per cent. In total the retail concentration in these four markets increased from 37.54 per cent in 1982 to 53.84 per cent in 1993.

An important implication of the growing concentration of retail sales is that a brand's total market share will increasingly be determined by its performance through the dominant retailers. Simply, if a

* The shopping basket share calculated from the Taylor Nelson AGB data base covers approximately 30 per cent of retailer sales.

Figure 1 **Retailer Concentration in Convenience Goods Industry 1982-93**



Source: Taylor Nelson AGB (based on 51 grocery markets)

brand obtains share of product category sales within the dominant retailers equal or greater than that brand's national market share then we can expect that brand's total market share to increase as retail concentration increases. Conversely, brands which are being delisted or losing shelf space in dominant retail outlets will face an accelerated decline in their total market share with increasing trade concentration.

This relationship between distribution and sales has become central to the understanding of competitive behaviour within the convenience goods industry. The traditional assumption that firms will be able to obtain from retailers the kind of distribution they want is no longer valid (Pelligrini and Zanderighi, 1991), as increasingly retailers are players with objectives and strategies that interfere with those of manufacturers (Day and Wensley, 1983; Jones, 1990). Marion (1993) argues that marketing management theory must now reflect how the structure of distribution channels is the product of interaction between the actors (power struggles, conflict, cooperation).

A number of areas in marketing theory are particularly pertinent to the link between market share and distribution from a consumer behavioural or demand perspective:

1. *Consumers' loyalty is positively correlated with brands which are widely distributed.* For example, larger brands tend to have more advertising support and wider distribution ('double jeopardy'); either of which might lead to more buyers and greater consumer loyalty (Ehren-

Table 2 **Retailer Concentration Trends in Key Markets**

	SALES VALUE (per cent)				
Year	*Tea*	*Washing-Up Liquid*	*Coffee*	*Toothpaste*	*Annual Average*
1982	28.75	37.14	40.27	44.00	37.54
1983	29.87	35.66	36.63	45.10	36.82
1984	31.05	36.34	43.30	45.50	39.05
1985	36.65	40.72	48.00	47.90	43.32
1986	41.88	43.50	51.00	53.00	47.35
1987	44.78	46.00	54.60	54.00	49.85
1988	46.20	48.00	56.00	57.00	51.81
1989	43.70	48.00	54.90	56.10	50.68
1990	41.50	46.21	55.00	54.60	49.33
1991	44.80	46.82	56.10	57.00	51.18
1992	46.78	48.06	55.40	56.10	51.59
1993	49.10	50.54	57.20	58.50	53.84

Source: Taylor Nelson AGB monthly market reports, 1981 to 1994

Table 3 **Manufacturer Concentration in Key Markets**

MARKET SHARE VOLUME (per cent)

Year	*Tea*	*Washing-up Liquid*	*Coffee*	*Toothpaste*
1982	66.1	38.5	54.7	40.1
1983	69.0	41.6	63.2	38.1
1984	74.2	40.4	58.0	38.8
1985	74.5	39.9	54.5	36.7
1986	75.6	37.7	57.8	37.4
1987	75.0	41.8	58.5	40.0
1988	72.5	40.3	55.0	41.5
1989	75.4	41.6	62.0	41.8
1990	76.1	40.0	64.3	42.0
1991	76.2	41.0	68.5	44.1
1992	77.2	46.3	74.0	44.3
1993	80.2	49.5	77.2	45.9

Source: Taylor Nelson AGB monthly market reports, 1981 to 1994

berg et al., 1990; Jones, 1990). Furthermore, dominant brands quickly gain high distribution penetration levels which partly explains their higher market shares (Verbeke et al., 1994). A positive correlation also exists between brand loyalty and store loyalty (Carman, 1970).

2. *Depth of distribution is important in determining brand choice* and typically large-share brands benefit disproportionately from in-store merchandising and shelf-space (Pelligrini and Zanderighi, 1991).

3. *Product availability affects brand choice and repeat-purchase rates and vice versa* (Pessemier, 1982; Raj, 1985). This issue is amplified by the growth of private label brands and the displacement of many of the smaller brands (Uncles and Ellis, 1989).

Market modellers must now realise that it is impossible to predict the effects of a change in manufacturers' strategies upon sales and market share without considering the reaction of retailers. Arguably therefore the convenience goods industry is more appropriately modelled in the context of a 'dual economy' as manufacturers sell firstly to retailers who, in turn, sell to consumers.

Manufacturer Concentration

Along with the increase in retailer concentration, manufacturer concentration has also increased in most mature markets within the convenience goods industry. Manufacturer concentration in this study is measured as the percentage of sales controlled by the top two brands in each of the four markets studied.

Table 3 illustrates the increase in the share position, by volume, held by the top two brands in each of the four markets. In all four markets the dominant brands have gained an increasing proportion of sales over the period 1982 to 1993. In the tea and coffee market, the same two brands have held dominant share positions throughout the period of analysis. In the toothpaste and washing-up liquid markets the dominant brand has retained the top share position while the second and third positions have alternated between different brands during the period.

While Table 3 presents the market share changes of the top two brands by volume, the same trend is apparent in value terms. However, in the tea and toothpaste markets the share held by the top two brands in value is less than the same brands' share in volume, while in the coffee and washing-up liquid markets, the market share in value is higher than the volume share for the two dominant brands. This trend indicates that in the washing-up liquid and coffee markets, the leader brands operate a premium price strategy (for example, Maxwell House, Nescafé and Fairy washing-up liquid are all premium priced brands). Alternatively, the tea and toothpaste markets are much more price competitive and the leader brands compete on price to a greater extent than the other two markets.

Private Label Growth

The growth in private label products has been a central issue in the convenience goods industry over the past twenty years. The increase in the number and share of private labels has signalled the increase in power of the retail trade and has

Table 4 Markets with High and Low Private Label Shares

High private label shares	*Low private label shares*
Kitchen paper (54 per cent)	Tea (5 per cent)
Facial tissues (54 per cent)	Soup (5 per cent)
Frozen beefburgers (52 per cent)	Salad cream (4 per cent)
Fruit juice (44 per cent)	Gravy mixes (4 per cent)
Toilet tissue (42 per cent)	Breakfast cereals (3 per cent)
Canned peas (41 per cent)	Instant coffee (2 per cent)
Rashers (41 per cent)	Liquid detergents (per cent)
Frozen pizzas (34 per cent)	Soap (1 per cent)
Cooking oil (31 per cent)	Toothpaste (1.8 per cent)

Source: Taylor Nelson AGB consumer panel data (27 fields), 1993

presented manufacturers with increased difficulties in attempting to build brands (Corstjens and Corstjens, 1995).

In Ireland, private label share of the grocery market has grown steadily from about 8 per cent of consumer expenditure in 1982 to 20 per cent in 1993 (Buck, 1993). Over the past few years this trend has stabilised and currently rests at 18 per cent, slightly higher than the European average of 15 per cent, but well below the 37 per cent prevailing in the UK (Warburg, 1995).

There are significant differences between the shares that private labels hold across different product-markets (Table 4). This variation is attributable to the underlying characteristics of the different markets. High private label markets tend to be those in which there is a surplus manufacturing capacity and low technical barrier to entry.

Conversely, low private label markets tend to experience extensive manufacturing activity which builds a consumer reluctance to accept private label products. In general, markets with a high private label share have a much lower advertising to sales ratio than those markets where private label performs poorly (Buck, 1994). Private label share also varies across retail outlets, with Dunnes Stores and Quinnsworth accounting for an average of 30 per cent of all sales in private label (Table 5).

Apart from the general increase in the share of private label sales in dominant retailers, there is also much evidence of a growing trend, which is consistent with trends across Europe, towards the development of the high quality private labels (e.g. Quinnsworth's Premium Choice) or retailer brands (Laaksonen, 1994). This trend is particularly damaging to the third, fourth and fifth brands in each market which tend to compete on price and are more likely to be struggling to keep their competitive position in the new retailing environment.

So as manufacturer and retailer concentration increases and as the share of private labels continues to grow within the convenience goods industry, how do brands other than leader brands perform? Obviously, as retailer concentration increases, brands which perform poorly through the large retail multiples will have weaker market share positions over time. As the stronger brands increase their share, the shares of other, more vulnerable brands will simultaneously decline. This trend is compounded in markets where private label sales are increasing.

In order to investigate this question an early descriptive analysis was undertaken of the third, fourth and, where appropriate, fifth and sixth brand in each of the four markets under study. This exploratory stage involves attempting to identify the threatened or potentially unstable brands which have lost share as a consequence of changing structural forces. This analysis gives an insight into the positions of potentially 'trapped' or threatened brands in the four markets through examination of key performance indicators over time.

Methodology

Central to this study is the proposition that the structure of an industry substantially influences

Table 5 Private Label Shares By Outlet (1993)

Dunnes Stores	29 per cent
Quinnsworth Group	31 per cent
Superquinn	20 per cent
Supervalu	17 per cent
Other Symbols	3 per cent

Source : Taylor Nelson AGB, 1993

the conduct or strategies of firms within that industry which, in turn, will shape the performance of the industry (Bain, 1956; Scherer and Ross, 1990; Porter, 1979). Within the structure–conduct–performance paradigm the study considers strategic group theory as a means of identifying and describing the competitive position of groups of brands in an industry which is subject to known structural changes. Consistent with strategic group theory, the study examines the mobility barriers which protect the strategic position of brands within one group from entry by brands outside that group (Caves and Porter, 1978).

While typically strategic group theory is applied at the corporate or business unit level of analysis, this study attempts to apply these concepts at brand level in order to improve understanding of competitive activity within product-markets in the convenience goods industry. At brand level strategic group theory has the potential to provide insights into the nature of both strategy and performance relationships and the analysis of competition (Tang and Thomas, 1992).

Consistent with the work of Sharon Oster (1982) which assigned firms to strategic groups based on advertising to sales ratios, this study relies on one strategy variable, advertising, to determine group membership. Oster's (1982) findings suggest that, 'at least in the case of advertising, it is the durability of a firm's investment in its strategies that maintains the group structure' (Oster, 1982, p. 85). This is consistent with the theory that advertising is a strong entry deterrent and barrier to mobility between groups within consumer goods industries (McGee and Thomas, 1986). Additionally, Oster includes time as a variable, proposing that changes occur in group membership over time as firms attempt to rationalise their positions through changing advertising expenditure patterns.

This study examines the advertising expenditure strategies of two specific strategic groups of brands – dominant brands and trapped brands – to determine whether industry structural forces have a role to play in the strategic choices and ultimately the performance of groups of brands over time.

Initially thirty two potential markets within the convenience goods industry were screened. The following criteria were applied to the market screening process:

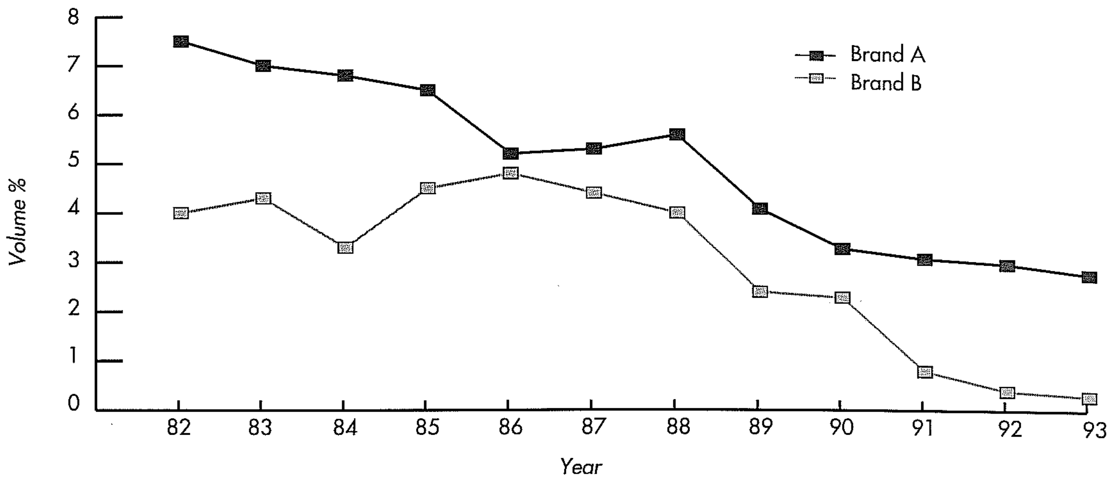
1. *Mature market:* in choosing markets it was considered appropriate to concentrate on a selection of mature markets for the following reasons.
   a. brand strategy and performance data are available over a longer period of time for mature markets than for newer growth markets.
   b. product life cycle theory suggests that competitive behaviour will vary as markets move through growth phases. It was therefore considered appropriate to choose markets with similar growth rates so that competitive activity was comparable. In the mature phase brands are more likely to be under considerable pressure and competitors will be trying to win greater consumer loyalty and more trade interest (Ward et al., 1989).
   c. product categories tend to be more clearly defined in mature markets.
   d. retailer activity is more apparent in mature markets; in particular, private label products are more prevalent in mature markets than in new growth markets (Buck, 1993).

2. *Relatively undifferentiated product forms:* in order to ensure the boundaries of each market were well defined, markets were chosen in which product forms were relatively undifferentiated and, therefore, where brands were more likely to be competing directly with each other. Other important criteria in choosing markets included frequently purchased brands with high levels of household penetration markets, relatively high levels of advertising expenditure and where private labels are prevalent.

Following this screening four markets were chosen for analysis – tea, coffee, toothpaste and washing-up liquid. Taylor Nelson AGB Consumer Panel Data was used to track the absolute and relative market share of all brands within these four markets for the period 1982 to 1993. For the purpose of this study, the performance of the top seven brands, in each market, was closely examined over the period.

This study is part of a more extensive study which investigates many of the important strategic

Figure 2 **Brands Trapped in Tea Market**



choices made at brand level within the convenience goods industry, such as advertising expenditure, pricing strategy, distribution strategy, new product development, sales force strategy, etc. This analysis simply examines one marketing strategy variable – advertising expenditure – and compares the expenditure patterns of dominant or leader brands to those of the more unstable or trapped brands. The annual advertising expenditure of each brand was expressed as a percentage of each brand's sales for each year from 1982 to 1993. Advertising expenditure data were compiled from RTE monthly advertising sales reports and Advertising Statistics of Ireland monthly reports. Annual sales for each brand were estimated from the Taylor Nelson AGB market reports. Each of the four markets is analysed separately below.

Tea Market

In total twenty four brands have been distributed in the tea market during the period 1982 to 1993. Since 1982, four brands exited the market and eight new brands entered the market. Lyons has always retained a strong share position followed by Barrys which has strengthened its share position since 1985. The share of private labels within the tea market has remained fairly stable at around 5 per cent over the period. However, the brands (described as A and B in order to protect the confidential nature of the data) which held the third and fourth share positions in 1982 have lost significant share over the twelve year period (Figure 2).

Washing-up Liquid Market

There have been a total of twenty one brands distributed in the Irish washing-up liquid market over the period 1982 to 1993. Fairy washing-up liquid has been a dominant brand in this market for a long time. Two private labels exited the market during the period of analysis while five new brands entered the market. There are over nine private labels in this market which account

Figure 3 **Brands Trapped in Washing-up Liquid Market**

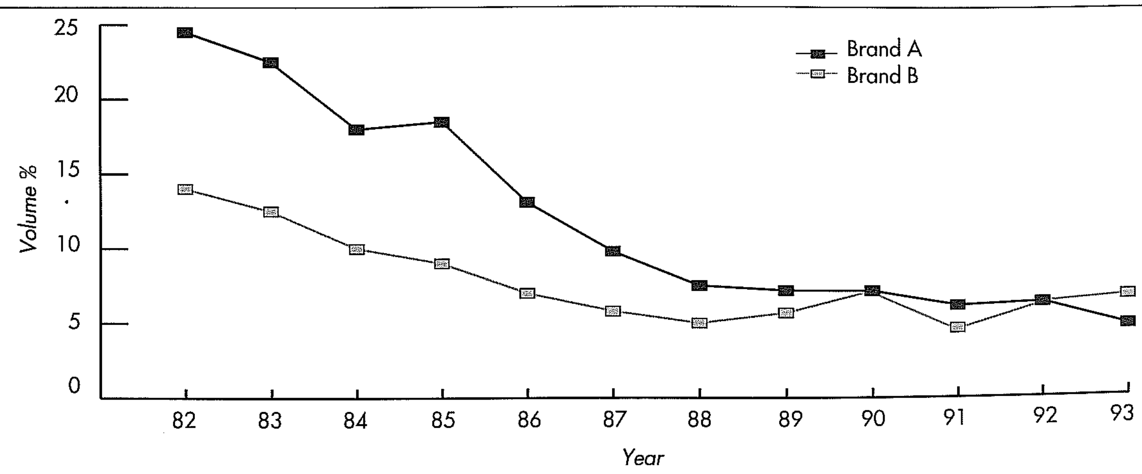
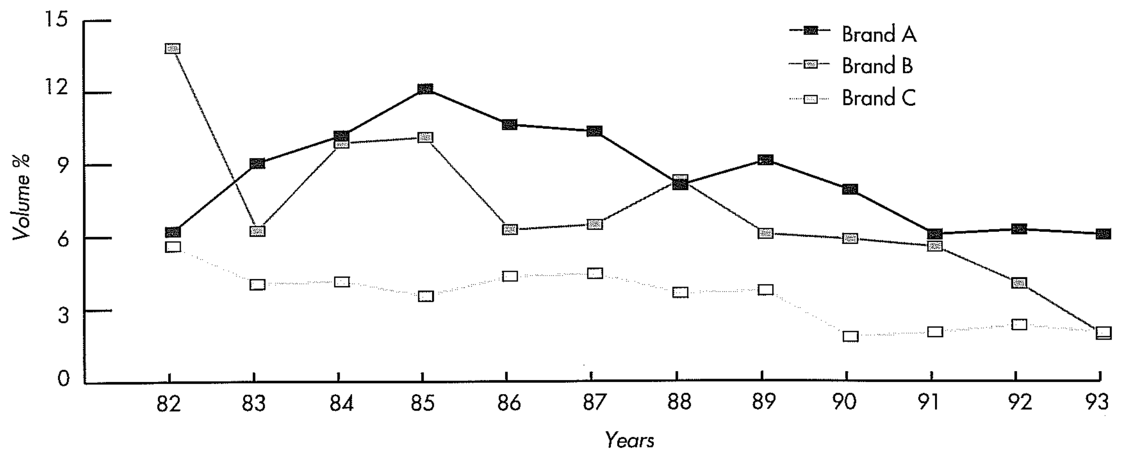


Figure 4 **Brands Trapped in Coffee Market**



for approximately 27 per cent market share (1993). However, the brands which held second and third market share positions prior to 1982 had lost significant share by 1993 (Figure 3). Brand A held a market share of 24 per cent in 1982, by 1993 this had fallen to 5 per cent and by 1995 the brand was withdrawn from the market. Brand B held a share of 13 per cent in 1982; this fell to 4.5 per cent in 1991, but marketing investment in Brand B in 1992 and 1993 resulted in an increase in its share to 7 per cent in 1993.

Instant Coffee Market

There have been a total of fourteen brands distributed in the instant coffee market during the period 1982 to 1993. Maxwell House and Nescafé have been the dominant brands in this market for many years. Whereas private label brands held about 9 per cent in sales volume (less than 3 per cent in sales value) in the early 1980s, private label share of the coffee market fell to approximately 3 per cent of volume by the 1990s.

Three other brands (A, B and C) have alternately held third, fourth and fifth positions over those twelve years. However, these three brands have gradually lost share over the period (Figure 4).

Toothpaste Market

In total, twenty four toothpaste brands have been distributed on the Irish market. Two brands exited the market during the period 1982 to 1994 while six new brands entered the market in that same period. This market has more brands than any other market examined while the presence of private labels is relatively insignificant at approximately 2 per cent. Colgate has held the dominant share position in the toothpaste market for over fifteen years while the follower brands – Crest, Aquafresh and Macleans – have battled for the second, third and fourth positions.

Three other brands (A, B and C) which previously held dominant positions in this market have gradually lost share (Figure 5).

Figure 5 **Brands Trapped in Toothpaste Market**

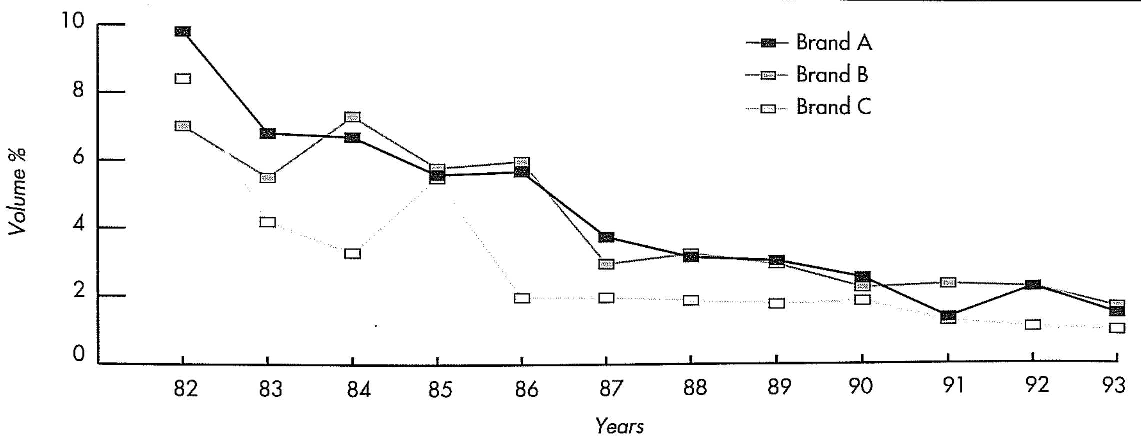


Table 6 Percentage of Total Market Advertising Expenditure Held by Top Two Brands

Year	Tea	Washing-Up Liquid	Toothpaste	Coffee
1982	84.0	39.5	43.5	77.7
1983	90.9	58.1	52.4	76.1
1984	80.1	68.7	61.9	87.2
1985	91.4	100	62.3	84.2
1986	91.5	67.2	62.7	66.1
1987	91.1	80.7	49.7	85.4
1988	91.6	86.1	71.8	90.2
1989	91.9	100	73.6	81.2
1990	93.5	67.5	78.9	89.1
1991	97.4	87.9	54.6	93.2
1992	98.7	100	55.2	96.3
1993	95.3	100	53.1	100

Sources: RTE, Taylor Nelson AGB and ASI

Trapped Brands

Simple descriptive analysis of the convenience goods industry indicates a gradual increase in retailer and manufacturer concentration over the period 1982 to 1994 (Figure 1, Table 2 and Table 3). These structural changes have had a significant impact on the performance of brands in the industry. Specifically, as strong brands have increasingly strengthened their market positions, other brands have become displaced or trapped in a downward spiral in market share. In other words, the descriptive analysis above suggests that the market positions have become more secure for strong brands while, for weaker brands, they have become more precarious. This analysis prompts the question; have particular strategic choices led to the instability of specific brands within the convenience goods industry or is this instability driven by industry structural forces?

Advertising Expenditure and Trapped Brands

Advertising expenditure has increased significantly over the period of analysis. However, this growth hides an important trend within the convenience goods industry; fewer brands are actually spending

Table 7 Average Advertising to Sales Ratio of Dominant and Trapped Brands 1982–93

Year	Tea		Toothpaste		Washing-up Liquid		Coffee	
	Dominant	Trapped	Dominant	Trapped	Dominant	Trapped	Dominant	Trapped
1982	0.86	1.23	7.72	3.51	5.01	4.73	4.97	3.68
1983	0.77	1.25	8.22	4.66	5.27	3.80	4.64	4.50
1984	0.84	1.36	5.92	-	3.48	1.81	5.01	1.05
1985	1.24	0.95	5.91	4.64	4.51	-	4.87	0.81
1986	2.30	2.10	6.64	3.99	6.29	8.81	3.84	4.50
1987	2.66	2.12	3.88	3.09	8.15	5.65	7.21	2.33
1988	2.19	0.63	6.72	-	4.36	2.19	8.82	-
1989	4.09	2.05	8.20	-	3.65	-	7.92	5.09
1990	3.99	0.32	9.85	-	3.19	-	9.61	1.61
1991	4.70	0.99	4.27	-	6.23	2.5	9.63	5.32
1992	5.42	0.37	3.91	-	4.72	-	8.30	3.08
1993	4.38	0.23	4.30	-	5.13	-	9.01	1.11

(-) Less than £5,000 spent on advertising or no reported expenditure.

Source: RTE, ASI, Taylor Nelson AGB

on traditional mass-market advertising methods while larger brands are spending more intensely (Jones, 1985). In each of the four markets studied, advertising expenditure, or specifically advertising expenditure as a percentage of brand sales, was examined and compared across the dominant brands and the trapped brands annually for the period 1982 to 1993. Table 6 presents the advertising expenditure of the top two brands in each market as a percentage of the total product-market advertising expenditure. The data illustrate increasing concentration in manufacturer advertising expenditure over the period 1982 to 1993. (Advertising expenditure in the study includes radio, television, outdoor, consumer and trade press.) For example, in 1993 in the tea market two brands were responsible for 95.3 per cent of all advertising expenditure while in both the washing-up liquid market and the coffee market two brands were accountable for all advertising expenditure.

A simple descriptive analysis was then undertaken of the advertising expenditure strategies of trapped brands. Table 7 presents the annual advertising to sales ratio of trapped brands in each market relative to the average of the two dominant brands in each market over the period 1982 to 1993.

The data illustrate how dominant brands in each of these markets have maintained or increased their advertising expenditure levels over the period. Furthermore, the average advertising expenditure of dominant brands is remarkably consistent across all markets throughout the twelve year period, ranging from a maximum of 5.67 per cent to a minimum of 3.4 per cent. Simultaneously, the average expenditure of brands within the trapped group has declined considerably over the period. In the toothpaste and washing-up liquid markets many trapped brands are no longer advertising (or are spending less than £5,000 per annum on advertising) while in the tea market the average expenditure has been less than 1 per cent for the period 1990 to 1993.

These trends suggest that it is no longer strategically appropriate for trapped brands to use mass-media advertising methods. It may be argued that the movement away from a reliance on traditional advertising methods is largely attributable to the growing strength and power of the retail trade – the increased expenditure on trade marketing and in particular trade promotional methods provides some evidence of this trend. More specifically, where brands lose distribution through key retailers the effectiveness of national mass-media advertising expenditure becomes questionable.

Retail Distribution Performance and Trapped Brands

Loss of a well balanced distribution profile as a consequence of relatively poor distribution through the large national multiple retailers can limit the strategic options which are open to firms. For example, it is rarely cost effective for brands which have lost significant share through the key retailers to use mass-media advertising techniques. Firstly, a loss of share through key retailers will result in an imbalance in a brand's national distribution profile (as an increasing proportion of sales are redirected through symbol group and independent retailers); advertising expenditure through national TV, press, radio and outdoor therefore becomes uneconomic. Secondly, brands which are under threat from the large retailers are likely to spend an increasing proportion of their marketing budgets on trade promotional expenditure to secure distribution access.

It may therefore be argued that the key mobility barriers between dominant and trapped brand groups are retail distribution access and advertising expenditure. In other words, as retail concentration has increased over the period 1981 to 1993 dominant brands have improved their distribution profile through key retailers and simultaneously maintained and/or increased advertising expenditure levels. Conversely, trapped brands have struggled to preserve shelf listings while reducing expenditure on building brands through advertising and directing an increasing proportion of their budget to trade marketing support.

Conclusions

The above analysis suggests that there are certain well reported structural forces which occur within the convenience goods industry and these forces are having a direct impact on brand strategies and performance. Brands which perform poorly through the two largest retailers, Dunnes Stores and Quinnsworth, are particularly threatened. As retail and manufacturer concentration increases and the share of private labels within product categories grows, these trapped brands become increasingly vulnerable while the position of dominant brands strengthens. Dominance is secured for brands which can overcome industry structural barriers, particularly if they maintain a well balanced distribution profile and consistently support their brands through advertising.

For trapped brands it appears that advertising expenditure strategies and retail distribution access are the key barriers which create the growing gulf between this group and dominant brands. The divergence in the strategic choices of these trapped brands combined with the trends in retail and manufacturer concentration and the growth in private labels indicates that these barriers will increase over time. Such growing divergence in marketing strategy variables between these two groups illustrates the increasing dependence on the retailer reactions to brand strategies and performance in convenience goods markets. This must have serious implications for the long term viability of trapped brands.

Author
Dr Brenda Cullen is a lecturer at the Graduate School of Business, University College Dublin. Prior to joining UCD she worked in marketing management positions in a number of FMCG companies. Her research interests are in trade marketing, strategic marketing and corporate communications.

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IS THE END OF ADVERTISING REALLY ALL THAT NIGH?

John Fanning

A leading advertising practitioner ponders the future of advertising. With the rise of below and beyond the line marketing communication, what is likely to be the fate of traditional mass media, in particular, advertising? The case for and against advertising is examined by focusing on four main areas of concern: the fall-out from growing retailer concentration and power; the ability, and accountability, of the advertising industry to explain the precise effects on sales of a given level of advertising expenditure; the consequences of fragmenting mass media and the growth of new media; and the arrival of a more sceptical, marketing-literate consumer.

The author concludes that in a world where brands and branding continue to be powerful – whether manufacturer, retailer or other service provider brands – the end of advertising is not all that nigh. Advertising may only be *primus inter pares* in its ability to communicate marketing messages, but it is pre-eminent in adding meanings and values and in creating a culture surrounding a brand.

Prophets of doom are reputed to be particularly active at the end of centuries – so as we are now facing not only the end of a century but the end of a millennium, it's not surprising that they're hyperactive. In the past few years we've seen a flood of books with remarkably similar titles: *The End of the Nation State*, Kenichi Ohmae; *The End of Work*, Jeremy Rifkin; *The End of Print*, Lewis Blackwell; *The End of Architecture*, Peter Noever; *The End of Economic Man*, George Brocklay; *The End of Time*, Damian Thompson; *The End of History*, Francis Fukuyama; and my own particular favourite: *The End of the Future*, Jean Gimpel.[1]

The marketing services industry could hardly have escaped this latest fashion, but here the prophets of doom have concentrated on one area – advertising. To the best of my knowledge The End of Advertising has not yet appeared in book form, but it has graced a number of articles in leading business journals, and "Whatever happened to Madison Avenue" (the same thing) was the subject of a cover story in a leading US business magazine, *Business Week*,[2] in the early 1990s and a Henley Centre report in 1995.[3]

There is always the temptation to dismiss these articles as pre-millennial ranting, but the difficulties currently facing advertising as a method of communicating marketing messages to consumers, and the implications facing advertising agencies as the main players in the marketing services industry, are too persistent to ignore.

The Case for the Prosecution

A wide range of arguments have been put forward casting doubt on the power of advertising in today's marketplace. They can probably be summarised under the following headings:

1. Growing retailer concentration and power
2. Lack of accountability
3. Fragmenting mass media and the growth of new media
4. Sceptical, marketing-literate consumers.

Growing Retailer Concentration and Power

This argument says that after almost a century in which manufacturers held the balance of power in relation to retailers, this has now been reversed, or at least is in the process of being reversed. Retailer power is seen at its most concentrated in the grocery sector, but there has been a measure of rationalisation and takeovers in other sectors as well.

It is now the central buying offices of a small number of major retail chains that dictate terms to many suppliers. Manufacturers no longer have an automatic right to appear on retailer shelves –

they must plead their case and often pay heavy 'entry fees'. The second outcome of this change in the balance of power is that in many cases retailers have invaded the manufacturer's own territory through the introduction of retailer own brands. What started a few decades ago as a trickle has now become a flood, and no market is considered sacrosanct from the retailer brand phenomenon.

There are a number of reasons why the growth of retailer power is regarded as a threat to advertising. The most obvious is that as manufacturers have to pay more to ensure that their goods appear on the shelves, and often have to accept what the retailer is prepared to pay for these goods in the first place, the resulting reduced margins leave fewer resources for promotional expenditure. In addition, the declining share of manufacturer brands as a result of the introduction of retailer brands means that advertising is less justifiable. The more extreme prophets of doom predict that on current trends manufacturer brands will ultimately die out completely – taking advertising with them. An extension of this argument now becoming fashionable in marketing circles is that the weakened state of manufacturers, and consequently of advertising, has left a vacuum in terms of dialogue with consumers – and this all-important dialogue is now being conducted by retailers who have the advantage of being visited by consumers on a regular basis and are able to 'capture' them electronically at the checkout.

Lack of Accountability

The main thrust of this argument is that there has been a long established, rarely mentioned conspiracy between marketing departments of manufacturing companies and advertising agencies not to delve too deeply into measuring the precise effect of advertising expenditure. This little conspiracy never fooled top management, but a benign blind eye was turned in those hazy far-off days when consumers were compliant and retailers not so recalcitrant. Now that these positions have been reversed and competition is at its most intense in the entire history of business (it always is), no expenditure will be tolerated unless we are able to quantify the effects of spending the money in advance. If advertising can't shape up, then we just have to find some method that can – trade promotions, consumer promotions or direct marketing.

There is unfortunately a certain amount of truth in this little conspiracy theory and in the problems facing advertising in shaping up to a new age of accountability:

> In these times when accountability is the currency of best business practice, major investment in advertising cannot be made on a wing and a prayer.[4]
> The increasing demands for greater accountability in the results of advertising decisions are not a fashion but a permanent feature of our time.[5]

As a result, advertising's share of overall marketing communication budgets is regularly reported as declining:

> One of the most significant changes in the world of marketing communication in recent times has been the allocation of marketing communication expenditure from above the line outlets ... media advertising, the preserve of the traditional agency, is falling as a percentage of overall marketing communication expenditure.[6]

Fragmenting Mass Media and the Growth of New Media

The fortunes of advertising have been closely aligned with those of the mass media. The first major phase of advertising growth occurred at the beginning of this century and coincided with the introduction of a mass circulation low price popular press. Prior to that newspapers were relatively expensive by today's standards and readership was confined to an educated elite and not in sufficient quantities to interest national manufacturers.

The second phase of growth coincided with the post-war introduction of commercial TV. Now it is claimed that mass media audiences, particularly for television, are in decline and the coming explosion of digital TV channels will finish them off altogether. Advertising, which depends on mass audiences to make it cost-effective, will therefore decline as well. The most commonly-quoted statistic by proponents of this argument is that the audience shares of the three main network TV channels in the US are generally reported to have declined by about 10–15 per cent in recent years.

A further development of this argument is that young consumers who are less exposed to all traditional mass media are more likely to use new media, e.g. the Internet, for their information needs. They argue that a new generation of better educated, more mobile and wealthier consumers are far less likely than their predecessors to flop at home every evening glued to a passive non-interactive TV set.

A recent Henley Centre forecast summed up this argument:

> We are undergoing a transition to a digital age where the consumer will have more power than ever before and where traditional notions of marketing, sales and distribution are being challenged by more direct and immediate access to consumers.[7]

As usual, there has been all kinds of bizarre speculation about the likely nature of 'new media' to fill the gap; most of these seem to emanate from 'new age' type brainstorming sessions where prizes are rewarded to those who make the most ridiculous suggestions.

Sceptical, Marketing-literate Consumers

The final argument for the decline of advertising is that it has lost its effectiveness because not only are consumers bored by seeing too many ads, they are now so knowledgeable about the strategies and techniques of mass communication that they can see through them, thus rendering them ineffective. The more extreme proponent of these theories is a US West Coast-based marketing consultant, Regis McKenna, who has expounded his views at great length and with a certain amount of vitriol in the august pages of the *Harvard Business Review*. McKenna is not content with seeing advertising in decline, he wants it eliminated:

> We are witnessing the oblivion of advertising. In the old model of advertising it made sense as part of the whole formula – you sell mass-produced goods to a mass market through a mass media.[8]

McKenna goes on to argue that the notion of marketing has now changed radically. Not only do people not want mass media anymore – they don't want mass-produced goods. Like many commentators he cites the rise of individualism in Western society as the main factor driving the new market reality in which advertising will be redundant:

> Three related factors explain the decline of advertising. First advertising overkill started to ricochet back on advertising itself. The proliferation of products has yielded a proliferation of messages ... the second development in advertising's decline is an outgrowth of the first: as advertising has proliferated and become more obnoxiously insistent, consumers have gotten fed up ... the underlying reasons behind both of these factors is advertising's dirty little secret: it serves no useful purpose. In today's market, advertising simply misses the fundamental point of marketing – adaptability, flexibility and responsiveness; the new marketing requires a feedback loop. It is this element which is missing from the monologue of advertising but that is built into the dialogue of marketing.[9]

McKenna's arguments are centred around the view that mass marketing is no longer an appropriate strategy for business – that it will have to be replaced by more customised marketing (made possible through the electronic revolution) and as a consequence traditional mass advertising will be replaced by one-to-one dialogue with individual consumers.

UK critics are more likely to focus on the assumed ability of today's consumers to understand or, more fashionably, 'decode' the marketing strategies behind the advertising campaigns and by doing so render them ineffective. These critics vie with each other to tell horror stories about the marketing literate consumer in the form of quotations from group discussions: 'I see they're trying to target the DEs now'; 'They seem to be buying a lot of off-peak air time'. Another argument made by many commentators centres on advertising clutter, making the point that consumers have just become bored by the sheer weight of advertising – 'it's a jumble out there'.

Most of the arguments under this heading end with a plea for more individual one-to-one communication through some form of direct marketing – the argument for dialogue not monologue, for conversation in a form in which respondents can make their own contribution through interactive mechanisms, and for more detail than we traditionally associate with mass advertising. The unique selling proposition – the ubiquitous USP made famous by one of the most important figures in US advertising, Rosser Reeves, in the 1950s (an era being looked at nostalgically today as the heyday of advertising) – is now completely discredited. Few would dispute the unique ability of advertising to reduce a complicated range of messages into a 30 second film, but the view is currently being expressed that the new consumer wants considerably more information than can possibly be given in traditional advertising.

We have been brought up with the idea that a single-minded benefit repeated single-mindedly and continually over time would bring the best results – 'Dunnes Stores better value beats them all'. But this strategy may not work in the future.

> The complexity of the business environment and the restlessness of consumers mean that a single message is not enough.[10]

Multiple benefits delivered with an element of complexity to engage the consumer more fully are now being recommended as being the way forward. Needless to say advertising is deemed an inappropriate vehicle for the new communication era.

Proponents of greater dialogue with consumers sometimes call in the support of one of the recent key management 'insights': that all businesses should redefine themselves as service businesses because consumers buy benefits not products.

> To differentiate their products therefore advertisers increasingly will seek to build brand appeal by emphasising unusual customer services ...[11]

In line with this thinking all businesses are being urged to 'surprise' their customers with the level of service they provide. One of the most frequently-mentioned ways of surprising consumers is through active and regular dialogue. Particular emphasis is placed on dialogue with heavy buyers of the brand, service or market category in question.

The fact that a small number of consumers in most markets accounts for the bulk of profits has always been known – the Pareto Principle, more popularly known as the 80:20 rule, pre-dates the era of mass marketing, but it has been the subject of much greater emphasis recently because of the realisation that all products involve a certain amount of service, and the future success of companies will depend on their ability to deliver extraordinary levels of service and close any service 'gaps'.* This has put greater emphasis on securing the loyalty of heavy buyers and accounts for the growing popularity of relationship marketing.

Relationship marketing is a more highly developed form of direct marketing and differs from it in three main ways :

(i) Attention is concentrated on the minority in any market who are heavy buyers and therefore contribute the bulk of the profits. The primary purpose of a relationship marketing programme is not to attract new converts but to seek and develop a relationship with the all-important heavy buyers.

(ii) Deliberate effort is made to enable as many of the target market as possible to 'talk back' to the manufacturer by means of coupons or 0800 numbers.

(iii) The relationship is intended to be long-term – once it has been established regular dialogue is encouraged for an infinite time period.

Relationship marketing recognises the value and contribution of a small minority of category buyers who are responsible for the bulk of category purchases. These will be targeted with a view to forming a long-term relationship, but will also be encouraged to engage in long-term dialogue and will be rewarded from time to time with appropriate gifts.

It is assumed that heavy buyers even of the most mundane product categories have an above-average interest in these products and therefore welcome more information about them. A typical relationship marketing programme would involve around three mailings per annum – well-designed material giving product information, advance details of new initiatives or launches (everyone likes to be first in the know) and competitions or rewards of some kind. There are also elaborate arrangements made for all recipients to participate in a dialogue with the company at any time they choose.

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* Two recent books – *All Consumers Are Not Created Equal* by Garth Hallberg and *A Glittering Haze* by Winston Fletcher – deal with this subject from widely different perspectives but reach more or less the same conclusions.

Ultimately, the effect of a relationship marketing programme is to increase sales and profits by creating greater loyalty and commitment to the product or service. If the programme is particularly successful the participants could become 'advocates for the brand' – and favourable word of mouth is probably the most powerful of all communication methods.

Market research studies have shown that brand attribute ratings and sales show significant increases among consumers who participate in relationship marketing programmes. Some of the leading US companies now have massive databases – Procter & Gamble, 44 million; Kraft, 40 million; RJ Reynolds, 30 million. With a database of this size, who needs to advertise?

Summing Up for the Prosecution

Faced with the weight of evidence it would appear that the future for advertising is bleak. There have been too many 'dirty little secrets', too many conspiracies. You can only fool all of the people some of the time and if that 'some' lasted for the best part of a century the game is now well and truly up. The conspiracy with marketing departments and business organisations has collapsed because managers, under pressure from retailers, as well as competition within the industry, need definite results. The hoodwinking of the public has ended as a more educated and demanding consumer realises that the emperor has no clothes, and the essential support of mass media is collapsing under its own strains.

Advertising will not disappear overnight – you can after all fool some of the people all of the time – but it is in long-term decline.

The Case for the Defence

Growing Retailer Concentration and Power

There is no doubt that retailer brands have made life much tougher for manufacturer brands, particularly those whose goods are sold primarily through the multiple grocery trade.

Retailer brands' share of markets is still growing but there are some indications that growth in the more mature markets may be slowing down. Britain is a well-developed retailer brand market, with an average brand share of up to 40 per cent, but in the US the average brand share is less than 20 per cent and in Ireland it is probably not more than 15 per cent.

In many respects this is the weakest of the arguments against advertising; in fact it is really more of an anti-branded grocery goods argument than anything else. In most countries, as a result of the success of retailer brands, these same retailers have taken the place of manufacturers in top 10 advertiser tables. Also other categories of advertiser, particularly the financial services sector, have filled any gap in advertising spend created by reduced expenditure on the part of fast-moving consumer goods manufacturers. But even in this beleaguered sector, manufacturers have learnt to fight back. The rules for survival against the retailer brand threat are now well established:

- *Continuous innovation* – successful manufacturer brands regularly introduce improvements and innovations and are always ahead of the competition and retailer brands with these developments.

- *Make sure that the price gap between the manufacturer brand and the retailer brand does not become too wide.* This was the situation that led to the infamous 'Marlboro Friday'. Most research studies in this area suggest that consumers are willing to pay 7–10 per cent extra for their favourite branded products.

- *Talk regularly to consumers through advertising.* There is also evidence to suggest that the most successful brands are the heaviest advertisers.

Lack of Accountability

The advertising industry has always been uneasy with the issue of accountability, i.e. the ability to forecast the precise effects on sales of a given level of advertising expenditure:

> I think we should cheerfully accept that as yet we have no theory that links advertising consumer behaviour and that sometimes advertising does not work. If it took geniuses 7,000 years to crack physics then we will have to wait a little while before we can be expected to offer a complete explanation of advertising.[12]

Yet in spite of the obvious difficulties, agencies have committed huge resources to advancing our knowledge of the process or processes by which advertising might work and it is generally accepted that progress has been made:

> We now know a lot about categories of people and their relationship with brands, institutions, media and advertising itself. We have found ways of maintaining a dialogue with consumers. We have an exhaustive and expert knowledge of the comparative costs of audiences of different media. We have created many useful intermediate measures and specialised explanations for phenomena. We can avoid gross error. In short, the craft skills of contemporary advertising are not unimpressive – probably ahead of and at least on a par with many other disciplines – economics, sociology and law to name three – but its lack of certitudes makes advertising particularly vulnerable because of the pressurised and non-rational way in which 'real world' advertising is conducted.'[13]

Apart from the progress that has been made as outlined above, probably the main breakthrough in the past few decades has been the realisation that the deeper we dig into the whole area, the more aware we are of the complexity of what we're dealing with and this has led to a belief within the advertising business that advertising expenditure is fundamentally different from many of the other large items of expenditure that businesses evaluate on a regular basis.

> Questions like how does a bicycle or internal combustion engine or a light bulb work belong to the world of physical mechanical operation, the world of empirical science, Newtonian physics. Our bodies are acted on by forces and movement is created, energy emitted or whatever.
>
> There is a whole area of our language which comes from this area of our understanding. When the question how does advertising work is asked the questioner frequently assumes that we are operating in a like world – we are not.[14]

One of the most important developments in the past twenty years has been the introduction by the IPA in Britain of the Advertising Effectiveness Awards of 1980. The objective of these awards was defined at the time as an attempt to achieve:

(i) A better understanding of the crucial role advertising plays in marketing.

(ii) Closer analysis of advertising effectiveness and improved methods of evaluation.

(iii) A clear demonstration that advertising can be proven to work against measurable criteria.[15]

The awards are published every two years and there have been eight publications to date containing over 600 detailed case histories – an impressive body of evidence showing how advertising can work in a variety of different ways. Apart from the physical existence of the case histories, which can and should be more widely used in the planning of all advertising campaigns, one of the side-effects of the whole enterprise has been to offer some redress to the often justified client criticism that the 'value system for the advertising industry was not necessarily that of the client'.

> This in itself gave rise to a widespread myth that agencies were interested in something called 'creativity' solely as a ploy to win awards, which (by implication) was in conflict with the best interest of the client, i.e. business effectiveness.[16]

The Irish industry has now instituted a similar scheme and the eagerly-awaited first edition of case histories has recently been published by the Institute of Advertising Practitioners in Ireland.

We are therefore making progress – we can claim to have moved closer to the position of the legal profession: we cannot predict with any certainty what the judge or jury will decide, but we have an impressive and growing corpus of precedence to steer us in the right direction.

> Advertising is more like farming than physics, a good farmer will consistently obtain better yields than a bad farmer but he still can't forecast next year's crop.[17]

However the assumption that advertising expenditure is fundamentally different from other areas of business investment is now under attack. Two years ago John Philip Jones in the US stated bluntly that the advertising business had 'a poor track record in providing reliable information on its processes and effects'.[18] He went on to show how his own detailed experiments with single source data were leading to potentially revolutionary thinking in media scheduling which could lead to more precisely defined advertising budgets. The debate on Jones' methods and analysis is still raging but there is no doubt that the issue is now a subject for serious discussion. The publication in the UK this year of a new book on the whole subject by Simon Broadbent, albeit from a completely different angle, more fuel to the fire. Broadbent is equally critical of existing practices.

> The purpose of this book is to raise advertising decisions to the same level as other investments – as soundly argued and trusted as much – advertising management should aim to be databased wherever possible and explicit about assessing risks and balancing probabilities.[19]

The author goes on to claim that the data required to provide more precise evaluation of advertising budgets is often readily available – sales and prices from the recent past analysed with similar data for competitive brands and including analysis on weight of advertising and tracking study data for key attributes which affect purchasing decisions. The growing clamour for greater accountability has been strengthened by the announcement of Marketing Matrix, a thirty-month project jointly funded by some of the main advertising and marketing bodies in the UK – The Marketing Council, IPA and the London Business School. The project aims to 'set common standards for terminology and develop models of best practice, particularly in the important area of measuring marketing effectiveness'.[20]

Many people working within the industry will still maintain that the number of variables is too great to predict realistically the additional sales effect of a given level of advertising expenditure but the pressure for greater accountability is growing – and will continue to do so.

Fragmenting Mass Media and the Growth of New Media

This is probably the most wildly exaggerated of all the arguments designed to prove that advertising doesn't work anymore. Of course there have been changes in the media market; no market remains static. Some media decline and die, most notably in Ireland is the case of the Irish Press Group, but others rush in to fill the vacuum or the market reshapes in some way – and essentially the market structure remains the same.

There may be a gradual but distinct trend towards more choice, reflecting the move towards greater individualisation in society as a whole, but this does not affect the ability of advertising to deliver messages to a mass audience – it just makes the task of the media department more difficult. But, say the prophets of doom, it's not what has happened or even what is happening that matters, it's what will happen. The apocalypse is just around the corner. We are about to be engulfed by a tidal wave of new technology which will involve hundreds of new TV channels, the emergence of the electronic newspaper and also the growth of completely new media like the ubiquitous Internet, interactive television, pay-to-view television and video on demand. In spite of the extravagant claims made for all of these developments there is little evidence as yet that they will make serious inroads on traditional mass media. Interactive shopping channels are incredibly boring except for people with a fascination for cheap jewellery. Some goods will undoubtedly be distributed in this way, but it will make as much inroad on traditional mass media as Tupperware parties have in the past. The Internet is and will increasingly be seen as an information source, but not for the products and services that absorb the majority of advertising budgets. This was well summarised by one commentator who enquired:

> Who is going to explore the web to find out about frozen peas?

The best advice is to accept that the media market is changing, that the public are receiving messages from a wider range of sources than heretofore, but that traditional mass media remain the most powerful and economical method of communicating marketing messages.

> The complete Armaggedon situation of TV advertising zapped out of existence seems fundamentally unlikely. Direct mail, price promotions and sponsorship were all put forward as communication forms which would 'eat' advertising. They have all taken share certainly, yet advertising is continuing to grow.[21]

There is nothing wrong with regular brainstorming sessions designed to stimulate new innovative ways of communicating. But innovation for its own sake is a futile exercise, and usually a waste of money. There's an experiment in Sweden with a new medium – advertising messages that interrupt you every few minutes on the phone – in return for free calls. The rules of brainstorming insist that all suggestions should be taken seriously, but that doesn't mean they all have to be implemented.

> The lesson surely is not to jump onto the innovation bandwagon too carelessly, the answer has to be intelligent integration, not irritating intrusion.[22]

Sceptical, Marketing-literate Consumers

An initial examination of this argument would cause few grounds for concern. It is suggested that consumers are frustrated by the sheer volume of advertising, usually referred to as advertising 'clutter', and because they have an increasing understanding of marketing concepts and are more visually literate than previous generations, they are able to 'decode' ads more quickly, thus rendering them ineffective.

Advertising clutter is a subject that excites the minds of the marketing community but appears to create very little interest among the general public. One major study of the subject in the UK concluded:

> It was noticeable across all the research groups we conducted on the subject of clutter that it was not an issue with consumers. In fact we had to prompt respondents to discuss the topic and had to work very hard to elicit response or comment on the subject.[23]

This finding confirms the general consensus among consumer market researchers who regularly investigate reactions to advertising. In general people tolerate ads. They know they help to subsidise the cost of the media themselves, they welcome the information and the entertainment they often provide and they are occasionally irritated by the banality and boredom of some advertising.

The threat faced by the supposedly more literate consumer is also exaggerated. A certain amount of hysteria ensues whenever a respondent in a market research interview uses marketing terminology when discussing advertisements, but all that means is that some consumers are aware of the jargon – which is much more likely nowadays to be discussed at school or in the media than in the past. The fact that consumers are able to 'see through ads' does not mean that the ads are ineffective. Consumers were always able to see through ads; they always knew what advertising was trying to achieve and were always capable of making their own decisions.

Another argument made under this heading is that advertising represents monologue whereas today's consumers require dialogue or, to use one of those infelicitous American business-speak expressions, advertising has no feedback loop. But most advertising is connected to a feedback loop – it's called market research. The various techniques of market research enable advertisers and those responsible for planning and monitoring advertising to assess consumer reactions and to modify their plans accordingly.

However, most advocates of dialogue and feedback loop are referring to the need for everyone who is exposed to advertising, not just the minority, however representative, who are selected for market research, to be able to talk back to the campaign. The case for the defence here is that some advertising has always included the facility to talk back, from reply coupons in press ads to the 0800 numbers on radio or TV. It must also be said that just as a majority of the population in most countries are prepared to vote on election day, but only a small minority wish to become political activists, so too the majority of consumers exposed to most advertising have no desire to talk back. They are perfectly content to accept or reject the message and leave it at that. Some of the more extreme proponents of the 'new communication' seem to be arguing that everyone is clamouring to become a consumer activist – without giving a shred of evidence to support their case.

Relationship marketing programmes are very much in vogue at present. Inevitably in the first flush of enthusiasm the proselytisers tend to hold sway and only success stories are written about. Very few dissenting voices are heard but some doubts have been raised:

- *The cost* – advertisers inevitably perceive advertising as an expensive medium and therefore tend to regard all alternative methods of communication as offering better value for money. But relationship marketing can be equally expensive. A good relationship marketing programme for a major brand in the Republic of Ireland could cost up to £1 million per annum. It is always worth remembering why advertising became the force it is today – because of its ability to deliver large audiences at very low prices. An advertisement on the national television network (RTE) can still deliver a thousand housewives for about £8. To reach a thousand housewives through relationship marketing would cost significantly more.

A recent review of marketing communication in the *Economist* magazine concluded:

> Although computing costs are plunging and database programmes are becoming more sophisticated the economics of database marketing remain murky.[24]

- *Long-term effectiveness* – for all its lack of precise accountability there is now an impressive weight of evidence to show that advertising works. There is also evidence that relationship marketing programmes work in the short term, but there must be some cause for concern if every major company pursues this route. We know that consumers can easily cope with exposure to a wide range and variety of advertising on a daily basis – but how many deep intimate relationships can they handle? How many housewives want a meaningful relationship with a pot noodle brand? Do many people really want to be included in a pot noodle feedback loop?
- *Lack of public recognition* – because the relationship marketing communication is private it is unable to confer the kind of status on brands that advertising at its very best does so well. People have always used consumer goods to define their place in society but they require the rest of society to understand the signs. We need to be satisfied in our own minds that we've made the right choice but we also want the recognition of other people. A relationship marketing programme can provide the inner satisfaction but not the outer recognition.

It seems clear that all businesses should seriously investigate the possibility of instigating some kind of relationship marketing programme, having identified their heavy buyers. The wisest counsel recommends instigating such a programme within the existing marketing communications strategy:

> Advertising will continue to play a pivotal role in differential marketing. No other discipline is as effective in building brand equity and interest across all profit segments and preserving a brand's share of voice – advertising is also instrumental in maintaining salesforce enthusiasm and it serves an important role in attracting new buyers.[25]

The other criticism of advertising that cannot be ignored is that it has lost its way through an obsession with flashy cinematography and music at the expense of a sales message. There is much more substance in this criticism than the more widely touted views about marketing literate consumers being no longer capable of being taken in by advertising. This criticism is often linked with relationship marketing by commentators who argue that consumers are looking for much more information about what they buy and a closer relationship with the organisations they buy from than can be delivered in a 30 second ad. We are continually being urged to take the more demanding consumer much more seriously.

> Inherent in this wisdom is an appreciation that product values go beyond function and price to include the broader issues of shared values, environmental accountability, job creation and support for community causes.[26]

It is argued that relationship marketing is one way to reconnect with the new restless consumer. Traditional mass marketing stressed the importance of a single powerful benefit repeated continually over time – 'A Mars a day helps you work, rest & play' or closer to home, 'Dunnes Stores better value beats them all'. A recent article put the case against this approach extremely succinctly, arguing against the 'hook' and in favour of the 'velcro' approach (see exhibit 1).[27]

A surprising number of marketing commentators also believe that consumers are much more concerned about the companies whose products or services they consume and are currently seeking evidence that these companies are socially responsible, are good corporate citizens and presumably are kind to animals, old people and ethnic minorities. But there is little hard evidence to support this argument. What evidence we have would indicate that advertisements involving long copy are not popular with the public, and spectacular sales successes are still being achieved by

Exhibit 1 Relationship Marketing: The 'Hook' versus the 'Velcro' Approach

HOOK	*VELCRO*
Single benefit	Multiple benefits
Single-minded	Many-sided
Repeat constantly	Consistently surprise
Fixed for the long term	Flexible for the short term
Differentiates versus competitors	Engages the consumer
Presents a positioning	Surrounds with inducements
Focuses on transaction	Builds towards relationship
Simple for memorability	Complex for involvement

Source: adapted from DelaCosta, 1996

brands adopting a single-minded selling approach – even where these approaches are exclusively visually based, e.g. Absolut Vodka. However, one of the few other successful global advertising campaigns for a spirit brand, Jack Daniels, has achieved success with advertisements which do describe in considerable detail both the distilling process and the people involved. All of this proves yet again that it's extremely dangerous to adopt rigid rules of any kind about advertising. The only rule is to avoid the tedious, the banal and the irrelevant – a rule which far too many advertisers appear to ignore.

Summing Up for the Defence

Of course changes are constant but too often they are exaggerated. The growth of retailer brands has made life tougher for some manufacturers but the good news for advertising is the very strong correlation between those brands that have successfully withstood the pressure from retailer brands and those same manufacturers' very high advertising spend.

The mass media have also been subject to constant change throughout the century. The introduction of commercial TV in the 1950s and '60s caused some radical change in the newspaper market, but it did not alter the grip of mass circulation dailies and Sundays. There is no reason to suppose that the current media revolution will mean that mass media options are not available to the advertising industry in the future.

It would be easy to dismiss the marketing-literate consumer argument as a threat to advertising. In my view consumers have always been marketing-literate, as David Ogilvy reminded us many (less politically correct) years ago when he pointed out that 'the consumer's no moron, she's your wife'. Nevertheless there is some validity in the argument for paying particular attention beyond mass market advertising to heavy buyers of any product category. It seems likely that businesses who set out to identify their more frequent buyers and to create relationship marketing programmes to communicate with them are occasionally rewarded by gaining competitive advantage – at least in the short term.

The Verdict?

It would require the stubborn arrogance of a King Canute to deny that significant changes are taking place in the marketing communications market. It is therefore essential for anyone working in this market to monitor these trends constantly and adjust plans accordingly. It seems to this writer that the most important insight to emerge from all of the recent speculation about the end of this, that, and the other is the recognition that the majority of markets are minority markets, that a minority within the minority are heavy buyers and therefore contribute disproportionately to profits, and that this minority should be more closely observed, more regularly communicated with and rewarded. The problems of accountability and retailer power were (and unfortunately will be) always with us. Advertising, in its constant search to make the ordinary seem extraordinary, must avoid the irrelevant, the patronising or the obscure – but if past experience is anything to go by, all too often it won't.

What remains is the continuing power of branding. If the drive towards greater individualism continues – and there is no indication that it won't – brands will be critical in helping to define this individualism.

Ten years ago McConnells launched a campaign for a natural cheddar cheese from Waterford Co-Op. It was a fairly crowded market with weakly branded products, none of them advertised in any serious way. We resisted all attempts to adopt the Waterford name and argued for the obscure but authentically rural sounding Kilmeaden – where the cheese was actually made. The campaign emphasised the rural qualities of the name and invested the brand with traditional crafted associations. The campaign was highly successful and was a classic example of the power of advertising to confer meaning on products – and of the fact that in a growing number of markets as products and services themselves become increasingly indistinguishable from each other, the more purchasing decisions will be made on the different meanings, associations or ideas involved.

> The world of the concrete has less value and interest. It is added culture, the dose of knowledge injected into products which gives them their value and confers meaning on them ... whether it is perfume or yogurt the value of meaning will prevail over material value; immaterial value lasts longer.[28]

Advertising may only be *primus inter pares* in its ability to communicate marketing messages, but it is pre-eminent in adding meanings and values and creating a culture surrounding a brand. That at any rate is my verdict. You may come to a different conclusion.

Author

John Fanning is managing director of McConnell's Advertising Service Ltd., Ireland's largest indigenously owned advertising agency. He has had a distinguished career in advertising services for over 30 years, and has written many articles for journals and conference forums. He is a past chairman of The Marketing Institute and The Marketing Society.

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SPECIAL ISSUE OF *IRISH MARKETING REVIEW*

'Marketing from the Periphery'

EDITED BY

Professor Bill Clarke, University of Ulster

CALL FOR PAPERS

The conventional connotation of the periphery is one of disadvantage. To transact business from the periphery, it is often argued, is to incur added transport costs to and from primary markets, to suffer the absence of important physical, human and technical resources and to experience 'psychic' gaps. But the notion of the periphery, and core–periphery relations, is more complex for the millennial marketing mind.

Territorial, technological and psychological 'distances' between the edge and the centre are progressively lessening. To do business, to go to market, from or in the periphery is increasingly feasible and profitable. Indeed in some industries, e.g. tourism, hospitality and leisure, it may yield relative advantage.

In comprehending marketing practice and shaping theory, we can learn not only from the traditional centres and well-springs of marketing competence and expertise but also from novel and sometimes peripheral settings and locations – from small firms as well as large ones, from business to business and service firms as well as consumer product companies, from firms in smaller countries and more outlying regions as well those in large nations. The periphery provides a focus and offers important reference points on an interrelated and interactive network of exchange and learning.

This special issue of *Irish Marketing Review* seeks to address these issues in a broad sense. Papers are invited from those in every subdiscipline of marketing who feel that their current research and thinking might be applied imaginatively to an aspect of 'marketing from the periphery'. Papers of an empirical, predominantly conceptual or case study-based nature are all welcome. They should be sent by April 1st 1998 to (and any enquiries addressed to):

Professor Bill Clarke
School of Management,
University of Ulster,
Jordanstown,
Co. Antrim BT37 0QB,
Northern Ireland

Tel: (01232) 365131 Fax: (01232) 366805 Email: wm.clarke@ulst.ac.uk

SPECIAL ISSUE OF *IRISH MARKETING REVIEW*

BANKING SCHEMES FOR SENIORS – BONUS OR UNWELCOME BADGE?

Jennifer Dunne and Darach Turley

As the senior market grows in size and value, marketers must acknowledge the unique needs and demands of this market. Contrary to traditional beliefs, this consumer group is relatively wealthy and knowledgeable, and is therefore likely to be influenced by the strategies used to reach it. However, a major question remains in dealing with this sector – how sensitive are they to being targeted specifically as old people and to schemes tailored exclusively for them? Using a quota sample of Irish over 55s, this research examines the responsiveness of the senior market to financial services schemes and its attitudes to being labelled so blatantly as elderly – is this a label which such customers embrace or reject? While such schemes have increased dramatically in recent years, no research has been conducted to date on their effectiveness in the eyes of this highly discerning consumer.

The twentieth century has witnessed a societal obsession with youth in social, political and industrial circles. Needless to say, this obsession has carried over into marketing activity. The baby boom of the fifties and early sixties resulted in a commercial focus on younger markets in both the US and Europe. As a result, older cohorts, particularly those aged over 60, were largely ignored. While marketers tended to focus upon the youth market, the senior market was only given consideration for healthcare products associated with old age (Bartos, 1980).

However, as changing life and demographic patterns emerge, attention is turning to older age groups. Marketing circles now acknowledge that significant opportunities exist in the elderly market, and for the past ten years the ageing population of the US and Europe has been the focus of much media attention (Lannon, 1990). The importance of the situation is further magnified when one realises that as the senior market continues to grow, the once attractive youth market is declining significantly. An examination of the European figures for the over 65 population illustrates the extent of the growth of this market.

The European Situation

The composite figure for Europe reveals that the proportion of over 65s is projected to increase from 16 per cent to 20 per cent between 1993 and 2025. The figures highlight Ireland as the country with the lowest projected growth in its 65+ population, with the projected 2025 figure remaining the same as the current percentage. Germany, Italy and the Netherlands are set to more than double their 65+ population, while Portugal, Spain and Greece will effectively double.

Income of Older Adults

The traditional image of the senior market as having diminished financial resources has prevented many marketers from considering this age group as a feasible target market. Since the 1960s, the elderly's income has changed significantly, largely as a result of the expansion of public and private pension systems (Crystal, 1986). This fact has recently been recognised by academics and marketers alike; indeed the stereotype is now in danger of being reversed, with the elderly increasingly being regarded as the wealthiest population sub-group of all. The true picture of the average older adult probably lies somewhere in between.

Recently banks and building societies have tailored specific programmes for the senior market in an attempt to win over more senior customers; the core offering of the majority of these schemes is free banking. Indeed, retail banking is the sole industry in Ireland at present where all of the key players have dedicated schemes for this segment with above and below the line promotion. Thus banking was an ideal platform for this study.

While myriad data are available on the economic status of older Americans, and to a certain extent older Britons, limited literature can be found on the subject of Irish older adults. Turley (1994) highlights the drawback of the Irish situation, noting that even the limited amount of informa-

Table 1 **Per Cent of Population Aged 65 and over (actual 1993; projected to 2025)**

Year	1993	2005	2015	2025
Euro-12	16	16	18	20
Germany	15	19	22	25
UK	16	19	22	25
Denmark	16	15	19	21
Belgium	16	17	19	21
Italy	16	18	19	21
Luxembourg	13	14	15	17
France	15	16	18	21
Greece	14	16	16	17
Netherlands	13	14	17	21
Ireland	11	9	10	11
Spain	14	15	16	17
Portugal	14	14	14	16

Source: Eurostat Demographic and Labour Force Analysis 1995

tion that is available is published by social agencies, which tend to present a relatively pessimistic picture of the situation. US data, in contrast, declare seniors a force to be reckoned with, holding 42 per cent of all household stocks and bonds, 50 per cent of all consumer discretionary income (Berger, 1985; Turley, 1994), 80 per cent of all savings dollars (Fensom, 1985) and 60 per cent of retail banks' deposit balances.

Incorporating Asset Wealth

When assessing the financial circumstances of the elderly, income is not the sole factor to be considered. Whelan and Whelan (1988) propose that the level of holdings of the elderly is also important as interest or other income arising from assets may be a significant source of income for some individuals/households. Longino and Crown (1991) suggest that rather than focusing on income alone, assessment of the financial condition of seniors should be extended to net worth, i.e. the market value of all assets minus all debts. A prime example of the hidden wealth of some older adults cited by Longino and Crown is the rapid growth in home values which greatly boosted the net worth of these consumers. They contend that on the basis of net worth, older householders actually control more wealth than those individuals in the highest income age group. Tongren (1981) makes the point that persons retiring today have lived and worked over a lengthy period of economic prosperity, with opportunities to accumulate investment assets that provide a supplement to retirement income. When comparing the disposable income of the elderly to that of other age groups, it must be remembered that by the time an individual reaches age 55–60, many of the inevitable expenses faced in youth/middle age have disappeared. These include debt and mortgage repayments, upkeep of children, and expenses associated with travelling to/from work (for those who are retired). There are additional factors such as state benefits, increased amount of senior schemes and discounts, the growth in occupational pensions and the later age of inheritance (linked to the increase in life expectancy).

Schemes for the Elderly

Schemes for consumers over a certain age originated as a means of easing the financial pressures of old age and retirement. However, as the size and wealth of this population group has been recognised, such schemes have presented marketers with a range of promotional tools. In recent years a plethora of schemes and discounts for older adults have come into existence. In the US they are now regarded as the norm in many product and service sectors; in Ireland discounts are operating in service industries such as cinemas, theatres, hairdressers and dry cleaners. The most publicised schemes of this kind are to be found in the banking sector.

As with all marketing strategies, before beginning to formulate a scheme specifically targeted at seniors, one must evaluate whether it is feasible and profitable to market differently to these potential buyers. Drawing on Enis' (1977) four criteria for viable market segmentation, it is likely that the first two, identification and accessibility, can be satisfied in the case of the senior age group. However, the third criterion – how responsive this segment is to specific communication directed at it – and its related fourth criterion – the significance of the revenue this reponsiveness will engender – are more problematic. There has been a notable lack of research on how reponsive older people are to messages and cues directed at them precisely as older, elderly or senior. Most demographic segments are quite content to be identified openly as such; however, the contemporary prudence of ageism may result in older consumers seeking to reject or avoid the perceived negative impact of being labelled 'old' or 'elderly'. The primary focus of this study is to examine how responsive older Irish consumers are to banking schemes directed at their age group and to explore the factors affecting these responsiveness levels.

Tepper's Information Management Categories

Prior to Tepper (1994), research had not clarified how age segmentation cues (such as discounts and schemes) inhibit responsiveness, or why some consumers are attracted by age-specific schemes and discounts while others are repelled by them. Tepper's research in the University of Kentucky is the only study to date which examines the levels of response of older people to schemes specifically targeted at seniors. She identified five information management strategies which senior consumers employ when given the option of availing of a special scheme for their age group:

1. *Status Denial:* Status Deniers refuse to acknowledge their eligibility for senior citizen discounts or facilities, regarding themselves as different to other senior citizens.

2. *Status Rejection:* Status Rejectors recognise their eligibility for senior citizen discounts, but resist using them to prevent the loss of their self-identity.

3. *Secrecy:* These individuals are willing to use senior citizen discounts, but only on occasions which enable them to conceal their usage from others.

4. *Selective Concealment:* Selective Concealers avoid use of senior citizen discounts only in the presence of 'dissimilar others' with whom they are newly acquainted or familiar.

5. *Unqualified Disclosure:* These individuals are frequent users of senior citizen discounts, with disclosure of their status being unaffected by the store setting or the presence of others. Such individuals regard their senior citizen status positively and discounts as their entitlement.

When respondents were questioned on their response to age segmentation cues such as senior citizen discounts, Tepper discovered that Status Deniers and Status Rejectors resisted private self-labelling, i.e. they were reluctant to admit to themselves that they were now senior citizens. Individuals who fitted into categories 3 (Secrecy) and 4 (Selective Concealment) tended to avoid social labelling even though a private self-labelling process had occurred, i.e. they now viewed themselves as older people but were unwilling to have others around them view them in this way. Those who fitted into the Unqualified Disclosure category had privately redefined the senior citizen status by attaching positive meanings to it. Progression from Status Denial to Unqualified Disclosure appears to be a process by which the mature consumer comes to terms with his/her status; those who had redefined their status admitted that on first encounter with the senior citizen label, they had rejected it.

Tepper's research must be credited with introducing the issue of responsiveness to the field of mature market research. Further research is however required to ensure that responsiveness receives the attention it warrants, particularly with reference to specific industry sectors. It is also worth noting at this point that Tepper did not enquire whether a consumer's response level to a scheme was affected in any way by their prior views or perceptions of the schemes in question.

Sample

The sample population was defined as all 55+ non-institutionalised individuals resident in the greater Dublin area. Quota controls were sex, marital status, chronological age (55–64, 65–74, 75+) and membership of 55+ organisations.

It was predicted that members of 55+ organisations would be somewhat more open-minded about schemes for older adults as their membership of these organisations constitutes acceptance of their age status. After piloting, a semi-structured questionnaire was administered to a sample of 203 over 55s. Respondents were contacted through a range of clubs and organisations. Non-

Table 2 **Frequency Distribution of Scores on Individual Likert Statements**

Statement	% *Strongly agree*	% *Agree*	% *Disagree*	% *Strongly Disagree*
Customers deserve special treatment from a bank as they get older	40.5	49.5	8.5	1.5
Being able to join an SBS is one of the better things about getting older	19.4	50.7	25.4	4.5
SBSs are a little like charity or accepting a handout	1.5	10	57.7	30.8
SBSs are a gimmick	6	18.9	57.7	17.4
Joining an SBS makes you feel older	1	22.4	62.7	13.9
Members of these schemes get better treatment than other bank customers	1.5	33	60	5.5
SBSs are more suited to older people who are less well off	5	30.8	51.7	12.55
SBSs really do make life easier for older customers	2.5	21.4	63.7	12.4

N = 203

• SBS is an abbreviation for Senior Banking Scheme. In the actual questionnaire the full term was used to avoid ambiguity.

members were located with the assistance of a retirement planning organisation and a number of leisure clubs and organisations.

Findings

Awareness of Age-related Entitlements

Awareness of entitlements to discounts and age-specific schemes in general was quite high, with 54.3 per cent of respondents naming two or more entitlements. Moving to the financial services sector, the most popular benefit named was free banking, with 37 per cent of respondents citing this as the most useful discount/scheme. Awareness of age-related entitlements was also found to be related to certain demographic variables, most notably chronological and cognitive, i.e. 'felt' age. As respondents progressed in age, their awareness of entitlements improved. This suggests that as an individual ages and comes to terms with his/her status as a senior, he/she becomes more conscious of any entitlements available. This finding is in agreement with the literature on labelling, notably that of Tepper (1994), who found that in order to avail of age-related cues, an individual had to resign him/herself to the fact that (s)he had reached the eligibility age for these schemes. The positive and significant correlation between higher education levels and higher scheme awareness levels is a particularly interesting finding which also corroborates previous research (Spiller and Hamilton 1993). Counterintuitively, no significant relationship appeared to exist between membership of a senior organisation and awareness levels for senior discount schemes.

Measuring Perceptions Using an Eight Item Battery

An eight item battery of statements was used to ascertain respondents' perception of senior banking schemes in general. Negative items were reverse scored, yielding an overall composite score. A chronbach-alpha of 0.7 was obtained for the battery of items.

An initial breakdown of perceptions by statement yielded some interesting results (Table 2). Response frequencies for the first statement in Table 2 indicate that the majority of respondents were in agreement that older customers were entitled to special treatment. However, the responses to the sixth statement ('Members of these schemes get better treatment than other bank customers') suggest that respondents did not feel that they were receiving the superior treatment they were entitled to – overall 65.5 per cent agreed with this statement. Responses to statements two and eight suggest that many respondents were somewhat sceptical of the extent to which these schemes really benefited them, with statement eight in particular ('SBSs really do make life easier for older customers') yielding a 76.1 per cent response rate. None the less, responses to the negative statements were encouraging. Altogether 88.5 per cent

Table 3 **Frequency Distribution of Response to Schemes**

Response to schemes	*Frequency %*
1. I know nothing about these schemes, I've never heard of them before	16.3
2. I know these schemes are there but I've never bothered to look into them	22.7
3. I've looked into these schemes but I decided that they weren't for me	4.9
4. I'm a member of one of these schemes but I'd rather other people didn't know about it	6.4
5. I've no problem being a member, I deserve it	49.7

$N = 203$

of respondents disagreed with the third statement ('SBSs are like charity or accepting a hand-out'), reinforcing the suggestion made earlier that special treatment was regarded as an entitlement. Replies to this statement once again reflect the financial caution of today's seniors as noted by Intindola (1992) and Ostroff (1989).

Summary scores for the battery of statements suggest that overall perceptions of banking schemes were quite favourable. 84 per cent of respondents attained a positive score, with 14 per cent of these individuals achieving a score of between 1 and 2 (the maximum score possible being 2). This is a pleasantly surprising finding; while many respondents were unsure of the precise benefits of the schemes, overall the idea of a scheme specifically tailored to their needs was welcomed. This finding echoes that of Moschis (1992a), who concluded that older adults generally welcomed programmes created for and aimed at the over 55 market.

Bivariate analysis on perceptions of banking schemes yielded some interesting results. Two variables were found to have a positive relationship with perceptions – membership of a 55+ organisation and actual membership of a senior banking scheme. Members of schemes, as predicted, scored significantly higher than non-members on perceptions of schemes ($p < .001$) – the more responsive an individual was to a banking scheme, the more favourable his/her perceptions of that scheme. Membership of 55+ organisations also correlated significantly with perceptions. Non-members were more likely to yield a negative summary score than members of an age-specific club or association. This is consistent with the finding of Tongren (1981).

Responsiveness to Schemes

The responsiveness scale in Table 3 was based upon Tepper's pioneering study in the University of Kentucky in 1994 discussed earlier. Looking first to the members, a large majority responded to schemes in a manner which Tepper would deem 'unqualified disclosure' (category five). There was minimal evidence of perceived social labelling (category four), whereby scheme members would prefer that others did not know of their membership, or exercise their membership only in the presence of restricted peers (family or other seniors). This positive self-image exhibited by respondents was a somewhat surprising finding; it parallels the assertive and confident self-image typically found in US studies (Moschis 1992b).

Possible Factors Affecting Responsiveness

Perceptions of schemes correlated significantly with responsiveness level at the .001 level of significance. As expected, respondents with favourable perceptions of schemes tended to score higher on the responsiveness scale. Likewise those who attained a low perception score clustered around the lower levels of the responsiveness scale. Members of organisations for over 55s also emerged as significantly more responsive than non-members. This finding reflects the study of Tongren (1981), who concluded that members of senior citizen organisations were more receptive to age-related marketing cues. Level of education also correlated significantly with responsiveness. The higher the level of education attained, the higher the respondent was likely to score on the responsiveness scale. Spiller and Hamilton (1993) also identified a similar relationship between level of education and usage of senior citizen schemes and discounts. Mobility was measured by using the number of times the respondent went out daily, providing a third correlation; the more mobile respondents had a higher tendency to respond positively to these schemes.

Looking to the chronological and cognitive age correlations, a trend is apparent in the data even though p-values do not permit a significant association. Respondents who 'felt' younger (cogni-

Table 4 Standardised Canonical Discriminant Coefficients for Four Independent Variables with Scheme Membership as Dependent Variable

Independent variable	*Standardised canonical discriminant coefficients*
Cognitive age	.05008
Chronological age	.30112
Perception score	.91938
Education level*	.07360
N	200
Canonical correlation	.4391
Wilk's lambda	.80722
Chi-square	42.975
p	.0000
Per cent group cases correctly classified	73.5 per cent

* Education level is a dummy variable. '1' = primary level only. '2' = post-primary level.

tive age) were also not as likely to be members of schemes. Their failure to join a scheme does not seem to be related to a negative attitude; rather they did not appear to acknowledge that they are eligible for these schemes (scoring 1 or 2 on the responsiveness scale). Cognitively older respondents tended to fit into categories four or five, having come to terms with their status. The majority of respondents in the youngest age category were non-members while as age increased, the number of members once again increased. This corresponds to Tepper (1994), who concluded that consumers who 'feel' older are more likely to respond to senior discounts and schemes.

Multivariate Analysis: (a) Discriminant Analysis

As bivariate analysis suggested relationships between several variables and responsiveness, multivariate analysis was conducted to examine their combined effect in determining scheme membership. A discriminant analysis was conducted to find the best linear combination of independent variables which would maximise the degree of discrimination between variables. Level of education was recoded as a dummy variable.

Of the predictor variables, prior perceptions had the greatest effect, obtaining a coefficient of .91938. As suggested in the bivariate analysis, the higher the score achieved on the perception scale, the greater the tendency for the individual to have membership status. Consumers most likely to be members tend to be older both cognitively and chronologically, and to have post-primary education. The p-value of .0000 indicates that these relationships are statistically significant. The high percentage of group cases classified correctly (73.5 per cent) illustrates the strength of the above function.

Multivariate Analysis: (b) Cluster Analysis

In order to develop a typology of consumers, cluster analysis was performed using Ward's (1977) method, a hierarchical clustering procedure. Using cluster analysis facilitated the development of viable segments within the Irish senior market. Variables used in the clustering procedure were: chronological age, cognitive age, health, overall perception score, and education level. These particular variables were selected as both previous research and bivariate analysis in this study suggested that they each had a significant effect upon the individual's responsiveness to senior banking schemes.

The Procedure

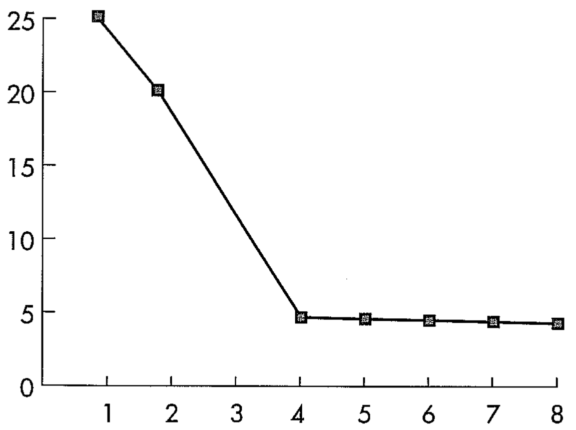
Following Ward's method, the optimum number of clusters was attained by calculating the percentage change in the clustering coefficient. Because the largest increases were observed going down from three to two clusters, the three cluster solution was provisionally selected. The data were then visually examined on a scree plot to ensure that three was the optimal cluster solution (see Figure 1).

To validate the three cluster solution a second analysis was conducted using another reputable hierarchical method. Once again a similar three group solution emerged as optimal. The following clusters emerged from the procedure.

Cluster One – Ailing Extroverts

These mature adults (21.5 per cent of sample) are more likely to be in poor health (or perceive themselves to be so), to have completed their education at primary level, and to see themselves as old. This corresponds with their chronological age, which tends to fall in the oldest category. Members of this cluster are likely to be members

Figure 1 Scree Plot of Possible Cluster Solutions



of an organisation for over 55s. There is a slight bias in favour of females in this cluster; again this could be due to the older age status (more females in this age category). Not unconnected to their poor perceived health is their mobility level, with many of these consumers going out less than once daily. Many Ailing Extroverts worry about banking and conducting financial transactions, with security worries dominating their concerns. Lack of privacy in the bank is also an issue for some. Despite this, the group displays good awareness of age-related entitlements. They are aware of age-related banking schemes available to them. Reaction to the schemes is somewhat mixed, but the majority register a positive attitude to them. Those who are members of schemes have been so for over five years.

Cluster Two – Contented and Comfortable
Individuals in this segment (45 per cent of sample) tend to consider themselves in good health, with an average cognitive age 10–15 years younger than their chronological age. Cognitively they view themselves between 50 and 64, with some 65–80, but chronologically the majority are aged 65–74. This cluster is the best educated of the three, with the vast majority of respondents possessing some third level education. Discretionary income does not appear to pose a problem for these consumers; none of them reported feeling badly off and the majority were quite happy with their financial status. Generally Contented and Comfortables have good awareness of their age-related entitlements. Scores on the responsiveness scale indicate that this group would not be offended by age-related promotional cues as they are likely to be members of banking schemes. Both perceptions of and attitudes towards such schemes are positive. Membership is, however, likely to have been held for a shorter period of time than for those in the previous cluster, with the majority having joined a scheme in the past five years. These consumers are quite confident in conducting their banking transactions, in particular when dealing with bank staff. Those who feel uncomfortable in the bank worry about the lack of privacy when conducting financial transactions rather than security.

Cluster Three – Forever Young
This group of consumers (33 per cent of sample) possesses the most optimistic outlook on life. They consider themselves to be in excellent health and possess the highest mobility levels, with over half of the cluster members going out twice daily or more. Cognitively, their ages range between 35 and 49 (in contrast to their average chronological age of between 55 and 64). Consistent with their cognitive age is the low participation rates in age-related organisations. Somewhat surprising is their level of completed education – most of these individuals finished their studies at primary or secondary level with only a handful going on to third level education.

Mature adults falling into this category have a low level of awareness of age-related entitlements: over 60 per cent of all respondents who had never heard of a senior banking scheme belonged to this segment. Furthermore, almost half of those who consider these schemes to be a 'gimmick' are members of this segment. Not surprisingly, banking scheme members in this cluster were few in number.

Conclusions and Recommendations
Generally perceptions of Irish senior banking schemes were quite favourable. However, scepticism is evident concerning the actual benefits of these schemes, even among members. Findings of this study support those of Moschis (1992b) who found that, contrary to Tepper's (1994) conclusions, mature adults did not appear to be concerned about the negative social consequences of their consumption behaviour. In terms of demographics, the typical senior banking scheme member is likely to be well educated, mobile and reasonably healthy, a member of an organisation for older people and to perceive him/herself to be quite comfortable financially. (S)he is also likely to be among the older people (both cognitively and chronologically) in the senior market. However,

prior perceptions of senior banking schemes emerged as the best predictor of responsiveness. Multivariate analysis illustrated that perceptions had greater predictive power than any of the other variables included in the analysis. This finding reinforces the need to improve perceptions among non-members to encourage them to join a senior banking scheme. This is an encouraging finding for marketers from one perspective, as perceptions can be altered with positive marketing in a way that demographic variables such as education level, cognitive age, sex and health cannot.

Promotional schemes for the mature market can be classified into two categories – those that focus on age-irrelevant decisions and those that focus on age-targeted stimuli. There is an overriding consensus in the marketing literature that the focus in communications to the senior market should avoid overt reference to age. Moschis (1992a) highlights the danger of not doing this – while some adults respond favourably to age-related stimuli, others will react negatively and avoid the product/service in question. He recommends emphasising the specific benefits available rather than the eligibility criteria to avoid alienating the market. This research concluded that there is a significant lack of awareness of the specific benefits of senior banking schemes. Awareness of benefits could result in new members who feel that they could utilise some of the schemes' offerings. Benefits should therefore be listed where the scheme is mentioned – in advertisements, in brochures available from individual branches, in direct mail sent to customers when they pass the age for eligibility, and in magazines published by the scheme.

The senior market is set to increase substantially over coming decades. This will inevitably prove a catalyst for an array of dedicated promotional and discount schemes tailored to this growing and affluent sector. A senior consumer's responsiveness to such schemes is likely to be a function of the features and benefits they proffer coupled with the prevailing social attitudes towards ageing and older people. The gerontological demographic shift in Western societies has failed to dispel a persistent residue of ageism (Minkler, 1989); 'Grey Pride' is not as ubiquitous as might be expected.

In this regard key considerations in devising strategy for such schemes must include the degree to which they should be targeted exclusively and identifiably at older consumers and the subsidiary question of whether or not to specify age overtly as a qualifying criterion.

Data from this Irish study suggest that where age-based resistance is prevalent among prospective scheme members it is more likely the result of a reluctance on the part of the consumer to internalise and accept their own advancing age than a fear of being labelled socially as old or elderly. The thrust of marketing activity in this regard should therefore be to facilitate a positive portrayal of what it means to be 'older' rather than to shield the senior market from the imagined social scrutiny of ageist others.

Authors

Jennifer Dunne is an account executive at Dimension, a Dublin-based full-service marketing communications agency. A graduate of the Dublin Institute of Technology, she pursued postgraduate studies both there and at Dublin City University. Jennifer won the Economic and Social Research Institute's (ESRI) postgraduate essay competition for a publication based on the research reported here.

Darach Turley is a lecturer in consumer behaviour at Dublin City University. His particular areas of interest are in the senior market and the impact of culture on consumption.

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UNDERSTANDING MARKETING MANAGEMENT COMPETENCIES WITHIN A SERVICES CONTEXT

Audrey Gilmore

Although a great deal has been written about the concept of 'managerial competencies' there is very little empirical evidence to demonstrate its true worth. This paper describes the development of marketing management competencies in the context of how one company's managers adapted their level of decision making over a period of three years. This occurred during a time of wider organisational change and increasing competitive activity. To this end, the paper provides a brief description of the changes in the company's structure and managerial responsibilities over time. Various aspects of marketing decision making are used to illustrate the changes in managerial competencies in relation to the decisions made, and illustrated by the resultant marketing activity.

Introduction

Marketing management competencies are generally considered to be contextual (Buchannon and Boddy, 1992); that is, appropriate and meaningful in the context of the roles and responsibilities of managers, and in the wider context of an organisation's particular situation. In order for managerial performance to be continually effective, managers' marketing management competencies need to develop and evolve along with the changing requirements of their managerial roles.

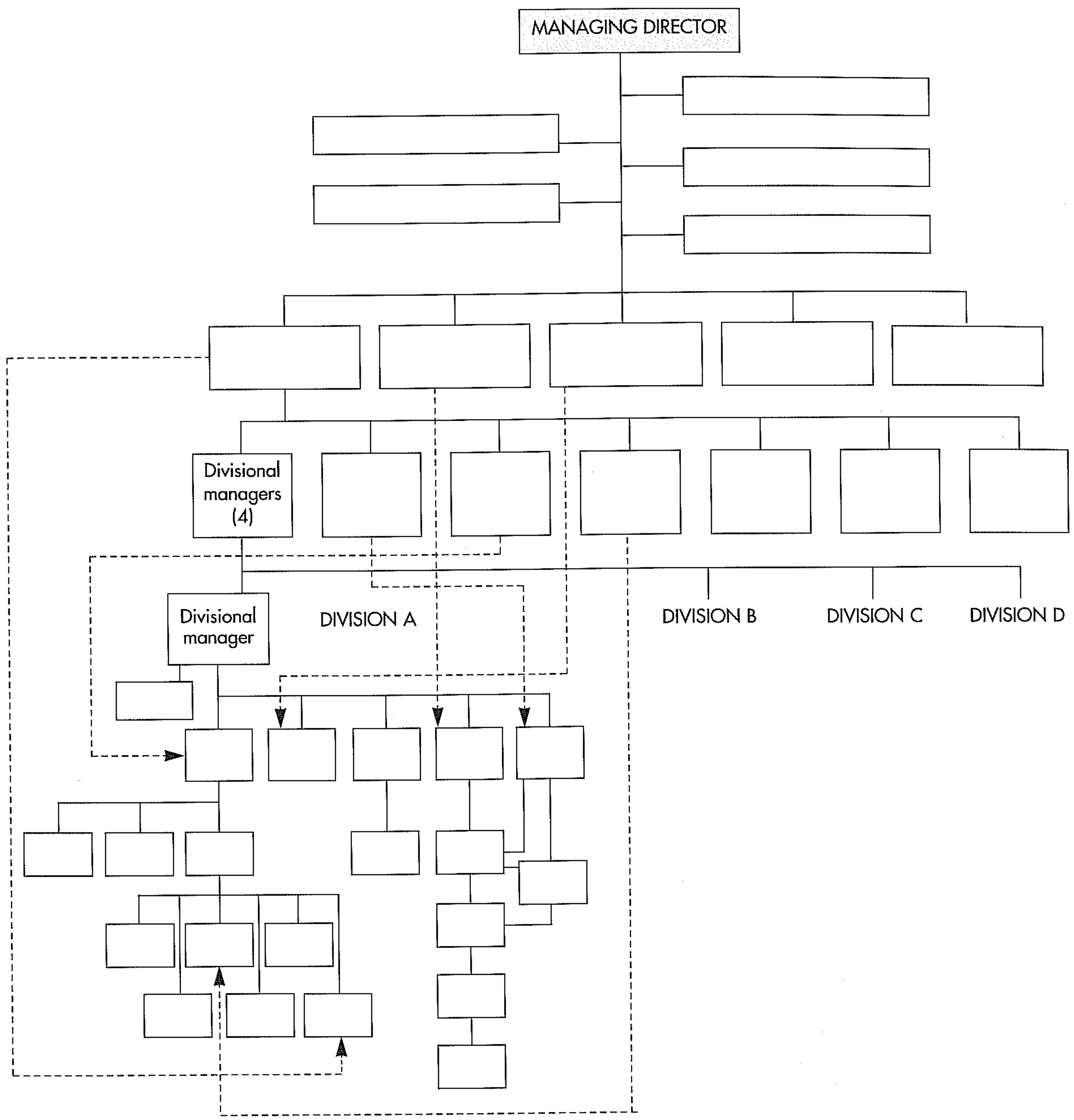
Management decision making occurs within complex and often rapidly changing organisational situations. Factors that will have an impact upon the quality of such decision making include the type of organisational structure in which managers operate, the nature of organisational development and change in relation to both internal and external environments, and the managerial competence of the decision makers.

This article will give some consideration to the development of marketing management competencies and the changing nature of such competencies in relation to requirements for management performance in the context of a services organisation. The existence and development of managerial competencies in the context of change is illustrated by the use of a case description of a large consumer services company, operating in the UK, throughout a three year period. One year prior to this study, a large Scandinavian company (Stena) bought a UK operated ferry company (Sealink British Ferries). The acquisition of Sealink more than doubled the size of the Stena company, making it one of the largest car ferry operators in the world. At the time of acquisition, service quality was the basis of Stena's management philosophy. Indeed, the quality dimension was so important to Stena that it had a main board director with responsibility for quality and also a functional department with sole responsibility for monitoring quality improvements.

In contrast, this philosophy was considered alien to Sealink's activities before the acquisition. During Sealink's recent past the company had inherited a top-down military style management structure and ethos from the merchant navy where most of the ship's management and staff had been formally trained. Throughout Sealink's history the management priorities had been on the operational aspects of ship movement, and the experience of customers had taken a secondary position. Consequently there was a lack of attention to overall strategic development and a lack of concentrated management effort in respect of various company functions. Therefore there was a considerable challenge for the new company's UK management to bring the parent company and the UK subsidiary 'into line'.

At the beginning of this study (1991), top management in the UK subsidiary were determined to improve the company's overall effectiveness in line with the new parent company and in the context of an increasingly competitive environment. The company's UK operation was divided into four divisions each with responsibility for a

Figure 1 **Corporate Company Structure: 1991**



particular geographical area. These divisions are illustrated within the context of the overall company structure in Figure 1. Each division had an overall manager, the divisional manager, who had control over the division's management, with considerable input from headquarters in relation to corporate policy and decision making. This study focuses on one of the UK divisions, which will be referred to as Division A, over a three year period.

The organisational philosophy, structure and the nature of the competition changed over this time period. Managerial competencies are described in the context of the circumstances within which the company was operating. Evidence of managerial competence for decision making is described in terms of managerial knowledge, experience and expertise for the specific marketing responsibilities of managers at divisional level.

Managerial Performance in 1991

In 1991, Division A held the dominant market share (approx 72 per cent) in its market with little active competition from the only competitor at this time. The two companies shared the market almost in direct proportion to their passenger capacity and frequency of service. This division had three conventional ferries and its competitor had two on this route.

Organisational Structure

Although the divisional manager had overall responsibility for the route, various managers from headquarters had joint authority with the divisional manager over specific aspects of the service because of the hierarchical nature of the organisational structure in 1991 (see Figure 1). All line managers either directly or indirectly reported to and were accountable to headquarters. This created a 'control' type of management rather than a decisive and action-oriented management.

Overall the management structure tended to restrict the decision making process and hold up activity until everything had been checked by each level of management. The structure also meant that there were at least two levels of managers between the divisional manager and the functional teams with responsibility for the various marketing tasks, creating two reporting levels before the divisional manager received information from the front line. This led to many conflicting decisions. Furthermore the structure resulted in a remoteness of decision making and inability to respond quickly to market changes.

Decision Making

As a result of the organisational structure all decision making was influenced by headquarters. Decisions were reached in relation to suitability for all divisions and therefore the overall nature of decision making focused on very general policies and the setting of standards which could be widely applied. The decision making process at divisional level focused on issues with which the managers felt more comfortable, such as dealing with familiar aspects of operational activity and planning repetitive annual events.

Management Competencies

Division A's managers had wide *knowledge* of the general operational nature of the industry, the ferry companies' standard product, the operational aspects of service delivery, the company's procedures and codes of practice, and the industry's standard approach to pricing and communication. However, they lacked specific knowledge in terms of each type of the company's customers (motorists and foot passengers), each customer group's priorities, and preferences in relation to the different products and how they were delivered. For example they did not know if the types of customers who used the 'five day return' products were different to the customers who used the standard return product.

The *experience* of managers in Division A was relatively limited in a number of ways. Firstly, all members of the management teams had only ever worked in the ferry industry and most had worked in the same company for between five and thirty years. Consequently as a division they had a considerable range of industry and in-company experience, but had little experience of taking responsibility for a specific marketing function, such as product, pricing, advertising or customer-staff management. Secondly, they had little experience of managing in a competitive environment. In recent years Division A had little experience of proactive competitive behaviour from its only competitor and did not have to fight for market share. In addition, demand for the ferry product was greater than supply at all holiday times of the year. The competitors on this route had always been relatively inert, and as a result no one had experience of working in a competitive environment where decisions in relation to competitive activity had to be made regularly and subsequent action taken. Thirdly, managers in this division had experience in operational activities but little decision making experience. For example, they were experienced in managing the tactical operational aspects of ensuring the ferries and terminals were refurbished regularly. These managers had no decision making experience and therefore there had been no building and development of their management performance over the years in the industry and no tradition of looking for or expanding their experience to anything other than carrying out similar operational activities.

Division A's managers had little *expertise* in judging a situation prior to making a decision, as traditionally most marketing and business decisions

Table 1 Summary of Managerial Performance in 1991

EXTERNAL CIRCUMSTANCE	
Competition	One competitor with two 30-year-old vessels
INTERNAL CIRCUMSTANCE	
Organisational structure	Centralised; formal HQ functional departments; divisional managers responsible to HQ functions
Decision making method	HQ management directives
Management competence	Knowledge and experience based on maintaining operational activities. No proactive decision making expertise
Marketing activity	Maintaining traditional standards and emphasis on tangible aspects

were made corporately at Sealink's headquarters in Southern England and the management team were accustomed to simply following directions. At this time, Division A's managers were not action oriented; they did not consider growing the market or increasing their business. For example, they did not attempt to develop new products, reach new customers or change any traditional activity. They had a short term focus, were involved in managing operational activities, carrying out procedures and maintaining the status quo, without planning for the future.

In 1991 marketing activity was carried out according to the prevailing industry norms; it was repetitive, similar to previous years' activities and narrow in terms of markets reached. Overall the management team were not proactive in the planning or implementing of market-led activities at this time. This resulted in marketing activity which focused on the tangible aspects of service delivery, such as refurbishment of physical facilities; and largely neglected the intangible aspects of service delivery, such as providing information and guidance, proactive communication, accessible and willing interaction with customers. Table 1 provides a summary of Division A's managerial performance in 1991.

The knowledge and experience of Division A's managers were based on some years working in the same environment, building up a general familiarity with the industry and executing repetitive operational/tactical activities. Thus, although their experience could be counted in years, in effect their experience could best be described as 'one year repeated several times' (Kolb 1984). Their knowledge was heavily grounded in their operational backgrounds with little knowledge or perspective of the holistic purpose and direction of the organisation, or of the potentially competitive environment in which they were operating. Managerial expertise was non-specific to functional requirements, with little diagnostic or judgmental capabilities. This resulted in poor prioritising of problem areas and little motivation for changing current situations.

Managerial Performance in 1992

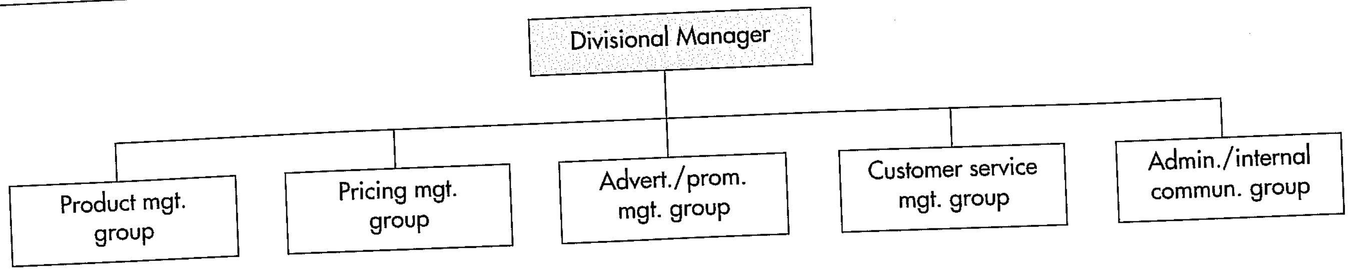
At this time the traditional competitor on this route exchanged its two thirty-year-old vessels for two twenty-year-old vessels. In addition, a new competitor launched a catamaran service on this route with one new vessel. Division A maintained three conventional ferries on this route.

Towards the end of 1991, after regular visits from the new parent company directors, the divisional manager encouraged the functional managers to become more actively involved in the routes' operations and initiate more direct contact with the local markets. Over some months they began to develop more specific knowledge of the operational aspects of the business by becoming involved in working parties which were initiated in order to address some specific operational problems (for example, to improve the punctuality of ferries). However, these managers were not accustomed to making decisions for themselves and often were unsure when confronted with a different situation.

Organisational Structure

At the end of 1991 the Stena corporate management designed a more streamlined organisation. Stena's parent company operated a decentralised structure as it valued the importance of each management function taking responsibility and accountability for its own activities. Decentralisation was introduced in the UK because the Stena Line corporate management had recognised the diversity of the different routes, requiring management from the people closest to the market and those who understood the local variations in demand for the ferry travel product. Headquarters was restructured and some of its

Figure 2 **Division A's Structure: 1992**



functions were moved out to each division to increase divisional responsibility for managerial decision making and marketing activity. It was intended that this would ensure the organisation could respond quickly to local conditions and to improve the responsibility and accountability of the middle and senior managers in each division.

As a result of the restructuring the overall influence of the UK head office was reduced. This gave the local divisions total autonomy; the main decision making responsibilities and tasks were pushed down to each division so that the divisional manager had complete responsibility and authority for his own division. To benefit most from the corporate restructuring, Division A's manager devised a new divisional level structure. He reduced the number of hierarchical levels in the organisation (in line with the corporate structural change) and made each functional manager responsible directly to himself with all other members of their teams directly responsible to the functional managers. This simplified the organisation structure by reducing the number of reporting levels and numbers of managers responsible for each functional activity as illustrated in Figure 2. This was designed to improve local management responsibility and accountability for functional decision making and activity and to create some motivation and enthusiasm for role responsibilities. Functional management teams now had complete authority and responsibility for planning, managing and implementing new ideas in their own functional areas.

In this structure the five management functional areas relevant to the organisation's business were formed into five management departments: product management, pricing management, advertising and promotions management, customer/staff interface management and administration/internal communication management. Much greater responsibility was given to the managers in each functional team, where they now had complete power to make decisions and implement new ideas.

All marketing task-related managers were now positioned within a team in the new structure and each team worked together in the same location. Therefore there was more opportunity for the discussion of all management issues and management liaison. In addition, each team reported directly to the divisional manager, with no intermediate or middle managers to slow down or impede communication and decision making efforts. Consequently functional managers needed to take responsibility for decision making and were heavily encouraged by their divisional manager to do so during this time.

Decision Making

With this restructuring the divisional manager had complete control over all aspects of the marketing and operational activity of Division A. Marketing decision making was the responsibility of each management team, each having responsibility for a particular aspect of marketing functional activity. These managers were responsible for the delegation and implementation of all marketing activities in liaison with the operational staff.

Management emphasis was on encouraging management responsibility and accountability. As the market was becoming more competitive and the whole internal organisation needed to operate more efficiently, the focus of management was on improving management responsibility and accountability for functional activity. While implementing the restructuring it became clear that the new managers who were responsible for functional activity had little experience in decision making and needed some encouragement and development in order to have the ability to meet the challenges of their new roles. To this end the divisional manager initiated a delegative style of management whereby all the key managers could adapt and learn to manage effectively in the current organisational situation. With this purpose the divisional manager initially organised a week of planning and development for all the managers in the division in order to strengthen and emphasise the circumstance of the new structure and to improve their decision making performance. The overall aim was to create a formal pattern of com-

Table 2 **Summary of Managerial Performance in 1992**

EXTERNAL CIRCUMSTANCE	
Competition	Two companies – one with two 20-year-old vessels; one with one new vessel
INTERNAL CIRCUMSTANCE	
Organisational structure	Decentralised: autonomous power to each geographical division. Each division: functional departments
Decision making method	Delegation to functional managers
Management competencies	Some development of knowledge and experience through involvement in decision making
Marketing activity	Emphasis on tangible issues with inconsistent level of attention to intangible service aspects

munication between all managerial functions and to increase the momentum for change and improvement. Meetings during subsequent weeks took the form of discussions about future directions, marketing activity, competitor activity, possible future developments, consideration of how competitor activity could change over the short term, and how managers could continually improve their marketing activity. Each management team had responsibility for specific decision making and activity. The management teams met regularly to discuss options and agree priorities for decision making.

Formal divisional communication occurred through monthly meetings away from the office which were used to plan the following month's priorities and activities as described above. Informal communication occurred through regular contact between management teams, and the circulation of memos and reports. Overall communication from head office was infrequent at this time, and was usually by written correspondence, telephone or brief visits.

Management Competencies

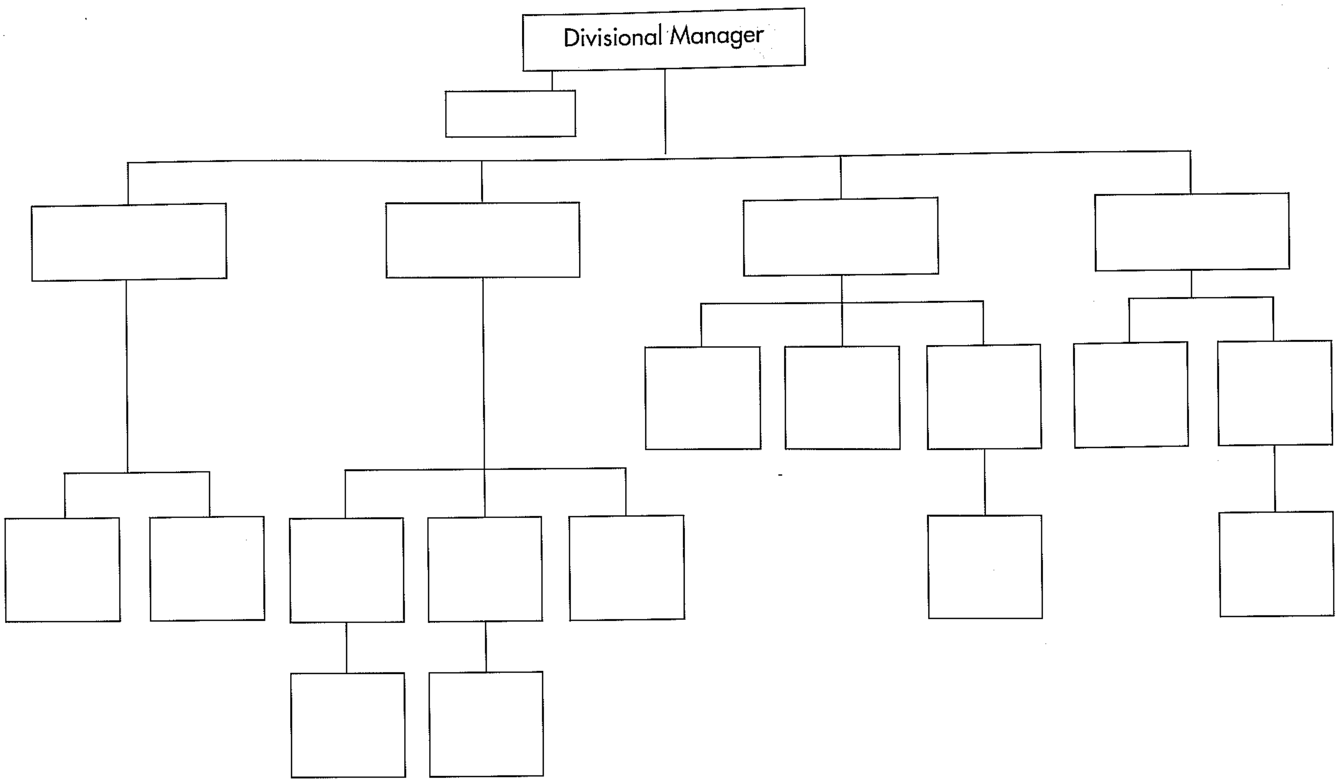
As a result of the accumulation of *knowledge* and changing requirements of their management roles (from previous years); and together with the *experience* of being given total responsibility and becoming involved in specific aspects of their management roles, the functional decision makers began to learn from their mistakes and became more outward looking (in relation to competitors and possible changes in the marketplace).

Division A's managers' *expertise* had developed to some extent. They were no longer involved in operational activities only but were involved in some aspects of decision making for future, short-term events and activities. Each functional manager became involved in specific aspects of marketing activity such as trying out new service delivery ideas. Their experience developed over time through trial and error, testing the suitability of managerial actions and decisions in relation to specific aspects of their managerial roles. In particular they were becoming more adept at thinking about alternatives for future development in the context of increasing competitive activity. They had gained some experience of trying to preempt and outwit constant competitive activity which occurred during 1992. The traditionally docile competition was now more aggressive in terms of the introduction of newer and bigger ferries for the route, operating special offers and severe price cutting throughout the peak season. Initially these managers responded by copying and matching competitive offers but towards the end of this stage they began to acknowledge that different initiatives needed to be considered in order to escape the downward spiral of a price war.

Although some managers were predominantly involved in discussions of how marketing activity could be improved they were not involved in action-oriented management. Consequently many good decisions were not implemented and in some aspects of marketing activity there was only minimal development. Thus in spite of some decisions being considered in the context of longer term consequences, managerial reaction to various aspects of competitive activity resulted in a priority for short term actions. Thus the majority of decisions and activities were based on short term time scales, mainly in relation to dealing with immediate competitive threats.

During 1992 Division A's managers' experience of working in a competitive environment had increased their knowledge about competitors' products and activities, and their awareness of the need to further develop and coordinate their marketing activity. However, they had shown little expertise in relation to the implementation of plans and often failed to carry out fully their

Figure 3 **Division A's Structure: 1993**



responsibilities for action-oriented management. A summary of managerial performance in 1992 in given in Table 2.

During this stage marketing activity was inconsistent in terms of the delivery of both tangible and intangible aspects of the service offering. There was some attention to the intangible aspects of the customer's experience on-board, such as providing some value for money 'special offer' items, visual information and guidance, in addition to the tangible aspects. However, this level of activity was different on each ferry and depended upon the dedication of each crew; some service areas provided more guidance and direction than others.

By the end of 1992 it was clear that while some managers were accepting responsibility for their functional area, there was a tendency for other managers to fail to co-ordinate plans and ensure plans were implemented with the rest of the functional teams. Prior to the restructuring, Division A's managers had no history of having responsibility at this level and some found it difficult to change. Most of them neglected to spend time on planning activities and instead spent time on operational activities. However, some managers did respond to the challenge of assuming more responsibility and became increasingly proactive in searching for ways to improve performance.

Managerial Performance in 1993

The competition at this time included the traditional competitor on this route with two conventional vessels, and the addition of another vessel for the new competitor's fleet. This meant that there were two catamarans, the traditional competitor's two ferries and Division A's three ferries all serving this route.

Following the previous period (1992) of lack of consistent progress in marketing management decision making and implementing marketing activities, the divisional manager was now concerned about the integration and co-ordination of company functional activity. He initiated a further restructuring of the division.

Organisational Structure

The restructuring at this time was designed to incorporate a smaller and more informal management team of the key managers who had proved themselves able to make and carry out decisions; with each manager having more responsibility for overseeing a variety of areas and operations. That is, the restructuring was arranged around the managers who had proved themselves to be proactive decision makers and those who had demonstrated the ability to implement those decisions and instigate action. These managers were chosen to have a more directive role, while some members of the functional teams who had not performed well on their own and who were not comfortable with taking responsibility for decision making were given more subordinate roles. In particular, the divisional manager wanted managers who could improve all the intangible dimensions of the service (involving proactive communication and interaction between customers and staff) which would therefore result in the delivery of a more balanced marketing mix. Thus the key managers were those who had had a more subordinate role but had shown initiative and drive and outperformed their 'superiors'. These managers were now promoted to take over the management of the functional team. The management structure was built around four 'key' functional managers who had responsibility for a team of 'secondary' managers. This is illustrated in Figure 3.

Thus the organisational structure was now more closely matched with the past experience and current competencies of managers. It was designed around the grouping of managers and staff by their level of knowledge, experience and expertise in relation to specific functional management tasks.

This organisational structure allowed each functional team to work together in managing all decision making and operational activity. The functional management teams planned their activities at regular meetings, and communicated with each other on a daily basis. This participative management decision making resulted in the improved marketing performance of the whole team.

Decision Making

The decision making process now became more immediate and effective. The key functional managers proactively aimed to improve their own performance and consequently that of the company. Initially these managers were extremely busy as they needed to spend considerable time ensuring that their staff were well informed and were taking part in the decision making process as far as possible, but always leaving meetings with a clear and specific task to carry out before a given time period. These management and supervisor tasks were agreed at regular meetings and consensus was achieved by the overall management team.

The second level of managers, responsible to the functional managers with overall responsibility for each aspect of marketing management, were involved in most decisions, particularly in relation to their own activities and in plans relating to the delivery of their activity. They were well instructed and directed in order to ensure results. However, the second level of managers were not involved in the strategic level of decision making, some of which was highly confidential at this time (for example, long term plans about new products and markets).

Co-ordination and collaboration were the key goals of management at this time. The new structure had been created with the emphasis on solving problems quickly through team action. The four functional managers were chosen because of the proven ability to take responsibility for decision making and these managers were deemed to have the ability to become a management team which would combine across functions for task-group activity. Thus meetings of the functional managers were held frequently in order to focus on major problem issues. At this time the management style was participative and aimed at dealing with problems or issues as they arose whilst planning ahead for the longer term. In particular managers were proactively seeking new ideas for innovative products and lobbying for investment in new innovative technology developments.

Informal communication between the functional managers was used on a daily/weekly basis to achieve better teamwork and conflict resolution. Such communication allowed these managers to grow accustomed to each other's method of decision making and style of management without resulting in conflict or lack of action. Experiments in new practices were encouraged throughout the organisation. In particular the development of improved information systems, better internal communication systems and speedier decision making were considered to be the priority of all managers.

By giving the four functional managers overall responsibility for specific areas of management, the structure created a simplification of the previous formal/informal systems and combined them into a single multi-purpose system. In addition at this stage the information systems which were in the process of development were becoming much more effective for division-specific information and were being integrated into daily decision making.

Table 3 **Summary of Managerial Performance in 1993**

EXTERNAL CIRCUMSTANCE	
Competition	Two companies: one with two 21-year-old vessels; one with one one-year-old vessel and one new vessel
INTERNAL CIRCUMSTANCE	
Organisational structure	Decentralised: functional with semi-tiered structure
Decision making	Team agreement and consensus led by manager
Management competence	Decision making illustrated knowledge, experience and expertise
Marketing activity	Comprehensive attention to both tangible and intangible aspects of service delivery

Management Competence
Division A's managerial knowledge and experience in decision making had developed as a result of all managers being involved in decision making, having responsibility for planning and initiating the implementation of the marketing activity. They had now gained experience in considering a number of solutions for each problem and selecting one for which they had total responsibility through to the implementation stage.

Knowledge was now very specific to the local market requirements, preferences and trends. All management teams were now closely involved in decision making and ensuring all plans were implemented. All teams now had considerable *experience* in dealing with specific functional responsibilities and tasks in relation to the current competitive climate and organisational situation. Additionally the experience of working in a highly competitive environment, with constant consideration and observation of how competitors respond to their marketing activity and consideration of how they should respond in return, had improved the experience and knowledge of these managers.

The development of *expertise* occurred throughout this stage by learning from previous mistakes, giving careful consideration of the options available, the advantages and disadvantages of each and the resources available for implementation. At this time all management decision making involved action-oriented plans and allocation of specific activities to each individual member of the functional teams. Many plans were now considered in relation to longer time scales and the overall implications for future development.

At this stage all marketing activity was planned to take account of both the tangible and intangible aspects of service delivery and could be described as comprehensive. The intangible dimensions of service delivery included proactive interaction by staff on-board and in the terminal and the use of promotional materials such as posters, signage, electronic displays and providing verbal information over the tannoy systems. In addition any customer complaints were dealt with immediately whereby customers were given an apology combined with some compensation (such as a voucher) to encourage repeat purchase. This overall managerial performance is summarised in Table 3.

In summary, the competence of these managers was more specific to the local market's requirements. Their involvement in improving all aspects of service delivery at the various points of interaction with customers, and recognition of the importance of all aspects of customer service when operating in a competitive environment, had contributed to a more specific understanding of the market they served.

Conclusion
At the beginning of this study Division A operated within a centralised structure with the major managerial decisions relating to marketing and operations being made at headquarters. The divisional structure was built around control rather than responsibility and allowed for directives from headquarters management in relation to each specific operational activity. Therefore managers at divisional level focused upon operational activities and were generally reactive to any changing circumstances. In 1992 the organisation was decentralised. During the time between the beginning of 1992 and the end of 1993 decentralisation gradually led to increased management responsibility and accountability with some management groups becoming more proactive than others. Division A's management decision makers developed their level of knowledge and experience in terms of specific role responsibilities and gradually gained some expertise in decision making related

to specific areas of marketing activity. In this way they became more competent managers in the context of the company's specific situation within a changing context.

The overall effect of the changing organisational structure was that marketing decisions specific to the local division were made at divisional level rather than headquarters level. There was a gradual move from headquarters control to divisional level managerial responsibility and accountability. Over time the key decision making managers progressed and adapted to meet new challenges in comparison with the remaining marketing managers who did not take full responsibility for planning or decision making and preferred to be directed by higher management.

Competency development needs to take account of both internal and external changes in circumstances and of the growth and development of management responsibility as managers progress up the organisation or through different positions with specific roles and responsibilities. Individual managers must develop competencies to suit or match their job requirement, that is, competency requirements will change with every promotion or change in job roles and responsibilities.

Weinshall (1975) argues that any change in the nature of management decision making necessitates a change in managerial structure and in the individual requirements and roles of managers. This will occur as an organisation evolves through its life cycle and/or adapts to a dramatically changing environment. Thus the 'fit' between the organisational structure, management decision making and the development of managers is of vital importance. The effectiveness and suitability of this fit varies throughout the life cycle of an organisation and particularly in a situation of rapid organisational change in relation to internal or external circumstances.

As an organisational structure evolves around the interrelationships and interdependencies among positions there are some times when it may offer a better fit for decision making activity and management responsibility than others. This can be seen in the descriptions of the changes and evolution of management decision making in this paper.

Weinshall (1975) proposes that the solution to the lack of fit between the required responsibilities and tasks of managers and their current capabilities is to bring in new managers with suitable capabilities in order to transform the existing managerial structure back to being a balanced one. In the case of Division A some of the existing managers eventually developed their level of decision making and improved their marketing activity to suit the changing situation. However, although the 'key' managers improved, some managers did not progress to such an extent as to be proactively involved in decision making. These managers did become more involved in the delivery of marketing activity and did explicitly state that they would prefer to be directed by other managers who would make the overall strategic decisions. This allowed the restructuring of 1993 to fit the current organisational situation and each manager's specific strengths.

Author

Audrey Gilmore is a lecturer in marketing at the University of Ulster, Northern Ireland. Her teaching and research interests are in quality in marketing and marketing in service industries, particularly in travel and tourism. She is especially interested in developing a holistic approach to quality in services marketing within specific contexts. Audrey has published widely in the area of quality in services marketing and management.

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INTERNATIONAL PRODUCT STRATEGY: BUILDING THE STANDARDISATION–MODIFICATION DECISION

Linda M. Delene, Martin S. Meloche and John S. Hodskins

The decision to modify products or use standardised products for international markets is faced throughout the world. This paper provides a framework for international product strategy involving standardisation or modification decisions based on three factors – company heritage, market and product factors, and selected target markets. Such product strategy decisions are neither simple nor without risk and frequently serve as the basis for international product strategy. Standardised products may not completely satisfy customers in markets outside a company's home country, leaving market opportunities for competitor exploitation. Product modifications usually add costs and thus reduce profit contributions. Two figures illustrate these strategic relationships.

Introduction

This paper examines approaches to international product strategy and presents a decision framework for determining strategic alternatives which can be pursued by companies. Executives and scholars realise that there is no single, best method for determining various international product strategy alternatives. Rather, a series of interrelated variables are considered which may help a company build on its comparative advantage and continue to create future market success. Often, a company's comparative advantage is accomplished through various degrees of product standardisation or product modification. For example, the decision by Whirlpool Corporation to enter the Chinese market was dependent upon a series of product modifications to refrigerators which involved product size, electrical cycle adaptation, new finish colours, and repair systems. Such product modification decisions by firms seeking international market advantage is considered by some (Walters and Toyne, 1989) as the basis for world-wide competitive advantage. Others argue for broad consideration of the competitive position of products and brands in each country as the basis for product strategy (Douglas and Wind, 1987).

This paper explores the arguments for competitive advantage based on product strategy decisions about product standardisation or product modification. Additionally, the framework for a product strategy decision model is illustrated with a discussion of its three key factors. And finally, the authors present eight international product strategy alternatives along with some consideration of their differences.

Competitive Advantage and Product Strategy

Competitive advantage is gained from increases in customer delivered value which typically involve product strategy decisions. Porter's value chain analysis provides one clear, analytic approach for determining how efficiently value is added to the product. This dynamic approach encourages constant improvement or innovation. Basically, value chain analysis suggests that those companies which add value more effectively than other firms are more successful in the marketplace. Porter further suggests (1990) that innovations may yield competitive advantage when such innovations anticipate market needs. This 'expeditionary' innovation has been articulated as *the* basis for successful market strategy (Hamel and Prahalad, 1994).

Any customer value added from innovation generated by firms is, of course, increasingly rooted in traditional cost analysis which serves as one key driver for the product standardisation or modification decision, especially when considering export markets (Cavusgil et al., 1993). Other key drivers for sustainable competitive advantage include customer service and product support along with the market responsiveness of the firm (Aaker, 1989; Day, 1994).

Each company must determine whether the additional costs due to product modifications are warranted. There are numerous arguments for product modification or adaptation as the strategy of choice (Douglas and Wind, 1987; Walters and Toyne, 1989; Yip, 1989). In these arguments and others, the benefits of product modification strategy are expected to include additional sales revenue (Carpan and Chrisman, 1995). However, the additional sales, marketing, packaging, and distribution activities from multiple product lines, along with different product labels and directions for use in multiple market areas, are not as easily addressed. Additionally, the multiple applications of computer technology with computer-aided design (CAD), flexible manufacturing systems (FMS), and computer-aided manufacturing (CAM) increasingly support the ultimate modification (customisation) of products for smaller market segments which adds more complexity to arguments for and against a product modification strategy. This technology 'family' facilitates innovation for modification within the value chain framework, which in turn requires that such modifications also be evaluated against expected revenue streams.

On the other hand, economies of scale cannot be ignored and thus arguments continue for standardisation as the basis of international or global product strategy. With some homogenisation of world markets (Douglas and Wind, 1987) and the emergence of global market segments, there are benefits from standardised products with conventional marketing programmes. Among the important benefits is a lower cost stream, where good products, priced competitively can serve as the basis for global product strategy (Samiee and Roth, 1992). Such product standardisation supports economies of scale in production, purchasing, marketing, and concentrated research and development (Walters and Toyne, 1989) – all of which help achieve competitive advantage. Moreover, the arguments for product standardisation are supported by evidence that suggests a product development focus (which facilitates product modification) is more costly to firms (Lim et al., 1993). None the less, any standardised product strategy dependent upon price positioning remains vulnerable to competition if product specifications exceed those necessary or understood in some foreign markets (Douglas and Wind, 1987). Finally, concern has been expressed that national or local morale and motivation in markets is lessened through standardisation of products (Yip, 1989).

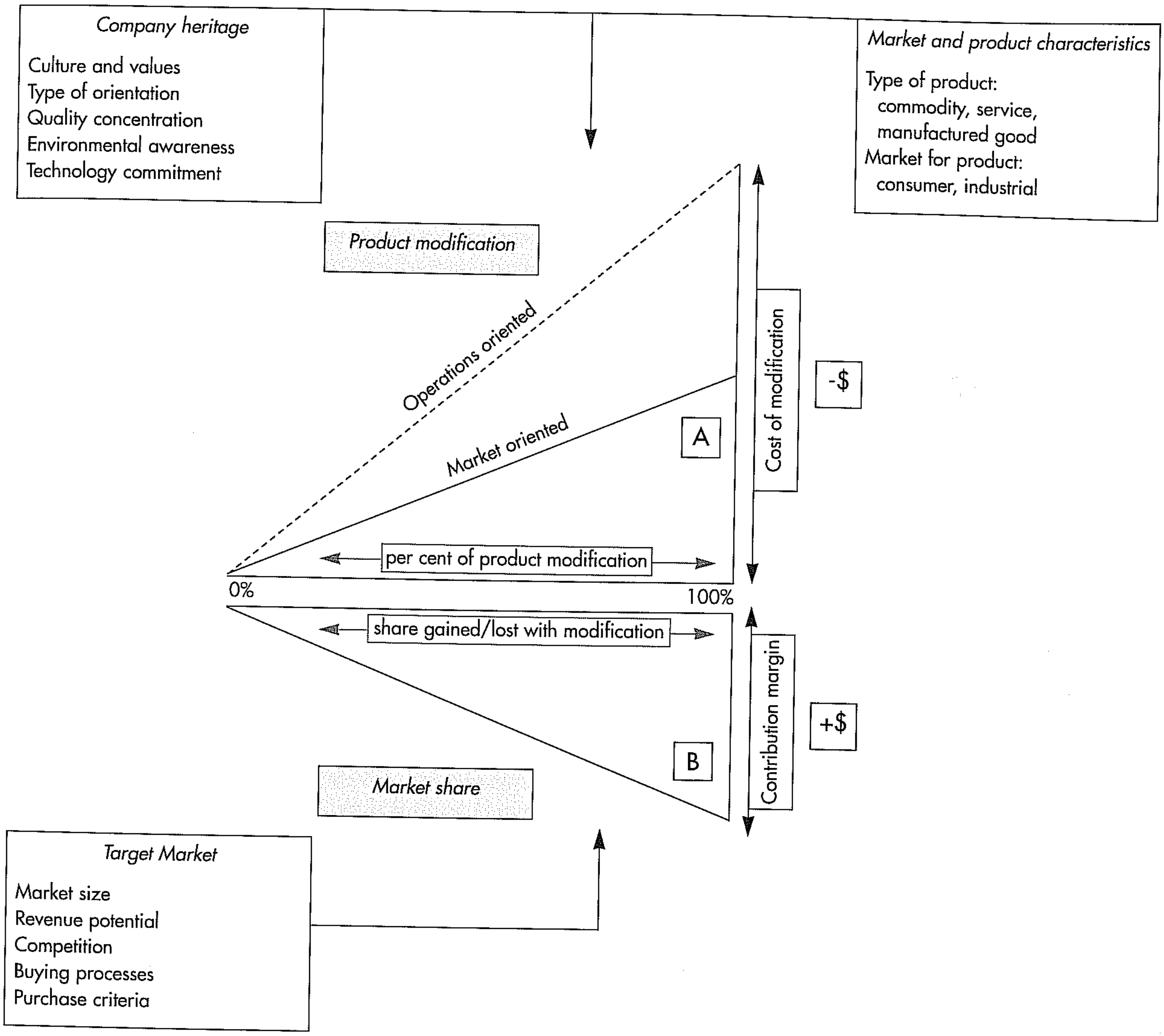
The search for competitive advantage through product standardisation seeks to identify and penetrate global market segments. In this search for global market segments, emphasis is placed upon relatively similar customer traits and conditions of use which leads to the confirmation of 'international customer segments' (Domzal and Unger, 1987; Ohmae, 1989). Of greatest profitability is a global segment of demanding consumers, who are identified and attracted by a premium product strategy which supports economies of scale through product standardisation (Walters and Toyne, 1989).

The view between product modification and standardisation as the basis for international product strategy does have room for alternative product positions. A middle ground of choices exists between the complete modification or total standardisation of products and services (Buzzell, 1968; Boddewyn et al., 1986). Even Levitt (1983), the architect of the global strategy debate, noted that large firms pursue a variety of strategic alternatives. There is evidence of a mix of 'hybrid' strategies which can be pursued simultaneously (White and Poynter, 1989) by firms although such hybrid strategies add greater managerial complexity and cost against the estimated market potential. Examples include Holiday Inn Express of India, which found that major modifications in location criteria along with room size alternatives (from corporate-level standards) provided access to a large and potentially lucrative market; Parker Pen with locally designed advertising for standardised products; and Ford with right-hand drive modifications in standardised passenger cars for the Japanese market.

Model and Decision Framework

The product strategy decision model presented as Figure 1 unites three factors – company heritage, market and product characteristics, and target markets – which are best considered jointly when making such decisions. The selection of a particular product strategy is as important as the benefits expected to accrue from a given strategic choice. Furthermore, the decision process used to select international (as well as domestic) product strategy should maximise the competitive advantage of the company. Our decision framework stimulates balanced consideration of company heritage, market and product characteristics, and target markets as the primary factors essential for determining the desirable degree of product modification or product standardisation.

Figure 1 **Product Modification and Market Share Relationship**



The first product strategy selection factor is consideration of the company's heritage, that is, the company's culture and values including the prevalence of innovation and change patterns; historic traditions of a market orientation *or* an operations and production orientation; any previous international legacy; and its concentration on quality. This company heritage factor derives from an earlier articulation of the term 'administrative heritage' by Bartlett and Ghoshal (1989) and Collins (1991). Reworking the term 'administrative heritage' into 'company heritage' as a key product strategy selection factor more accurately reflects the business scope necessary for strategic international decisions.

Since strategy execution is increasingly dependent upon the firm's entire value chain, company heritage is a pivotal factor when deciding which product strategy to follow. An experienced international business firm is more capable of responding to individual and market idiosyncrasies, and consequently has greater market flexibility. This experience factor is the foundation of innovation for adaptation which enables the firm to respond and establish its own competitive advantage based upon existing core competencies (Cavusgil et al., 1993). Caterpillar Inc., when re-entering the Vietnam market, had to establish its own dealerships rather than continue a historic pattern of local dealer partnerships. This market adaptability, necessary due to an initial lack of suitable local partners, enabled Caterpillar to move quickly into the Vietnamese market when the US trade embargo was lifted in 1995. Such adaptation was important for Caterpillar since Komatsu, its primary competitor, had already been in the Vietnamese market for several years.

In similar manner, a firm which continuously scans its environment, solicits ongoing customer feedback, anticipates cultural and social shifts, measures satisfaction with its products, and works with channel partners to understand changing market demand, will likely develop business and product modifications based on 'expeditionary' innovations. These expeditionary business innovations or product modifications are most productive when market needs are anticipated and used to gain competitive market advantage. One example of such an expeditionary innovation was the massive investment by Federal Express in the Subic Bay Naval Base in the Philippines for use as an Asian market distribution hub.

The second international product strategy factor involves market and product characteristics, that is, the nature of the market itself and whether the products involved are perceived as a commodity, service, or manufactured goods in the market. First, the type and nature of the product (consumer or industrial) impacts the extent to which modification may or should be undertaken (Jain, 1989). This is seen in modifications necessary for gaining access to the Japanese market (Fahy and Taguchi, 1995) and is prevalent with manufactured goods such as appliances and automobiles. Second, and increasingly with such manufactured products, computer-based production technology increases the possible degrees of product adaptation (Cavusgil et al., 1993). However, Jain (1989) has argued that high technology products are more suitable for a standardisation strategy while services are less suitable for standardisation. Clearly, the required product characteristics in specific markets determine both the complexity and cost relationship of upstream and downstream activities for companies when facing decisions about international product strategy.

The upstream investment in capital equipment and technical skills training in some business service industries, for example airplane refurbishment, is extraordinary. This industry involves a stream of service activities supported by previous investment in paint hangars built in accordance with EPA regulations; unique tooling capable of processing interior fabrics, seating and cabinetry options; and avionics systems to meet FAA requirements. Each refurbishment service is customised around variable aircraft (product) specifications which, in turn, determine the extent of the refurbishment or modification to be delivered. Such complex business markets also entail consideration of the market orientation tradition presented earlier as part of company heritage. If such market responsiveness is not a part of the firm's heritage, then the resulting product or service offerings may simply be too inflexible for market acceptance.

Product modification also derives from the composition of demand within the market for a particular product. This is seen in the personal service markets where individual customers are often provided a unique product. Here, the firm's ability to manage the demands of individual customers is necessary for market success. This same need for service modification is also seen in business service industries where the demand for complete service and product 'packages' is also increasing. This customised demand has caused some companies to invest heavily in capital equipment and technical skills training. To illustrate this, Motorola's decision to build, transport and erect turnkey satellite tracking stations in northern China and Siberia required an enormous capital investment along with supplemental skills training to achieve market success for its cellular technology.

The third factor in the international product strategy decision framework involves characteristics of the target market reflected in the selected target market(s) profile. This profile should include segment or market size information, knowledge of their buying process and purchase criteria, along with market intelligence about related economic, legal and cultural issues. There is some evidence (Baalbaki and Malhotra, 1993) which supports the use of environmental variables as segmentation criteria when examining the characteristics of the target market and expected potential revenue. However, in business and industrial markets such as semiconductors or micro-processors, application or use segmentation may be more productive in determining if the segment's potential warrants the more costly (usually) product modification strategy. Moreover, if the market segment profile includes knowledge of specific product attributes which drive choice (Gale, 1994) among contrasting market offerings, then product strategy can be focused beyond current orders towards future capital investment, personnel quality, and market position decisions. Finally, these future-oriented product strategy decisions (targeted towards competitive advantage in specific target markets) continue to reflect both the company's heritage and the recognition of different market and product characteristics.

The factors presented in Figure 1 should assist managers, on a firm-specific basis, with an evaluation of choices between product standardisation and product modification for international product strategy. The vertical heights of the two wedges (A and B) represent the possible total cost of modification and profit contribution margin, respectively, for a given product or products. The slope and resulting heights of the wedges will vary by industry and target market segment. The upward sloping line of Wedge A in Figure 1 depicts the increases in cost for additional degrees of modification. The solid line slope of the wedge graphically represents the efficiency with which the organisation can implement desired product modification. In Figure 1, Wedge B, the slope of the wedge represents the increase in contribution margin realised through an increasing share of the target market. This slope graphically represents an improving match between the modified product and the target market's needs. The slopes representing the cost of modification and contribution margin improvement have been simplified to a linear expression for this model while recognising that the actual cost (or contribution increase or decrease) will likely be non-linear.

Two examples of how company heritage could affect this model are also given in Figure 1. Both examples are illustrated in Wedge A. The sloping dotted line represents a firm with a dominant operations or production tradition. The heightened slope represents the increased cost of modification for a firm not sufficiently focused on the market. The solid sloping line of Wedge A represents the lower modification cost for a firm with a stronger market focus. Each company or product will have its own unique slope. The 100 per cent modification, represented in Figure 1, is used generically to illustrate the maximum amount of modification available in the short run. The more rigid, structured, and less versatile the company, the more costly the product modification will be. Conversely, the more flexible and customer driven the organisation is, the more experienced and conditioned the internal linkages in managing product modification within the firm. Therefore, the firm is more (or less) efficient and more (or less) cost effective.

The decision for product modification or product standardisation can be graphically evaluated in Figure 1 by comparing the heights of the two wedges, A and B. If the increased cost of modification exceeds the increase in total contribution margin, product modification is likely inappropriate.

This decision model is built on the sustainable competitive advantage of product strategy choices available to the company. Only by reviewing synergy among the market, the company and the product can the firm's existing competitive advantage be understood. The importance of the linkages is recognised and depicted by the slope of the modification wedge. Regardless of the firm's heritage or current competitive advantage, it is essential to minimise the slope of this wedge. Companies best at minimising this modification cost slope bring a more balanced response to dynamic international markets. Such firms are usually rewarded for their responsiveness by their customers' payment of price premiums. Factors which enable a firm to minimise this slope include an active market orientation and a strong, future-oriented technology commitment.

Managerial Implications

These three factors – company heritage, market and product characteristics, and selected target markets – are integrated in a decision framework to help organise and design suitable international product strategy. Moreover, a separate product strategy for each segment is also possible where sufficient market share is expected from a single product offer or from a family of products with shared attributes. Market share ultimately results from the interaction and fit between products and market forces which are constantly evaluated. Basically, two controlling product strategy positions are available for driving market share, superiority with a standardised product or some level of product modification. When the product is world-class with superior or pacing attributes, market share will be gained from the product's relative competitive advantage.

If a strategy of product modification is selected, then the modified product should likewise pro-

Figure 2 **Product Strategy Alternatives**

	PRODUCT MODIFICATION COSTS[1]			
	Low		*High*	
	Market variability[2]		*Market variability*	
Target market appeal[3]	*High*	*Low*	*High*	*Low*
Low	1 Aggressive modifier ------[4] Selective market seeker	3 Selective standardiser/modifier ------ Selective market seeker	5 Selective modifier/standardiser ------ Company heritage improvement	7 Aggressive standardiser ------ Company heritage improvement
High	2 Aggressive modifier ------ Aggressive market seeker	4 Selective standardiser/modifier ------ Aggressive market seeker	6 Selective modifier/standardiser ------ Aggressive company heritage improvement	8 Aggressive standardiser ------ Aggressive company heritage improvement

1. The product modification costs are most influenced by the company heritage, especially the type of orientation, environmental awareness, and technology commitment.
2. The market variability is most influenced by market and product characteristics, especially the market value of modification, product, and market types.
3. The target market appeal is most influenced by target market factors, especially revenue potential, target market size, and competition.
4. Above the dashed line is the recommended current strategy for a company occupying that cell. The future strategic direction is indicated below the dashed line.

portionately increase market share or defend market share against emerging threats. Furthermore, if additional product modifications proceed, then each additional modification should either stabilise or increase market share further. Since market share is gained through the precise satisfaction of needs, this continuous product modification (on the basis of leading or governing attributes) remains the foundation of competitive advantage. However, product strategy is rarely that simple.

The artificial division into the standardisation or modification dichotomy understates the complexity of international product strategy decisions. Such decisions are compounded, for example, with the asset value of the product in question. First, the upstream, capital budget decisions (which may supply the basis for later product modification decisions) may not be clearly linked to competitive advantage when they are made. Second, the asset value to the customer may force product modifications which were not a part of anyone's strategic plan. Further, the progression of certain market opportunities may occur faster than predicted or expected (for example, with the decline of the Soviet Union) and may result in a straightforward product export strategy due to the urgency of just gaining market entry.

Additionally, the expanded price complexity from a strategy of product modification must be acknowledged. Each market/product modification can result in a more complex price structure at a time of increasing pressure for price co-ordination in international markets (Assmus and Wiese, 1995). Clearly, a strategy of product standardisation makes the price management issue easier in terms of internal cost management although perhaps not in terms of market circumstances. Such market circumstances include the power of world brands such as Coca-Cola and Benetton which also argues for standardisation and against a product modification strategy.

Despite these complex considerations, strategic product choices must be considered by managers. Figure 2 demonstrates a range of alternatives which reflect the international product strategy choices.

The eight alternatives presented in Figure 2 illustrate the range of strategy choices available to international managers using this framework. The framework is built on three factors: product modification costs (if any), market variability, and target market appeal. Product modification costs will be most influenced by factors of company heritage. Such costs will be lower to the extent that a firm has a collegial culture, a strong market orientation, and a future-oriented technology commitment. Market variability will be most influenced by factors of market and product characteristics; and be higher when the market places a high value on modification and if the product has an extensive service component. Target market appeal is most influenced by factors of the target market. The target market appeal will be strongest when overall revenue potential is high, the target market is large, easily identified, accessible, and where competition is light.

These three factors are divided into two levels (high and low) to define the eight cell matrix. The cells of this product strategy matrix are labelled with strategies that serve to explain alternative product strategy positions facing the company. For example, a company which finds itself in cell 1 (low product modification costs, high market variability and high target market appeal) would best follow an aggressive product modification strategy driven by continuous monitoring of changing target market needs. This 'aggressive modifier' would seek new market opportunities but would be selective with regard to new markets, concentrating most of its efforts on attractive, current target markets. A company in cell 2 will also be an 'aggressive modifier' but will have to be more aggressive in its market seeking behaviour since current markets are not appealing.

Similarly, a company in cell 8 (high product modification costs, low market variability, and low target market appeal) should follow an 'aggressive standardisation' strategy to minimise costs, at least in the short run. Such firms need to improve product modification costs by altering company heritage factors and, subsequent to such alteration, seek new and more inviting target markets. A firm in cell 7 will also follow an 'aggressive standardisation' strategy. However, the urgency of cost reduction is not as great as cell 8's because of the appeal of current target markets.

Between the extremes of 'aggressive modification' and 'aggressive standardisation' are product strategies which combine aspects of modification and standardisation. For instance, a company in cell 3 (low product modification costs, low market variability, and high target market appeal) should standardise some products but also pursue product modification where other factors make that strategy attractive. As an example, when there is weak brand loyalty for brands in a given market, differentiation through product modification may serve to increase loyalty to the company's brand. Companies in this cell would seek new markets but their market seeking behaviour would not have the urgency of a cell 4 company where the low appeal of the target market places a higher priority on identifying new compatible target markets. The high product modification costs for companies in cells 5 and 6 make company heritage improvement a priority but high market variability requires selective modification while they are working to lower costs. Finally, the cell 6 firm will need to be more aggressive with cost improvement strategies since margins will probably be suppressed in the unappealing target markets.

Using this framework, companies can begin to analyse their international product strategy alternatives. Overall, the managerial design task becomes one of determining how to (along with sound competitive analysis) leverage the three factors into a product strategy choice that amplifies contribution margins and delivers market satisfactions simultaneously.

Conclusion

The decision framework presented here provides a process for evaluating key factors when deciding which international product strategy to pursue. Neither product modification nor product standardisation presents an uncomplicated choice when determining this aspect of international marketing. It is clear also that there is no single correct approach to the determination of international product strategy. The reverse, however, does not hold true. Clearly wrong decisions are made. The consequences of wrong decisions when entering international markets are illustrated yearly by firms having international business difficulties. The decision framework in this paper may improve international product strategy decisions by framing three primary factors and their relationships.

Authors

Linda M. Delene is a professor of marketing at Western Michigan University in Kalamazoo, Michigan, USA. Linda is interested in international and services marketing.

Martin S. Meloche is an associate professor of marketing at St Joseph's University in Philadelphia, Pennsylvania, USA. Martin's interests include marketing strategy and research.

John S. Hodskins is vice-president of sales and marketing at Kal-Aero Inc. in Battle Creek, Michigan, USA. John is interested in technology applications in marketing strategy.

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TWICE AS WELL OFF? EXPENDITURE IN SINGLE- AND DUAL-EARNER FAMILIES

Eddie Rohan

Little is known of the economic contribution gained when wives work either full- or part-time in the paid economy. Through a detailed analysis of the Household Budget Survey, an assessment is made of the the spending behaviour of 708 Dublin families. Dual-earner families are found to have average spending which is only 21 per cent higher than those where only the husband is in paid employment. The incremental spending available to these families is allocated in a different manner depending on whether the wife is employed on a full- or part-time basis. Costs of employment are also shown to have a major impact on the 'real' disposable income available to dual-earner couples. Through such calculations, an assessment is made of the economic benefits to be gained where wives are in paid employment.

Introduction

The increased participation of married women in paid employment is one of the dramatic changes that has occurred in Western countries since 1945r. While much interest has focused on the social, emotional and educational implications for families, and young children in particular, less attention has been paid to the economic consequences of the second income. While some attention has been paid to dual-earner families by marketing scholars, particularly those in consumer behaviour, this has been rather narrow in focus. The main approach has been to contrast the lifestyle of so-called working wives with those wives who work in the home.

These research efforts have to date been dominated by a single question – how housework and home responsibilities are organised in families where the wife is no longer available due to her work commitments. Given that she, like her husband, spends considerable time at work, it might be expected that domestic work would be shared more equally. The evidence supports the findings that a slightly more equitable division of family work has occurred. However, little evidence is available to show that men have taken on anything like a proportionate share (Hochschild and Machung, 1989; Shelton, 1990). Time budget studies from the 1970s, whereby the duration of all activities are recorded in a daily diary, consistently found little increase in husbands' time spent either at housework or child-care even where their wives are also employed (Meissner et al., 1975; Robinson, 1976; Walker and Woods, 1976).

Even in the 1990s after several decades of feminism, these patterns appear to persist. Nieme (1995), who reviewed recent evidence from Europe and North America, and Bryson (1996), who examined time-use data for men and women in Australia, are in basic agreement that little, if anything, has changed. Both authors found a ratio of two to one for the work time of women relative to men, which basically is no different from the picture outlined in the mid to late 1980s. Even though Demo and Acock (1993) found that husbands of employed wives contribute more hours per week on household chores than do husbands of non-employed wives, the key finding still stands. The main conclusion of such research is not that husbands do marginally more, but that the division of labour remains highly unequal.

A comparable emphasis on housework also permeates studies of spending behaviour within such families. Although these studies have emanated from different academic disciplines such as sociology (Fox and Nickols, 1983), home economics (Abdel-Ghany and Nickols, 1983; Foster and Mammen, 1992), consumer behaviour (Bellante and Foster, 1984; Bryant, 1988) and economics (Strober and Weinberg, 1977, 1980; Hayghe, 1993; Lino, 1994), they have much in common. In general, they (i) have been conducted in the USA, (ii) are now quite dated, (iii) aim to identify the time-buying strategies adopted by the families concerned.

Few of the above-mentioned authors have drawn attention to the most significant effect of a wife's employment – namely that extra income comes into the household. In contrast, their research objectives have been to contrast the life-style of families containing a working wife (WW families) with that of families where the wife is not working in paid employment (NWW). In seeking to isolate the effect of the wife's working status, they typically have controlled for the effect of income. Such an approach, while valid in its own logic, misses the essential consequence of a wife's employment – which is that *it brings total family income to a higher level.* While it might be valid to examine the spending behaviour of a family where the spouses earn £20,000 (perhaps, £15,000 from the husband and £5,000 from the wife) and to compare it with that of another family where £20,000 is earned just by one partner, such an approach misses the essential point, namely that without the second income, the first family would only have £15,000. The key issue in dealing with the dual-earner phenomenon therefore is to realise that, by raising total family income, the second spouse makes a range of additional purchases possible.

Dual-earner Finances Revisited

Such an approach gained much-needed impetus around 1990 with the publication of four apparently unrelated studies, which together form the immediate background for this present research. The first authors to take a fresh look at this topic were Rubin et al. (1990), whose work in the *Journal of Consumer Research* is most widely known to marketing personnel. Based on an analysis of the Consumer Expenditure Surveys of 1974 and 1982–3 in the USA, they compared the spending behaviour of families containing a housewife with that of families where the wife was employed either part-time (PWW) or full-time (FWW). Although the methodology is quite straightforward, this work has not been replicated either within or outside the USA. Less well known is a 'lesson in home economics' given by Judith Waldrop in *American Demographics.* Using the Consumer Expenditure Survey of 1984, she sought to show marketers that families containing a working wife constitute a significant market segment. Her particular contribution was to differentiate families on the basis of whether or not they had children under 15 years old, in addition to the wife's work status. Families containing children focus a great deal of expenditure on their needs, while families without children were demonstrated to constitute a distinct market segment (Waldrop, 1989).

Two other studies, published in the *Journal of Marriage and the Family,* are less well known to marketers. Eggebeen and Hawkins (1990) show that spending made possible by a wife's work is on 'extras' for the family rather than necessities. The strict definition of what is meant by 'extras' and 'necessities', however, might give rise to much debate and inevitable disagreement. Finally, the approach taken by Hanson and Ooms (1991) is particularly fruitful. In their examination of the economic costs as well as the rewards of a second income, they showed that as much as two thirds of the additional income that accrues to dual earner couples can be designated as spending associated with the wife's 'going out to work'. Only when these 'costs of employment' are taken into the reckoning can the real economic advantage of the second income be validly assessed.

Research

Given the backdrop of these North American studies, an opportunity was afforded to the author to gain access to comparable Irish data. As part of a larger research initiative, he was able to examine Central Statistics Office data relating to purchasing behaviour within households. While the research was conducted in the late 1980s, it contains the most recent published information concerning urban families. More up to data information relating to the mid 1990s is not yet available (nor is it likely to be published for some time), but arguably comparisons *between* family groups have not changed to a great extent. Three questions were selected as research objectives in this investigation: (i) what contribution to family income is achieved by working wives (part-time and full-time) (ii) what differences do such earnings make to the budgets of such families and (iii) given that there are necessary costs associated with employment, how much *real* disposable income remains to the families of such women?

Methodology

The 1987 Household Budget Survey conducted by the Central Statistics Office and published in 1989 is the data source used to investigate these questions. Based on expenditure diaries which are completed over a fourteen-day period by all members over 15 years old, precise information is gained about spending by individuals. In addition, the chief purchaser within the family (household head) fills out an expanded questionnaire. Results are based on expenditure data, which according to the Central Statistics Office are 'far more reliable than those derived for incomes. The low income figures also reflect the difficulty in collecting consistent income data directly from individuals in a household survey. People are understandably reluctant to give full details of their personal incomes to interviewers' (HBS, 1987, vol. 2, appendix 2). Completed diaries for all household members were received from 56 per cent of urban households, which is poor when compared with a national response rate of 68 per cent for the Family Expenditure Survey in the UK.

While its published results relate to a national survey, Dublin families were selected for this research. Besides the fact that Dublin has the highest proportion of employed wives in the State, other research conducted by the author relating to the management of family finance was confined to this geographical area. The results described here are based on a probability sample of 2095 Dublin households extracted from the 7705 households nationally where all family members provided fully completed diaries. Many of these (single-person and lone-parent households) are inappropriate for the subject matter of this research and so family households were selected providing that they contained an employed husband, whose wife was under retirement age. In addition, families containing earners other than the couple themselves were excluded in order that the financial consequences of a wife's employment might be clearly isolated. Seven hundred and eight husband–wife families met these conditions for selection.

Findings

The achieved sample of 708 Dublin husband–wife families shows that just over one-third of all the wives (35 per cent) were in paid employment in 1987–8 – a figure that had risen to 41 per cent nationally for the year 1996 (Labour Force Survey, 1996). Three quarters (76 per cent) of the employed wives worked full-time, which is broadly in line with national Labour Force Survey data of the late 1980s. The sample therefore differs slightly from present-day national patterns, where typically only 70 per cent of the wives work on a full-time basis (LFS, 1996). It might, however, be noted that the definitions of part-time and full-time work are rather loose given that no fixed number of hours is involved, but rather each respondent makes an assessment of her own status.

Dual-earner couples, or those containing a 'working wife' (WW for convenience) comprise two quite separate groups in terms of demographic profile (Table 1). Wives working full-time (FWW) are younger and have smaller families than those working part-time (PWW). The PWW families are quite similar in terms of age and family structure to those where the wife is not employed (NWW). The 248 dual-earner (WW) families contain husbands who are 35 years old on average – a full 5 years younger than the average for the 460 NWW families where the wife is engaged exclusively in home duties. This difference in age profile is entirely due to the youthful profile of the FWW husbands (33 years old on average) as compared with PWW husbands who are nearly 40 years of age. Surprisingly, the number of middle aged couples where the wife was working full-time is remarkably small. As few as 10 per cent of FWW families contain a husband over 45 years old. In contrast, 27 per cent of NWW families, where the wife is at home, contain a middle-aged husband.

FWW couples typically have only one child, who according to separate HBS data is of pre-school or primary school age. Wives working part-time, on the other hand, are quite similar to wives who are not employed, each having an average of 2.5 children. Essentially, the age profiles presented reinforce the findings of recent Labour Force Surveys that the increased participation of married women in the workplace occurs mainly among younger women (LFS, 1993–1996). If older women participate in the work force, these survey findings suggest they do so mainly on a part-time basis.

Family Finance in General

The economic consequences of a wife's employment are presented in Table 2 where, for ease of interpretation, all HBS data have been re-calculated on an annual basis. Dual-earner families with average spending of over £18,000 per annum are £3,200 better off than single earners. If one uses the less reliable income data, the advantage in

Table 1 **Profile of Selected Dublin Families from the HBS Study of 1987**

	Husband sole earner (NWW)	*Wife works part-time (PWW)*	*Wife works full-time (FWW)*	*Dual-earner family (WW)*	*All Dublin families*
Age of husband	40.2	39.9	33.3	34.9	38.3
Percentage of husbands under 35 years old	31	30	70	60	41
Percentage of husbands 45 years and older	25	24	10	14	21
Total family size (including the couple)	4.5	4.5	2.8	3.2	4.1
Number of families	460	60	188	248	708
Percentage of families	65%	8%	27%	35%	100%

Source: Special analysis of HBS data conducted for this research; n = 708

gross income is 42 per cent, but when tax and social insurance (averaging £7,000) are taken into account, such an advantage is considerably eroded. The most reliable estimate of their economic advantage is based on expenditure data and is calculated to be 21 per cent.

Such a level of reward is less than the 27 per cent advantage found by Hanson and Ooms (1991) for US dual-earner families. This is probably due to the impact of taxation policy in Ireland, which has particularly low thresholds for the highest rate of personal taxation. The income advantage in Ireland is, however, larger than the 16 per cent advantage for dual earners found in the 1992 Family Expenditure Survey in the UK (CSO, 1993, Table 21). The latter figure reflects the higher proportion of wives in Britain who work on a part-time basis. Fifty per cent is quoted in the UK General Household Survey for the mid-1980s as compared to 24 per cent for Labour Force Survey data in Ireland.

No support was found for Strober's view (1977) that the employment of wives merely serves to equalise total income between dual- and single-earner families. Rather the present findings corroborate the dominant view within the literature that employed wives increase total family spending power.

Full-time versus Part-time Employment

The spending advantage of 21 per cent found for dual-earner couples in Ireland conceals the different patterns found in FWW and PWW families. As can be seen, families with a wife working full-time have increased spending power of £3,500 or about a quarter (24 per cent). Families having a wife working part-time have an advantage of 14 per cent which means that they have an additional £2,000 over and above the average £15,200 that single-earner families spend per year. This is more than half of the increased spending power enjoyed by those working full-time. Put simply, for every

Table 2 **Family Finances in Single- and Dual-earner Families**

	Husband sole earner (NWW)	*Dual-earner family (WW)*	*All Dublin families*
Actual family spending	£15,200	£18,400	£16,400
Index of spending with NWW = 100	100	121	108

Source: Special analysis of HBS data conducted for this research; n = 708. Spending figures rounded to the nearest 100. The index is calculated using raw rather than rounded data.

Table 3 **Additional Spending and Wife's Employment Status**

	Husband sole earner (NWW)	Dual-earner family (WW)	Wife works part-time (PWW)	Wife works full-time (FWW)
Actual family expenditure	£15,200	£18,400	£17,200	£18,700
Additional spending where wife is at work	Nil	£3,200	£2,000	£3,500
Index of additional spending	100	121	114	124

£100 extra that FWW families have to spend, PWW families have £58 extra.

The impact of such resources on a family's finances is considerable. It must always be remembered that this financial bonus raises the standard of living of households which already must be regarded as being relatively well-off in comparison to the many families whose income depends on pensions or social welfare benefits.

The dominant feature of Table 4, however, is the remarkable stability of the budgets for all families, irrespective of their circumstances.

With three major exceptions, dual earner families allocate their finances in very similar ways to single-earners. A second major feature of these findings is that FWW families are the only group to diverge from the norm. Indeed, the similarity in the allocation of funds for PWW and NWW families is remarkable.

The lower proportion spent on food by FWW families can be attributed to their small family size and the ages of their children. Their higher spending on housing and transport is of major importance and will be discussed below.

Table 5 shows *actual levels of spending* for each family type rather than the *proportion of their budget* and here again a number of important conclusions emerge.

Firstly, just two factors, housing and transport, account for the bulk of the difference in spending between FWW and other family types. Indeed £2,500 of the total of £3,500 divergence between FWW and NWW families (or a £2,000 difference between FWW and PWW spending levels) is explained by these two budgetary categories. Secondly, even when these considerable costs are removed from their budgets, FWW families still outspend both PWW families and NWW families in almost all spheres. The only exception to this

Table 4 **Family Budgets by Wife's Employment Status**

Spending category	Husband sole earner (NWW) %	Dual-earner family (WW) %	Wife works part-time (PWW) %	Wife works full-time (FWW) %	All families %
Services & other expenses	25	26	26	26	25
Food	23	19	23	17	21
Housing	11	16	11	17	13
Transport	12	14	12	15	13
Household durables	4	4	4	4	4
Clothing & footwear	7	6	6	6	6
Drink* & tobacco	6	6	6	6	6
Fuel & light	6	4	5	4	5
Miscellaneous & non-durables	6	5	6	4	5
Total spending	£15,200	£18,400	£17,200	£18,700	£16,400

Figures in the above columns may not total 100 per cent due to rounding. *The CSO warns that these figures may be unreliable.

Table 5 Differences in Selected Areas of Spending Analysed by Wife's Employment Status

	Husband sole earner (NWW)	*Wife works part-time (PWW)*	*Wife works full-time (FWW)*	**Extra spend by PWW families*	**Extra spend by FWW families*
Total annual spending	£15,200	£17,200	£18,700	£2,000	£3,500
Food	£3,500	£4,000	£3,200	£500	(£300)
Housing	£1,700	£2,000	£3,200	£300	£1,500
Transport	£1,800	£2,000	£2,800	£200	£1,000
Household durables	£600	£700	£800	£100	£200
Women's clothes & footwear	£360	£320	£660	(£40)	£300
Drink & tobacco	£900	£1,000	£1,200	£100	£300
Holidays	£500	£600	£900	£100	£400
Education	£360	£620	£260	£260	(£100)
Domestic services †	£50	£170	£340	£90	£290
Personal services ‡	£100	£150	£140	£50	£40

* Spending incremental to that of NWW families.
† Domestic services include residential and non-residential domestic services including baby-sitting and child-minding.
‡ Personal services include hairdressing, dry cleaning, laundry, shoe repairs and other personal care services.
Spending figures rounded to the nearest 100.

finding is their level of spending on food which, as previously mentioned, is low due to the small size of their families. While many of the above differences in spending might appear to be relatively small (typically being less than £300 per year), FWW families consistently are the highest spenders in all budgetary categories.

Family Finance by Major Spending Category

1. Working to Support a Mortgage

Housing is one of the major spending categories for all families (Table 4). No real difference was found in the proportion spent on housing for NWW and PWW families at 11 per cent of each of their budgets, although in monetary terms their actual spending differs by a factor of 14 per cent. As might be anticipated, PWW families were found to spend more than their NWW counterparts, particularly on their mortgages (some evidence of trading up) and on decoration and repairs (due to the grown-up state of their families).

On the other hand, when FWW families are compared with NWW families, remarkable differences are found in both the percentage of the budget expended (17 per cent as opposed to 11 per cent) and the actual amounts involved (£3,200 as compared to £1,700). It might be surmised that this additional 85 per cent (or £1,500 extra spending) is not necessarily a reflection of their two-income status, but rather is a consequence of the high prices pertaining at the time at which they entered the housing market.

On investigation, this was found to be only partially true as all young families, such as those at the pre-family and pre-school stages of the family life-cycle, commit large sums to housing. However, FWW families had higher actual levels of housing expenditure than each of the above groups. Even so, the proportion of their budget at 17 per cent is marginally lower than for both pre-family and pre-school groups. So it does not appear to impose an undue burden on their finances as they have considerable disposable income for other purchases as well (see Table 5). Obviously, the level of housing spending they have adopted, although very high in cash terms, does not have the effect of over-stretching their budgets.

Such an ability to pay is clearly contingent on both partners remaining in employment. If these wives were to give up their work, their average household income would fall to around £12,000 and their existing housing commitments would then account for a massive 26 per cent of their out-goings. As such a burden on family finances is patently unsustainable, it is clear that these wives working full-time are locked into their role as income earners. In that sense, it is true to say that wives employed full-time are working to support their mortgages.

2. Second Car as a Major Expense

The second major outgoing incurred by FWW families is transport. As seen below, their expenses in this regard are larger than those of other family types, both in real terms and in terms of share of budget.

FWW families spend almost £2,800 a year on transport, which is £1,000 per year more than NWW families. A more revealing yardstick of the priority they attach to transport is the fact that they spend 15 per cent rather than 12 per cent of their considerable out-goings in this way. Their rate of spending on the purchase of cars is nearly two and one third times that for NWW families. As the exact proportion of two-car households is not disclosed, it is possible that this additional spending on new and second-hand cars may not be due to a second family car but rather to a single more expensive car. However, the additional 40 per cent spent by such families on petrol and insurance supports the 'second car' explanation.

Transport costs for PWW families are only marginally above those for NWW families (£200 per annum). The main target for this increase is higher spending on second-hand cars. No evidence was found in tax and insurance data that second cars were purchased by these families.

Significantly, Irish spending on cars per household at 13.6 per cent of budget is not generally as high as that found in Britain (15 per cent) or the US (19.7 per cent). None the less, transport is a very important expense, being the third highest category after services and food. As such, it is even more significant than housing for the average household.

3. Time-saving Appliances

While many studies have concentrated on household durables (see introduction), the evidence from this research is that such an emphasis is misplaced. Firstly, the category accounts for only a small amount of any family's budget – typically about 4 per cent for all Irish households. When the data relating to families are more closely examined, the proportion spent by FWW families is only marginally higher than for PWW and NWW families with a level of 4.4 per cent as compared with 4.3 per cent and 3.9 per cent respectively.

Secondly, no evidence of a dramatic difference in actual spending by a family relates to the wife's work status. The annual amounts expended by NWW, PWW and FWW families are £600, £740 and £820 respectively. While these figures might be though to indicate increases of 37 per cent and 23 per cent respectively for the families with working wives over those with housewives, the amounts involved are relatively small.

Spending on electrical appliances (which are the only items that really deserve consideration as time-saving expenditure) is even less significant. Calculations show that annual spending on these items is as little as £180, £160 and £130 for FWW, PWW and NWW families, respectively. As such amounts are less than one per cent of the various family incomes, it must be acknowledged that such spending is quite irrelevant in terms of their overall budgets. The only relevant conclusion is that observed differences between families at that level of spending are trivial.

Essentially, any differences in spending on time-saving appliances have little real life importance.

4. Working Clothes and Expensive Footwear

The main point of difference in this area of spending arises from the spending on women's clothing and footwear. FWW wives are found to spend considerable amounts of money on clothes, which according to other analyses carried out by the author relate to their work status rather than their youth. With spending over 80 per cent higher than NWW families, their expenditure is a very significant 3.5 per cent of their family income. The low level of spending incurred by PWW wives is unexpected and possibly results from the provision on their part of extras for other family members. Whatever the explanation, spending by these wives on clothes and footwear was only 88 per cent of that in NWW families.

5. Drink and Tobacco

Drink and tobacco provide typical increases of about £140 and £250 for PWW and FWW families, respectively. However, the data for drink, where both groups of WW families spend more than their single earner counterparts, are generally unreliable according to the CSO. Firm conclusions therefore are unjustified.

6. Expensive Holidays

It is apparent that spending on holidays is one of the benefits of employment for those families where wives work on a full-time basis. They allocate over £900 or almost 5 per cent of their annual budget to such spending. This is 64 per cent greater than similar spending in families where the wife is not employed. Obviously, working full-time enables these families to afford more expensive holidays. Such behaviour was not found where the wife works part-time as the proportion of their budget spent on holidays was exactly similar to the 3.7 per cent of budget spent by NWW families.

7. Working for the Children's Education

It is hypothesised that working wives may provide high levels of education for their children, either in private schools or at third level. Some evidence of this was found for PWW families where spending was £260 per annum or 71 per cent higher than for NWW families who have similar circumstances. The fact that FWW families have only one pre-school child explains their low level of educational expenses.

8. Child-care, Domestic Services and Personal Services

Investigators into the working wife phenomenon have hypothesised that such families have high levels of spending on items such as child-care, domestic services and personal services. In the USA, child-care is a major cost to be taken into account by working mothers (Gray, 1992). The position in Ireland is quite different. As a budgetary category, child-care expenses are quite small and are subsumed into the category of domestic service (both residential and non-residential) which includes child-minding and baby-sitting. PWW families and FWW families were found to have over three and six times the NWW level of spending on this total category, respectively. Not only do these families buy the child-care services made necessary while the wives are at work, but also these wives apparently reduce their 'dual burden' by employing help in household cleaning tasks. While at first glance, the ratios above denote findings of great importance, the proportion of budget involved in each case – just 0.4 per cent and 1 per cent for NWW and PWW families respectively – reduces the significance of these findings. Only the highest level of spending which is £340 per annum (or 1.8 per cent) for FWW families merits attention.

PWW families are the highest spenders on personal services such as hairdressing, dry cleaning, laundry, shoe repairs and other personal care services. However, in all cases the amount spent is less than 1 per cent of budget.

9. Eating Out and Convenience Food

As mentioned earlier, FWW families allocate a relatively low proportion of their budget to food (17 per cent versus 23 per cent for PWW and NWW families) – a fact which is explained by their small family size. However, another contributory cause is the fact that, in accordance with classical economics (Engels' Law), food tends to account for a lower proportion of family spending in *all* high-income families. None the less, their spending on food-away-from-home (FAFH) at £940 per annum is the highest of all groups – even the larger families. At 29 per cent of their overall food budget, this level of FAFH spending clearly demonstrates that they enjoy a very different lifestyle from NWW families, who spend as little as 17 per cent on eating out/convenience food. The bulk of this expenditure goes on food that is eaten away from home in canteens, fast-food outlets, hotels or restaurants, rather than on prepared meals or convenience food.

Where wives work part-time, the trends are similar. Although the additional money they spend on food is only proportionate to their increased resources, they also have shifted to more convenient forms of eating. Overall, they allocate 51 per cent more than their NWW counterparts to eating out and convenience food, with the effect that they reduce the burden of food preparation and washing-up – tasks which typically fall to the wife. PWW families were found to allocate as much as 22 per cent of all their food expenditure to such forms of convenience food – a figure that must be contrasted with 17 per cent for NWW families.

FWW families were compared with other urban families composed of 2 adults and 1 child (with whom they are almost perfectly matched), to see if they have more expensive eating habits. Not only do FWW families spend 25 per cent more on food than this control group, but they have a 57 per cent higher level of spending on FAFH. This comparison shows that convenience and/or recreational eating is not merely the practice of young couples or small families. At 29 per cent of their total spending on food, such eating patterns are considerably greater than these counterparts for whom such expenses account for 21 per cent of their food expenditure. These substantial differences can only be attributed to the different pro-

Table 6 Comparison of Food Expenditure in Families Having a Wife Working Full-time and Those Containing Two Adults and One Child

	Two adults and one child	*Wife employed full-time (FWW)*
Average age of husband	33.6	33.3
Family size	3.0	2.8
Percentage of wives at work	34	100
Spending on food	*£2,580	£3,200
Index of food spending (2 adults and 1 child = 100)	100	125
Percentage of the family budget spent on food	20	17
Spending on FAFH	*£540	£940
Index of FAFH (2 adults and 1 child = 100)	100	157
FAFH as a percentage of all food spending	21	29

Source: Special analysis of HBS data conducted for this research and HBS, vol. 2, Table 7.

* Expenditure is up-weighted as Dublin level is 2.5 per cent above national rate of spending.

portion of working wives between the two groups. In this respect, the present study supports the findings of Jacobs et al. (1989) and Oropesa (1993) that families containing working wives consume more convenience food than others.

Overall Economic Costs and Benefits of Wife's Employment

It has been noted by Eggebeen and Hawkins (1990) that a second income is less effective in increasing a family's well-being than if an amount of money equivalent to the second income were added directly to a single earner's income. This basically arises through the increased costs of the second employment which have been designated by Hanson and Ooms (1991) as taxation, child-care, transport, meals out, clothes and increased spending on personal care. Based on United States data these authors found that such costs account for a reduction of between a half and two thirds in the income advantage gained from a wife's employment, with the highest losses occurring at the upper income brackets. Comparable costs of employment for various family types were calculated for the Irish context with the exception of personal income tax, which was excluded due to the unreliability of income data here.

Where both spouses work, the total of these costs is £4,700 for the FWW families and £3,400 for PWW families. By way of comparison, the figure for the sole employee in NWW families is a mere £2,800. In terms of the overall budgets of these families, costs of employment comprise between 20 and 25 per cent depending on whether the wife works part-time or full-time.

The significance of these costs is however masked when they are considered relative to the *total budgets* for dual-earner families. A more valid approach is to consider the costs of the second earner in terms of the additional purchasing power she generates. The net benefit therefore of a wife's employment is the purchasing power she generates minus the costs involved. Looking at the situation from this perspective, up to 54 per cent for FWW families (and 28 per cent for PWW) goes on costs that would not be incurred if she were to remain at home. Put another way, wives working full-time incur expenses of over £1 for every £1 they have to spend on other additional items. In monetary terms, the 'true' disposable income (increased spending power through a wife's earnings minus the increased work-related expenses) is almost equivalent for the two groups of working wives with £1,650 available to FWW as compared with £1,490 for PWW families. For every £100 spent on non work-related expenses by FWW families almost £91 is spent by PWW families. According to this analysis it might appear that working full-time just does not make financial sense, or is 'economic madness' as one working wife put it. This view is even more justifiable when it is remembered that these families have already undergone average deductions of £7,700 for tax and social insurance.

While the calculations above obviously ignore the sense of independence and psychological self-esteem that employment generates, a purely economic argument must also be considered. It is unfair to consider work-related spending totally in a negative light because, when viewed from the

Table 7 **Costs of Employment in Relation to Total Spending for Various Family Types**

Family type	*NWW*	*PWW*	*FWW*
Total spending	£15,200	£17,200	£18,700
Index of total spending (NWW families = 100)	100	114	124
Costs of employment *	£2,810	£3,400	£4,740
Index of costs of employment (NWW families = 100)	100	121	169
Costs of employment as a percentage of family spending	18	20	25
Costs of employment additional to those incurred by NWW families	£0	£590	£1,930
Increase in total spending over that in NWW families	£0	£2,080	£3,580
Additional costs of employment as a proportion of increased level of spending	0	28	54
Higher level of spending minus the increased costs of employment	£0	£1,490	£1,650

Source: Special analysis of HBS data conducted for this research

* Costs of employment comprise transportation, FAFH, wife's clothes, domestic service, child-care and personal services.

participant's perspective, these out-goings also constitute benefits to be enjoyed. As costs associated with work, they may well be inevitable, yet the prime beneficiary is the employed wife herself. A second car, additional eating out, wife's clothes and footwear, child-care and help with domestic chores have to be paid for, but bestow an improvement in material life-style on the families concerned – particularly the wives. Such benefits are obviously weighed in the balance where these wives decide to participate in the paid labour market.

Work-related goods and services are also enjoyed by families where the wife works part-time. It is clear from the above table that the increase in their spending over that of NWW couples is less than one third of that enjoyed by their FWW counterparts (£590 as compared with £1,930). The result is that they cannot enjoy the same life-style as FWW families. However, FWW families incur much higher expenses, which cause their 'real' disposable income to be considerably reduced. Calculations show that less than half of the £3,580 they gain by working is really available for spending. Surprisingly, the £1,650 which remains to FWW after their costs of employment are removed is only marginally greater than the comparable sum of £1,490 available to PWW families. The inevitable conclusion of such evidence is that the economic argument for working full-time rather than part-time is weaker than might be expected.

Conclusions

- The label 'dual-earner' is misleading in that two quite separate groups are involved. Wives working full-time have an economic advantage of 24 per cent, while it is only 14 per cent in the smaller group of wives who work part-time. Overall, the gain to families containing a working wife is an increase of 21 per cent in their spending power.

- The manner in which family spending is allocated is contingent on whether the wife works on a full- or part-time basis.

- Where she is a full-time worker, all categories were found to benefit to some extent. Two particular budgetary categories however, housing and transport, account for £2,500 or 70 per cent of the increased spending levels between FWW and NWW families. Even when FWW families are compared with similarly young small families their levels of spending on housing, transport and food are significantly higher. Indeed, their housing expenditure is such that it is sustainable only where both partners remain in employment. For this reason, it might be concluded that such wives have to remain at work to support their mortgage repayments. However, at present they are quite affluent as they not only support a high mortgage and higher motoring costs, but also can afford to take more expensive holidays, spend more on the wife's clothes and eat out to a significantly greater extent.

- The budgetary evidence for families where wives work on a part-time basis also shows higher levels of spending than in families where they work at home as housewives. With overall spending levels 14 per cent higher than their single income counterparts, all budgetary categories without exception reap the benefits of such earnings. In virtually no case is a higher level of spending undertaken by PWW over FWW families. The sole exceptions to these findings are education and food-within-the-home where PWW families had a higher level of spending than FWW families – a fact that reflects their stage in the family life-cycle.

- One surprising finding is the very high costs of employment affecting FWW and (to a lesser extent) PWW families. Because FWW families have greater expenditure on these items, their disposable income in other areas is only marginally higher than that of their part-time colleagues. This evidence challenges a purely economic argument for employment on a full-time basis. Clearly sociological factors relating to independence and personal fulfilment must weigh heavily in the minds of many of these wives – a hypothesis that should be incorporated into future investigations into such decisions.

- Finally, both groups constitute important market segments as they have significant spending power over and above that available to families where the wife is not in paid employment. Irrespective of whether the wife works full-time or part-time, this evidence indicates that they have large disposable income and constitute important target groups for marketing effort.

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Author

Eddie Rohan lectures in marketing research at the Dublin Institute of Technology. He has recently completed a doctoral dissertation on family finance.

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Book Review Essay

SOME GOOD WORDS ON THE GOOD WORLD OF WORLDLY GOODS

Russell W. Belk

Lisa Jardine's *Worldly Goods: A New History of the Renaissance* (Macmillan 1996), asserts that 'the seeds of our own exuberant multiculturalism and bravura consumerism were planted in the European Renaissance'. While accepting that contemporary consumption patterns are the fruit of Renaissance seeds requires suspending disbelief in a 500-year-old tree that is not sketched in her treatment, Jardine nevertheless succeeds in presenting a highly engaging portrait of the intriguing world of international trade in Renaissance era luxury goods. Significantly, rather than being among the growing group of historians and sociologists who have recently researched the roots of consumer culture, Jardine is an English professor. This background shows in the compelling narrative, interpretive sweep, and bold new directions that characterise her book. The only citations of prior histories of consumer culture in her bibliography are one book each by Braudel and Schama. The result is a new perspective, placing the origin of consumer desire in 15th and 16th century Venice, Istanbul, Germany, France, and England, rather than 16th century China, 17th century Netherlands, 18th century England, 19th century France, or 20th century United States – the major times and places of consumerism's rise according to previous treatments. In this departure, Jardine succeeds in giving us a new history of the Renaissance; a history that emphasises commerce more than art, science, politics, or religion as the driving engine of change in each of these other historical spheres. Ultimately this contribution overshadows the issue of whether or not Jardine has identified the definitive time and place that consumer culture first arose (for all of the times and places that have been suggested appear to be part of the evolution of contemporary consumption).

The world depicted in *Worldly Goods* is a world of amoral profit seeking and status competition by individuals, nations, and religions. When the rise of the Islamic Ottoman Empire threatens to curtail profitable trade with Christian Europe, merchants from Venice and Genoa find ways to remain above the fray. When Biblically-inspired prohibitions of usury get in the way of business and banking, a more or less open subterfuge is used to officially disguise the charging of interest. When the pope or kings get in financial trouble, merchant bankers like the Medicis and Fuggers bail them out and gain future favours. When these merchant princes seek to elevate their status, they orchestrate royal marriages for their daughters with the help of lavish gifts and dowries the size of some national incomes. And when the Catholic Church becomes too successful in selling indulgences that give their purchasers the belief that they may sin with impunity, Martin Luther precipitates the Protestant Reformation that eventually divorces religion and morality from the operations of business. All of these developments suggest the rise of capitalism in an era that predates Weber's Protestant Ethic, the Industrial Revolution, and the Dutch Golden Age.

In introducing these developments, Jardine weaves together a fascinating set of tales involving bold business ventures, strategic alliances, spectacular palaces, sumptuous collections, and rapacious desires. For example, we are introduced to Martin Behaim who was commissioned by the merchants of Nuremberg to create a globe of the world which would help open up new trade routes and break the Portuguese monopoly on the spice trade between Europe and the East. Thanks to a bit of commercial and industrial espionage, Behaim produced a lavishly detailed globe showing not only trade routes but annotations of the sort of rare commodities to be obtained in various exotic locales. Magellan used this globe to convince the Spanish to fund his 1505 voyage that led to the discovery of the straits named after the commercially motivated explorer. This same globe is featured in Hans Holbein's famous painting, *The Ambassadors*, which Jardine uses deftly as a loom that brings together such diverse threads as King Henry VIII's remarriage to Anne Boleyn, the Lutheran split from the Catholic Church, the latest developments in astronomy and mathematics, political intrigues between France and England, the transmission of knowledge via books, the war between the Hapsburg empire and the Ottoman Turks, and the creation and collection of Renaissance art. As with reading a good novel, we are gratified to see the disparate plot elements in this history come together to produce such a beautiful and tightly woven tapestry. And in the reading we gain a new understanding not only of the Renaissance, but of the role of commercial and consumer desires in the history of the world capitalism.

In furthering our understanding of the merchant side of the rise of capitalism, this book makes an enormous contribution. We are shown, for instance, how the veil of 'gifts' is used to disguise the reality of exchanges like those between artist and patron that were at the time supposed to be 'above' the profane marketplace. This gift-giving ruse is something that also appeared slightly later among late Ming Chinese literati acquiring paintings at a time and place that Craig Clunas (*Superfluous Things*, University of Illinois Press, 1991) has shown as another critical step in the emergence of consumer culture. While Clunas and a few others have begun to challenge the complacency of prior theses implying that consumer culture is a purely Western phenomenon, Jardine provides numerous glimpses of similar developments among the Ottomans from Mehmet II through Suleiman the Magnificent. Much more can be done on Ottoman capitalism and mercantilism, but this book provides a number of promising avenues of approach for such investigations. Jardine also shows the moral tension created by capitalism in Renaissance Europe and how merchants and others sought to 'cleanse' their wealth by generous donations of commissioned artwork (which also happened to commemorate the donors) to increasingly opulent Catholic churches. By the age of the 'robber barons' in the United States, business had still not lost its image of immorality, but art had replaced religion as the sacred laundry that turned dirty money into something clean and beautiful.

Jardine also provides a nice account of the marketing of indulgences and Martin Luther's critique of both the Church's involvement in this commerce and the false advertising of these promissory notes for the soul. She shows how in order to finance the rebuilding of St Peter's, the Vatican offered better and better indulgences to the point that 'purchasers and their relatives were forgiven every conceivable sin they had committed, or might commit, and exempted from all suffering in Purgatory, advancing immediately to Heaven'. The entanglements of business and religion are also evident in this context in that the German banking family of the Fuggers was given a five per cent commission plus currency exchange fees for collecting the indulgence monies and conveying them to the pope. Perhaps the one area on the merchant side of the rise of capitalism where Jardine might have done a better job is in her analysis of the development of double-entry bookkeeping and its transmission to merchants via books. The analysis is fine as far as it goes, but it might go further and consider how such accounting also helped to create a moral and rational justification for business and the profit it entails. Jardine gives a good account of the formal debate on the morality of business, but as Carruthers and Espeland argue in the July 1991 issue of the *American Journal of Sociology*, and as suggested earlier by Weber, Schumpeter, and Sombart, double-entry bookkeeping helped to rationalise business transactions not only in terms of making them logical, but also in terms of offering a system of rhetorical arguments that circumvented the religious and moral objections of traditional Christianity.

But Jardine's book is in general highly enlightening about the trader and seller side of Renaissance business transactions. Unfortunately it is much less enlightening about the consumer side of these transactions. Given her thesis that the seeds of contemporary consumerism can be traced to the Renaissance, this is especially disappointing. Implicitly, Jardine believes that by demonstrating that the wealthy merchants and nobility of Renaissance Europe sought to outdo themselves in conspicuous consumption of art, furnishings, retinues, clothing, and palaces, she has demonstrated that consumer culture arose during this era and that its effect on 'our own exuberant multiculturalism and bravura capitalism' is self-evident. There are several problems here. One is that, as I argue in *Collecting in a Consumer Society* (Routledge, 1995), conspicuous consumption by rulers and wealthy élites does not a consumer culture make. If it did, then the roots of consumer culture would go much farther back than the Renaissance and be found in the ancient civilisations of China, India, Egypt, Sumeria, Assyria, Persia, and Babylonia. But only in the case of books does Jardine attempt to show that the Renaissance affected anyone but the élite. Lacking a strong and widespread Renaissance interest in more fashionable clothing, furnishings, and other consumer luxury goods, a more compelling case can be made for the rise of consumer culture at the other times and places investigated more thoroughly in terms of consumption by historians and sociologists.

Another problem with Jardine's treatment of the consumer desire side of Renaissance business transactions is that it is one-dimensional. The one dimension that she invokes to account for conspicuous consumption and collecting is status competition. My concern is not so much that this Veblenian perspective is wrong, but rather that there is more to consumer motivation than maximising social status. Although Jardine is not alone in clinging to this perspective (for example, see Philip Wagner's *Showing Off: The Geltung Hypothesis*, University of Texas Press, 1996 and Nicholas Xenos' *Scarcity and Modernity*, Routledge, 1989), it belies my work with collectors who display other motivations as well. For example, at the root of much collecting there appears to be a desire for the transcendent – for something more lasting, mystical, and magical than that encountered in our daily lives. This need not be a competitive quest at all. And competition can be against self or some absolute standard rather than against others. If consumers were simply motivated to acquire things for their status connotations and denotations, we would be loath to explain our attachments to objects that are threadbare, that evoke purely personal memories, and that we are fond of simply because they are familiar and make us feel good. While Jardine occasionally mentions the aesthetic appeal of objects collected, it is generally in order to suggest that these objects were capable of inspiring others' awe rather than to suggest their sublime or transcendent appeal to the collector. This logic implies that all objects are fungible if something bigger or better comes along. Old dogs, old shoes, and old spouses all contradict this implicit claim.

Only in suggesting that books sometimes 'provided memorable visual images of exotic distant locations which readers were unlikely ever to see themselves' does Jardine hint at non-status-seeking fantasy-driven motivations for consumption. This is the sort of hedonic consumption motivation that Colin Campbell (*The Romantic Ethic and the Spirit of Modern Consumerism*, Blackwell, 1987) has so usefully suggested contains the key to consumer culture. This one loose thread in the fabric that Jardine has so tightly woven on the seller side of the equation preserves the possibility that her central thesis, that the seeds of consumer culture were sown in the Renaissance, may have some basis. But it remains for other scholars to make something with this thread.

These objections to *Worldly Goods*' treatment of consumption do not lessen the book's value in helping us understand the rise of capitalism from the perspective of the merchant. For her engaging and compelling account of the interpenetration of the Renaissance worlds of commerce, exploration, nation-building, religion, publishing, education, and art, we owe Lisa Jardine much. The same is true of her demonstration that commerce is an under-appreciated driving force of those changes in the Renaissance that we normally attribute to art, science, and scholarship, each of which is further assumed to be totally divorced from the forces of the marketplace. In the present era, as the social sciences and humanities increasingly see consumption as the key force afoot in contemporary society and recognise the world as a suddenly global marketplace, we are awakened by Jardine to the possibility that these are not new developments at all. For all these reasons, this is an important book. During the Renaissance it would have been a revelation. It is even more so today.

Worldly Goods: A New History of the Renaissance
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Author

Russell W. Belk is professor of marketing at the University of Utah, USA.

Book Review Essay
ECONOMICS, STRATEGY AND BUSINESS

Brendan O'Rourke

This essay reviews two examples (Besanko et al., 1996; and Kay, 1996) of the current boom of books dealing with recent developments in the economics of business and takes the opportunity for some brief reflections on some of the issues involved.

Since the success of Porter's (1980) adaptation of industrial economics to strategic analysis there has been much work by economists aiming at making their dismal science more relevant in management thinking. This has been driven not only by Porter's success but also by developments in the fields of both management and economics. Management thinking has been redefining, and perhaps searching for a renewal of its core, as the old functional structures in business have been swept away and as the explosion in management research has strained the paradigms of various older business research projects. Developments in economics have meanwhile been adding to the relevance of, particularly, microeconomics to business as approaches such as game theory and transaction costs have born fruit.

The Economics of Strategy

As the title of Besanko, Dranove and Shanley's (1996) text indicates, it has concentrated on economics as it applies in particular to strategic questions. The book is divided into four sections: firm boundaries, market & competitive analysis, strategic position & dynamics, and internal organisation.

In section 1 firm boundaries are examined using a mainly transactions cost approach to the strategic questions of what business the firm is in, how large the firm should be and the make or buy decision. Some historical perspective on the environment in which firms operate is also provided in a way that is related to the contemporary strategies of the firms concerned. Readers are introduced to, and shown the significance of, concepts such as asset specificity and contracting hold-ups. Economies of scale and scope are also examined. These concepts are applied to the questions of horizontal and vertical integration.

Section 2 – 'Market and Competitive Analysis' – links Porter's five forces analysis to its industrial economics roots. More recent developments in game theory economics are also used here to illustrate the importance of both commitment and repeated interaction.

Section 3 is entitled 'Strategic Position and Dynamics'. The economic nature of competitive advantage is examined and an economic rationale provided for cost, focus and differentiation based strategies. Economic tools for analysing long-run cost and differentiation are covered. This section also examines resource-based theories of the firm and their relevance to strategy, and even manages to squeeze in a chapter examining the origins of competitive advantages based on innovation.

Section 4 is concerned with the internal organisation of the firm. Principal–agent theory is used to look at the incentives and information flows within the firm. Questions on structure are addressed by describing various types of structures from U-forms to networks, and also by examining the relationship between strategy and structure. Power and culture issues are also, if somewhat briefly, examined. Questions of power are linked to the transactions cost approach while questions of culture are related to the folk theorem.

A final chapter grounds what is quite a theoretical book by looking at roles of the general manager and their relationship to strategies.

This book provides in four sections a working framework for the examination of strategic questions. The four sections will be easily recognisable by students of economics but should also be useful to those coming to strategy from other disciplines. Plenty of, mostly American, cases are used to illustrate the principles discussed, though the emphasis is very much on explicit models and developing the ability to apply them. The sources cited show great erudition on the part of the authors and facilitate research on the arguments presented.

The book shows how developments in economics mean that the discipline has much to offer in all areas of strategy and is not limited to the mere analysis of competitive forces of the market to which it is, regrettably, often confined. In recent times this point has been argued in different ways by several economists specialising in the economics of business and strategy, for example by Kay (1993). The problem for these authors and *Economics of Strategy* has been not so much the quality of their arguments as how to market them.

The style of *Economics of Strategy* is accessible when compared to most economic texts and journals. However, the analytical nature of economics' contribution means that it may be hard for most practising managers to invest the effort needed despite the doubtless profitable return. Indeed, one could imagine only a manager who had been particularly fond of economics in business school tackling such texts outside the context of some course. Yet the strength of the new economic insights into strategy is such that those with strategic responsibility cannot remain ignorant of them for long.

The other audiences to which *Economics of Strategy* addresses itself – MBA students, advanced undergraduates and students in executive programmes – will find the book almost perfectly pitched. The way the book is structured, the manner in which the principles are illustrated in both historical and present day cases, and the clarity of expression makes the well-reasoned and supported arguments both satisfying and accessible.

Given the current resurgence of economics in the field, *Economics of Strategy* may well be successful as a main text in a strategy course. However, some may find it too far removed from what Foss (1996, p. 1) describes as the sometimes 'excessive pluralism and eclecticism' of strategy. Indeed the authors (p. xii) recognise this when they acknowledge that, 'our emphasis on economics in this book is not intended to downgrade the importance of process; it is simply beyond the scope of our expertise to say much about it'. Such frankness is refreshing and exceedingly helpful in a field which at times can be given to exaggerated claims and one-size-fits-all solutions.

Indeed, one problem with the book is its perhaps excessive modesty: it confines its scope to illustrating the usefulness of economics to strategic questions as opposed to operational questions in business. This may well be a useful counter to the tendency of some to restrict business microeconomics to a version of logistics and statistics, but at times it seems rather artificial. For example, in estimating cost curves lessons can certainly be learnt on the strategically important behaviour of costs in the long-run but the same principles can also provide the more operationally relevant insights on short-run cost behaviour. Again the economic development of game theory while, relevant to long-term strategic issues, also provides a useful way of thinking about short-term tactics. With just a few additional applications Besanko et al.'s text could rightly claim the title 'Economics of Business' or at least 'Microeconomics of Business'.

Economics of Strategy is an important and well argued text. It deserves to have an impact on both the business economics and strategy disciplines. Indeed it has lessons which are relevant to the entire field of management. However, Besanko et al.'s impact, at least with this text, is likely to be more through the academic routes of classroom and journal debate than via the book shelves of the reflective practitioner.

The Business of Economics

In contrast to the above, *The Business of Economics* is suitable for casual reading and doesn't require a course of concentrated study. It is a collection of highly readable essays and lectures extolling the relevance of economics especially to business. However, Kay is no unreconstructed neo-classical economist, and even entitles one of his chapters 'The Failures of Forecasting'!

Though Kay's 1993 book, *The Foundations of Corporate Success*, was even more focused on strategic questions than Besanko et al. (1996) this volume, *The Business of Economics* contains a more diverse gathering of short pieces. There is a variety of examples of economic applications which address not only strategic matters but also more operational issues.

The collection of essays is divided into four parts. Part I is entitled 'Economics in Business' and concerns itself with showing how the previously neglected microeconomics may be much more useful to business than the perhaps more glamorous macroeconomics. This task takes Kay into a very positivistic essay defending the possibility of studying business scientifically, which he manages to achieve while maintaining a lightness of touch.

Part II is concerned with competitive advantage at both the level of the firm and the level of the nation. Here the concepts of the resource-based theory of the firm and added valued are explored. Innovation, architecture and reputation are explained as distinctive capabilities and linked to the creation of competitive advantage.

In the third part of the collection Kay – one of the gurus of stakeholding – writes about how his view of corporate success relates to and perhaps illustrates the requirement for stakeholder societies. This is done by essays on the importance of relationships and commitment and the need for inclusive economies.

The fourth and final part of the collection is a series of applications of microeconomics to particular business contexts. These business problems range from the perhaps trivial sounding 'Why does Nigel Mansell earn more than fifty times as much as the Prime Minister?' to a deeper look at the future of the media industries.

There is not much new from Kay in this volume for those who have read his articles in the *Financial Times* or who have made the well-rewarded effort of studying his *Foundations of Corporate Success*. Yet for those who would like an accessible, though selective survey of how developments in microeconomics can be applied to business, *The Business of Economics* is highly recommended.

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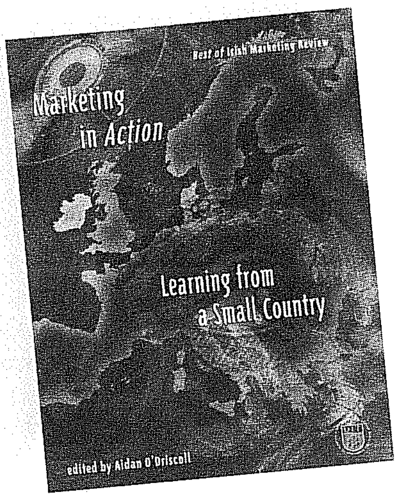
Author

Brendan O'Rourke is a lecturer in economics at the Dublin Institute of Technology (DIT).



MARKETING IN ACTION

Learning from a Small Country

edited by
Aidan O'Driscoll

Marketing in Action: Learning from a Small Country is a selection of 18 articles originally published in *Irish Marketing Review* over the past decade.

The selection is set in the context of the current change in marketing thinking and practice away from exclusive focus on the high street consumer and mass advertising towards embracing relationships, networks, and new modes of competition and organisation.

The book illustrates how smaller countries and more peripheral regions can contribute usefully to these emerging ideas and managerial challenges.

The contents reflect both the strong managerial thrust and conceptual rigour characteristic of *Irish Marketing Review.*

CONTENTS

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PUBLICATIONS

Book Reviews

Marketing in Action: Learning from a Small Country

edited by Aidan O'Driscoll, Mercury Publications, Dublin, ISBN 0 9523597 1 5 (pbk), 0 9523597 2 3 (hbk), 1997, 196 pp., £19.95, £29.95 (hbk).

Over the past ten years, *Irish Marketing Review* (IMR) has played an important role in the development of marketing in Ireland. Issue after issue, it has brought to its readers all that is best in international and Irish marketing research and practice. It has reported on many stimulating case histories which have offered real practical advice to marketing professionals in companies, large and small. For The Marketing Institute, the availability of IMR has been of great significance as a valued service which the Institute can offer to its members and senior students.

Right from its inception in 1986, the driving force behind IMR has been Aidan O'Driscoll who had the vision to recognise the need for the publication of such a journal for the benefit of Irish marketing educators and practitioners and the Institute. He also had the energy and drive to carry his vision through, often at times when there was very little support. That we can look back at 10 years of successful publication of IMR is a great testament to Aidan O'Driscoll's resolve and commitment to this particular crusade.

It is highly appropriate that Aidan has now taken a further initiative by publishing a book entitled *Marketing in Action – Learning from a Small Country*. It is a selection of the eighteen 'best' articles published in IMR and is a valuable work in demonstrating how marketing thinking in Ireland has progressed over the past decade. Just like in the global arena, it is evident that in Ireland, too, marketing practice has moved away from the traditional focus on the high street consumer and mass marketing to target marketing and relationship building, employing new forms of distribution an communication.

The book illustrates how small countries such as Ireland can contribute usefully to the new wave of marketing thinking. In recent years, Ireland has made huge strides in improving growth and competitiveness and in 1996 it was ranked the 16th most competitive economy in the world by the World Economic Forum, ahead of France, Germany, Australia and Spain.

There is no doubt that Irish industry's evolving appreciation, over the past decade, that marketing drives the business has been an important element in Ireland's shining light success story. One has just to look at the investments which companies, large and small, are now making in marketing human resources and promotional investments to appreciate that marketing is the lifeblood of the Celtic Tiger.

Aidan O'Driscoll's book consists of six parts, each with three articles. The first nine have a more theoretical emphasis and address the perennial 'triangle' of marketing superiority – the need to comprehend fully your customer, your competitor and your own organisation. The second nine focus more on marketing in action, and illustrate best marketing practice in consumer, business to business, and service marketing contexts.

In the first part which deals with 'Understanding Customers', there are excellent papers on relationship marketing and customer care. Evert Gummesson of the Stockholm University School of Business reminds us that successful marketing is not simply about overseeing a transaction with a final customer but about managing a series of relationships with 'customers' and clients in, and beyond, the immediate marketplace and in the firm's organisation. David Carson and Audrey Gilmore from the University of Ulster present their highly regarded model for customer care and the very interesting case study of Northern Ireland Electricity.

The second set of three articles concentrates on 'Understanding Competitors'. Here, there is a fine article from Brian Leavy, Dublin City University Business School on the risks and difficulties in attacking market leaders because of their protection by some sort of 'virtuous circle'. Also, in this part, there is a landmark article on branding by John Fanning, Managing Director of McConnells, Ireland's largest advertising agency. For anyone who did not read the article when it was originally published in IMR in 1995, it is worth buying the book for this article alone.

The final part of the first half deals with 'Understanding Organisations', and how the marketing function is being managed in a changing business environment. There is a classic article from James Barnes, Memorial University of Newfoundland on internal marketing and a challenging paper from Aidan O'Driscoll and John Murray of Trinity College which advocates a process-based approach to managing the marketing function.

The second half of the book presents another nine readings which look not only at conceptual issues but also offer case histories and examples of best marketing practice. The part on 'Consumer Marketing in Practice' includes a very fine paper from Redmond O'Donoghue explaining how and why Waterford Crystal launched a new brand of more contemporary design and competitive price within the premium crystal market – without cannibalisation of existing product. There are two further case histories on the brand positioning of Irish whiskey and the marketing of Tyrone Crystal in Japan.

In the section on 'Business to Business Marketing in Practice', there are three articles all demonstrating the impact of new technology and modes of manufacturing, delivery and service, as well as novel organisational approaches, on increased marketing effectiveness. The case history of Irish Seafood Producers Group explains how a fuller understanding and reshaping of the aquabusiness 'value chain' has resulted in international success. In regard to new product development, there is the interesting example of Thermo King and the importance of speed to market or so-called turbo marketing.

In the final section on 'Services Marketing in Practice', there is an outstanding paper from Kevin Bourke explaining how AIB Group introduced its new corporate logo in the early 1990s. The new identity was not so much about image, rather it symbolises the change in organisational structure and corporate values which the bank had been undergoing during the preceding four years in response to market and customer needs. The process employed by AIB is required reading for anyone considering a change in identity in companies large and small. There are also very interesting articles on the PROMPT approach to customer service employed by Digital and the story of the strategic partnership between Air Rianta and Aeroflot in the former Soviet Union.

Marketing in Action: Learning from a Small Country is a great read and is guaranteed to deliver value to anyone who has an appetite for knowledge and a curiosity for new ideas.

Review by John McGuire, chief executive of Rehab Lotteries and former chairman of The Marketing Institute

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International Marketing Reader

edited by Stanley J. Paliwoda and John K Ryans Jr, Routledge, London and New York, ISBN 0-415-11400-4, 1995, 333 pp., £16.99.

Dear Stan and J.R. (Jr)

To misquote that infamous marketing academic, Groucho Marx, 'I never forget a book, but in your case I'll be glad to make an exception.'

Yours,

Anne Marie

Groucho Marx

Review by Anne Marie Doherty, lecturer in human resource management, University of Ulster at Coleraine

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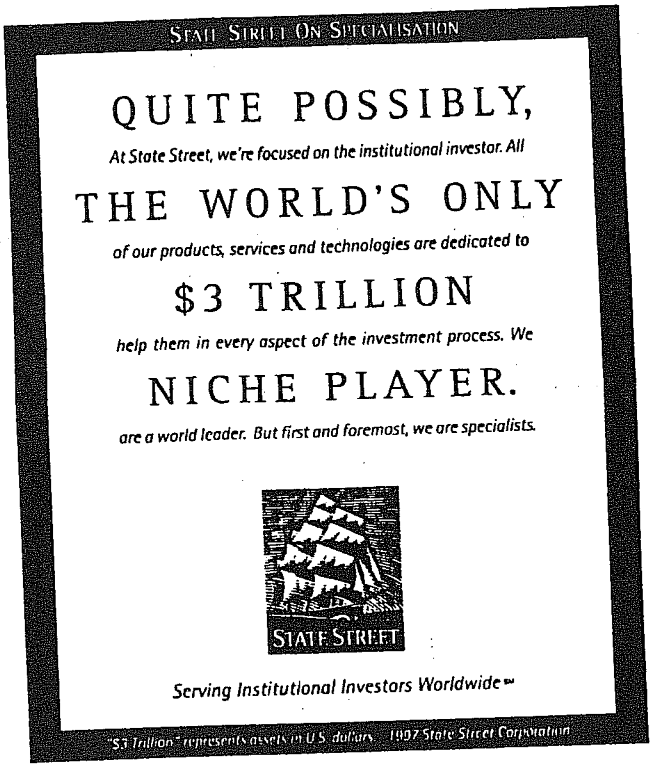
On the Fringe
NICHE AND NON-NICHE

James Wrynn

One of the most widely used terms in marketing today is 'niche'. The origins of the term in marketing are relatively recent, but it is now so pervasive that some reflection on its meaning is worth while. Students and entrepreneurs (and even advertising copy writers) love the term. When confronted with a situation requiring the development of a strategy, they will almost inevitably identify a current niche or a new niche as the key to a future scenario. Having thus identified a niche, all further analysis stops. The panacea has been discovered. All remaining strategic and operational issues are now solved. Customers, sales and profits are inevitable.

The niche is everywhere (see exhibit 1).

Exhibit 1 $3 Trillion Niche Player



Source: *Financial Times*, 30 June 1997

Kotler (1997) defines niches as being 'subsegments ... which are fairly small ... and typically attract small companies'. He refines the definition by arguing that market 'nichers' usually occupy less than 10 per cent of the overall segment. Of course this raises the perennial problem of market segment definition and segment boundaries.

Originally the term niche tended to denote a small segment, as argued by Kotler, and more often than not a newly identified segment that emerged due to changing taste, technology, lifestyle or whatever. But of course this raises the issue as to what is meant by small. Small can be defined in relative terms as Kotler implies, but is this really appropriate when in some cases such a definition can apply to categories of business worth several hundred million or even billions of pounds?

Very often niche enthusiasts argue or imply that one of the key characteristics of a segment is a less competitive regime, either due to lack of interest by other competitors because of the smallness of the niche, or because of unique competitive advantage by the first entrant to the niche. Such competitive advantage held by the first mover into the segment ensures any other new entrant is at a severe disadvantage, or at least poses no serious threat. In wilder flights of optimism it is implied that the innovator is assumed not just to have a competitive advantage but to have a sustainable competitive advantage, even though in most cases, no substantial evidence is provided as to the existence of such sustainable competitive advantage.

Perhaps also implied in this situation is a lack of growth prospects in the segment. While this may be the case occasionally, such a characteristic makes the segment not only unattractive to later entrants but unattractive to the organisation which has first identified the segment. Thus in summary, early usage of the term connotated newness, in most cases smallness, invincibility to the discoverer, lack of serious competition and an idyllic life of sales, profit and all the business pleasures of the first occupants of the Business Garden of Eden.

Over time, with diffusion of a garbled understanding of the original characteristics of the term, it has come to be used interchangeably with the term segment, but perhaps sounds more sophisticated and denotes some aphrodisiac qualities that are a little mysterious but almost magical in potential. However, the term still retains some of the more naive assumptions of its earlier understanding – exclusivity, lack of competition and the good life generally.

In summary, it is now a meaningless term, used by some completely interchangeably with the word segment, and by more as a segment with some kind of vague unspecified but very beneficial characteristics. It is time the term was abandoned. Much more useful conceptual analysis of markets, their characteristics and composition can be achieved by use of the word segment and all the rigorous ideas that are associated with it.

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Author

James Wrynn is senior lecturer in business policy in the faculty of business, Dublin Institute of Technology. He is deputy chairman of ESB, Ireland's electricity utility.