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Aidan O'Driscoll
Technological University Dublin, Aidan.odriscoll@tudublin.ie

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McInerney Properties plc was founded as a family business in Scariff, Co. Clare, in 1909. It became a public company in 1971, and has a current market capitalisation of approximately £40 million. Operations are now spread through Ireland, the UK, Portugal and Spain, with a small presence in the Middle East. In Ireland the Company is engaged in residential and property development, and is a one-thir partner in the prestigious Custom House Docks scheme which will be worth approximately £250 million over five years. It is also currently involved in building the major Conrad International Hotel in Earlsfort Terrace.

In the UK operations consist of housing and property development across the South of England. The first leisure property development in Portugal commenced four years ago, and is now completed. Further developments have already started in Portugal, and a new joint venture leisure development has commenced in Spain, in the grounds of the luxurious Don Carlos Hotel near Marbella.

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The Electricity Supply Board, a statutory corporation, was established under the 1927 Electricity Supply Act of that year. It has the responsibility for the generation, transmission and distribution of electricity throughout the Republic of Ireland. To-day it has 28 generating stations in operation using a wide mix of fuels including peat, oil, gas hydro and coal. In the mid 1970s the ESB set about establishig an international consultancy business, and since then has worked in over 40 countries throughout the world. Currently the ESB's consultancy subsidiary, ESB International, is involved in projects in Europe, Africa, the Middle East, the Far East and the United States of America.

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P. J. Carroll & Company plc is a publicly owned company, founded in 1824 by the great grandfather of Donal Carroll, the current Chairman. Its core business is the manufacture and marketing of tobacco products. In recent years the company has begun development of two new operations, direct marketing and the production of marketing of high quality Irish Seafood. The group had a turnover of IR£281 million in its last financial year.

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The Marketing Institute is the representative body for the marketing profession in Ireland. Its primary aim is to position the marketing profession as the crucial factor for business success by being the recognised authoriative body for the profession, endowing membership with intrinsic value, providing 'value added' members' services, enhancing marketing practice through education and training and offering a lifetime environment for marketing career development. As a professional examinig body, the Institute provides a range of marketing education syllabi leading to the award of the Institute's Certificate, Diploma and Graduateship.

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(The Post Office)

An Post, the state-owned company which operates the national postal service, has a range of services which are tailored to meet the needs of the business community. These include Express Mail, a courier service offering guaranteed overnight delivery in Ireland and Great Britain and a similarly fast service to over 70 countries, and direct mail services, Postaim and Publicity Post, which allows advertisers to target their markets at a fraction of the normal postage rate. Other facilities which are of interest to business people are Freepost, Business Reply, Faxpost, Surface-Air Lifted Parcel Post, and container services for exporters.

Telecom Éireann

Telecom Éireann, recostituted as a state-owned company in 1984, has responsibility for operating Ireland's telecommunications service which includes telephone, telex and data transmission. It is presently completing a major capital investment programme which will put Ireland to the fore in telecommunications technology. It has developed a range of services of specific benefit to the business sector including a data packet switching network (Eirpac) and electronic text transmission.

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Paul P. MacGabhann, University College Dublin
Joseph R. D'Cruz, University of Toronto

Summary

Portfolio analysis is a well established and important technique of strategic marketing. This paper explores the application of portfolio analysis methodology to the diagnosis of national industrial structure and its related strategic challenges. A country, much like a large diversified company, may be viewed as consisting of a portfolio of companies clustered into industry and sectoral groupings.

The paper first considers the various schools of thought in the industrial policy debate and sees portfolio analysis as a methodology which supports the approach of the structuralist school; this school argues for an integrative view of the national economy and all its sectors, guided by a coherent strategic vision. The nature and use of portfolio methods are then discussed as well as their relevance to nation-level application. An analysis of the Irish industrial portfolio is then presented based on trade statistics for the period 1967-1983 and finally some implications are drawn for industrial policy makers and for researchers in the strategy field.

A strategic approach to managing industrial structure is seen as a vital link in building a bridge from the emerging goal consensus among the various 'social partners' in the community, to the evolving set of individual policy interventions, administered through many different agencies with impact on specific industries and firms.

Introduction

The paper explores the application of portfolio analysis methodology to the diagnosis of national industrial structure and its related strategic challenges. A country, much like a large diversified company, may be viewed as consisting of a portfolio of companies clustered into industry and sectoral groupings. To the extent that this is a valid perspective, the accepted approaches of portfolio analysis in the business strategy field may be applied to reveal the structure of the portfolio, the allocational priorities and the strategy directions that are possible.

The paper first considers the various schools of thought in the industrial policy debate and sees portfolio analysis as a methodology which supports the approach of the structuralist school. The nature and use of portfolio methods are then discussed as well as their relevance to national-level application. An analysis of the Irish industrial portfolio is then presented based on trade statistics for the period 1967-1983 and finally some implications are drawn for industrial policy makers and for researchers in the strategy field.

The Industrial Policy Debate

Industrial policy is evidenced in the set of government actions taken to assist industry. It is therefore a form of microeconomic policy since it is ultimately implemented at the level of the firm and the industry. Because it is formulated and implemented through the political process exactly what it is and what its boundaries are is often a matter of confusion — as for example in the perennial overlapping in public debate of issues of social and industrial policy. Even within the arena of industrial policy itself, clarity is hindered by the variety of approaches to government action. What exactly is meant by assisting industry turns out to depend upon which of several schools of thought the policy maker adheres to. Following Jarobe's (1985) approach we may distinguish four underlying schools of thought:

- the functional problem solving school
- the reindustrialisation school
- the reallocation school
- the structuralist school

The functional problem solving school focuses on solving the specific problems of individual firms or industries taken independently. It has the appearance of a simple approach and has probably been the most commonly applied internationally. Its problem is that it does not lead to a coherent industrial policy since policy will reflect the aggregation of all the individual interventions designed to respond to independently defined problems. It thus almost inevitably leads to some form of disjointed incrementalism in policy making (Lindblom, 1959) with all its attendant problems. Where public resources are limited it provides no set of rules for allocation, simply moving disjointedly from one decision to the next. Furthermore it has no inbuilt means of viewing the economy as an interrelated system and therefore no means of appreciating the causal structure lying behind individual industry or firm problems. Distinguishing between symptoms of problems and the actual problems may be difficult as also will be the prediction of the full set of consequences of any one policy intervention.

The reindustrialisation school is probably best represented in the American debate on industrial policy through the eighties. This school of thought has been concerned with the future of the manufacturing sector and with fears of its demise as a result of its loss of competitiveness, especially in the face of competition from Japan and the 'four little dragons' of Asia (Korea, Taiwan, Hong Kong and Singapore). The interesting feature of this school is that it defines industrial policy as a sectoral policy for manufacturing industry, to the exclusion of the other sectors of the economy. Indeed, the debate is sometimes framed in partisan terms: how to staunch the flow of resources out of manufacturing and into services in order to preserve an industrial society. Etzioni (1983) calls for such 'reindustrialisation', viewing the manufacturing sector as the engine which must drive all sectors of the economy. The approach is clearly limited in its unwillingness to view all sectors as dependent on each other for success and to use industrial policy to balance the contribution of manufacturing with that of agriculture, construction, education, tourism, and services in general in enhancing national competitiveness. One of the approaches commonly associated with the reindustrialisation school is described by Jarobe (1983) as 'industrial triage'. The phrase refers to the military practice of dividing battlefield casualties into three groups — those beyond help; those who will recover without help; and those who may be saved by immediate help. In the reindustrialisation perspective, firms and industries may be similarly divided and attention focused on those that are candidates for turnaround (see for example Rohatyn, 1983). The government should not be in the business of picking winners (they will do very well by themselves) or shoring-up losers (they will simply join the ranks of the living dead while tying up scarce resources needed elsewhere). The approach does raise the critical issue of resource allocation albeit within the manufacturing sector alone.

The reallocationist school stresses the necessity to redistribute resources among sectors and industries in the economy. For the first time the focus is on the whole economy and the goal is typically to enhance the functioning of the whole system. Intervention is targeted at moving resources from the 'sunset' to the 'sunrise' industries and justified on the grounds of market failure especially in capital and labour markets (see for example Thurow, 1980; Reich, 1983; Magaziner and Reich, 1982). The difficulty in implementing the school's agenda is of course the designation of sunset and sunrise industries — the identification of winners and losers. Ultimately, the criterion is relative efficiency: allocate resources to where they will be most productively used. The general conception of 'winners' tends to define them as those with high ratios of value added, high productivity growth and international competitive advantage. This tends to dismiss many sectors that are labour intensive, that are locally based with non-exportable outputs and that may yet form an essential part of the economy.

The structuralist school looks at all sectors in the economy and at their respective roles and interrelationships. The school often employs the label of 'industrial strategy' (Jarobe, 1985) to signal its concern with taking an integrative view of the national economy and all its sectors guided by a coherent strategic vision. This may be seen as similar to the Japanese concept of 'industrial structure policy' as described by Chalmers Johnson in his classic study of *MITI and the Japanese Miracle* (Johnson, 1982, 28). The structuralist approach looks for a portfolio of industries and firms which contributes to the many objectives of the economy and the nation. The claims of firms and industries for policy intervention are measured against an overall strategy for the economy and allocation decisions are made in this context. Multiple policy instruments and interventions may be used at firm and industry level with integration underwritten by agreed system-wide goals. The structuralist view also sees policy addressing the need for structural adaptation and for proactive intervention to anticipate and take advantage of changes in the competitive environment. In the

The Authors

John A. Murray is Professor of Business Studies, Trinity College Dublin. He has been Visiting Professor at I.M.E.D.E. and at the University of Toronto, and Visiting Scholar at the Harvard and Wharton Business Schools. He has published many articles on marketing and enterprise development and is author of Marketing Management: An Introduction.

Paul P. MacGabhann is Manager of the Marketing Experience Programme at University College Dublin.

Joseph R. D'Cruz is Professor of Business Administration at the University of Toronto.

international arena, the view of competitive advantage is not just one based on traditional notions of static comparative advantage, but one also of dynamic comparative advantage such as that suggested by Scott (1985). The challenge of operationalising a structuralist approach is not trivial. In order to circumvent the data and analytical demands of the whole system perspective advocated by the approach it has been suggested that the Japanese, for example, have proceeded by focusing only on 'strategic industries' (Johnson, 1982, 28) while allowing markets forces to drive development elsewhere. Strategic sectors are those that are either vital to an important system objective (employment, security and so on) or that have extensive interconnections witht the rest of the economy (Jarobe, 1985, 216). Given the possibility of using such methods to operationalise the approach the major challenge to its implementation lies in overcoming the difficulty of establishing agreed goals and related strategies at national level.

In the Irish context, much of the pattern of past industrial policy has been fashioned by adherence to the problem solving approach up to and including the elaborate series of sectoral studies undertaken by the Sectoral Development Committee through the eighties with implementation of policy initiatives planned at industry level *(Review of Industrial Performance 1986*, 70-71). However, policy documents such as the *White Paper on Industrial Policy (1984)* and the government's national plan *Building on Reality* of 1984 in a combination with the *National Programme for Recovery* and the consultation processes lying behind these published statements all go some considerable distance towards preparing the ground for a more structuralist approach through their treatment of, and attempt to create consensus-based, national goals. What is still lacking from the industrial policy debate in Ireland is clarity concerning a national industrial *strategy* that would connect agreed goals with *integrated* action across sectors, industries and firms. It is suggested here that a portfolio perspective on the economy and its structure represents one analytical contribution to describing the strategic character of the economy and to diagnosing holistically its major strategic challenges, allowing system-wide strategy formulation to take place more readily.

Portfolio Analysis and Industrial Strategy

Portfolio analysis is widely used in business planning as a method to assist in the self-analysis step of strategy formulation and to help address the problem of resource allocation between competing businesses within the firm. Developed primarily for use in diversified companies where the investment decision becomes both particularly critical and difficult, portfolio methods array the constituent business units of a company on axes which measure industry or market attractiveness on the one hand and competitive position on the other. In general, it is assumed that the measure of industry attractiveness should reflect the average level of long-run profit potential for participants in the market, while the competitive position measure should reflect the profitability of the individual business relative to its competitors. In general, the strategist would like to see a company's business in industries with attractive profit potential and having, or gaining, relative competitive advantage.

A parallel may be drawn between the resources allocation problem of a large diversified company (in relatively unrelated industries) and that of a nation. Both have investments in many different industries. When one compares a decentralised corporate management system with a market oriented economy, one also finds decision making driven down to the individual business units. Portfolio methods have evolved as one of the mechanisms used to support resource allocation decisions under such circumstances in the corporate world.

The unit of analysis in a business portfolio may be one of three items: the business unit; the product; or the geographic market. Viewed from a corporate perspective, a portfolio usually consists of business units, while viewed from a business unit perspective a portfolio typically consists of products. At either level it is possible and relevant to construct a portfolio of markets where the company and its businesses have international scope. In principle, a nation might be viewed in the same manner: the economy consists of a portfolio of companies in various industries with varying levels of attractiveness and each with some level of competitive capability. Each of these companies in turn has a product portfolio consisting of the individual product lines it produces and with which it competes in individual product-markets. The sheer number of companies involved is of course a major barrier to the application of such analysis at national level. Large, widely diversified, companies have dealt with the problem of large numbers of constituent businesses by defining intermediate levels of aggregation between business unit and corporate totality. At General Electric in the seventies and early eighties, for example, six sectors were used to draw together more than forty businesses in order to make corporate analysis and resource allocation more manageable (Hall, 1978). A similar approach has been developed more recently by the 3M Company (Kennedy, 1988). In the national context it has been standard practice to use industry classifications as a basic unit of data collection and analysis. The great difficulty with standard industry classifications from the strategist's viewpoint is that they are not necessarily defined to reflect any salient strategic commonality: normally they are defined in raw material or technology terms. Thus, a sector such as 'electronics' may contain businesses ranging from mainframe computers to small scale domestic security devices. They may well share a common technological base but they clearly face radically different strategic challenges. However, corporate practice has established the basic notion of using a hierarchy of portfolios to cope with large numbers of businesses and with the necessity for data reduction that may be rolled back to uncover even more detailed layers of analysis. The possibility of viewing a national economy as a portfolio of sectors, each consisting of a set of industries and each of these consisting in turn of a set of firms is not unreasonable. Appropriate definition of the sectoral and industry groupings is the principle challenge.

An alternative approach to an exhaustive analysis of the full national portfolio of businesses is to limit the analysis in terms of the kinds of companies covered or the kinds of industries covered. In a recent study of the French economy a focus of the former kind was achieved by concentrating on the portfolio of firms which constitute the top 100 companies in the country (*Telesis*, 1986). In the Japanese instance, as already noted, MITI has focused in its policy analysis on 'strategic' sectors only, rather than attempting to deal with all industries exhaustively. In the research reported here an intermediate approach was taken to the analysis of the Irish economy (MacGabhann, 1987). Data on seventy one industrial sectors was available (see Appendix 1). It was decided to group these into six 'strategic clusters' in an attempt to highlight the structural debate that has characterised the work of the reallocationist and structuralist schools as discussed above. The clusters are shown in Table 1. They were chosen in an attempt to create some homogeneity of market and competitive characteristics across the seventy one individual industry groups. The clusters also reflect cluster definitions established in a base-line study of the Canadian industrial portfolio in 1985 (D'Cruz and Fleck, 1985) with a view to allowing some comparison of results. In the Canadian study a 'high technology' sector was used which is basically similar to the 'Sunrise' cluster used in this study. In the Canadian instance the high technology group was defined as the ten industries that ranked highest in the United States in the ratio of R & D expenditures to sales as reported in a study by the US Department of Commerce (D'Cruz and Fleck, 1985, 148). The Capital Intensive sector was defined as those industries that have a high ratio of value added per employee, other than those industries that fell into the High Technology sector. The 'Sunset' sector consisted of those industries where real value added and/or employment declined 1967-1981. The Labour Intensive sector consisted of industries that had a low ratio of value added per employee, other than those industries in the 'Sunset' sector. The Agricultural and Non-Agricultural Natural Resource Based sectors were not included in the Canadian study but have been included here because of their critical importance to the Irish economy and in order to avoid an undue focus on manufacturing industry which is typical of the reallocationist approach.

Table 1
Strategic Clusters

1. Agriculture Based Industry
2. Non-Agriculture, Natural Resource Based Industry
3. Sunset Industry
4. Sunrise/High Technology Industry
5. Capital Intensive Industry
6. Labour Intensive Industry

(See Appendix 1 for detailed composition of clusters)

Portfolio Measures

In general, portfolio measures are chosen to reflect the attractiveness of the market in which a business finds itself (average long-run profit potential) and its competitive position (profitability relative to competitors). Standardised portfolio models differ principally in whether they use univariate or multivariate measures for these two factors. The 'share-growth matrix' uses one measure as a proxy for each factor: real market growth rate for market attractiveness and relative market share for competitive position. These measures, despite their crudenesss, have the advantage of being quantifiable with relative ease and of having an identifiable set of assumptions about relationships between them and company performance.

Market growth rate is assumed to be related to two factors of importance. First, it is frequently assumed that high growth markets are more attractive than mature or declining markets (Aaker and Day, 1986), suggesting that there should be 'preferential investment' directed towards high growth business opportunities (Wensley, 1981). Under such assumptions, these markets are seen as offering greater ease of entry; less competitive intensity; and greater opportunity for market segmentation and differentiation of products, all leading to above average profit potential. By contrast, this line of thought would suggest that mature and declining markets are more difficult to enter; are more intensely competitive; and feature lower margins and less opportunity for differentiation-based strategies. Of course reality is never so simple. High growth markets are also frequently characterised by high risk and well positioned companies in mature and low-growth markets can achieve high levels of financial performance (Aaker and Day, 1986). A second factor concerning market growth rate is its relationship to cash demands on the business. Both logic and research evidence argue strongly that high growth in the served market absorbs cash, while low growth is less demanding of cash resources (Henderson, 1970, 1972, 1973; Woo and Cooper, 1982).

The relationship between market share and company performance has been hotly debated for many years now. In general, a considerable volume of research has suggested a positive and significant association between share and profitability (Henderson, 1970; Gale, 1972; Schoeffler, Buzzell and Heany, 1974; Buzzell, Gale and Sultan, 1975; Rumelt and Wensley, 1981; Gale and Branch 1982). The nature and implications of such an association has also been questioned by a number of writers (Day, 1977; Rumelt and Wensley, 1981; Hambrick, 1982; Woo and Cooper, 1982; Aaker and Jacobson, 1985; Prescott, Kohli and Venkatraman, 1986). The measure of share normally used is not absolute but relative market share. Relative share is used as a measure of dominance in a competitive arena, allowing the analyst to distinguish between the relatively dominant position of a company with, say, ten per cent market share in a highly fragmented industry versus the position of a company with ten percent market share in a highly concentrated industry. In business portfolio analysis it is common practice to measure relative market share as Company A's share of its served market divided by the combined shares of its three largest competitors.

A dominant share position is generally assumed to be related to competitive cost advantage based on scale and experience effects, as well as to potential advantages based on the consequent possession and exercise of market power. In the case of a country portfolio the concept of relative market share may be operationalised through the measurement of share position in internationally traded products and services in each industry (D'Cruz and Fleck, 1985). A country's relative share position for any industry sector is then used as a measure of the relative ability of that industry to compete successfully with the exports of equivalent industries in other countries.

Using industry relative market share to assess competitive performance capability at national level depends on the validity of extending the argument presented at business unit level to the country level of aggregation. It might be argued that there are three reasons for expecting a positive relationship between national relative market share in the world markets of a particular industry and the competitive capability of the nation's firms in that industry. First, the basic firm-level argument that share is associated with cost position as a result of scale and experience effects might be extended to national level. Thus, the country with a dominant share position in international trade in a given industry might be expected to have a better cost structure in that industry. This would flow from the scale characteristics of constituent firms, but perhaps more powerfully from the accumulated experience embodied in the production, servicing and management skills of the labour force and in the technology that the industry masters and develops. A second argument might be that high share in an exporting sector produces a solid industry base that generates important infrastructural elements such as research services, sub-supply networks, consultancy expertise and targeted educational facilities that may be shared at relatively low cost by the industry's firms. By contrast an exporting sector without a significant share position is unlikely to create and support such infrastructural elements and certainly not with equal ease of access, or equivalent quality or cost. Finally, it might be argued that a strong share position produces a 'critical mass' in a given sector which in turn supports the development of depth in managerial expertise specific to the industry, and a self-sustaining supply of trained management. Skilled management is in turn the key to competiveness at the level of the individual enterprise.

Analysing the National Portfolio
Three general diagnostic implications are generally drawn from portfolio analysis at the company level: (i) implications concerning the *allocation* of cash and the apportionment of scarce investment capital between businesses in the portfolio; (ii) implications concerning management of the portfolio structure with the general objective of ensuring a *balan*ce of businesses representing the sources of cash for current profitability; the success businesses of today; the entrepreneurial ventures on which to build the longer-term future; and the weaker businesses which may require renewal or divestment; (iii) implications concerning the broad outline of differentiated *strategy directions* for the various businesses in the portfolio, acknowledging that from a portfolio perspective there can be no one overall strategy but rather a set of interrelated strategies dictated by the logic of the portfolio positions and role of each business leading to a variety of strategies in modes such as build, hold, harvest, reposition and divest.

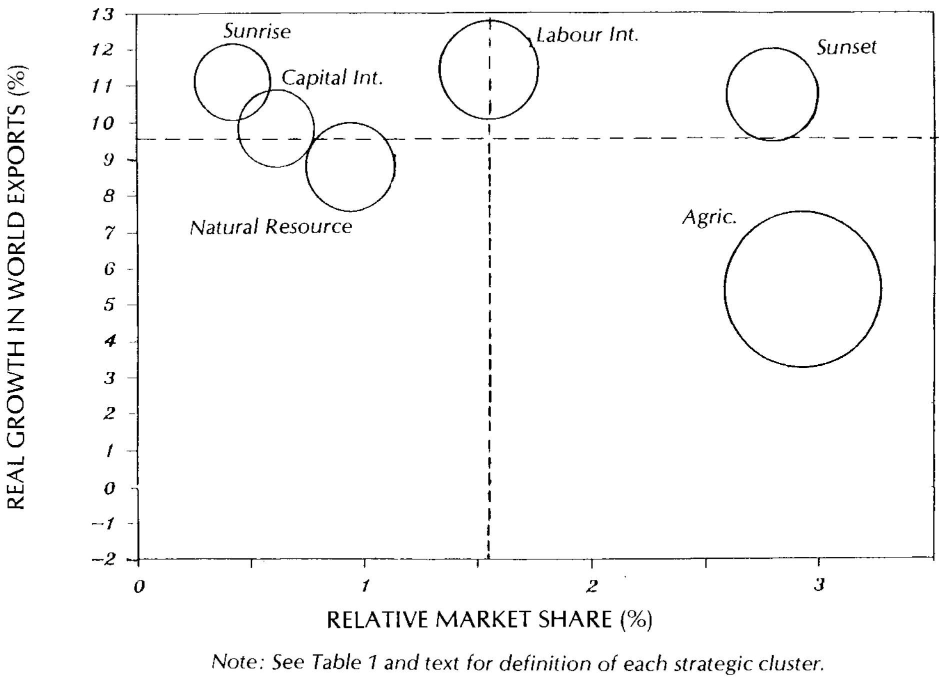
All three sets of diagnostic implications have urgent parallels in the area of national industrial strategy, especially when it is viewed from a structuralist point of view. Public resources allocated to industrial policy intervention must be apportioned across competing claims from firms and industries on the basis of some set of decision rules if the policy implementation process is not to become one of 'muddling through' in Lindblom's (1959) terminology. Portfolio approaches seek to deal with this allocational issue as a priority. The structural issue is also important. Nations increasingly seek to influence their industrial structure by selectively supporting the development of some industries and their technology bases and by shoring-up declining sectors or easing the process of exit and guiding the reallocation of resources thereby released. At the heart of what is frequently referred to as 'the new competition' from Far Eastern companies lies a concerted competitive strategy, implemented by firms and backed by the structural intervention of their national government (Kotler, Fahey and Jatusripitak, 1986).

In the Irish case, the industrial portfolio has been analysed using the two measures of real market growth rate and relative market share (see Appendix 1) for the years 1967-1983. The choice of years for which the analysis was performed was dictated by the availablity of data on an international, harmonised basis. To reveal any structural changes in the economy over the sixteen years four periods were isolated and data averaged for each period. Each period also represents a time of relative continuity in the broad competitive environment:

1967-1971: the latter years of the sixties boom
1972-1976: the first oil crisis and rocketing inflation
1977-1980: the second oil crisis, further inflation and international recession
1981-1983: international recession

Figures 1-4 provide a graphic representation of the national porfolio for each period. The size of the circle representing each strategic cluster reflects the proportionate contribution of annual average exports from its constituent industries to total exports. In each matrix, the vertical dotted line represents the average relative market share of all sectors and the horizontal dotted line represents the average world real growth rate for trade in all sectors. The matrices draw immediate attention to some general features of the economy. The growth rates of the markets in which the economy was active internationally show a dramatic collapse throughout the period and it is readily visible how the whole portfolio sank with the receding tide of international trade from the first period to the last. This is a pattern which was to some extent unavoidable, especially in an economy as open as Ireland's. However, the question must be raised as to whether a reorientation of the portfolio's structure towards industries with above average growth rates for the period (or below average decline!) might have been possible. Such a structural approach underpinned Japan's choice of industries to promote over this period — dictated by a criterion of choosing industries characterised by above average income elasticity of demand and high rates of technological progress (Shinohara, 1982).

Figure 1
Ireland's Industrial Portfolio 1967-1971



Note: See Table 1 and text for definition of each strategic cluster.

Figure 2

Ireland's Industrial Portfolio 1972-1976

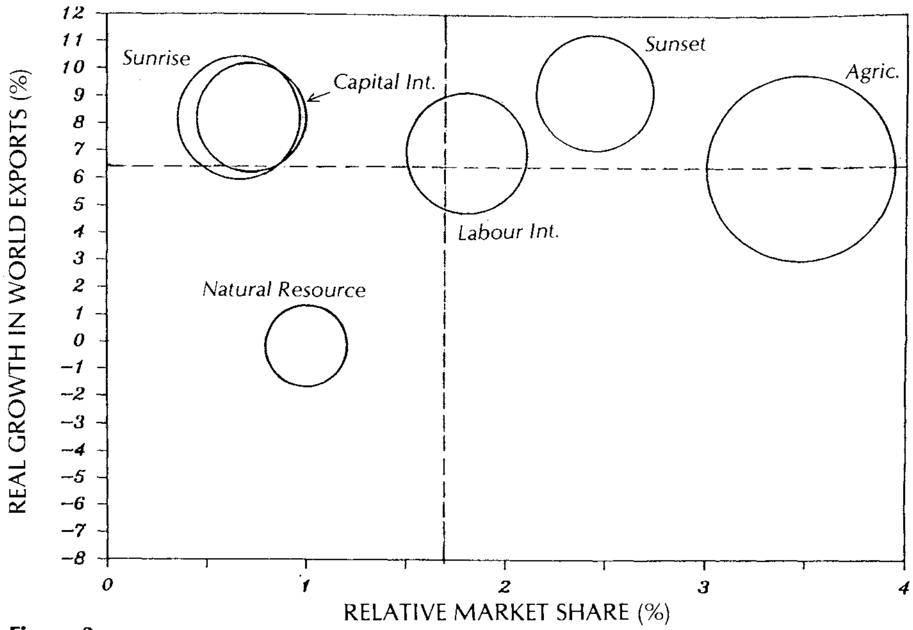


Figure 3

Ireland's Industrial Portfolio 1977-1980

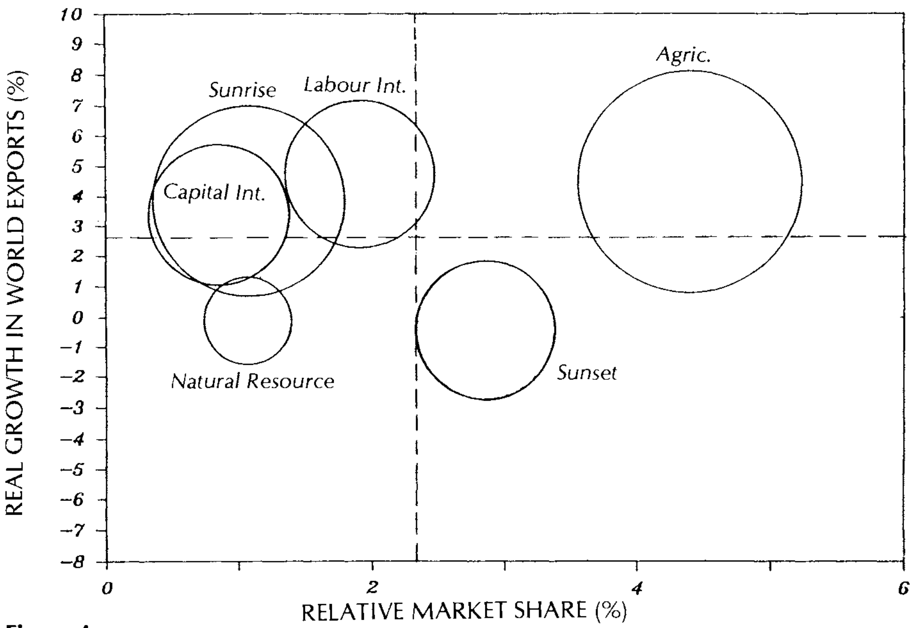
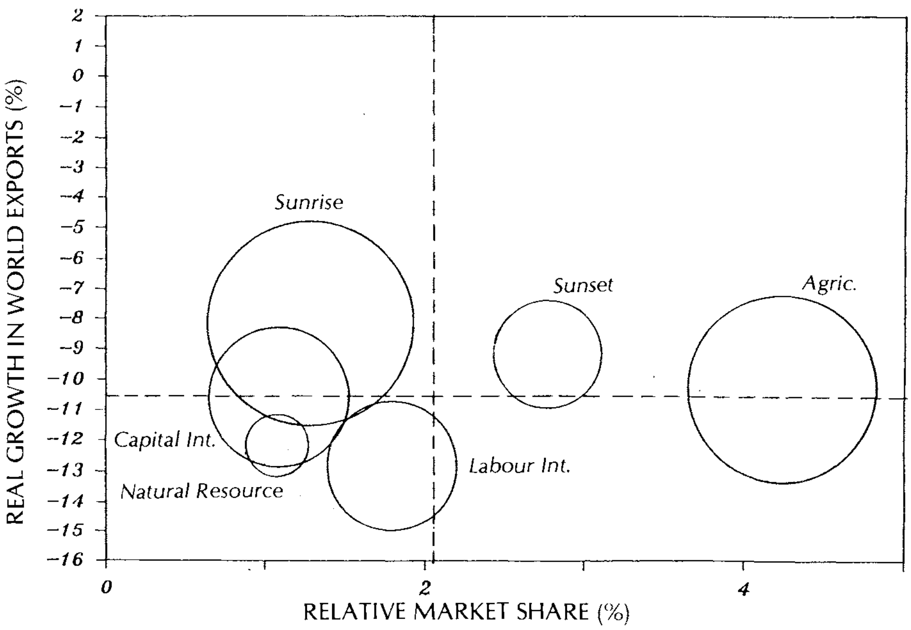


Figure 4

Ireland's Industrial Portfolio 1981-1983



On the other hand, it is particularly encouraging to note that for the periods analysed the average relative market share position of the industries examined actually improved — if only by small amounts. Overall therefore the portfolio matrices show an economy floating downward with the faltering international markets in which it found itself competing, but making marginal gains in market share in these same markets. Looking at the sectors within the four portfolio matrices also illustrates some basic features of the economy. The Agriculture Based and Sunset sectors are the relatively high performers in share terms, with the Agriculture Based sector improving its competitive position consistently through the four periods. The Sunset sector just about holds share position throughout the time examined. However, in volume terms it can be seen that there are two very different patterns. The Agriculture Based Sector dominates the portfolio in the three initial periods but is then overtaken by the Sunrise sector in the final period. The Sunset sector by contrast contributes a declining proportion of the overall portfolio from 1967 to 1983. Significant structural adjustment is further evidenced in the dramatic growth in size of the Sunrise sector from period to period and in its consistent move rightward along the relative market share axis. The Capital Intensive sector has also increased in volume contribution to exports and in share performance through the four periods. The Agriculture Based sector, the Non-Agriculture Based Natural Resources sector and the Sunset sector all declined in their proportionate contribution to exports, and only the second succeeded in holding share position in the final period. The portfolio has therefore experienced some significant restructuring over the four periods, although not enough to allow the overall pattern to float free from the general decline in international market growth rates.

To illustrate how the use of an hierarchical set of portfolios helps to reveal further layers of analysis, Figures 5-7 show how the Sunrise sector taken alone may be further analysed as a portfolio of its constituent industry groupings. Two features of these matrices are particularly noteable: the dramatic improvement in the share performance of the computer industry and the way in which this industry's market growth rate defies the general trend in world markets. It can be seen how a country portfolio with a strong representation of industries such as this one could in fact begin to float free from the general downward pull of recession battered international markets. A strategic approach to the management of the portfolio's structure can give a country some independence from international market trends. This is the essential lesson that Japan understood and acted upon in its approach to industrial strategy throughout the seventies and early eighties.

Figure 5

Sunrise Industries' Portfolio 1972-1976

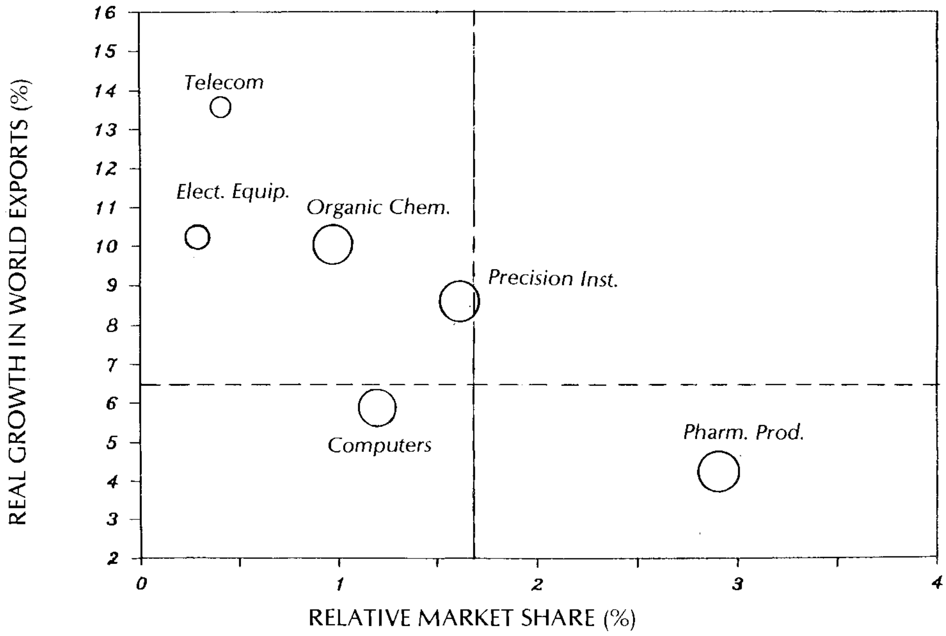


Figure 6
Sunrise Industries' Portfolio 1977-1980

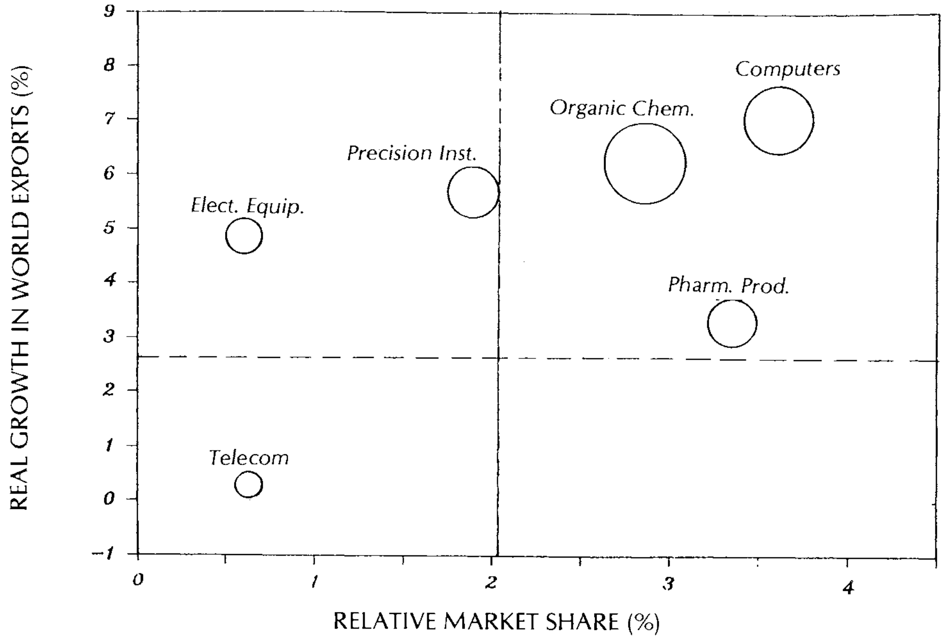
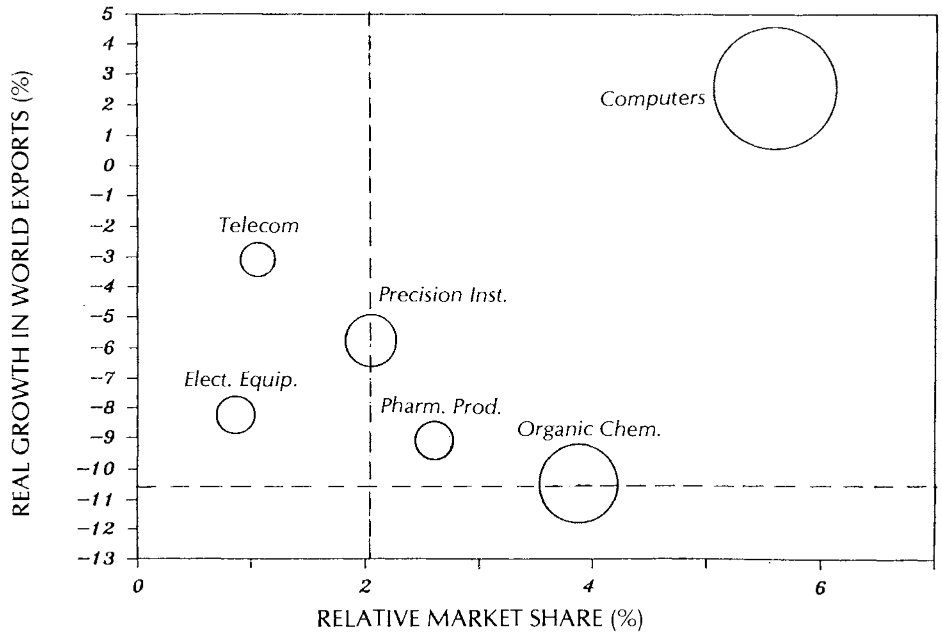


Figure 7
Sunrise Industries' Portfolio 1981-1983



Conclusion and Thoughts for Further Research

From the policy analyst's and the policy maker's point of view, the research undertaken serves to illustrate the importance of the structuralist approach to industrial policy. Some analysts regard this approach as impractical because of the demands it makes on data recources and on analytical comprehensiveness. However, it has been suggested that there are methodological ways of reducing the analytical task to manageable proportions without sacrificing the essential benefits of the approach. The portfolio method of analysis has been illustrated through application to four periods over the years 1967-1983. The portfolio representation may be regarded as an optic through which the structure of the economy is viewed . The representation achieved is useful in suggesting a number of insights and conclusions:

(i) it achieves a very considerable degree of data reduction (six clusters of industries) while still providing meaningful insight into structure and structural adaptation;

(ii) through an hierarchical approach, each main cluster of industries may be represented in greater detail by a further portfolio of constituent industries or sub-sectors allowing successive layers of detail on the structural configuration of the economy to be revealed as needed;
(iii) the main industry clusters chosen for this study are only one of many possible approaches to grouping the full array of industries in the economy — the methodology is very flexible;
(iv) the structural diagnosis is graphically presented: while the structure of the portfolio has changed considerably, it was not sufficient to combat the impact of the general collapse in international market growth rates;
(v) despite the general gloominess about the performance of Irish industry the portfolio analysis suggests that this was attributable to the structure of the portfolio (the country's choice of industries and their markets) rather than to the competitive performance of the portfolio which in fact saw increased market share through the difficult and turbulent years of the seventies and early eighties.

Portfolio methods must of course be realistically viewed by the policy maker. They are no more than one analytical approach to representing data on the economy, albeit an approach which has particular relevance to a structuralist conceptualisation. The approach is likely to be most useful in supporting diagnostic work and the graphic representation of the structure of industry would appear to have special attraction as a communication vehicle in the process of debate and consultation which is essential to the policy formulation process. Thus, while a set of portfolio displays is suggestive of the allocational, structural balance and differentiated strategy prescriptions associated with portfolio applications in business planning, its most appropriate use in the industrial policy field is, perhaps, in providing a starting point for debate on these issues at national level.

From a research and strategy analyst's point of view, the work reported here represents merely a first trial step in what could be a much more finely tuned analytical approach. Several improvements to, and extension of, the methodology are possible and would add greatly to consequent analytical insights:
(i) a distinction may be drawn between indigeneous and foreign industry to reveal the role of each in the portfolio's structure and performance over time (a first attempt has been made at this as reported in MacGabhann, 1987);
(ii) a portfolio representing Ireland's main geographic markets can be constructed displaying their growth and Ireland's share position over all industries and by specific industries;
(iii) the definition of 'market' used in the portfolio analysis can and should be adapted to reflect more accurately Ireland's 'served markets' rather than the total world markets measured for this study which necessarily results in underestimation of market share figures and submerges regional variations in market growth rates.

It would also seem possible to add a parallel analysis of the economy based not on official statistics for the seventy one industry sectors used here but on the position of the several hundred key companies in traded goods and services in the economy, much in the manner of the *Telesis* approach to analysing the French economy (*Telesis*, 1986).

A portfolio approach to conceptualising industrial structure seems particularly appropriate at the end of the eighties. The various 'social partners' in the community seem close to agreement on national economic goals for the first time in several decades. A strategic approach to managing industrial structure is a vital link in building a bridge from this emerging goal consensus to the evolving set of individual policy interventions, administered through many different agencies with impact on specific industries and firms. The latter have typically emerged in a functional problem solving mode and are in urgent need of a strategy context to provide system-wide coherence, long-term strategic impact and short-term allocational efficiency.

Appendix 1

Table 1

Industry Classification Used in the Study

BA	Cement and plastics
BB	Ceramic, tiles and bricks
BC	Glass, float glass and derivatives
CA	Iron and steel products
CB	Basic iron and steel
CC	Non-ferrous metals
DA	Spinning and weaving products
DB	Hosiery and knitwear
DD	Carpets, other finished textiles
DE	Leather, furs and shoes
EA	Wood products
EB	Furniture and derivatives
EC	Pulp and paper
ED	Printing products
EE	Miscellaneous manufactured products N.E.S
FA	Molded foundry products
FB	Metal and mechanical products
FC	Motors, turbines, pumps
FD	Machines and agricultural equipment
FE	Machine tools
FG	Specialised machinery
FH	Weapons
FI	Precision instruments
FJ	Clocks and watches
FK	Photographic equipment
FL	Electronic components
FM	Domestic electronic products
FN	Telecommunication products
FO	Office equipment and computers
FP	Household electric equipment
FQ	Heavy electronic equipment
FR	Small electric equipment
FS	Spare parts, motor vehicles
FT	Automobiles and motorcycles
FU	Commercial vehicles
FV	Ships
FW	Aerospace
GA	Mineral chemicals
GB	Fertilizers
GC	Organic chemicals
GD	Paints, varnishes, tints
GE	Cosmetics and toiletries
GF	Pharmaceutical products
GG	Plastics, fibres, resins
GH	Plastic products
GI	Rubber products
HA	Iron ores
HB	Non-ferrous ores
HC	Raw materials N.E.S.
IA	Coal and lignite
IB	Crude petroleum
IC	Natural gas
ID	Other primary energy products
IG	Coke, coal, lignite derivatives
IH	Petroleum derivatives
II	Natural gas
IJ	Electric power
JA	Cereals
JB	Other food products
JC	Agricultural products for industry
KA	Cereals based products
KB	Vegetable, animal fats
KC	Meat, poultry, fish
KD	Canned meat, poultry, fish
KE	Canned fruit, vegetables N.E.S.
KF	Sugar, chocolate candies
KG	Food for animals
KH	Beverages (incl. alcoholic)
KI	Tobacco
MISCEL	Miscellaneous N.E.S.

Note: N.E.S. means Not Elsewhere Specified

Table 2

Industry Clusters Established

1. Agriculture Based Sector

KE	Canned Fruit Vegetable NES
JC	Agriculture Prod. for Industry
KC	Meat, Poultry and Fish
KA	Cereals based products
KD	Canned Meat Poultry Fish
KB	Vegetable Animal Fats
JA	Cereals
KG	Pet Food
JB	Other Food Agric. Prod.

2. Non-Agricultural Natural Resources Sector

EC	Paper Paste
HB	Non-Ferous Metal Ores
EA	Wood Products
CA	Iron and Steel Prods.
IG	Coke, Coal, Lignite Derivatives
IA	Coal and Lignite
II	Gas Deliveries
IB	Crude Petroleum
CC	Non-Ferous Metals
IC	Natural Gas
IH	Petroleum Derivated
HA	Iron Ores
IJ	Elect. Warm Water, Stream
ID	Oth. Primary Energ. Prod.

3. Sunset Sector

FA	Modelled Foundry Prod.
DB	Manufactured Clothes
FQ	Heavy Electric Equip
DA	Spinning and Weaving
KF	Sugar, Chocolate Candies
DE	Leather, furs, shoes
DC	Hoisery and knitwear
CB	First Transf. Fer. Prod.

4. Sunrise Sector

FI	Precision Instruments
FH	Weapons
GC	Organic Chemicals
FD	Office Equip. and Comput.
FG	Specialised Machinery
FM	Domestic Electron. Prod.
FF	Mov. Extract Const. Eng.
FW	Space Aeron. Const. Prod.
GF	Pharmaceutical Products
FR	Small El. EQ. and Deriv.
FE	Machine tools
FK	Opt. Photo and Film EQ.
FN	Telecom Prod.
GA	Mineral Chemicals

5. Capital Intensive Sector

BA	Cement and Plastics	KH	Drinks (incl. Alcoholic)
FT	Cycles, Moto, Pass. Cars	FV	Ships
KI	Tobacco	FJ	Clock Watch Making Ind.
FS	Spare Parts	HC	Raw Materials NES
GG	Plastic Fibre Resins	FD	Machin. and Agric. Prod.
FP	Household Electr. Equip.	GB	Fertil. Agric. Chemicals
GD	Paints, Varnishes, Tints	FU	Comm. Vehic. Oth. Transp.

6. Labour Intensive Sector

GE	Shav. Lot. Soaps Perfumes	GH	Plastic Products
BC	Glass Fl, Glas. and Der.	DD	Carpets, Oth. Fin. Textiles
FB	Metal and Mech. Prod.	EB	Furniture and Derivated
FL	Electronical Components	EE	Mis. Man. Prod. NES
GI	Rubber Products	Mis	Miscellaneous NES
ED	Printed Products	BB	Ceramic, Tiles

Note: The data used were drawn from the Chelem Data Base on international trade, compiled by CEPII – the Centre d'Estude Prospectives et d'Informations Internationales, Paris – who draw the raw data from United Nations International Trade Statistics on more than 90 countries and harmonise the data to allow direct comparisons across countries.

Table 3

Relative Market Share*(%)

	Years 67-71	Years 72-76	Years 77-80	Years 81-83
Agricultural Based Sector	2.93	3.48	4.40	4.24
Non-Agricultural Natural Resource Based Sector	0.94	1.00	1.07	1.07
Sunset Sector	2.80	2.45	2.86	2.77
Sunrise Sector	0.42	0.66	1.08	1.29
Capital Intensive Sector	0.61	0.72	0.85	1.08
Labour Intensive Sector	1.55	1.81	1.91	1.79
Average Relative Market Share	1.54	1.69	2.03	2.04

**Relative Market Share was measured as the ratio of Ireland's share of world trade for the relevant industry over the combined share of the three largest export countries for that industry. This share was calculated for each year and averaged for the four periods.*

Table 4

Real Growth in World Exports (%)

	Years 67-71	Years 72-76	Years 77-80	Years 81-83
Agricultural Based Sector	5.39	6.44	4.45	–10.29
Non-Agricultural Natural Resource Based Sector	8.81	–0.15	–0.16	–12.16
Sunset Sector	10.76	9.17	–0.44	–9.18
Sunrise Sector	11.12	8.20	3.83	–8.16
Capital Intensive Sector	9.83	8.21	3.35	–10.61
Labour Intensive Sector	11.41	6.92	4.74	–12.83
Average Real Growth in World Exports	9.95	6.46	2.63	–10.54

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CHILDREN AND TELEVISION ADVERTISING: A COGNITIVE DEVELOPMENT PERSPECTIVE

Darach Turley, College of Marketing and Design, Dublin Institute of Technology
Helen Gallagher, Mars Ireland

Summary

While the population growth rate in Ireland appears at least temporarily to have ground to a halt, the fact remains that this country will have to cherish and cater for a singularly sizeable children's market for the next decade. This article begins with a qualitative examination of Irish advertising houses' views on their respective outputs and target groups. Central to the process of communicating with the children's market is the need to fully appreciate its heterogeneity. Psychologically speaking, the 'children's market' is a misnomer.

To this end, a series of questions are administered to a sample of Dublin children to ascertain whether their responses on advertising related topics reflect their respective developmental levels. The authors contend that successful campaigns targeted at these developmental sub-sections of the children's market are contingent upon an understanding of their stages of cognitive growth. A range of Irish television commercials are then shown to the children to determine which advertisements register the highest recall rates. Content analysis of the advertisements recalled discloses salient features which may be utilised in tailoring advertising content to a particular age group's developmental level.

The authors also ask whether children's liking for an advertisement is determined by a liking for the product featured in that advertisement. Finally they attempt to draw some conclusions on how sceptical children are of the claims advanced in television commercials.

Researching the children's market is far from child's play. In Ireland, the sheer size and relative proportion of children — a third of the population is under fourteen — seem to make such research imperative however fraught with difficulties. Children are direct consumers of a vast array of products, influencers of a growing number of family product decisions, and actual purchasers of a smaller though expanding number of products.

Considering these developments, the paucity of both academic and commercial research devoted to children in the last decade is quite remarkable. Most Consumer Behaviour texts relegate children somewhat uneasily to a quasi-appendix status at the end of a chapter on family decision-making. In a similar vein, many marketing and advertising executives are reluctant to contemplate child-centred research either because of an overly glib conviction that children are simply mini adult consumers or because of ethical fears of utilising children for research purposes supposedly with a view to their ultimate exploitation. This reluctance is not justified; children are a qualitatively distinct kind of consumer and not diluted adults and ethical considerations should condition rather than preclude advertising and consumer research on them.

This article focuses in particular on advertising for four to fourteen year olds on Irish national television. The topic of children and advertising has given rise to a substantial corpus of published material.[1] Scott Ward who has contributed extensively to this literature suggests three useful subdivisions into which such literature may be divided.[2] First, commercial watching behaviour — What levels of attention do children pay to television advertisements? Do they engage in alternative activities during these advertisements? Second, cognitive development correlations — What features in advertisements affect children the most? To what extent, if any, do children use the information learned from such advertisements? Can they differentiate fact from fantasy in commercials? At which stage of cognitive development do children assimilate the advertisements to which they are exposed? Ward's third subdivision concerns the impact of advertisements on children's behaviour towards others — Do they attempt to influence parental purchasing for example? A fourth subdivision, the ethical domain, might well be added to Ward's initial three. This refers to the burgeoning research on the highly sensitive issues of child vulnerability and persuasibility. In Ireland these issues have taken on a cyclic and seasonal prominence, surfacing primarily in the popular media during the extensive pre-Christmas toy campaigns. However, this article is concerned mainly with the second area mentioned above. It has two specific objectives in this connection.

- To determine the relationship between children's responses to advertisements on Irish television and their level of cognitive development.
- To determine the salient features in terms of copy and imagery in Irish television commercials which are most appealing to children.

Television Advertisements for Children in Ireland
Prior to conducting research with children, the authors conducted a series of unstructured interviews with account executives responsible for

Sensorimotor
Lasting from birth up to two years, at the end of which, object permanence is achieved; out of sight does not necessarily mean out of mind. The capacity for language is beginning to show itself. The child's behaviour is mediated by sets of behavioural patterns rather than by thought, hence this stage is of little interest to advertisers.

Concrete Operations
This stage, lasting from two to eleven years marks the transition from a very literal perceptual ability to a more developed capacity for abstract thought. Nash has subdivided this stage in three. Relevant age groupings are approximate in nature.

(a) Pre-operational thought: Here the child (2-5 years) focuses on single dimensions of the situations that confront them. Symbolic functions appear in thought and play, and deferred imitation emerges — the drawing room suite becomes the train travelled in last week.

(b) Intuitive thought: The distinction between what the child (5-7 years) perceives and reasons is still blurred. If he/she perceives a ball of modelling clay rolled into a snake there is difficulty in grasping mentally that the same mass of clay is involved throughout.

(c) Concrete thought: Between 7 and 11 years there is an increasing trend towards logical thought: objects become classified into concepts and generalisations between which relations are perceived. Situations are grasped in a multi-dimensional fashion.

Formal Operations
Logical abstract thought becomes possible from 11 years upwards. Cognitive maturity is achieved and the child is enabled to reason by hypothesis.

ANALYSIS
The SPSSX computer package was used to analyse the coded responses of each child, serving to verify trends and substantiate qualitative observations. Cross-tabulations were performed to analyse the data by age and by sex. There were indications that further research utilising a larger sample would yield additional interesting results, for example, a simultaneous age by sex cross-tabulation. Results showed no variations in the overall replies of children from differing socio-economic areas. Analysis of findings is presented according to the three principal divisions in the questionnaire.

Reactions to Advertising in General
The first question put in this section asked "what is an advertisement?" Low awareness was typified by such answers as "you see them every day on television" and "the *Smarties* advertisement". Intermediate awareness was used to categorise such answers as "it's a break to give the programme a rest". A typical high awareness response was "advertisements tell you about what you can buy in town, about types of toys and prices". Table 1 summarises the findings.

It is worth noting that the high proportion of under six year olds who could not explain, later spoke readily of their favourite advertisement showing their focus on particular advertisements and inability to abstract the general concept "advertisement"; for some it may also denote the absence of verbal wherewithall to express such a concept.

A further question in this section asked "why are advertisements shown?" The three levels of awareness were typified by the following responses: "advertisements are for *Rice Krispies*" (low), "they remind you to buy something "(medium)", and ". . . to make money. Someone makes the advertisement and you buy the product. Then the person who made the advertisement has the money to pay the television" (high). Percentages for each level were as follows: *no explanation* 16.7%; *low awareness* 40.0%; *medium awareness* 26.6%; *high awareness* 16.7%. In contrast with the previous question, this more complex question resulted in at least some low awareness responses in each of the five age groups although the same overall diagonal swing found in Table 1 was still in evidence.

Table 1

Awareness of "What is an Advertisement" by Age

	Years								
	4-5	6-7	8-9	10-11	12-13	Total	Total %	Males %	Females %
Cannot Explain	5	4	2			11	18.36	23	12
Low Awareness	7	6	6	2		21	35.0	34	36
Medium Awareness		2	4	6	1	13	21.7	14	32
High Awareness				4	11	15	25	29	20
Total						60	100	100	100

The next question in this section sought to ascertain the children's capacity to distinguish an advertisement from a programme: this, it was hoped, would indicate their level of concept development. Table 2 analyses the results by age.

Table 2

Ability to Differentiate by Age

	Years						
	4-5	6-7	8-9	10-11	12-13	Total	%
No Explanation	5	1				6	10
Low Awareness	7	10	9	3	3	32	53
High Awareness		1	3	9	9	22	37

This somewhat sophisticated question had the effect of polarising responses. Low awareness responses, "advertisements are shorter", seem to have had a cut-off point at eight years where high awareness responses began, "advertisements try to sell you something but programmes are just for entertainment". No medium awareness responses were recorded. Cross-tabulations by sex for the questions in this section revealed considerable variations. There tended to be a preponderance of boys over girls in the extreme levels, that is, in the *no explanation* and *high awareness* levels. Findings from this first section support the view that these children exhibit different levels of concept development in their perception of television stimuli; the tabular data for each question revealed a diagonal swing from left to right in support of the age-developmental level correlation.

Reactions to Specific Advertisements

This section of the questionnaire required respondents to choose specific advertisements they like/dislike and to explain the reasons behind their choice. Children could and did cite advertisements from the previous day's video presentation although they were very much in the minority. Analysis of comments on these presentation advertisements is deferred to the third section of the analysis. Children were first encouraged to mention as many advertisements as possible. Table 3 illustrates the number and percentage of mentions of favourite advertisements cross-tabulated by product category.

Table 3
Categorisation of Favourite Advertisements Mentioned

	Total	%
No Answer	4	6.7
Soft Drink	11	18.3
Cereals	16	26.8
*Food**	16	26.8
Household Products	4	6.4
Toys	5	8.3
Beer	4	6.7
Total	60	100

*Food denoted all edibles other than cereals and included confectionery and fast food outlets.

Some interesting features lie behind this tabular data. Many children's favourite advertisement was for a product which they neither purchased nor consumed; in some satellite channel advertisements, the promoted product was not even available in Ireland. Others selected advertisements for brands they had never tried although familiar with the product area. A somewhat surprising if isolated phenomenon in this question was where a *Diet-Pepsi* advertisement was described in minute detail but ascribed to *Coca-Cola*, the market leader in Ireland. The children generally felt that advertisements on the satellite channels were more entertaining, a sentiment typified by the remarks of one twelve year old, "The advertisements are much better on Sky and Super Channels than the boring advertisements on R.T.E. . . . The worst ones are when they just show you a picture".

When asked the specific reasons for their choice of advertisement some surprising factors emerged. Reasons were divided into four: entertainment, aesthetic, liking for the product advertised, and 'other'. With the exception of the four to five year group, entertainment was the predominant reason for all age groups. The central point thus emerging from this question is that liking for a product is *not* a major determinant of liking for an advertisement; for young Irish viewers entertainment value seems to be what counts. The sole exception to the entertainment preference was the four to five year group for whom aesthetic reasons were dominant. Advertisements targeted at this group are likely to succeed best by highlighting the stimulus to be attended to through the use of such techniques as animation, colour and personification. Sex differences were not found to discriminate advertisement preference.

The interviewers probed the celebrity endorsement technique which had been employed on a number of the advertisements chosen. Children from the lower socio-economic groups voiced substantially stronger preferences for this advertising format than their middle/upper class counterparts. Within this lower socio-economic group, boys expressed a particular liking for advertisements featuring sports celebrities.

Advertisements the children disliked were then sought. The first feature noticed here was the high percentages in the two lower age groups unable to cite any example—83% among 4-5 year olds, 42% among 6-7 year olds. The opposite applied to the older groups where examples abounded due to their more advanced critical powers. The reasons for their dislike displayed remarkable heterogeneity ranging from "just don't like it" to "I hate all advertisements with girls in them". No children mentioned dislike for the product as a reason for disliking the advertisement.

This second section concluded with a question designed to gauge both levels of information processing and recall complexity by asking what happened in their favourite advertisement. The results afforded ample confirmation that the children processed and recalled the advertisement content according to their level of cognitive development. Low recall ability was prominent among 4-5 and 6-7 year olds. Typical of their pre-operational stage, they tended to focus on a single perceptual feature of the advertisement, "the three funny men on the *Rice Krispies* advertisement". The 8-11 year group exhibited medium recall characteristic of their concrete thought stage displaying levels of syncretism, a tendency to link ideas and images into a somewhat confused whole; events were mentioned one after another without any overall relation between them being perceived. Most of the 12-14 group showed all the characteristics of the formal operations stage. Complete sequences were remembered, advertising copy was quoted verbatim, and multiple dimensions of advertisements were used in their evaluations. Table 4 illustrates the findings.

Table 4

Level of Complexity of Recall by Age

	Years						
	4-5	6-7	8-9	10-11	12-13	Total	%
Low Ability	12	8	4	—	—	24	*40*
Medium Ability	—	4	8	8	—	20	*33.3*
High Ability	—	—	—	4	12	16	*26.7*
Total						60	*100*

Reactions to the Video Presentation

This final section of the analysis dealt specifically with the advertisements featured on the video presentation. Of the fifteen advertisements included in this presentation only eight were recalled in the interviews twenty four hours later; unaided recall technique had been used. The most recalled advertisement, Kellogg's *Rice Krispies,* was remembered by only 17% of the entire sample. This low recall rate had been anticipated in view of the time lapse between the video and the interview; nonetheless, this was deemed preferable to interviewing immediately after viewing which would have placed over-emphasis on the advertisements in the presentation. Of the eight advertisements recalled, six were for children's products, two for adults' products.

The next step was to look at the content analysis performed three months earlier by the panel of experts. Specifically, the content analysis for the eight advertisements recalled by the children was examined. Most of these advertisements were found to possess the same set of features isolated by the experts in their earlier content analysis. These features may be summarised as follows.

Definition

Successful advertisements clearly define and establish the existence of the product. Psychologically, this is the most primitive level at which advertising works but with children, especially young children, it is vital. If something is clearly seen to exist by the younger child, it is thereby deemed worthy of notice. All of the advertisements showed the brand name in print as well as narrating it. This is consistent with Langbourne's findings that hunger to learn names is best satiated by constant unequivocal labelling.[12]

Association

This is a further general feature whereby the product and the advertisement are associated with other products, activities or people in the child's awareness. This feature presupposes a modicum of abstract thinking. Association was most prevalent in advertisements recalled by the older age groups. Essentially this feature illustrates how the child does not rely on perceptual cues alone but rather integrates the advertisement into his or her real world experience. By way of illustration, five of the advertisements recalled included children, a factor which clearly facilitated such integration.

Personification
This successful feature was found present in two formats. In the first instance, the product itself was personified directly, for example, *Weetabix* biscuits were portrayed as boys or girls. Alternatively, some derivative personification assumed a central role in the advertisement for example, Mr. Snap, Crackle and Pop in a *Rice Krispies* advertisement or Ronald McDonald *(McDonald's)*. Anthropomorphism clearly succeeds; when children were asked to describe advertisements recalled, these personifications were cited by *all* respondents regardless of age.

Storyline
A definite theme or story enhanced recall. Adventures, fantasies and humorous sketches succeeded in dramatising the salience of the product advertised. The thirty second commercial seems to cater best for such a storyline format.

Fictitious Characterisation
Advertisements which portrayed some interraction between human beings and fictitious characters achieved high recall rates. It is thought that such advertisements confront the child with a novel stimulus; the child does not expect to see real life figures and animated figures together. Perhaps this feature explains the inclusion of a household product advertisement among the eight recalled, *Mr. Proper.*

Animation
Four of the eight advertisements recalled used this technique. It basically amounts to the children perceiving the advertisement as a miniature cartoon. In the first section of the questionnaire the question, "what do you remember on the video presentation?", brought the answer "cartoons" from the majority of children. Total animation is an expensive technique, however, the cost can be minimised by using part-animation and part reality.

Music
All of advertisements recalled used music and all but two used a jingle of some description. These techniques provide children with a specific perceptual cue helping them encode and process stimuli.

Truthfulness of Advertisements
By way of rounding off the questionnaire it was decided to probe respondents' perception of the truthfulness of advertising. Table 5 summarises the findings.

As was expected, the younger pre-operational groups tended to accept advertisements literally. They appeared to have one overall scheme or category into which *all* television stimuli, programmes and advertisements, are slotted. Their responses are obviously coloured by the fact that such

Table 5
Belief in the Truthfulness of Advertisements

	Years								
	4-5	6-7	8-9	10-11	12-13	Total	%	Boys	Girls
Sometimes	4	5	2	2	1	14	23.4	7	7
No Belief	3	5	6	10	11	35	58.3	22	13
Believed	5	2	4			11	18.3	6	5
Total						60	100	35	25

abstract concepts as truth and falsehood are incompletely understood if at all. The inability of children at this stage to generalise or reason inductively was displayed even by those among them who distrusted advertisements. They tended to reason transductively from one advertisement they considered false to the next. 58% of all the children interviewed felt that advertisements definitely do not tell the truth.

However, scepticism increased markedly as one moved up the age spectrum. Older children do not consider advertisements in isolation; most of them seem to match advertising claims against their own experiences as purchasers or consumers. The two older groups cited the profit motive extensively as the basis for their distrust while the nascent distrust of the 7-8 year olds seemed to stem from the more elemental discovery that many of the advertising world's images are not found in reality.

Two overall observations warrant particular mention. Table 5 shows a marked difference between boys' and girls' levels of distrust; boys were more dubious than girls. The authors were unable to advance any explanation for this phenomenon although it was paralleled by greater vociferousness on the part of boys during most interviews. The second observation concerned parents. It had been expected that the views articulated by parents to their offspring to counter advertising impact would have received more explicit mention giving rise to the "Dad says ads aren't true" type response. However, only two children out of the entire sample forwarded such interpersonal reasons as the basis of their distrust of advertising. Two possible explanations seemed possible to account for this. First, parental views may have been present without being explicitly attributed to them for fear of ridicule from their peers although this was considered unlikely to be the case for the two younger age groups. Second, parental admonitions on advertising may be seasonal in character centering mainly on the pre-Christmas period.

Conclusion

The Irish children's market is sizeable in its own right and those wishing to address it should do so with a clear understanding and appreciation of its differentiating characteristics. The first section of this research confirmed this distinctness by highlighting the modes of response of a sample of Dublin children to a series of questions on the nature of advertising. Their modes of response disclosed relatively discrete sub-segments within this market based on different perceptual, judgemental and recall abilities. Strong correlations were noted between the abilities of these sub-segments and the stages of cognitive development proposed by Piaget.

Advertisements for younger age segments 4-6 years should ideally incorporate high degrees of perceptual vividness and definition. The 7-10 year segment can cope with increasing symbolic imagery, judge advertising affectively—whether it is silly, funny, boring—and tend not to view advertisements in isolation but in relation to their own life experience. Thematic content is important for the senior group who exhibit multi-dimensional recall tempered by a healthy, embedded scepticism.

In the qualitative interviews with account executives it had become apparent that many were either uninformed or unable to capitalise on the strategic benefits and target precision afforded by such a developmental approach to children's advertising. A range of features, isolated through content analysis, were found to be effective in translating these developmental stages into appealing advertising copy. And "appealing advertising" was shown by the sample to be seminal to the entire marketing communication process. Making children's advertising 'work' is clearly a multi-faceted endeavour. However, one pivotal feature of this endeavour, confirmed in the research, is the necessity to entertain and to do this in a manner that dovetails with children's cognitive development levels.

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MARKETING, MARKETING EFFORT, AND CUSTOMER LOYALTY IN A RESTRICTED ENVIRONMENT: IRISH RETAIL BANKING

John M. Gwin, University of Virginia

Summary

This article examines the retail banking scene in Ireland under the shadow of 1992. The completion of the Internal Market will involve deregulation, new market structures and strong international competition. How should Irish banks best prepare? The author starts by charting the upheaval which has taken place in US retail banking since deregulation commenced in the early 1980s and argues that the Irish banking customer is not dramatically different in terms of his needs and expectations from his US counterpart.

The retail banking environment in Ireland is characterised by union restrictions within the Associated Banks, strong regulation by the Central Bank and an innate customer conservatism in regard to credit information. All these factors inhibit market response on the part of the banks and put market share and profits in danger of erosion from competitors who do not face the same limitations.

The author assesses the Critical Success Factors that affect retail banking and sets out guidelines for a suitable marketing response from the banking community. Banks are cautioned against new product proliferation. Customer needs should be clearly identified before introducing new product offerings. New technology, particularly at the customer/firm interface, must be carefully considered. Coping with new client expectations and ensuring the crucial dimension of personal contact in the customer/bank relationship will involve a tactical response on many levels. This will imply changing the ways that staff work and the organisation structure of banks.

In a recent article in *The Economist* a bleak picture was painted of the Irish economy.[1] With per capita debt three times larger than Mexico, one person in five unemployed, and a prime rate nearly 75% higher than that in the United States, it could be argued that Ireland has little to offer as a market for retail banking services. While the article cited above was technically accurate, the comparisons and explanations for the conditions that exist were not. In a reply to the article, Brendan Menton, Senior Economist for Allied Irish Banks, pointed out that, for example, Ireland's ability to service national debt (as a percentage of export earnings) was quite sound, and that some of the rationale for political decisions such as entry into the EMS was inaccurate. So it seems that, while the economy is not as healthy as might be desired, it is unlikely to find itself in the condition of Latin American debtor nations such as Brazil and Mexico.

The Irish retail banking scene is very different from that in the United States. The retail market is dominated by the two major Irish banks, Allied Irish Banks and Bank of Ireland. These two banks combined represent well over 80% of the retail marketplace. The remainder of the market falls to the smaller competitors — primarily Northern (recently acquired by National Australian Bank Group and to trade as National Irish Bank), Ulster, and the new entrant, the Trustee Savings Bank. Entry into this market is restricted by Central Bank policy, and by the dominance of the two major institutions. The Building Societies have traditionally represented the major force in home mortgage sales, and in the acquisition of savings deposits, but that dominance is changing as the major banks, particularly, are aggressively competing in that market. Additionally, the lack of money transmission services places the Building Societies at a disadvantage in terms of offering the consumer a complete portfolio of banking services.

Deregulation

The US financial services industry is in a current state of flux due to the deregulation of the industry which began in the early 1980s. Traditionally, banks offered transaction accounts, term loans, and other non-real estate secured products. The Savings & Loan institutions (known as Thrifts) provided the products used in their name. Home loans and savings accounts were their primary offerings to the market. The tradition, then, was similar to the Bank/Building Society comparison in Ireland. However, deregulation of the United States market has brought about dramatic changes and a blurring of the markets traditionally served by these and other institutions.

For example, Savings & Loan associations — now called Savings Banks — offer transaction accounts, term loans, hire purchase, and other products which were the traditional bailiwick of the banks. At the same time, banks are offering home loans, savings accounts of many types, and other services, such as cash management, brokerage, and certain types of insurance products (though many banks are prohibited by regulation from offering life assurance). As well, there have been a number of developments from what were first known as "non-bank" banks — that is, mutual funds, brokerage houses, commercial banks, and other institutions which were not historical servicers of retail bank customers. Merrill Lynch, for example, has what is called a Cash Management

The Author
John M. Gwin, is Associate Professor of Commerce, McIntire School of Commerce, the University of Virginia. He has extensive experience as a scholar and consultant in the financial services industry both in the US and Europe. Dr. Gwin was Visiting Fulbright Professor to Trinity College, Dublin, during 1986-87. During that time, he conducted research into the financial services industry in Ireland.

Account, which bundles investment counselling, brokerage services, mutual funds, transaction accounts (checking), and bank cards (VISA) together for the customer who can deposit a minimum of $25,000 in the account. Other organisations, such as Sears, Roebuck and Company have proposed a new form of financial institution called a consumer bank which will offer a limited set of retail products to the consumer — a sort of "no frills" approach to retail banking.

In short, the United States retail banking scene is in upheaval. The blurring of traditional institutional markets, coupled with the allowance of interstate banking in several geographic regions of the US has caused an increasing number of bank failures, as well as increasing institution sizes as mergers and acquisitions melt large institutions into monolithic giants. An interesting sidelight to this deregulation is that, contrary to predictions, the number of banks in the United States has not declined dramatically. It seems that, for every merger or acquisition that occurs, a new community bank (that is, a small bank which serves a very restricted trade area and typically does not offer corporate banking services or more sophisticated retail services such as trust) springs up.

Much the same is happening in the international arena. Citicorp, the largest and perhaps most aggressive bank in the United States, has made over 25 international acquisitions in the last several years, including institutions in the UK, Spain, Belgium, and Italy. As international restrictions on acquisition are relaxed in anticipation of the common European banking market set to be in place by 1992, the pace of merger and acquisition by multinational banks will likely increase.

The free market that is evolving in the United States continues to be seen as very different from the markets that exist in Europe. The challenges faced by US bankers, and the pressures that exist on profits and market share are not perceived as the same kind of pressures likely to be faced by European, and particularly Irish bankers. Yet those conditions will exist in the very near future. What is now an insulated and protected environment will soon be as much a free market as is the market in the US. The EC has said that 1992 will mark the beginning of essentially free cross-border competition in what is becoming the "United States of Europe". As a member of the EC, Ireland and Irish banks will find competitive threats which they have heretofore been protected from. Rather than having to be concerned only with Allied Irish Banks and the Building Societies, the Bank of Ireland will now find itself threatened by NatWest, Citicorp, Credit Suisse, and Deutsche Banke. The question which obviously begs an answer is whether the Irish banks will be able to compete in a market which they are responsible for creating. A second question is what strategic actions will be necessary for a successful response to this external threat.

Marketing and the Customer

The Irish retail banking customer is not dramatically different in terms of his needs and expectations than is his US counterpart. In a study of US retail bank consumers[2] the author discovered that the primary decision criterion used by US consumers in choosing a bank was that the bank have a personal interest in them. Next most important was that the bank provide friendly and efficient service. While an extensive branch network was considered by most banks as being the determining criterion, it was only fifth from a list of eight criteria in our study. There is evidence that the Irish consumer is similarly disposed. The TSB, which has only a small market share, nevertheless offers service, particularly opening hours, and Saturday opening, that the larger banks do not. The rapid growth of the market share of TSB, even though its branch network is only a small fraction of the size of either Allied Irish Banks or the Bank of Ireland, indicates that the two major banks are currently enjoying a spurious brand loyalty — that is, a brand loyalty that exists only so long as there is no substitute available. The apparent willingness of the Irish customer to change sources of home loans from the Building Societies to the banks as the banks aggressively pursue their business further argues that there is a considerable amount of customer loyalty in the marketplace which is a function of what is available rather than what the customer wants.

If the Irish customer expects similar things from his financial institutions that the US customer expects from his, then some valuable lessons already learned by US banks can be applied to the Irish market. These lessons and their implications for the Irish retail banks are discussed in a later section of this paper.

The major issue so far as the Irish retail bank customer is concerned is that banks have very little empirical marketing research which gives them insights into exactly what the needs and wants of the consumer are. While the intuition of the individuals making strategic decisions for the banks is reasonably sound, the lack of confirmatory research adds an element of risk to product planning and long range strategies that is not present in most US banks. What the consumer actually wants and what a bank marketer thinks the consumer wants are often times different things.

The Retail Environment

The retail environment in which the major Irish banks function is, by and large, a heavily restricted one. In the first instance, the banks must deal with their staff through the Irish Bank Officials Association. The few US banks that are unionized have only trifling restrictions placed on them by those unions. In no case do the unions exert any control over the banks' ability to respond to the marketplace — that is, the unions do not have influence over things like opening hours, branch staffing levels, branch rationalization, product line, or technology. With the exceptions of seniority and promotion policy, the unions in US banks similarly have nothing to say about hiring practices. The restrictions placed on banks by the IBOA have a crippling effect on market response.

As well, the Central Bank exerts regulatory influence on the major banks in Ireland which restrict competitive reaction and response. The major banks in Ireland are overregulated when compared to their foreign counterparts. As well, the capital requirements and tax rates are higher for Irish banks. Since these restrictions are applied more or less evenly across all the institutions, they have only a generally restrictive effect. However, the changes in EC regulations which will occur in 1992 will limit the ability of the Central Bank to regulate the market either for the benefit or to the detriment of any of the institutions in the market. This assumes, of course, that the Central Bank will not seek exemption from the EC regulations, especially as they affect capital movement and exchange control.

Other, more general environmental issues affect the market activity of the banks in Ireland. For example, all US banks (and other credit granting institutions such as department stores and petroleum companies) have access to central credit bureau information on consumers. With the push of a button (and the permission of the consumer), a bank can access the complete credit history and performance of nearly any consumer in the United States. This means that a bank can know, from an objective third party source, what debts a person currently carries, what potential for debt that person has in terms of credit limits on revolving credit accounts, and what that person's debt repayment performance has been historically. Clearly, lending decisions are made with a great deal more confidence in this situation than they are in the Irish situation where only pay slips and experience with that customer tell much if anything about his credit worthiness. Even that information is often inaccurate, since both the major banks have customers in default at multiple branches. Clearly, the banks have an environmental problem that needs a solution. However, the Irish customer is extremely protective of his financial privacy, and it is difficult to imagine that the development of a credit bureau system like the one in the United States will occur in the foreseeable future. At the same time, banks can develop internal credit systems and information bureaus which will at least reduce the likelihood of multiple-branch defaults within the same bank.

Perhaps the most telling environmental change that has occurred is the intrusion of new competitors in the marketplace — new competitors that are freer to determine what tactics that they will employ in the marketplace. The only inhibiting factor which keeps the market share of these new competitors relatively low is their lack of a comprehensive branch system to service the customer base. The Trustee Savings Bank, which has some 5% of the domestic resources currently, has seen its share of the resources market grow by over 25% in the decade from 1975-85. During the same time period the combined total of domestic resources held by Associated Banks (Allied Irish, Bank of Ireland, Northern, and Ulster) declined by over 20% from 56.5% to 44.9%. The decline is ever more dramatic if one goes back to 1965, when the Associated Banks held over 70% of domestic resources[3]. In an exercise which revealed the Critical Success Factors (for a discussion of Critical Success Factors, see Jenster[4]) required for retail banks in Ireland conducted with the MBA programme of Trinity College, TSB lacked only a branch system to possess the complete set of CSFs. The results of this exercise are presented as Table 1. Competition is nothing new in the Irish banking scene, but unrestricted competitors are a new issue to be dealt with.

Table 1
Critical Success Factors in Irish Retail Banks

Critical Success Factor	Associated Banks	Building Societies	TSB	Post Office
Accessible Branch System	X	X		X
Responsive Opening Hours		X	X	X
Friendly Staff	X	X	X	X
Reasonable Lending Policies	X	X	X	X
Satisfactory Fees for Services	X	X	X	X
Responsive Officers	X	X	X	
Full Range of Products	X		X	

Source: Author's research. This table is not presented as a statistical representation of a survey of Irish consumers, but it is believed to be reasonably representative of that group.

From a marketing perspective, the environment in which the major banks in Ireland do business is restrictive, and market share and profits are in danger of serious erosion by competition which does not face the same limitations as the traditional institutions. The need for change, both in marketing practice and in the environment, is clear.

Marketing Implications

The position of the Building Societies raises an interesting consideration from a marketing perspective. The major disadvantage from which they suffer arises because of the fact that they are prevented from marketing a full range of services to their customers (see Table 1). Currently, service limitations restrict the Building Societies to being a single product industry. As Walsh points out, "if there is no ability to provide the range of services the customer wants, then competition can only be on the basis of price, advertising and convenience. This inevitably results in paying a higher price for deposits"[5]. Thus Building Societies face the dilemma of whether to attempt to fully extend their product range and to develop into wide ranging financial supermarkets, or to seek to target appropriate new market niches where they can provide effective financial services — for instance, taking advantage of contact at key times in the customer's life, such as when a new house is being purchased, to market a range of products in areas such as insurance, life assurance and pensions.

This tendency for banks, Building Societies (and for almost any other type of firm), to react to customers expressing some dissatisfaction with the market by offering the customers new products, needs to be examined. In the United States, product proliferation has long been a problem in the financial services industry. In one instance, a large bank on the East Coast found itself with no fewer than 48 different automobile loan products. There is no evidence that customers of this bank either had a need for such a portfolio of automobile loan products or understood the differences among them well enough to make a rational choice. In fact, one official of the bank commented that it was unreasonable to expect the consumer to make choices among products when the bank staff responsible for their sale didn't understand them well enough to explain the differences among them.

The situation in Ireland is not so very different. While the banks tend to be a bit slower moving than their US counterparts, and while the Irish banks are considerably more conservative in the development of lending products especially, they still tend to react to the market with products. Yet, there is no strong evidence to indicate that consumers either need or want a proliferation of products from which to choose. In the same study cited above, innovativeness — a surrogate for the introduction of new products — was found to be a distant seventh in determinance of consumer choice for new institutions. In fact, there is a growing sense among US retail bankers that consumers actually prefer simpler, less sophisticated products than was thought. While consumers' knowledge has grown as banks have aggressively advertised and publicised the various ways their needs can be met, there is no evidence to indicate that those consumers are more able to make judgments about the relative merits of each product as a result of that knowledge. If the evidence is lacking that the introduction of new products is a way to increase market share, then such a strategy should be carefully considered before it is implemented.

When the competitive environment changes, there is also the tendency on the part of the large, dominant competitor to overwhelm the smaller competitor with products. General Motors has tried that strategy on more than one occasion — and failed each time. While there has been some of that on the Irish scene, the innate conservatism of the major banks and their limited ability to respond without facing reaction from the IBOA has kept this strategic response to a minimum. In light of the comments above, there is little to suggest that this conservative approach to the introduction of new products is unwise. However, the lack of ability to do so, should evidence indicate that consumers want new or different ways to satisfy their financial service needs, points to a major competitive disadvantage that the major Irish banks must change.

Another reaction to change is often a reliance on new technology. There are several industries in the US market where technology is used to offset non-competitiveness in some Critical Success Factor. Technology, and particularly technology at the customer/firm interface, has to be used only after a great deal of consideration for the impact of the technology on the consumer. In the Irish market, for example, the technology of the Automatic Teller Machine has been used as a substitute for the lack of opening hour flexibility. Even the scrip ATM machines used by Allied Irish Banks in some retail locations are a relatively poor substitute for accessibility to branch staff — an accessibility which new competitors can offer the consumer. While ATMs are relatively heavily used in Ireland, it is again the case of spurious cause/effect. The Irish consumer uses the ATM because he has no choice, not because he prefers the ATM.

The bottom line for the marketing implications of the existing Irish retail banking market is that there must be more *tactical* response to the needs and wants of the customer. The major banks in Ireland must respond not only to the changes in the customers' expectations, but also to the change in competition which is responding to those new expectations — a change which will be more dramatic in 1992. As customers come to understand that what they want is available from financial service providers, they will exercise their freedom to seek satisfaction from new or stronger competitors.

Outcomes

The outcomes from an increased ability for tactical response are obvious. Of course, in the short run, there may be some change in staffing needs and in the job responsibilities of the staff. There may be a need to combine or "bundle" products, technology, and branch services in new ways that may, at first, be uncomfortable for staff. There may be a need to revise the distribution of branches and the functions that take place in the branches. All these things imply changing the ways that staff work, and changing the structure of the organization. But in the long run, the outcome will be an enhanced ability to respond to competitive and market pressures, and that will ensure the long run health of the firms. In order to compete, particularly with the increased competition that will appear at the beginning of the decade, the major banks in Ireland must be able and prepared to efficiently respond to the needs of the customers and the new competitive threats that loom on the near term future horizon. So long as the environment was protected, the consumer was trapped into accepting whatever was or could be offered. Now that the removal of the protection seems assured, the ability to efficiently respond becomes crucial.

What will be the outcome of this increased efficiency? First, and most importantly, the Irish retail bank consumer will be better satisfied. The inclination to switch to a different (and perhaps non-Irish) financial institution may decline, and the inevitable market share losses that will initially result may be minimized.

Second, ground lost to new competitors such as the TSB will be regained. Customers have no loyalty that a better solution to their problems cannot overcome. In spite of the nationalism and pride that causes Irish consumers to generally prefer things Irish, there is no small enmity toward the major Irish banks, and that enmity, coupled with superior service on the part of competitors will be reflected in increased switching behavior initially. Unless the Irish banks can find ways to adequately respond to the marketplace, there will be no way to recover this initial loss in market share.

In the long run, the ability to respond to competitive pressures will result in more stability not only in terms of employment for bank staff, but in the banking industry in Ireland generally. Profits should be enhanced, which will result in more taxes into governmental coffers. And, importantly, income will remain in the country rather than being exported. It is in the interests of the banks themselves, the staff of the banks, the Irish people, and the Irish economy that responses to the changes that are inevitable in the environment be strategically sound and free from artificial restriction.

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OUT-OF-TOWN SHOPPING DEVELOPMENT: A CASE HISTORY IN RETAIL INNOVATION

Stephen Brown, University of Ulster

Summary

Significant innovation in retailing usually takes place against a strong tide of established trade custom and practice. The recent growth of out-of-town shopping developments is a case in point. These new edge-of-town complexes have been prompted by such factors as increasing congestion at High Street locations, the escalating cost of expanding such stores, the space extensive requirements of new product offerings, and changing demographic patterns. Since 1984, when Marks and Spencer, the doyen of High Street shopping, announced its intention to develop a new generation of stores in edge and out-of-town locations, the retailing scene in the UK has been convulsed in what can only be described as 'shopping centre psychosis'.

This article examines one such out-of-town development, the planned construction by Marks and Spencer of a £20 million, 240,000 sq. ft. shopping complex at Sprucefield, on the outskirts of Belfast. This has stirred up considerable controversy and provoked vigorous opposition from retailers throughout the greater Belfast region.

The results of a survey of shoppers and retailers in Lisburn, the town nearest the proposed complex, are described. Interestingly, both shopper and retailer see potential benefits to Lisburn from the new facility, though it is recognised that in order to attract spin-off business the town centre must become more marketing orientated. Indeed, the author concludes that if the current boom in out-of-town shopping development continues unabated, the marketing of geographical locations – town centres, existing shopping districts and so on – may emerge as a major focus of marketing activity in the next few years.

Although in danger of becoming a marketing cliche, the term "retail revolution" encapsulates the dramatic changes that are taking place in the organisation, structure and location of modern retailing. In organisational terms, the multiples are expanding at the expense of the independents and co-operatives; in structural terms, the number of retail outlets is falling, though this is offset by the increased average size of the remainder; and in terms of location, the hegemony of the High Street is being challenged by the inexorable growth of edge and out-of-town shopping centres.[1,2]

Despite the dynamic nature of retailing, retailers are a surprisingly conservative breed and almost every major innovation that threatens traditional trade practice is very stoutly resisted. Strange though it now seems, department stores, mail order houses, co-operative societies, chain stores, supermarkets, discount houses and, more recently, hypermarkets and superstores were all, at first, maligned, boycotted, accused of unfair trading and subjected to attempts to stifle their success.[3]

Similarly, those individuals responsible for upsetting trade practices are usually outcast and deemed pariahs for treading on the toes of the retail establishment. To cite but three examples: William Whiteley, who introduced the department store concept to Britain, was burnt in effigy by disaffected retailers in Bayswater; Jesse Boot of Boots the (price-cutting) Chemist was branded an Ishmaelite by his fellow pharmacists; and Frank Winfield Woolworth, of variety store fame, was accused of chicanery by outraged competitors and called "The Corsican Bandit" after a popular melodrama of the time.

If retailing innovations in the past were often the work of small, dynamic companies led by a charismatic individual, this is less so today.[4] Indeed, Marks and Spencer is not only one of the most innovative organisations in the British Isles, it is also one of the oldest and most successful. Not content with its entry in the *Guinness Book of Records* as the retailer with the highest record turnover per square foot in the world (in the Marble Arch branch), M&S is involved in a series of developments which are designed to carry it into the twenty-first century. These include continued overseas expansion, especially in the Far East; the creation of specialist satellite stores in lines such as children's clothing, food and furniture; a massive refurbishment and refitting programme for the 273 High Street outlets; a higher promotional profile than hitherto; and diversification into new product areas like financial services, household equipment and leisure goods.[5]

Interesting as the above ventures are, many consider Marks' decision to go out-of-town as one of the most significant events of recent years. Concerned by increased congestion and the lack of car parking facilities in most High Streets, hampered by an inability to extend existing, land-locked stores at an economic cost, and constrained by the space extensive demands of its new product mix, Marks and Spencer announced, in May 1984, that it intended to develop a new generation of edge-of-town outlets. The first such store, at the Metrocentre in Gateshead, opened in October 1986. Another, alongside an existing Tesco superstore at Cheshnut, Hertfordshire, is due to open in 1988 and seven other projects are at various stages of development.[6]

Although Marks' out-of-town ambitions are relatively modest at present, the very fact that the doyen of the High Street could contemplate such activity has had a catalytic effect on UK retailing. Indeed, Russell Schiller has described it as the most important causal factor in the recent, extraordinary surge in out-of-town shopping development, which has seen the number of proposed regional centres rise from one to forty in a two year period.[7] Marks' decision, in short, has triggered a stampede to the suburbs and, not unnaturally, there is widespread concern about the effect of all this activity on existing town and city centres. Most commentators foresee inexorable decline, dereliction and the dreaded "hole in the doughnut" syndrome, wherein the town centre is destroyed by a ring of outlying shopping complexes.[8,9]

The Author

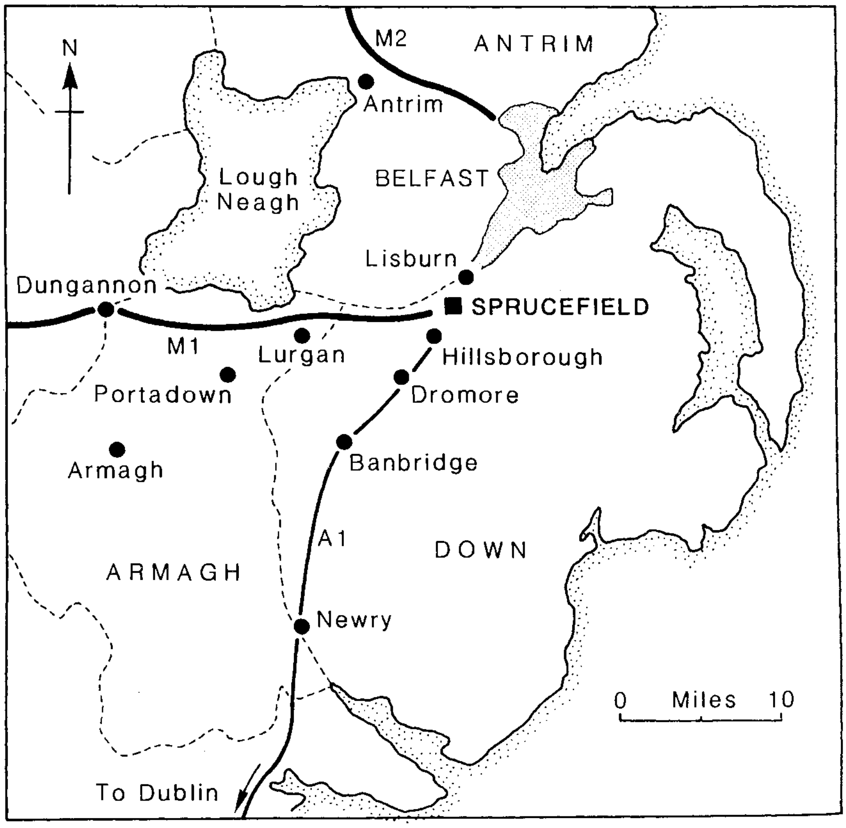
Stephen Brown is a Lecturer in the Department of Marketing and Business Organisation at the University of Ulster. He has published articles on retailing and retail change in such journals as European Journal of Marketing *and* International Journal of Retailing . *A recent case history on seasonality in retailing was broadcast on BBC radio.*

Sprucefield Shopping Centre, Belfast

Shock-horror reactions were also in evidence when Marks and Spencer announced plans for a 240,000 sq. ft. shopping centre at Sprucefield roundabout on the southern edge of the Belfast conurbation (Exhibit 1). Comprising a 115,000 sq. ft. company outlet and three other units of 50,000, 45,000 and 10,000 sq. ft. the proposal was perceived by many retailers as "a stab in the back". Marks and Spencer, after all, had contributed more than most to the dramatic revitalisation of the city centre in the early 1980s.[10] Many recalled, moreover, that the manager of M & S in Belfast had long been one of the city's most vociferous opponents of suburban shopping centre developments.

More prosaically, the Sprucefield proposal was perceived as a serious threat to the livelihoods of retailers throughout the Greater Belfast region. Situated approximately ten miles from the city centre and 1.5 miles from Lisburn, a prosperous satellite town, Sprucefield is a superb strategic location at the intersection of the M1 and A1. The former is the major communications link with the west of the province and the latter is the main Belfast-Dublin road. Consequently, its opponents contended, Marks' Sprucefield development would not only tap the expenditure of the immediate catchment area, but it could also intercept large numbers of provincial shoppers on their way to the city, as well as the lucrative cross-border trade from the Republic of Ireland, estimated at IR£250m per annum.[11] Several prominent retailers, furthermore, went so far as to

Exhibit 1
Sprucefield Shopping Centre: Location



predict what they termed "the nightmare scenario", whereby Marks and Spencer, having established Sprucefield, subsequently close its city centre store. As this outlet is by far the most important customer attracting magnet in central Belfast,[12,13] its closure could have catastrophic consequences for the (very many) retailers that depend upon the passing trade it generates.

Responding to these criticisms, Marks and Spencer pointed out its very substantial investment in Northern Ireland. The company purchases approximately £120 million worth of Ulster made goods each year and is directly or indirectly responsible for the employment of 10,000 people throughout the province. The £20 million Sprucefield complex, moreover, should create some 700 jobs in an area of high unemployment and, in any event the company argued, it is unlikely to have a serious impact upon surrounding shopping area. Up to 40% of its business will be diverted from the congested Belfast store and although Lisburn town centre might suffer some loss of trade in the short term, a significant "spin-off" from the proposed centre is quite possible.[14] Marks and Spencer also stressed that it had no intention of closing its city centre store which is one of the most successful in the entire chain. Sprucefield rather would complement its existing outlet by being primarily devoted to the sale of bulky or "roofrack" items like DIY, furnishings and electrical equipment.

Despite the company's assurances, many retailers in the centres of Belfast and surrounding towns remained unconvinced by the "roofrack" argument, noting that the new store will sell the full range of *St. Michael* merchandise in addition to the bulkier lines. Indeed, one cynic noted that as Marks' new range of furnishings required 28 days for delivery, roofracks were somewhat superflous, except perhaps for bulk buyers of underwear! Besides the possible impact of the centre itself, many expressed concern about the attractiveness of the location to other retail firms. Marks and Spencer is the most magnetic retail organisation in the British Isles and its presence in a surburban shopping complex could only encourage others to locate in the vicinity. Some pundits, therefore, predicted the piecemeal development of a massive "shopping city" on the outskirts of Belfast and the concomitant demise of existing shopping districts.

Fears were frequently expressed, furthermore, that once planning permission was granted, the centre would not be built as planned. Instead of a Marks and Spencer and three bulky goods outlets, Sprucefield would comprise a full complement of High Street retailers as well as the anchor store. These concerns were compounded by a level of car park provision (1,708 spaces) that seemed unusually high for bulky goods retailing and the publication of a letter from the Secretary of State for the Environment which hinted that an element of High Street trading may be acceptable in the complex.

Needless to say, the intervention of the Secretary of State and his tacit approval of the Sprucefield proposal was denounced by retailers throughout the Greater Belfast region. In the first instance, it was seen as an abrogration of the Department's previously stated determination to resist further edge and out-of-town shopping development in the Belfast Urban Area. Second and more importantly, it gave rise to a widespread feeling of *fait accompli.* Although a public inquiry was held in March 1987, many observers had already concluded that the centre would receive Ministerial blessing, irrespective of the outcome of the proceedings. This belief was reinforced by a series of events immediately prior to the inquiry. These included Marks and Spencer's decision to purchase the site before planning permission had been granted; Lisburn retailers' refusal to engage counsel for the public inquiry, delcaring it to be a waste of money to do so; and Recommendation 22 of the Belfast Urban Area retail study, which was published in February 1987.[15] This warned of the dangers of out-of-town shopping development but concluded that there was scope for one such facility selling "roofrack" goods in Belfast. As this was the only occasion in the entire document that the "roofrack" epithet was employed, it was interpreted as a thinly-disguised "green light" for Sprucefield.

Thus, apprehensive as retailers were about the precise make up of the centre and its possible impact upon proximate shopping areas, by far the greatest concern surrounded the apparent politicisation of the retailing planning process. Despite being contrary to the Belfast Urban Area Plan, the Lisburn Area Plan and the Regional Physical Development Strategy and notwithstanding that fact that a previous application for retail use on the site had been rejected, the proposals for Sprucefield were welcomed by the Secretary of State for the Environment. As one objector stated at the public inquiry "there appears to be one law for Marks and Spencer and another for the rest". As anticipated, the Sprucefield shopping complex was granted planning permission in July 1987 and it is expected to commence trading in December 1988.

The Lisburn Shopper and Retailer Surveys

The debate over Sprucefield and its likely impact is a single example of the anxiety felt by many towns and cities facing peripheral shopping development. Yet despite the widespread concern, very little *formal* evidence is available about the attitudes of town centre retailers and shoppers to proposals for edge-of-town shopping complexes. In order to shed some light on this relatively unexplored area of research, the Department of Marketing and Business Organisation of the University of Ulster undertook a questionnaire survey of retailers in Lisburn, the town nearest to Sprucefield and the one most likely to suffer a short-term diversion of trade. A face-to-face survey of 502 shoppers in Lisburn town centre was also conducted by the Department at the same time, prior to the public inquiry.

The shopper survey, based upon a systematic sample drawn at ten survey points in the town centre, revealed that the bulk of respondents (81%) lived locally and that 87% shopped in central Lisburn one or more times per week. Moreover, the majority of interviewees (72%) visited Belfast city centre quite infrequently (less than once per month), though their principal reason for doing so was Marks and Spencer. Two-thirds of the respondents reported that they usually visited Marks and Spencer on their shopping trips to Belfast city centre and only 12% said they never shopped in Marks' city centre store.

When asked about the Sprucefield development, 88% of town centre shoppers were aware of the proposal and saw it as more accessible than the company's Belfast outlet, a potential creator of jobs and a marked improvement on existing shopping facilities. 83% were favourably disposed towards the construction of the complex. In fact, 90% said they were very likely or quite likely to use Sprucefield (Table 1), though the few who thought otherwise foresaw problems of access due to their lack of car ownership. However, as the company hopes to arrange a bus service from the town centre to the new development, this problem should not arise in practice.

Table 1

Shopper Survey: Attitudes to and Perceived Usage of the Sprucefield Centre

	Attitudes			*Usage*	
	N	%		N	%
In favour	413	82.3	Very likely	341	67.9
Opposed	12	2.4	Quite likely	110	21.9
Indifferent	76	15.1	Not very likely	50	10.0
N/A	1	0.2	N/A	1	0.2
Total	502	100.0	Total	502	100.0

The retailer survey employed the 'drop and collect' technique of questionnaire delivery.[16] All 236 retail service outlets in Lisburn town centre were approached and, after a maximum of two recalls, 85% of the hand delivered, self-completion questionnaires were collected. A small number of returns were incomplete or unusable and were excluded from further analysis, giving an effective response rate of 83%. This is comfortably in excess of most surveys of retail organisations. The results reveal the surprising fact that when asked, "how do you feel about the proposed Marks and Spencer shopping development at Sprucefield?", the majority of town centre retailers were sympathetically inclined: 53% were in favour, 32% were opposed and the remainder (15%) were indifferent to the facility. Those in favour felt that it would attract shoppers from all over Northern Ireland, some of whom would venture into the nearby town centre to complete their shopping expedition. Lisburn would thus benefit from this "spin-off" trade. Opponents of the centre, however, were equally adamant that the construction of Sprucefield, with its free car parking, covered mall, extended opening hours and the customer attracting *cachet* of Marks and Spencer, could only result in the diversion of existing trade and, consequently, cause the decline of the town centre.

In addition to their views on the proposed shopping complex, respondents were asked to assess its possible impact on Lisburn town centre in general and their own retail outlet in particular. The perceived need, if any, for a competitive response to the Sprucefield complex and the form this should take were also examined. As Table 2 demonstrates, most retailers thought that the centre would have a slightly beneficial effect on Lisburn town centre, but believed it would have little or no influence on themselves. Indeed, very few respondents (15%) felt it would be necessary to alter their operation in any way in order to compete with Sprucefield. However, many more (62%) held the view that Lisburn town centre should take appropriate steps to either hold on to existing trade or stimulate spin-off business from the new facility. Suggested actions included the introduction of six day trading, late opening, promotional campaigns and various forms of environmental enhancement. But the most common recommendation was the improvement of car parking facilities and access roads, especially those between the town centre and Sprucefield roundabout (Table 3).

Table 2

Retailer Survey: Perceived Impact of Sprucefield Shopping Centre

	Impact on Lisburn Town Centre		*Impact on Own Business*	
	N	%	N	%
Very Detrimental	44	22.3	26	13.2
Slightly Detrimental	41	20.8	34	17.3
No Effect	13	6.6	78	39.6
Slightly Beneficial	60	30.5	41	20.8
Very Beneficial	37	18.8	13	6.6
N/A	2	1.0	5	2.5
Total	197	100.0	197	100.00

Table 3

Retailer Survey: Changes Lisburn Town Centre Must Make in Order to Compete with Sprucefield

Change	N	%
Improve Access (new roads, car parking, etc)	51	39.8
Promotional Campaign (advertising, late opening)	30	23.4
Improve Variety and Quality of Shops	20	15.6
Existing Retailers Must Become More Competitive	16	12.5
Environmental Improvements	11	8.6
Total	128	100.0

Discussion

Although it was primarily an exploratory exercise, the results of the Lisburn surveys are significant in several respects. In the first instance, they demonstrate that the prospect of an out-of-town centre anchored by M & S is *not* anathema to the majority of town centre shoppers and shopkeepers. The views of the former are hardly surprising, given the popularity of Marks and Spencer and the convenience of the new complex for local residents. But the support of the retail community is contrary to received wisdom which portrays shopping out-of-centre as the scourge of the High Street. This divergence from expectation, however, is largely attributable to the location and nature of the proposed complex. Situated at the hub of the Northern Ireland road network, Sprucefield should attract shoppers from a wide catchment area, much wider than Lisburn centre enjoys at present. The complex, furthermore, will deal mainly in comparison merchandise, which, as the name implies, is traditionally associated with "shopping around" (comparing the offerings of a number of outlets before purchase). Shoppers, therefore, will have every incentive to continue their comparison activity in Lisburn town centre, though it remains to be seen whether they will avail themselves of the opportunity. Indeed, the anticipated influx of shoppers from the Republic of Ireland is unlikely to materialise. In March 1987, the Irish government introduced measures to staunch the flow of cross-border trade. By sharply cutting duty-free allowances for international travellers whose stay outside the Irish Republic lasts less than 48 hours, it effectively ended shopping day trips to Northern Ireland. The measures, however, are contrary to EC law and are being challenged in the European Court.

Another significant aspect of the retailer survey is the feeling among respondents that the Sprucefield shopping centre will have relatively little impact — either positive or negative — on them and that alterations to their methods of doing business will be unnecessary. Although care must be taken when interpreting findings of this nature, they are not incompatible with Dawson's crisis-response model of retail change.[17] This contends that when new forms of retailing appear, competitive reactions to it pass through four stages: shock, defensive retreat, acknowledgement and adaption. The shock phase is characterised by a dismissive attitude to the new development; defensive retreat by attempts to impede its progress; acknowledgement by the introduction of positive counter-measures; and adaption by the resolution of the conflict and the restoration of the competitive equilibrium. The views expressed by many retailers in Lisburn town centre ("it won't affect me") are quite compatible with the shock phase of the model, though evidence of the remainder of the process must await future monitoring exercises.

If respondents are surprisingly sanguine about the impact of Sprucefield on themselves, they are no less convinced that Lisburn town centre will have to improve its offerings in order to compete with Marks' proposed complex. This parallels the response of town centres elsewhere in the United Kingdom when challenged by out-of-town competitors [18,19] and it highlights perhaps the major *benefit* arising from the advent of shopping out-of-town — the adoption of a marketing orientation by existing town and city centres. Faced for the first time with a serious rival, a range of measures designed to woo the modern shopper are introduced — reduced car parking charges, mother and baby facilities, promotional campaigns, additional toilets, telephones and public seating arrangements and so on. In this respect at least, out-of-town shopping centres represent a stimulus not a threat to town and city centres. Indeed, the air of competitive rivalry thus engendered may serve to expand the market, at least in the short term, rather than re-distribute existing expenditure, as is commonly supposed in traditional models of shopping centre impact.[20] It is arguable, therefore, that Marks and Spencer's decision to go out-of-town has — ultimately — done everyone a favour.

Conclusion

In May 1984, Marks and Spencer announced that it was seeking to develop a new generation of stores in edge and out-of-town locations. This decision had been prompted by such considerations as increasing congestion at High Street locations, the growing cost of expanding such stores and the space extensive requirements of a new product mix. Since then, the retailing scene in the United Kingdom has been convulsed in what can only be described as shopping centre psychosis.

Although Northern Ireland is well used to psychosis, it is not normally associated with shopping centre development. However, Marks and Spencer's decision to build a 240,000 sq.ft. shopping complex at Sprucefield roundabout, on the outskirts of Belfast, stirred up considerable controversy and provoked vigorous opposition from retailers throughout the Greater Belfast region. Despite the outcry, a questionnaire survey revealed that most shoppers in Lisburn, the centre nearest the proposed complex, believe the new facility will bring numerous benefits to the town in the form of jobs and improved shopping opportunities. Town centre retailers also feel that the proposed complex will generate additional trade for the locality, though they recognise that in order to attract spin-off business the town centre must become more marketing orientated than hitherto. Indeed, if the current boom in out-of-town shopping development continues unabated, the marketing of geographical locations — town centres, existing shopping districts and so on — may emerge as a major focus of marketing activity in the next few years.

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PERCEIVED SOCIAL CLASS APPEALS OF BRANDED GOODS

Kjell Grønhaug, University of Illinois
Paul S. Trapp, Valparaiso University

Summary

Social class is assumed to be a crucial determinant in consumer behaviour. This conviction continues to surface in marketing literature despite the disparate social class measures which obtain on both sides of the Atlantic. Most previous research has focused on purchase and consumption behaviour across social class segments at the generic product class level. This article attempts to shift this emphasis somewhat by narrowing the focus of attention onto specific brands within the same product class.

A further novel dimension is that perceived rather than actual social class usage is correlated with individual brand purchase. Such a perspective stems from the conviction that consumers' perception of the classes they imagine would purchase a particular brand is as important from a marketing viewpoint as the social classes who actually purchase it.

The authors' research demonstrates that consumers do associate brands of products and services with specific social classes. This perceived association between branded products and social class segments may have important managerial implications in areas such as product positioning and designing marketing communications and distribution strategies.

This paper explores whether brand images reflect beliefs about social class usage patterns. This question is important as competition takes place at the brand level. Perceptions, beliefs and thus brand images reflect individuals' reality constructions influencing their market place behaviour.

Social Class

Social class is assumed to be a crucial determinant in describing, explaining and predicting consumption and purchase behaviours as reflected in most consumer behaviour textbooks (Assael 1984; Robertson et al. 1984). In every society, individuals are ranked in a hierarchical order according to prestige based on specific attributes. A social class can be defined as a "stratum of people with roughly similar ranking in the particular community or society" (Berelson and Steiner 1964, p. 459). Social class belongingness of an individual is learned through socialization. Through observation and social interaction the individual develops categories for various social classes, and s/he learns how to group other people into various class segments.

A variety of measures have been developed to capture social prestige and social class. Warner et al. (1960) developed a widely used composite measure based on type of occupation, source of income and dwelling area. As society changes the class system may change as well, and new classification schemes have been proposed to capture the changing class structure (see Coleman 1983 for overview).

Social class attributes are related to economic and other resources. Attitudes, values and activities are also assumed to vary across the various social classes. Due to differences in attitudes, values, and activities, social class is also believed to reflect life style, or, as stated by Muyers and Gutman (1974): "... social class variations are variations in life style" (p. 235). Social class belongingness has been found to influence consumption and purchase behaviour. Research has demonstrated that expenditure patterns and saving behaviour (Martineau 1958), preference and taste (Levy 1959), shopping behaviour and attitudes towards stores and shopping (Rich and Jain 1968), use of financial services (Mathews and Slocum 1969), and the making of purchasing decisions vary across social class segments (Komarovsky 1961).

The majority of previous research on social class and buyer behaviour related to allocation of expenditures, purchase, and consumption behaviour at the product group level. Most firms, however, are offering and differentiating their products at the *brand* level to attract consumers and gain competitive advantages.

Perceived Benefits

Products and services are purchased by consumers to satisfy needs Needs are shaped into wants and demands through various social influences such as marketing activities, the consumption environment experienced by the individual and through observations of others. An important question is whether products and services at the brand level are associated with specific social classes. Do brand images reflect beliefs about social class usage patterns? This question is particularly important when there are multiple offerings in a product category with similar core attributes and relatively low unit prices. Moreover, in such low price situations social class has proved to be superior to income in explaining and predicting purchase and usage (cf. Dominiquez and Page 1981; Schanninger 1981).

Figure 1
Conceptual Framework

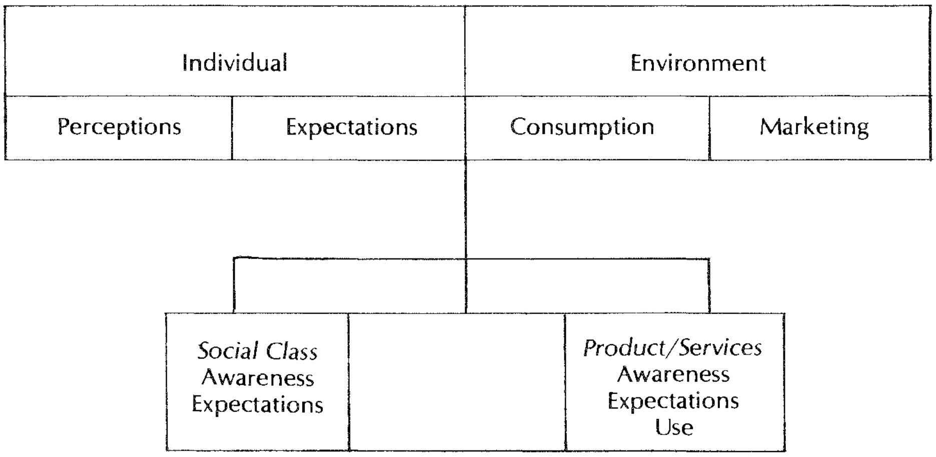

Figure 1 summarizes the above discussion. The individual holds perceptions and expectations about the various social classes. Through various social influences needs are shaped into wants. Awareness of and expectations about products and service offerings are created. Previous research has mainly focused on consumption patterns and purchase behaviour by the various social classes in broad product categories. The emphasis of this paper is on perceived associations between social class and products at the brand level.

Research Methodology

Data from a questionnaire administered to undergraduate students enrolled in an introductory marketing course at a large midwestern university was used to explore the above issue. One hundred and sixty three of 165 completed questionnaires were usable. Eighty-nine percent of the respondents were in the 19-21 year age brackets, 61 percent were female, and 90 percent indicated belonging to the upper-middle and the middle classes. The respondents were all native-born Americans.

Well known brands of beer (7 alternatives), department stores (5 alternatives) and restaurants (3 alternatives) were selected for examination of the problem raised. A pretest demonstrated that the students were aware of the various brands of beer, stores, and restaurants included in the present study.

Measurements: Based on thorough pretesting, a modified version of the Gilbert and Kahl (1982) classification scheme was developed for measuring social class. The following procedure was employed to measure social attractiveness of the various brands/alternatives. Based on a description of the various social classes, the respondents were given the following instructions: "Below are listed a number of different branded products, stores and restaurants. Please circle the social class you think is most likely to buy/use/go to these different products and establishments. If you think that all social classes buy/use the product/service in the same amount, circle 9. If you do not know, or are unsure, circle 0".

Don't Know	All	Upper Class	Upper Middle Class	Middle Class	Lower Middle Class	Upper Lower Class	Lower Class
0	9	1	2	3	4	5	6

Information was also gathered on each respondent's age, sex, and his/her perceived social class belongingness (by using the scale from 1 to 6 above). The measurement procedure used is subjective as it maps the

The Authors

Kjell Grønhaug is Professor of Business Administration at the Norwegian School of Economics and Business Administration, Bergen. He was Visiting Professor at University of Illinois during 1987. He has published extensively in areas such as consumer behaviour, industrial marketing and industrial organisation, and is co-editor of the recently published Innovation: a cross-disciplinary perspective.

Paul S. Trapp is Assistant Professor at Valparaiso University, Indiana. His main interests are related to consumer behaviour. His publications have appeared in major journals and conference proceedings.

respondents' perceptions and beliefs. Individuals' perceptions and beliefs represent their "reality". Social class studies have proved these perceptions and beliefs to possess high predictive value with actual behaviour (cf. Robertson et al. 1984 for further discussion).

Findings

Table 1 reports the main findings. The extreme categories of the scale were used by only a modest fraction of the respondents. Therefore, the upper and upper-middle classes and the upper-lower and the lower classes were collapsed. The model responses are underlined for each of the branded alternatives.

Table 1

Social Class Perceptions of Branded Goods and Services

Product/Service	Upper/ Upper Middle	Middle	Lower Middle	Upper Lower/ Lower	All	Don't Know	Total*
a) Beer							
Coors	22	54	16	2	3	3	100
Budweiser	4	46	37	7	4	2	100
Miller	14	50	22	6	6	2	100
Michelob	67	23	4	1	2	3	100
Old Style§	3	33	36	22	1	2	100
Bud Light	22	53	14	3	5	3	100
Heineken	88	9	1	—	1	1	100
§Local beer on tap							
b) Stores							
Sears	3	40	44	10	3	—	100
K-mart	—	7	32	57	1	3	100
Marshall Field	87	10	—	—	—	3	100
Montgomery Ward	1	35	42	15	1	6	100
Carson Pirie Scott	59	33	3	1	1	3	100
c) Restaurants							
Burger King	3	49	21	10	15	2	100
Denny's	2	49	39	7	2	1	100
Wendy's	8	61	15	2	10	4	100

*N=163

Inspection of Table 1 reveals that:

1. Very few of the responses are in the "Don't know" category, indicating that the scale is operational and that the respondents are able to classify the branded goods and services according to perceived social class use.

2. It is also observed that the fraction of the responses reported under "All" is very modest, indicating beliefs on the part of the respondents that the various products and services are most appropriate for one or a few social segments.

3. Table 1 shows that perceptions of appropriate social class vary across the respondents. It is observed, however, that for most of the alternatives examined the mode category in most cases is predominant, counting for a very high fraction of the total number of responses.

4. It is also observed that the shape and distribution of perceived social class purchase and usage varies considerbaly across the various alternatives in each product/service category. For example, in the case of beer, it is observed that Heineken is primarily believed to be an upper/upper-middle class product, while Old Style is perceived as being an "every-man" product consumed by people from the middle and lower classes. The relatively high prestige of the beer brands is interesting, as beer was perceived to be a lower class beverage in the

past. Beer has seemingly increased in social prestige over the years, perhaps as a result of heavy marketing efforts. As was stated in an interview concerning drinking habits, "in the good old days, ...beer was more of a working class, blue collar drink" (Daily Illini, Feb. 5, 1987, pp. 1-11).

5. Perceptions of social class belongingness of the clientele of the stores included in the study also vary considerably. Marshall Field is primarily believed to be a store for the upper/upper-middle classes, while K-mart is mainly perceived as being a store for the lower classes. The restaurants included in the study are perceived to be similar in social profile. Burger King and Denny's are, however, seemingly somewhat more downscaled than is Wendy's.

The impact of the included sociodemographics (e.g., age, sex and social class) on the perceived social class relevance of the various product and service alternatives was examined. These indicators were found to possess neither descriptive nor explanatory power.

Discussion and Implications

The present piece of research has demonstrated that consumers associate brands of products and services with specific social classes. The great variations in believed associations between branded products and social class segments have important managerial implications.

(1) Social class perceptions may serve the function of being a reference point in making comparisons and judgments (Shibutani 1955). Since branded goods may be associated with specific social classes, the reported findings imply that the alternatives may be perceived as being more or less relevant to an individual consumer, depending on the perceived social class relevance of the brand in question. Perceptions of social class relevance may thus influence acceptance and purchase of a brand.

(2) Measurements of perceived social class associations of branded goods may be useful:

- as a basis for positioning a new product, since consumers' perceptions of competing brands may serve as a useful base-line function for introducing new products.
- as a point of departure for designing marketing communication strategies. Research has demonstrated that media habits and the use of symbols vary across social classes (Levy 1959, 1966). Social class perceptions may thus be relevant for selecting media, as well as for designing communication messages.
- as a basis for distribution decisions. Previous research, as well as the present study, has demonstrated that consumers perceive stores to be designed for specific social classes. Store choice has been found to vary across social strata. This implies that social class belongingness of the target group(s) is relevant for making distribution channel decisions.

(3) Table 1 shows that the social profiles vary dramatically for brands of beer and stores, indicating that the various brands should perform best in specific market niches. (*Note:* the product category profile differences for beer and stores were found to be statistically significant by performing pairwise Kolmogorov-Smirnov two-sample tests.)

(4) The reported findings are in no way claimed to be representative of perceptions held by a larger, or different population. The findings do however, demonstrate that even branded, low involvement products from the same narrowly defined product category may be perceived as attracting different social segments. To be projected to a specific population, observations from a representative sample of that population should be collected.

(5) The societal context (including marketing environment) may influence the individual's perception of the social class relevance of various brands of goods, as well as his or her perceptions of the

attitudes, values and activities of the various social classes. By gathering such information through marketing research activities, marketers can benefit from social class theory and findings and thus make better target market descriptions and design more adequate communication strategies.

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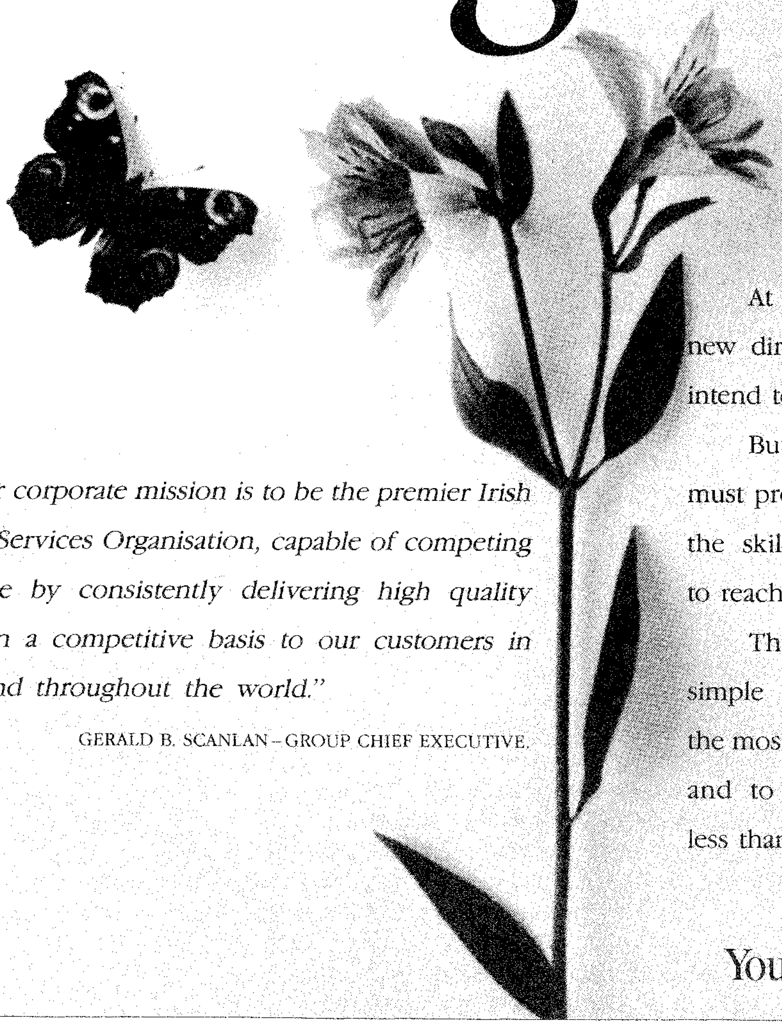

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HIGH VISIBILITY – CELEBRITIES, MARKETING AND IMAGE-MAKING

John A. Meenaghan, University College Dublin

Summary

This article reflects on a new book entitled High Visibility — the professional guide to celebrity marketing *which examines the celebrity industry and the marketing strategies pursued therein. The celebrity phenomenon is put in context from both the sociological and economic perspective and the 'pygmalion principle' wherein unknown talent is transformed into celebrity is critically examined. The sectors within which celebrities employ marketing principles range from the obvious areas of entertainment and sports to the less obvious areas of the professions and academia. An industry increasingly sophisticated in its usage of marketing has established itself as a natural adjunct to the emergence of the celebrity. Particular attention is paid to the delivery systems through which the celebrity is placed before the market and the public relations activity concerned with embellishing celebrity image. The question of talent and ability as an ingredient of success is assessed and the peculiarities of people as products are discussed in terms of implications for marketing. As an obvious outgrowth of these issues, the ethics of celebrity marketing are addressed.*

The position of the celebrity in the Western pop and plastic culture is truly well established and the satisfying of society's fascination with the celebrity is increasingly assisted and rendered international via modern telecommunications. Celebrity, which is largely a 20th century phenomenon, can perhaps be attributed to factors such as the secularisation of Western society and the human need for transcendence and aspiration, as well as the internationalisation of sport and popular culture via the mass media with which celebrity maintains a symbiotic relationship. In this regard, *High Visibility, the professional guide to celebrity marketing* by Rein, Kotler and Stoller[1] is first and foremost a timely publication. In attempting to capture the marketing essence of the celebrity phenomenon, the authors are to be commended.

This book, which examines the application of marketing principles to the celebrity industry in the USA, is likely to evoke comment from practitioners of celebrity marketing who may feel that the application of science removes much of the panache and dash with which they have functioned to date. Indeed, much of the terminology proposed by the authors, such as 'audience intensity ladders', 'charisma engineering', and so on is likely to require some practitioner decoding.

The application of marketing to celebrity may also cause a few raised eyebrows among some marketing practitioners and academics alike. However, such a reaction must be set in perspective. The history of the development of marketing thought is marked by rear-guard actions by traditionalists. In the 1950s, the emerging area of services was deemed inappropriate for the application of marketing principles by those who felt that such principles should merely be applied to tangible products.[2] The meta-marketing schism of the late '60s provoked by Kotler and Levy[3] proposed a broadened application of marketing principles beyond the traditional areas of goods and services (by then accepted) to areas such as religion, politics, social ideas, and persons. The ensuing rear-guard action[4] was quickly brushed aside. The current application of marketing principles to the marketing of celebrities is merely a continuation of a direction pointed out by Kotler and Levy in 1969. Despite the ever broadening application of marketing principles, one can almost anticipate the uneasy response of traditionalists who will question the application of marketing principles to the 'flimsy' area of celebrity, perhaps on the grounds that these are not 'real' products, but mere saps to the whims of the fickle minded.

Celebrity in Context

Before proceeding to a more in-depth review of this book, it is important to place the celebrity phenomenon in context. Throughout its history society has sought to elevate key figures to celebrity status. In ancient times these heroes were generals, orators, politicians and later, poets, artists and musicians. They reflected the values of the societies which created them. In today's society, successful business people, musicians, sports stars, media personalities and actors are our celebrities. The authors' comment is this regard are apposite. "The elevation of glamour, clothes, fast living and sexual escapades, to a position of honour... raises as many questions about our individual ethics as it does about society's".[5] While not implying that such behaviour is representative of all

The Author
John A. Meenaghan is a Lecturer in Marketing at the Centre for Marketing Studies at University College Dublin. He has been a regular contributor to marketing journals on such diverse topics as sponsorship, opinion leadership and product policy decision-making. His interest in celebrity marketing stems from his post graduate research in the UK into the marketing of popular music. His current research interests include commercial sponsorship and product life cycle theory.

celebrities, it is nonetheless worth posing the question as to what are the implied values of a society which elevates to prominence the modern celebrity.

The value of the celebrity industry is difficult to quantify given the various sectors which it embraces. However, some results may put the value of the industry in focus. In 1987 the retail value of UK record sales was £914.5 million.[6] Record sales are only one output from the music industry which includes memorabilia, live and recorded concerts, musical instruments and so on. The music industry itself is only a component of an overall entertainment industry which itself is only one sector within an overall celebrity industry. Not only is the value of the industry significant but the rewards to successful celebrities are indeed substantial. As a result of the *Joshua Tree* project involving record sales, live concerts and merchandise, gross earnings to all parties involved in marketing the Irish rock group U2 are in excess of $200m[7] and this is before a film largely based on their *Joshua Tree* tour is released. *The Economist* suggests that Michael Jackson's pre-tax income from the *Thriller* project may be $150 million.[8] Even allowing for large back-up teams the returns to successful celebrities are significant. Furthermore, given the low cost of production relative to other industry sectors it is of little surprise that in its review of 1987 US industrial performance *Forbes* magazine[9] was able to report that the entertainment industry was the country's most profitable industrial sector. The American entertainment industry is that country's second largest trade earner expected to show a net positive trade surplus of $5.5 billion in 1988.[10] Given these results one can perhaps understand why the Irish government has earmarked the entertainment and celebrity industry as a vital area of export development.

The Quest for Celebrity
This book, the authors claim "applies marketing science to the quest for celebrity". This claim is somewhat excessive. In truth, the book focuses at the very early stages of scientific application, that of description. By distilling the reports of industry practice, the authors devise classifications and schema which provide a framework for developing a body of knowledge in this area. While this description will aid understanding of phenomena in this industry we are still a long way from a thorough explanation of those phenomena which can eventually lead to prediction.

The basic thesis of this book is "that people can now be manufactured into and marketed as celebrities in any field", and the suggested purpose of this book is to examine the celebrity industry and the strategies used to transform unknowns into celebrities. One cannot help but agree with their assertion that high visibility or celebrity status is a powerful vehicle for the attainment of increased rewards, particularly if marketed properly. A recent review of the top two hundred UK millionaires shows that a very high percentage is drawn from those who qualify as celebrities.[11] The point is further illustrated by the fact that while Lee Iacocca, America's top-grossing executive, earned "just short of $21 million, stock options included", Bill Cosby, America's top-grossing entertainer, earned $100 million.[12] Table 1 shows the estimated earnings of major US celebrities. Throughout this book there is a focus on the 'pygmalion principle' wherein celebrities "are manufactured just as cars, clothes and computers" for commercial purposes.

Celebrity is defined as "a person whose name has attention getting, interest rivetting, profit generating value" and exists in fields of endeavour as widespread as academia, business, arts and sports. Nine sectors of celebrity activity are listed in descending order in terms of social intrusiveness; entertainment, sports, politics, culture, business, religion, science, the professions and academia. The intensity of image-making activity varies considerably across these sectors. For academics the rewards of high visibility are limited and may encourage the disdain of colleagues if over pursued. For professional groups such as doctors, lawyers and architects the image-making machinery is still in its infancy while in the areas of entertainment, sports, business and politics the image-making machinery is particularly well developed. In each sector there is a visibility hierarchy which is a function of two dimensions, space and time. Space refers to how widely the celebrity is known which can vary from local to regional to national and international visibility. The second dimension, time, refers to how long the celebrity's 'well knownness' endures; this can be from one day to forever. Thus for a rock group like U2, its achievement has been to move from local to international visibility and the marketing task now is to ensure that this visibility endures.

Table 1

Estimated Earnings of Major American Celebrities

The top 40

Forbes estimates entertainment's biggest earners. Perspective: Median compensation of 800 leading corporate executives in 1986 was $706,000.

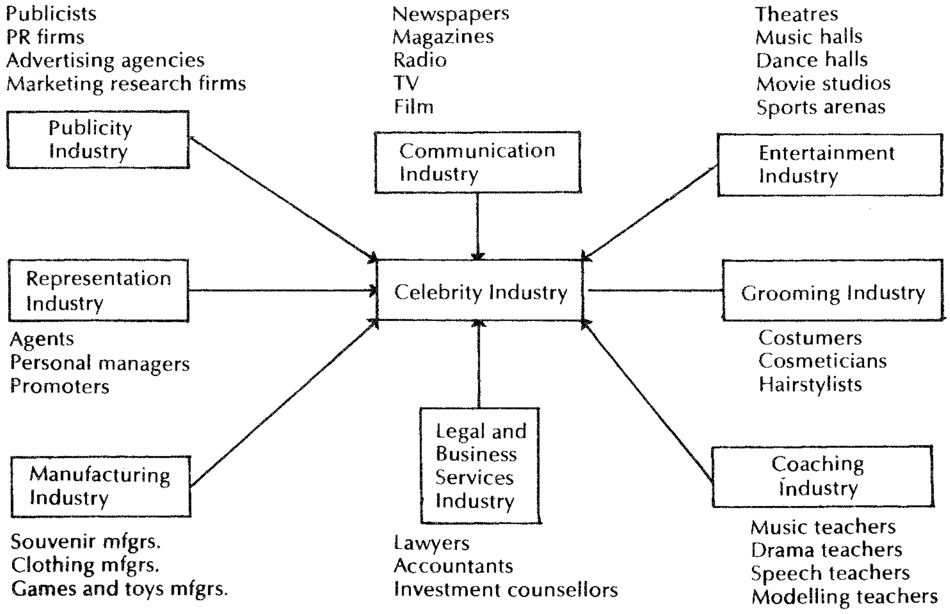
Rank	**Star**/age/*occupation*	Gross income ($mil) 1986	1987	Two-year total
1	**William H. Cosby Jr.**/50/*actor, comedian, author*	$27	$57	$84
2	**Sylvester Stallone**/41/*actor, writer*	53	21	74
3	**Bruce Springsteen**/37/*rock singer*	29	27	56
4	**Charles M. Schulz**/64/*cartoonist, (Peanuts)*	25	30	55
5	**Eddie Murphy**/26/*comedian, actor*	23	27	50
6	**Steven Spielberg**/39/*movie producer, director*	27	23	50
7	**Madonna (Louise Ciccone)**/29/*rock singer*	21	26	47
8	**Whitney Houston**/24/*pop singer*	20	24	44
9	**Michael Jackson**/29/*pop singer*	12	31	43
10	**Johnny Carson**/61/*TV host, producer*	20	20	40
11	**U2**/*rock group (4 members)*	8	29	37
12	**ZZ Top**/*rock group (3 members)*	26	5	31
13	**Jim Davis**/42/*cartoonist (Garfield)*	15	16	31
14	**Bon Jovi**/*rock group (5 members)*	10	19	29
15	**Arnold Schwarzenegger**/40/*actor*	8	18	26
16	**Kenny Rogers**/48/*country singer*	10	16	26
17	**Van Halen**/*rock group (4 members)*	22	3	25
18	**Wayne Newton**/45/*pop singer*	12	12	24
19	**Neil Diamond**/46/*pop singer*	13	11	24
20	**Prince (Rogers Nelson)**/29/*rock singer*	15	8	23
21	**Billy Joel**/38/*rock singer*	11	12	23
22	**Stephen King**/40/*novelist, screenwriter*	6	15	21
23	**Paul Hogan**/45/*movie actor*	10	10	20
24	**Paul McCartney**/45/*singer, composer*	8	10	18
25	**Tom Selleck**/42/*TV and movie actor*	7	11	18

Source: Frank, Allan Dodds & Zweig, Jason, "The fault is not in our stars", *Forbes*, September 21, 1987, p. 126.

The Celebrity Industry

The celebrity industry has evolved from 'mom and pop' operations involving no professionals through an industrialising stage with a greater emphasis on professionals such as agents, accountants and publicists to the present stage of industry development, the factory stage. This last stage is characterised by an increased sophistication in terms of marketing and specialisation by task. The sophistication is particularly evident in the packaging/promotion and image development of celebrities from which marketing borrowed heavily in developing the concept of product positioning. The specialisation by task is obvious in specialist lawyers, costumers, drama teachers and personal managers. Figure 1 outlines the main components of the celebrity industry.

Figure 1 Structure of the Celebrity Industry.



Source: Rein, Irving, J., Kotler, Philip & Stoller, Martin, R., *High Visibility,* Heinemann, London 1987, p. 47.

The Celebrity Marketing Process

This process, the analysis of which constitutes the greater part of the book, has as its basic assertion that "performers achieve stardom not as a result of irrepressible talent or accident but because of a strategic process".[13] Three basic marketing styles for launching aspirants are considered.

1. The pure selling approach. Here the celebrity product is sold as discovered. In truth for most celebrities this is rare.

2. The product improvement approach. One of the most notable examples of this approach was the repackaging of Margaret Thatcher as leader of the Conservative Party in Britain. As a result of softening and lowering her voice, relaxing her manner, showing her doing ordinary things like shopping (but not washing the dishes) and essentially improving the quality of her television performance, her advisers significantly increased her acceptance level among the general public. In 1979 *The Observer* newspaper reported that "instead of looking and seeming like a hoity toity Tory lady... she now appears, if not quite the woman next door, at least a fairly approachable sort of woman".[14]

3. The market fullfilment approach. This involves finding the celebrity product that the market wants. The question of how one determines what the market wants is critical and is discussed later.

The authors outline the marketing process which they see as involving the stages of market analysis, product development, distribution, planning and promotional strategy. The application of these principles to the celebrity industry is important in order to determine how well the general model of marketing fits this industry. It is unfortunate that this section is not more convincingly examined.

As in conventional product marketing, the task of branding and product differentiation is essential. "A central function of a celebrity's marketing plan should be to lock a celebrity's image into the long-term memory of audiences".[15] While it is necessary to differentiate the celebrity from competing celebrities, the reality is that if the celebrity becomes over identified with a particular image he/she runs the risk of being unable to alter the perceived image in order to broaden his/her appeal to a wider audience which is usually necessary if higher visibility is to be attained. A perfect example of this situation, quite common in the celebrity business, was the marketing of the singer/songwriter Gilbert O'Sullivan in cloth cap and short trousers, who found it difficult to make the later transition to long pants and acceptance as a serious artist. Equally, the politician must avoid becoming over identified with a particular issue particularly if that issue is likely to hinder movement to a wider voter base. Thus Edward Kennedy's failure to widen his base sufficiently to gain the Democratic Party nomination in 1980 was partially blamed on his identification as a liberal on a series of issues in US politics.

In approaching celebrity marketing from a strategic viewpoint, the aspirant celebrity, the 'raw material' who meets the threshold requirements for the sector, uses marketing to "identify the best sector in which to compete, the best role for one to play and help isolate the most profitable audiences to approach".[16] The suggestion is that with threshold levels of ability the celebrity can 'stretch' to fill the requirements of different segments. However, marketing, the authors argue, assists the selection of the most lucrative segment. Once the minimum ability requirement for the sector is satisfied, marketing and the image-making apparatus take over to propel the celebrity towards higher visibility. "Given that an aspirant has the threshold abilities appropriate to a sector, aspirants can achieve 'talent' by mastering learnable skills, they can be taught by advisors, coaches and teachers and perfected through practice".[17] Returning to their core belief in the 'pygmalion principle', the authors examine the techniques involved in the transformation process. Four phases of this process are proposed.

(a) *Concept Generation*
Here "the idea is to select or invent a unique or at least distinct combination of factors that will distinguish one aspirant from the rest".[18] Essentially, given that the threshold talent requirement is satisfied, the aspirant is 'stretched' to portray a differentiated image to the chosen market. The concept generation stage can be sub-divided in three basic steps.

1. Defining the target market. "To achieve the greatest awards, aspirants must enter sectors with the most intense audience interest".[19]

2. Selecting the type. This involves defining "the social type that the aspirant should present to the target audience". Thus Marilyn Monroe becomes the 'love goddess', while the new political arrival seeks to portray him or herself as the idealist. The political "challenger will need to think through which type has the greatest vote potential and whether he or she has the stretch or adaptability to reach it".[20] An example of type is provided by Riesmann, who in 1964 when discussing Elvis Presley, suggested that "Presley created a definitively 'anti-parent' outlook. His music and he himself appeared insolent, slightly hoodlum... he antagonised the older generation and that gave the younger generation something to hang on to which their parents openly disliked".[21]

   While selecting the type the concept of the 'marketing lock' and stereotyping is again important. "The lesson is that aspirants have to carefully sail between the Scylla of overtyping and the Charybdis of undertyping".[22]

3. Developing the character. This involves filling out the character to render it effective and believable.

(b) *Concept Testing*
Celebrity concepts are tested to determine likely market reaction. The supposed techniques and identified examples given in this regard are not convincing and the usefulness of marketing research in the celebrity industry is examined more fully later.

(c) *Concept Refinement*
Having identified the celebrity concept likely to be successful, the image making apparatus involving coaches, trainers and consultants is used to refine it carefully focusing attention on the following areas.

1. Signs and symbols. Black leather jacket equals tough guy.

2. Name. Here the principles of brand naming are important. Gary Hartpence become Gary Hart. Truman Streckfus Persons becomes Truman Capote, Henry John Deutschendorf Junior become John Denver and British ballerina, Lillian Marx, becomes Alicia Markova.

3. Appearance. While Hollywood continues to create 'perfect people' others have chosen different approaches to appearance. For example, in the world of rock music appearance is a highly important factor in image projection. Both the 'hippy' and 'punk' movements, with their rejectionist, anti-establishment themes, lay heavy emphasis on unconventional appearance through the use of cosmetics, dress and hair style.

4. Voice. This refers to tone, accent and diction, all of which can be exploited as part of the image, evidenced for example in the case of Margaret Thatcher.

5. Movement. Gestures, mannerisms and walk suggest personal style in terms of control, naturalness, unflappability.

6. Behaviour. "In his first presidential debate with Walter Mondale, Ronald Reagan appeared confused leading to doubts about his ability and approaching senility. A strategy was devised to dramatise Reagan's physical energy, communicating a sense that he was mentally energetic as well. The result was Ronald Reagan in perpetual motion; springing from helicopters, striding at full speed, dashing pell mell from one appearance to the next. Purposeful, dynamic, assertive, aware — all these qualities were transmitted by simple behaviour".[23] In Irish politics, the act of attending key national games has been used tellingly to foster the image of being in touch with the common people while Margaret Thatcher's attendance at the recent Scottish Cup Final is a case in point.

7. Material. This is the content that the celebrity brings to the public. It involves stances on public issues, roles chosen by film stars and songs and music played by musicians.

(d) *Concept Realisation*
This is essentially how the predetermined identikit is glued on to the consenting celebrity in such a way as to appear believable to the intended audience. Once the celebrity product is launched the objective is to continue the transformation process to reach wider audiences and ensure continued visibility for continued reward. The task is that of building and eventually sustaining visibility. In manufacturing celebrities it is a truism to suggest that "the forces and strategies that create them are not the same as those that sustain them".[24] Success as a celebrity can be measured by certain performance criteria such as years in office as a politician, months in the record charts, seasons as a starter in sports or box office takings as a cinema star. In common with most other product types, the celebrity product may decline for reasons that are both internal and external. Decline can be brought about by such factors as the uncontrollable ego, declining ability, poor performance and self-destruction or such external factors as venue erosion (e.g. music halls) or failure to adapt to changing market preferences. For the authors, exposure is the most important factor in sustaining visibility but "the key to sustaining visibility is to achieve a balance; between a level too low to produce well knownness and one so high that it satiates audience demand, destroying fan interest".[25] The key to maintaining upward movement on the celebrity life cycle is the ability to move both within sectors and occasionally from sector to sector. Movement from stage to cinema or crossing-over from 'pop' to MOR (middle of the the road) in music is quite common thereby ensuring wider audience exposure. The critical factor in broadening appeal is to do so without losing the original audience. Perhaps a classic in this regard was the easing of Elvis Presley from teenage rejectionist idol to wider acceptance although many believe the later move to trite cinema performances reduced his credibility. Movement from sector to sector is also a transformation strategy, as evidenced in the Elvis example from music to cinema,

although this cross-sector movement also takes place where celebrity status in business is used as a platform for a career in politics.

Delivery Systems

Delivery systems are the channels of distribution through which the celebrity is delivered to the chosen audience. These are formal performances such as live or broadcast performances, managed impressions such as talk shows and press interviews, mentions by gossip columnists and reporters and image bearing products such as buttons and tee-shirts. A key requirement in image delivery is channel control. This is particularly evident in politics where many politicians are unwilling to participate in TV debates or to submit themselves to rigorous investigation by media scrutineers. Channels of distribution are rapidly changing in the celebrity business. This can be seen in the shift from live to recorded and broadcast performance. Within broadcasting itself radio has been followed by television and more recently, satellite technologies have been developed. The proliferation of delivery opportunities has largely been responsible for the increased intrusiveness of 'celebrity' generally and the development of new sectors upon which celebrity status is being bestowed. Evidence for this assertion is provided by the increased intrusiveness of music via a proliferation of developing media ranging from car stereos and walkmans, through to MTV (Music Television) and satellite broadcasting and ever more advanced sound reproduction systems. Sports coverage as a significant feature of programming (even warranting separate sports channels such as ESPN in America and Screensport in Europe) has bestowed celebrity status on athletes just as coverage of business issues, increasingly a feature of television programming, has bestowed celebrity status on this sector and its key players who ironically are media owners in many instances.

Managing the delivery channels is a key task in celebrity marketing. All visibility is not necessarily beneficial and certain types of exposure (as well as over-exposure in general) can be counter-productive (e.g. testimonial product advertising by anti-establishment types). Public relations is the vehicle through which the celebrity industry feeds its output to the media with which it maintains a symbiotic relationship. "PR's skills are essential for the celebrity image to be fleshed out for translating the celebrity's personality into the most appealing images for the audience".[26] Increasingly, celebrities in business, sports and academia are formally employing public relations techniques as their consciousness of the value of celebrity increases and they attempt to emulate the sophistication with which the entertainment industry had used PR to date. But media attention takes on a life of its own and there is a point beyond which the media may well usurp the celebrity thereby creating a media creature essentially controlled by rather than controlling the media. Ultimately, the celebrity may be destroyed by the media. Several celebrities in the sport worlds of snooker, cricket and soccer as well as popular music industry figures have recently become the diet of the popular media. In part the key to success lies in avoiding the trap of becoming a media creature while still maintaining controlled exposure.

The Question of Talent

While the authors have completed a useful analysis of the industry certain aspects of celebrity marketing require more exhaustive examination. The authors' attitude to talent is revealed at several stages of the book. Heroes, leaders, legends and idols of other times deserved their status and visibility due to talent and the quality of their deeds. For today's stars, superstars and luminaries, they claim "visibility is an entity that stands alone, independent of sacrifice and heroics". The argument of the authors is that their visibility is due to a talent minimum combined with a marketing process. "In the age of the pygmalion principle it is the ability to develop, polish and selectively emphasise these characteristics that causes aspirants to be perceived as talented".[27]

The authors seem unwilling to appreciate that there are different ability levels which when married to a marketing process will result in different levels of achievement. One is left with the impression that talent or ability is regarded as a neutral variable in the success equation and it is the marketing process which achieves the positive results. While they agree that marketing can't turn talentless people into celebrities, it can do so for those who meet this notional minimum which is never fully explained. In popular music does the ability to play the now famous three chords constitute this minimum? What and how would one define this talent minimum in sports such as soccer, gymnastics or in such arts' activities as operatic performance and ballet? It would be quite naive to suggest that marketing plays no part in the celebrity making process and while there is no doubt that it has achieved considerable results (generally in the short-term) for people of limited ability, the reality is that marketing in itself is no substitute for ability. Acknowledging the increasing value of marketing in the development of celebrity, one must nevertheless recognise that it is the combination of ability/talent and marketing that results in success rather than marketing applied to some fictional talent threshold. It is perhaps one of the major flaws of this book that the issue of talent (whilst briefly discussed) is never adequately examined, and that as a consequence the image-making aspects of celebrity marketing are over-emphasised.

As well as underestimating how well the celebrity does what he does, — the talent issue, the authors also fight shy of adequately examining the role of what the celebrity does — the question of material and substance. Again they prefer to lean on the crutch of the much cited 'pygmalion principle'. This is strongly evidenced by the fact that only one- and-a-half pages out of a total of three hundred and thirty-nine are devoted to a discussion on material. For a celebrity comedian, the singer/songwriter, the politician, the professional lawyer or architect, substance and material are key factors in ensuring repeat purchase. While 'hype' may help initial purchase, substance is critical to continued purchase behaviour. The success of the Beatles, while partially reliant on marketing and image-making, was largely attributed to the quality of the sounds they produced, the lyrics they wrote and the ensuing performance. The success of Sir Lawrence Olivier was largely based on the roles he played and the quality with which he played those roles. Just as with talent, the authors underestimate the importance of material and substance preferring to focus on those aspects which support their belief in the pygmalion principle. In fact, the critical link between image and material which is particularly important in the entertainment sector (*viz* Bob Dylan) is never sufficiently drawn.

Their belief in the supremacy of image over material and substance is clearly illustrated when they discuss rock music. They suggest that "typically it won't be the group's sound, since many groups sound similar", which is responsible for success, and in developing their point they focus on the image of Boy George, The Who and U2. While undoubtedly they have different images, the authors' highly subjective analysis is unlikely to be reflected in the attitudes of consumers of these groups and their products who quite clearly see a distinction not only in image but in sound. The view taken by the authors is hardly market-minded.

People as Products

Marketing principles have long been applied to people as is evidenced in politics and in particular the celluloid world of Hollywood. However, there are peculiarities arising from people as products which require particular consideration and perhaps amendment is needed to traditional marketing approaches. In this book the authors seem obsessive in their rejection of industry myths as if their vocation is to prove categorically that the marketing of celebrities is the same as the marketing of breakfast cereals and that if the selection and coaching process is sufficiently thorough, malleable human beings can be taught how to snap, crackle and pop. They suggest that "today with the entire celebrity industry now based on the manufacturing and marketing model aspirants have come to be viewed as raw material to be transformed into products that satisfy audience expectations".[28]

As living, thinking people the celebrity product is of necessity different and a critical factor is the individual's motivation. The authors believe that money is the prime motivation and assert that celebrities initially motivated by love of their activity (sports, music, etc.) are eventually corrupted by a profit led industry. While this may often be true, to suggest it as a generalisation is to misrepresent reality. There are very many celebrities who do not use their celebrity status to amass ever increasing personal reward. Cinema actors return to the stage for lesser reward, rock stars reject huge sponsorship and advertising offers and celebrities such as the Pope and Mother Teresa hardly exploit their status for personal gain. One of the examples chosen by the authors is particularly revealing. They cite the example of the American teenager, who in 1983, wrote to Soviet President, Yuri Andropov, urging peace talks and who was subsequently invited to visit Russia. Quite obviously she became the target of media attention. When she died in 1985, the authors suggest that she "was positioned to profit from instant fame, a promotion so successful that she has entered the memory channel"[29] in that the Soviet Union had named an asteroid in her honour. The suggestion of commercial motives to a well-intentioned teenager and the implication that with the help of a publicity machine that she was well positioned to exploit her celebrity status speaks volumes for the authors' perceived view of human motives and for the industry which could potentially exploit such basic honesty.

Linked to the issue of motivation is the celebrity's view of integrity. The thrust of the book is that potential celebrities consciously prostitute their talents or willy-nilly submit themselves to a transformation process which sells them to the highest bidder — in effect, the pygmalion principle of practising marketing on malleable or purely profit driven humans who measure up to some minimum quotient of talent. The reality is that for the celebrity any advancement is loaded with conflict between the pursuit of gain from talent and the desire to maintain the integrity of his/her artistry. Nowhere is this better illustrated than in the world of entertainment. The refusal of early black jazz players to submit to the demands of their audience and their expressing contempt for the audience as the source of commercial pressure by playing with their backs turned to it[30] still exists today, admittedly to a lesser degree and quite obviously removed from confrontational pressure via developments in electronics and communications. Similarly, in politics such conflict exists. The authors suggest 'counter-programming' — the failure to meet audience expectations as a strategy for charisma development. In doing so they discuss the case of New York Governor, Mario Cuomo's keynote speech to the 1984 Democratic Convention where he spoke "with pride of his ethnic origins, saluted labour and spoke compassionately about welfare recipients and with unashamed emotional exuberance talked of his family and his deepest personal feelings".[31] The implication is that the speech and its contents was a cynical strategy abstracted from the man's own personal beliefs, and intended to counter-programme as a stratagem leading to higher visibility. The authors totally underestimate personal integrity and seem to believe in a world full of aspiring celebrities willing to sell their soul. "Politicians have always adjusted their ideas and personalities to please the voter group they are addressing at the time... today religious aspirants are latching on the issue most likely to propel them to high visibility".[32] The belief that charismatic identities can be glued on the human beings without reaction is unrealistic. There are still individual celebrities whose integrity would cause them to reject the transplant as if it came from an alien body. Public relations is the vehicle for the creation and transmission of such identities and is increasingly used "for translating the celebrity's personality into the most appealing image for the audience". As such it is broadening its application beyond entertainment to sports, business and the professions. The authors find it funny that some celebrities feel guilty about using PR. Perhaps some celebrities' reaction to imposed sham imagery at the expense of their own individuality might explain this feeling. This central question of how celebrities answer their consciences in terms of soul-selling or presenting skeletal figures for manipulation is never adequately addressed in this book.

The variables of talent/ability and motivation/integrity have an important bearing on the concept of stretching, the belief being that an aspiring celebrity equipped with the basic talent requirements is easily steered towards the most lucrative markets. It is unfortunate that this notion of stretching is not more rigorously examined in this book. It is important to note that there are several factors which limit the potential for stretching. The physical one is obvious; ballet dancers won't stretch to rugby players and good sports 'milers' won't stretch to marathon runners. Furthermore, cumulative experience and training, cultural immersion and ensuing ability are important; Spanish flamenco guitarists generallly won't play the blues as well as those in the Mississippi delta. Integrity is also a key factor in the stretching concept. Stage actors may spurn the celluloid screen, as in the case of Siobhan McKenna. There is no doubt that stretching exists, and is necessary for continued upward swimming in the pursuit of wider audiences and celebrity status. However, it has fundamental limits which have important ramifications for market segmentation and product differentiation in the marketing of celebrities.

Marketing and the Celebrity Industry

There is little doubt that marketing is increasingly important to the celebrity industry. Indeed marketing theory owes much of its present knowledge on product positioning, public relations and image management to the celebrity industry. However, the question of how well the general theory of marketing applies to celebrity is important. The authors seem obsessive in their belief that the marketing of celebrities is no different from that of cans of beans and lengths of steel. In terms of applying marketing principles the celebrity industry as is evident from this book is highly sophisticated in the area of image delivery. However, in terms of analysing the celebrity market for both new and established products the industry relies on quite unsophisticated techniques.

The usefulness of conventional market research techniques in this industry is often questioned on the grounds that the consumers of celebrities are notoriously fickle and consequently unpredictable in their behaviour. While the authors dismiss this as a myth, it is another thing to disprove it. Mabey captured industry attitudes when he suggested that "popular stars have an heroic influence over their followers that is not definable by market research".[33] An example from as long ago as 1959 illustrates the problem of conventional market research when two US pop music promoters sampled 3,000 US teenagers to determine the characteristics of their preferred artist. The emerging composite picture was "a boy who sings well, not too polished, but well, about 5'7" tall, of Italian descent (because they look so romantic), fine build and nice smile; sharp sports clothes; intelligent, considerate of others, sincere, honest and quiet". Such a person was found, launched and failed.[34]

There is a widespread industry belief that the celebrity market is unable to articulate a particular preference in advance of being offered a selection. Faced with poor predictability of consumer tastes, the celebrity industry tends to place many potential candidates before the market which then selects from those made available. Once the media and the market respond to certain candidates the industry tends to follow in behind with major investment. The result of this policy is very high failure rates in launching new products. Failure rates as high as 94% have been reported for the record industry[35] while a recent *Forbes* magazine examination of the celebrity phenomenon suggests that "there is absolutely no way to know which stories will click, which songs will click, which personalities will click. Only two of every five major films and barely one in every five records or television series recover costs".[36]

The problem of market predictability results in two major approaches to market analysis and product development. The first is the widespread reliance by key industry decision-makers on basic experience and intuition to marry observed market demands with new product supply. The second approach is that of 'formula marketing' where once a celebrity achieves high visibility similar type products are launched on to the market. The reality is that the celebrity industry is perhaps more sophisticated than any other industry in terms of image management while being notoriously unsophisticated in terms of how it attempts to understand the behaviour of the marketplace. Further, conventional market research is extremely problematic when used as the basis for a market fulfillment strategy in this industry.

The Question of Ethics

The question of ethics in celebrity marketing has attracted particular attention. The authors feel that "despite all the progress the celebrity industry has made, audiences still feel there is something unethical about turning a politician or a preacher into a product... the idea of designing the ideal aspirant on a drawing board, finding a malleable candidate, then transforming him or her into the blueprint through speech lessons, media hot boxes, image design, structured press conferences, or plastic surgery implies fakery and illusion".[37]

Acknowledging the criticism that the celebrity industry is often accused of being manipulative and devious, the authors agree that "some image-makers are unscrupulous and unconscionable in how far they will distort reality to sell their product".[38] There is more than a touch of irony in this remark given that much of the previous three hundred and thirty-six pages has been concerned with how image-makers can devise strategies to distort reality. In fact the authors claim that "the consious design, manipulation and promotion of storylines in celebrities' lives — up to the point of created realities more dramatic than real life — constitutes the celebrity industry's major break-through in the 1970s and 1980s".[39] In fact strategies are proposed for the creation of dramatic reality which is concerned with "blurring the lines between real and scripted life". The contrast between industry generally and the celebrity industry is stark in this regard. In general, for manufacturing and service industries, particular attention is paid to ensuring acceptable levels of harmony at both corporate and brand levels between reality and image. In fact questions regarding the ethics of image development are reasonably emphatically answered through legislation or the conventions of the particular industry sector. No such answers exist or appear to be sought in the celebrity industry. This issue is not really addressed in this book. In fact the whole thrust is towards selling fantasy and fiction and relegating the fact and reality aspects of image development to almost zero importance. While agreeing that the ethics of the 'pygmalion principle' are questionable, the authors suggest that we will have to rely on the good sense of audiences to separate fact from fiction.

Conclusion

As stated at the outset this is a timely publication, drawing attention to the application of marketing principles to an industry hitherto largely ignored by marketing academics. Furthermore, it establishes an important framework upon which subsequent academic analysis will turn and provides celebrity practitioners with an overview of their industry and the strategies pursued therein.

It is perhaps an over ambitious work in that it attempts too broad a scope for its analysis of marketing application. While there are similarities between sports stars, the professions, politicians and academics, one is constantly aware of the fact that certain observations while applying to politicians may not apply equally as well to academics. It is a feature of the book that as it progresses the authors draw more heavily on the entertainment sector in making their points. Perhaps a narrow focus on the entertainment industry would have been more advantageous.

A further feature of this book is that the impression is given that the phenomena discussed are widely practised. One is constantly aware of the possibility of being led from outlines of specific examples to broad conclusions. A more measured approach tending less towards immediate generalizations would have allayed this anxiety.

The authors have been successful in their stated aim of examining the celebrity industry and the strategies used to transform unknowns into celebrities. Their examination has focused in the main on the early stages of scientific application, that of description. As a result of their innovative works there is now room for a more reflective analysis of the celebrity industry which will focus on explanation and prediction of industry phenomena. Such a publication will undoubtedly have as its first point of reference this important contribution.

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THE NETWORK APPROACH TO MARKETING

Per Andersson and Magnus Söderlund, Stockholm School of Economics

Summary

The network approach to marketing challenges the classical marketing theory espoused by such authors as Kotler. It questions the traditional 4p's marketing approach and highlights the importance of co-operation rather than competition in many markets, particularly industrial.

Marketing activities in the network theory refer to the management of relationships between customers and suppliers where market demands are assumed to be heterogeneous. Such relationships are seen as the central co-ordination mechanism of resource exchange, in contrast to prices and/or hierarchies. Thus, 'marketing' and 'markets' are given a different meaning in the network theory. Empirical studies upon which the network theory is based have shown that transaction between buyers and sellers often take place within relationships that are of a long-term and interactive nature. The implication of this is that co-operation rather than competition becomes important; co-operation with exchange partners is seen as the major strategy with respect to marketing problems. Further, since each firm is seen as dependent on exchange with the environment, each firm has to be analysed with reference to its relationships with its exchange partners. This means that the firm's internal resources become important mainly in respect of how they are coupled with external resources. Hence, the network theory can be summarised as an open system theory, where resource dependency among participants is of major interest.

This article presents a network approach to marketing. It is based on a network theory, which describes resource exchange in markets where *both* sellers and buyers are firms or other organisations. Network theory focuses upon exchange processes of an interactive and long-term nature. Therefore, as will be seen in this article, such concepts as 'markets' and 'marketing' lose much of their traditional meaning. Moreover, emphasis is put on co-operation between firms, rather than on competition.

Much of the empirical work upon which the network theory is based has been done in Sweden. It is therefore helpful to consider the following characteristics of the Swedish economy, which have undoubtedly influenced the network approach. These include a high degree of buyer and seller concentration in many industries, a high dependency on the export of highly complex products, and influentual labour unions and governmental bodies. However, these conditions are not unique to Swedish firms. We therefore feel that the network theory could also prove to be a fruitful analytical tool when applied in other national contexts.

Empirical Background

Research in industrial marketing in Sweden and in a number of other European countries has been characterised by a close contact and liaison with firms during the last two decades. There now exist many case studies, surveys and other empirical studies from which researchers have developed theoretical and conceptual frameworks. To a great extent, the basic rationale of the network approach to industrial marketing is based on findings from this body of empirical research. This empirical background includes early studies on industrial purchasing behaviour, internationalisation processes and systems selling. The Swedish research tradition in the organisation of distribution systems and in market structure was complemented by research on dyadic interaction in industrial markets during the late seventies.

Amongst the results of these studies, various types of system interdependencies were discovered. One of the most important observations made was the fact that relations between suppliers and customers were very often of a long run nature. Further, the marketing processes in industrial markets were observed to be of an interactive nature. During the eighties a group of Swedish researchers in Uppsala and in Stockholm studied interaction between buyers and sellers in industrial markets and extended these dyadic analyses to studies of networks of several interrelated organisations which were dependent on each other in a direct or indirect way.

Theoretical Background

In the emerging process of developing a theoretical and conceptual framework for a network approach to industrial marketing, organisational and interorganisational theories are of key importance. These include, for example, the so-called resource dependence prospective, and also the view of organisations as open systems.

The Authors

Per Andersson is a doctoral student in business administration and teaches marketing at the Stockholm School of Economics. His current research interest is in after sales markets and the marketing of product support services

Magnus Söderlund lectures in marketing at the Stockholm School of Economics. He is a doctoral student in business administration with a special interest in environmental analysis.

Unlike traditional Kotlerian marketing theories, which will be referred to here as marketing mix models, the network approach does not base its assumptions on the microeconomic theory of the firm, where markets are considered homogeneous. Instead, industrial markets are assumed to be heterogeneous. A single producer of goods in an industrial network faces heterogeneous markets as regards both supply and demand, which in turn complicates the formulation of standardised programmes as prescribed in marketing mix models. With the microeconomic background of the marketing mix models, the main marketing problems are believed to concern the allocation of resources to activities (programmes) formulated in terms of product, price, distribution, promotion, personal selling and so on. The design of these activities is also an important problem.

If, on the other hand, firms are regarded as participants in interrelated networks of organisations, the model parameters become different. The focus is changed from internal parameter activities to exchange and positioning activities in networks. Investments in relationships and the handling of different relationships become central marketing activities. It is often a long-term activity to establish relationships with matching suppliers and customers, and exchange is very often accomplished via transactions with partners of long standing.

Important differences between marketing in network theory and the marketing mix models are summarised in Figure 1. In a sense, these differences are a function of how the firm is perceived to be related to its environment. In the network theory, the firm is dependent on its environment for the input and output of resources. The exchange that takes place is characterised by *co-operation* between interdependent firms. Further, co-operation is recognised as something that can increase the total amount of resources available for each firm. In the marketing mix models, *competition* rather than co-operation is stressed. The firm is seen as a more or less independent entity, which is believed to be able to increase its resources by competition with other firms.

Figure 1

Key Differences in the Concepts Used in the Network Theory and in the Marketing Mix Models

Concept	The Network Theory	The Marketing Mix Models
Exchange partners	Suppliers and customers	Customers
Characteristics of exchange partners	Active, mutually dependent	Passive, independent
Characteristics of exchange	Mutual dependency	Stimulus and response
Initiator of exchange	Buyer and seller	Seller
Environmental focus	Networks	Customers and competitors
Organisational focus	Interfunctionality	Marketing/sales department
Marketing objectives	Establish, develop and sometimes break relationships	Control demand
Marketing emphasis	Management of relationships	Optimisation of the marketing mix.

Building Blocks in the Network Theory

In order to survive in the long run, all firms have to exchange resources with the environment. The mechanisms that influence co-ordination in this exchange process are studied in the network theory. Co-ordination is neither accomplished by the price, as is the traditional market model, nor by power in organisation, as in various internationalisation models (e.g. Williamson, 1975 and Caves, 1982). Instead, co-ordination takes place through *relationships* between firms.

Relationships can create *bonds* of technical, planning, knowledge, social and legal content. Obviously, most of these bonds are likely to be involved when a transaction takes place. As mentioned above, empirical studies have shown that most transaction between firms take place within old and long-term relationships. However, some of the bonds are also likely to exist between firms that are not exchanging resources at a given point in time.

Relationships link firms together in what can be described as *networks*. Needless to say, many networks include a vast number of firms. Therefore, for practical reasons, various delimitations can be made. The term *net* can then be used with respect to geographical areas (e.g. 'the Common Market net'), products (e.g. 'the motor vehicle net') and so on. In the network, firms occupy different *positions*. The position define the roles a firm has in respect of other firms in the network. It can be described in the following dimensions:

- Functions performed by firms in the network, e.g. manufacturing, distribution, etc.
- Identity of firms in the network, e.g. supplier, competitor, customer, end user, etc.
- Relative importance of firms in the network, e.g. purchasing and sales volume, etc.
- Strength of bonds between firms, e.g. age, resource flow volumes, etc.

Further, a distinction can be made between *micro* and *macro positions*. Micro positions refer to positions with respect to a specific exchange partner and macro positions to positions with respect to the whole network or net. Positions in the network give the network its structure. The *degree of structuring* of the network can be described as the extent to which positions of firms are interdependent. In tightly structured networks, interdependence is high, bonds are strong and positions of firms are well defined. In loosely structured networks, interdependence is low, bonds are weak and positions are less well defined.

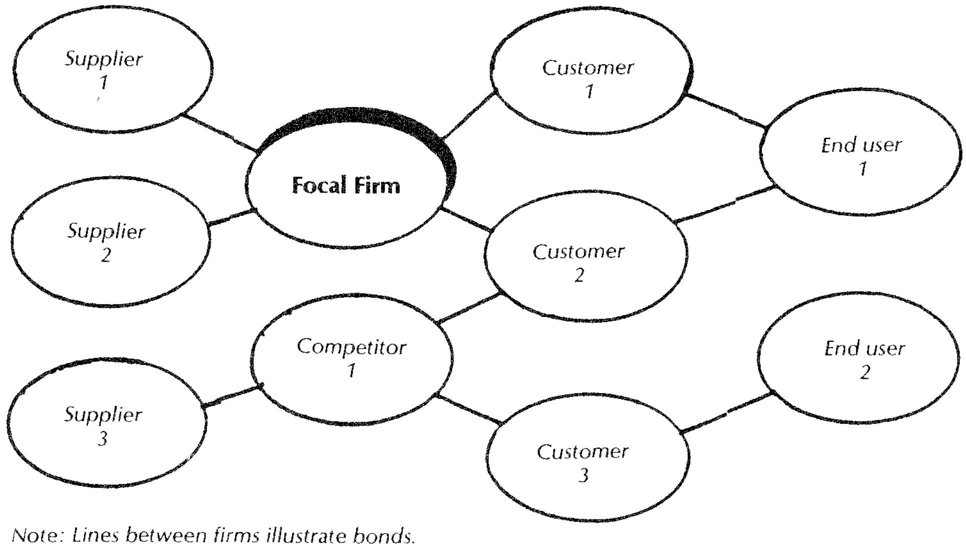
Networks are *stable and changing*. Most transactions take place within old and established relationships. However, bonds change over time through adaptation between exchange partners. Also, new bonds are created and old ones are sometimes broken. In the network theory, each firm has to be studied with respect to its position in the network, i.e. with respect to its relationships with other firms. Each firm is dependent on its environment and is therefore not a bounded entity. Moreover, since bonds between firms stretch across the boundaries of traditional 'markets' and 'industries', such concepts lose much of their meaning in the context of the network theory.

Problems with Network Studies

One important problem with respect to the network theory is which firms and relationships are to be included in the analysis.As mentioned above, a large number of firms and relationships are likely to exist in many networks. Even if one chooses to study a limited part of a given network, the picture of all firms and relationships becomes complex. Furthermore, not all firms and relationships are likely to be of equal importance. A trade-off has to be made with respect to accuracy and simplicity. This trade-off is of course dependent on the specific research and on the empirical data available.

Another problem involves the importance of indirect relationships, which will be illustrated by a simple example. Let us assume that we are in the focal firm's position (see Figure 2).

Figure 2
A Network from a Focal Firm's Point of View



Note: Lines between firms illustrate bonds.

We can see that we have bonds with two customers and two suppliers. These bonds are direct from our point of view. However, we also see that Customer 1 and Customer 2 have bonds with End User 1, and that Customer 2 has bonds with Competitor 1. These bonds are indirect from our point of view. Even if these bonds can be labelled indirect, they might very well be of significant importance for our business. For example, the bond between Competitor 1 and Customer 2 might influence our bond with the same customer. Likewise, if End User 1 breaks the bonds with Cumstomer 1 and 2, our sales volume might be affected. A question of major importance in network theory is how to treat dependencies between direct and indirect bonds in theoretical terms. Progress is being made continuously in this field, but much still remains to be done.

Implications for Marketing Strategy Formulation
Contrary to the marketing mix models, which are basically founded on the assumption of market homogeneity, the network approach to marketing recognises that the capabilities of suppliers and the needs of customers are multidimensional. At the same time, the approach recognises the fact that there are important similarities between suppliers and between customers. Within the area of managing relationships, Håkansson and Johanson (1982) distinguish two important groups of problems: limitation problems and handling problems.

Limitation problems may, among other things, concern the firm's overall portfolio of relationships. These problems may concern questions as to whether the company should concentrate on a specific relationship, and if so, what type of relationship will that be? Very often it is a question of composing the right combination of relationships, since different relationships may be of a complementary character. Limitation problems concerning each specific relationship also belong to this group of strategic problems. For example, to what extent shall the firm limit its involvement in any specific relationship?

Handling problems concern the manner in which relationships are established, developed and liquidated. Co-operation in various forms is an important element in strategic action in networks and is one of the basic, strategic measures for dealing with handling problems. These are very much organisational problems. An important part of the problem of establishing, developing and liquidating relationships concerns the question of how new resource combinations can be created by using the network as development potential.

Mattsson (1987) links strategy dimensions to the major ideas about interdependencies in industrial systems used in the network approach. By assuming complementarity between activities in networks, strategies can be *network adaptive* and/or *network changing*. Furthermore, strategies can be *internally* oriented, or *externally* oriented, according to Mattsson. For example, in the first type of strategy, the firm uses mostly internal R & D activities for its product development. In the second type, the firm co-ordinates its R & D activities with those of other firms. Strategies can also be *homogeneous* or *heterogeneous* by nature. A firm with a homogeneous strategy has a standardised approach to its relationships, while a firm with a more heterogeneous strategy handles its relationships in a less similar way.

With respect to the firm's strategy, some major conclusions include the following. *Firstly*, the firm must recognise its dependency on external participants and continuously gather knowledge about its network. *Secondly*, the firm's internal resources are important in strategy processes, but mainly with respect to how they are coupled with external resources. Thus, the firm's dependency on resources must be handled in an exchange perspective. *Thirdly*, several internal functions are related to different parts of the environment. This means that different functions have opportunities to engage in exchange with the environment. Thus, 'marketing' activities are too important to be left in the hands of the marketing/sales department. Marketing activities concern the management of relationships, a process where several departments have to take part.

Markets as Networks — Recent Studies

Researchers, whose background is in research into industrial purchasing and marketing behaviour, distribution systems and internationalisation of industrial firms, have developed a framework for describing markets as networks. The framework has been described in several studies and articles during the 1980s. Implications for marketing activities have also been described in this context. The approach is developed in a general way in Hägg and Johanson (1982) and in Hammarkvist, Håkansson and Mattsson (1984). More recent publications, whose titles reflect the range of issues being addressed in the network approach, include Mattsson (1985); "An application of a network approach to marketing: defending and changing positions", Håkansson (1987); *Industrial Technological Development – A Network Approach* and Gadde and Mattsson (1987); "Stability and change in network relationships".

Further efforts to develop the network approach can also be found in a number of doctoral dissertations in preparation. Among the areas being studied are, for example, after sales markets, joint ventures, transport systems, motor vehicle distribution and innovation processes. The development of this body of research and thought will continue to deepen our understanding of how markets operate. It challenges the traditional hegemony of the competitive model of market structure by focusing on the extensive co-operative dimensions of market networks. Without doubt it provides new insights into how marketing best functions in business enterprise.

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GROUP MARKETING: THEORY AND PRACTICE

John J. Lennon, Irish Export Board

Summary

Because of the size of the home market, many small/medium sized enterprises (SMEs) need to export if they want to grow. However, the majority of Irish SMEs are small compared to their European, American and Japanese counterparts, making it difficult to compete successfully in export markets. Group or cooperative marketing helps such companies overcome these problems by enabling them to join together and share the costs of marketing/selling in an overseas market.

In essence, group export marketing occurs where three or more companies supplying non-competing goods or services agree to coordinate and share the cost of their export marketing activities in order to enter a specific target market. In this way, companies who would not otherwise have the necessary knowledge or resources to succeed in an export market, can enjoy the advantages of the group effort and can export at reasonable cost.

This article reviews the concept of group marketing and examines its development within Ireland and its application in other EC countries. Barriers to the cooperative approach are discussed, as is the role of the Export Board as catalyst in the development of group marketing programmes. A number of case histories of such successful programmes is outlined. Recent trends in the concept are assessed and cooperative marketing is seen as a very real opportunity for many SMEs to develop future export strategies.

Background

Successful enterprises in modern times are market driven, not product driven. The importance of marketing has been recognised by big and small firms alike. Enterprises which assess the market most accurately and implement the most appropriate marketing plans generate the greatest profits. Ireland, as a market itself, is too small to satisfy the output of many small/medium sized enterprises (SMEs). Therefore, they must export in order to grow and develop. While recognising the need to market their goods and services, both at home and abroad, SMEs often lack the confidence to compete in strength in markets abroad because of the commitments involved and the uncertainty of the task. Such caution is a direct product of limited financial and managerial resources. On the other hand, larger firms can follow a marketing plan with conviction because of the security which they have in a back-up directly related to their size.

Over the past few decades, Irish SMEs have performed poorly in the international market. Tied down by lack of finance and hampered by inexperience, they rarely stood a competitive chance against the financial might of the larger world players in their market. Trade across national frontiers often necessitates elaborate distribution arrangements as well as a certain outlay on market research, advertising and promotion, which often lies beyond the resources of small enterprises. Hence, with limited export marketing capabilities, small firms are frequently confined to markets which are locally based or specialised in nature. SMEs also tend to be very secretive about their companies and to think only of competitors on the home market as opposed to their European competition. With the advent of 1992 competition will intensify causing further stress on the SMEs resources.

One strategy in dealing with this problem is for SMEs to market their products and services jointly, sharing costs whilst reaping the benefits of a better marketing plan. Such an approach to marketing for SMEs was referred to in the 1984 government *White Paper on Industrial Policy.* This document contained a reference to the introduction of a "Group Marketing Scheme for Small Exporters". This was proposed as a way in which small and medium sized firms could improve their chances of success by teaming up with other firms to penetrate world markets. The measure as outlined recognised the previous unsuccessful attempts at cooperation and reaffirmed the underlying economic need for cooperative activity.

Under the programme the Irish Export Board (Córas Tráchtála, or CTT in abbreviation) was to identify viable groups of exporters of complementary but non-competing products. Then, on behalf of firms in the group CTT would employ export sales and marketing personnel. A target of 20 new groups with participation by 100 small exporting firms was set over a five year period. What follows in this paper is a review of the concept of group marketing, its development within Ireland and its application in other EC countries. The paper will focus on group marketing as primarily an export development strategy and will concentrate on the practical implications of managing and developing groups.

The concept of cooperating to develop overseas markets is not new. Previous programmes, notably in the footwear and clothing sectors, have met with little success. The reasons for this are broadly two-fold: first, a lack of clearly defined member company and group objectives, and second, a lack of clearly defined operating procedures. Understanding these difficulties and their fundamental importance to group programmes is the key to successfully promoting group marketing as an effective export development strategy.

The Concept

Group marketing occurs where three or more companies supplying non-competing products or services agree to coordinate and share the cost of their export marketing activities in order to enter a specific target market. (In this paper the term cooperative is used interchangeably with group). As a strategy for the development of SMEs, group marketing is attractive. It addresses some of the fundamental weaknesses of the small firm, for example, its size and limited financial and managerial resources. It offers a strategy which concentrates on a collective strength, thereby providing the SME with some of the advantages of the larger firm. The 'benefits' offered through a group approach include:

- Reduced marketing costs
- New market outlets
- Closer market contacts with end users and agents
- Improved marketing standards
- Improved production/packaging standards
- More accurate and frequent market feedback

Other benefits offered through the cooperative avenue include improved purchasing power, increased financial security and greater confidence amongst the individual firms. However, joint export marketing groups are not an end in themselves. Rather they are a means to other objectives, namely:

- Increased efficiency in exporting
- Greater penetration of foreign markets, especially for non-traditional export goods
- Greater long-term security in exporting
- Improved profitability on export deliveries
- Rapid entry into exporting for new industries or for older industries new to exporting

While benefits exist so do 'barriers' to group marketing. These should not be underestimated. They include:

- Attitudinal problems with group structures
- Lack of awareness of the benefits of a group approach
- Limited understanding of group inter-relationships
- Reluctance to change established marketing structures
- Preference to remain small and independent

Development in Ireland

The need for improved marketing amongst SMEs in Ireland has been chronicled in a number of reports including the Consultative Committee on Marketing's report on *Ireland and Marketing* published in 1984. The report highlighted the inadequacies of SMEs in terms of marketing expertise and suggested a number of recommendations including the further development of group marketing programmes for export development.

Since the *White Paper on Industrial Policy* was published in 1984, the Irish Export Board has succeeded in establishing some 25 groups targeted primarily at the UK and North American markets. These groups have comprised three or more companies producing complementary but non-competing products. In the majority of cases the groups have adopted a shared sales executive strategy whereby the cost of hiring an experienced sales executive in the market place is shared within the groups and they also receive a contribution from the Export Board against a levy return on sales. Most SMEs, due to their size, suffer from a

The Author

John J. Lennon is manager of the Irish Export Board's Group Marketing Department and is currently involved in cooperative marketing, Trading Houses, countertrade and in a major market development programme for the UK DIY sector. A graduate of NIHE, Limerick, he worked with Gateaux Limited before joining CTT in 1979. There, he has held positions of marketing adviser and manager of the Birmingham office before returning to Ireland in 1983 to set up the group marketing programme.

shortage of experienced international marketing specialists and other personnel qualified in the technical aspects of international business. A major advantage to be derived from a group is the sharing among firms of the expertise of the personnel employed by the group. A single firm would find it difficult to justify such expenditure.

Studies have shown that a catalyst or group coordinator is an essential ingredient in developing a group initiative. This function can be undertaken by a member of the group who agrees at the initial stage to undertake the operating and logistical work necessary to ensure that the group activity takes place. Alternatively, this coordinating activity can be undertaken by an outside party. In the case of the operation of a group programme in Ireland, this coordination is undertaken largely by the Irish Export Board. In promoting group marketing projects, CTT will:

(a) Act as a catalyst or coordinator for the formation of the group.

(b) Undertake with the group research into markets and assist the group to prepare a marketing plan.

(c) Provide expert assistance to the group in undertaking coordinated product development activities.

(d) Support the appointment of a marketing manager and sales professional in the marketplace.

(e) Contribute financially towards the development costs of establishing distribution and servicing facilities in the marketplace.

(f) Contribute to the costs of participation in trade fairs and exhibitions.

These functions exceed that of primarily a catalyst in so far as CTT not only brings prospective groups together to discuss a possible group programme but actually undertakes much of the initial activities necessary to ensure that the group is put in place. On the question of funding the programme, in the first years of its operation, CTT paid a retainer to the sales executive and claimed back a commission on sales achieved from the companies. The companies also paid commission to the sales executive. More recently, projects have had a more flexible funding structure. In most cases the companies now contribute to a retainer payment for the sales executive, along with CTT. The companies also pay a commission to the sales executive. CTT also claims a commission on sales. The objective is that at the end of a three year period the project will have reached a 'stand alone' stage.

Group Formation
Establishing the objectives of the individual companies and thereby the objectives of the group was the first activity undertaken by the coordinator. In the majority of cases the groups were initiated by the Export Board utilising its database of over 2,000 exporting firms. By cross-referencing sectors and markets CTT was able to establish groups of complementary/non-competing firms that, in theory, should be candidates for cooperative programmes. Having selected a possible shortlist of companies, discussions would then take place individually with the companies to establish their interest in a possible group activity. Addressing some of the various barriers to group marketing, the negatives of the concept, was often necessary at this juncture. If the interest proved positive, meetings would then be set up with potential group members to discuss the programme objective and decide what issues needed further analysis. Of prime importance during this phase was the need to undertake market research on the feasibility of, first, the potential market for each individual company and, second, the acceptance within the market of a group approach.

Once a group strategy has been agreed the search for a suitable executive would be undertaken. Interviews would be held with potential candidates by a sub-committee of the group including a representative from the Export Board. Reporting procedures would be agreed with the Export Board and with the individual companies and the individual would commence operating on behalf of the group.

Exhibit 1
Group Marketing Activities

Individual companies have increased their export sales by joining with other companies in an export group to share the cost of:

A marketing/sales representative

with knowledge of the market territory and product area who undertakes the following:

- to sell exclusively on behalf of the members of the group, in a specific market
- to feed back relevant market information
- to make recommendations regarding product modifications
- to represent individual companies' interests
- to recommend sales and marketing strategies.

A shared overseas office facility

where companies who have their own sales representatives in an overseas market share the fixed overhead costs of an overseas office, giving them a local base with the necessary communication services and staff.

As these groups developed, other shared activities have been undertaken such as:

Group promotional literature

Joint exhibitions

Group market research

Product development

Joint purchasing of raw material supplies

In addition, experience in other countries has shown that export groups have also been successful in the following:

common brand name

advertising

warehousing and distribution

special projects, e.g. subcontracting/large tenders

Of group programmes activated by the Export Board since 1984, 80% have evolved around shared sales executives. In a number of cases, groups have been established whereby the objective was to develop a shared overseas office facility. This group activity arose where the individual members were active in the market individually through their own sales executives but wanted a permanent presence in the marketplace. Individually, they could not afford the cost of establishing their own office to the standard at they wished to be represented. However, by utilising a collective umbrella they could achieve a joint representative office and share the cost with other firms. It was decided to establish legal entities as these groups would eventually have to undertake a lease for an office premises. To accommodate this a company was formed in Ireland with limited liability and with shareholding by the individual members of the group. This company then set up a branch office in the overseas market and the branch company undertook to enter into lease agreements and also to hire staff for the shared sales office. As well as encouraging group approaches through shared representatives and shared office facilities, CTT has also investigates shared activities in other marketing areas, i.e. advertising, promotion, sourcing of raw materials and so on. Exhibit 1 summarises the range of group marketing activities.

CASE HISTORY
UK PUBLISHING GROUP
The Irish market is the priority market for Irish publishers and as a consequence individual publishers have had limited success in

penetrating export markets. In 1984 CTT was approached by three publishing companies who were keen to develop a professional selling programme in the British market. The companies were experiencing difficulties individually which they were finding hard to overcome. These included:

- *lack of management time and expertise*
- *lack of sufficient funds*
- *lack of a track record in the UK*
- *lack of knowledge on the UK book trade*

The possibility of establishing a group programme was discussed and it was decided that an additional company should be recruited to provide a balanced portfolio of titles. The UK Publishing Group commenced operations in September 1984 when a UK marketing/sales representative was retained by CTT on behalf of the group of companies, with the companies paying commissions on sales generated in the marketplace.

During the first two years of the project the group was increased to include an additional two companies and joint activities undertaken included public relations, group advertising and joint exhibitions in the UK. As an added bonus the group members also learnt to cooperate within the home market, e.g. by making joint presentations to the major Irish retail booksellers. The Export Board's involvement with this publishing group was phased over a three year period and since the end of 1987 the group has continued to build and develop its sales in the British market. The sales manager recruited in 1984 has built a team of regional agents which is controlled centrally from London. Equally the group has looked at the prospect of shared warehousing and distribution, again in the British market. The publishing group is an example of how companies, fundamentally small and limited, can pool their resources to create a strong image in what is a highly competitive overseas market.

CASE HISTORY
GROUP TECHNOLOGY IRELAND (GTI)
In early 1986 CTT identified a growing number of electronic component/test equipment companies targeting at the US market. Efforts to discuss a possible group project involving a shared representative for five of these companies broke down due to problems of confidentiality and the individual companies targeting at different market segments. Initial barriers to cooperation were evident. However discussions continued on the lines of argument that each company required a professional US based marketing services office but could not afford it individually. Finally the five companies agreed to pool their resources, avail of CTT support and establish a group office. The specific objectives of the office were identified as follows:

- *To assist individual companies to achieve their export sales/targets in the US market.*
- *To provide an efficient customer liaison service.*
- *To allow each company to have a base for US staff and/or Irish executives visiting the marketplace.*
- *To allow for a US based repair/service facility for customers.*

The following strategy was discussed/agreed with the group:

- *Set up group company in Ireland (Group Technology Limited)*
- *GTI registered to trade in Boston, Massachussets*
- *GTI set up office in Lexington, Massachussets*

CTT interfaced with various bodies in the US, i.e. legal and commercial renting companies, as the individual companies were unknown in the marketplace and each company would have found it difficult to negotiate terms and so on without such support. The companies saw considerable benefit in establishing a market presence in a key location in the US electronics sector. Lexington, Massachussets, was chosen due to its location within the hi-tech sector of the US East Coast. The group *office facility provided real synergy in terms of market presence, for example:*

- *individual offices for each member*
- *conference room facility*
- *prime market location*
- *full-time CTT staff — administrator and secretary*

The shared office has benefits in all markets where companies are seriously interested in long-term development. The shared office concept offers individual exporters an opportunity to have a full overseas representation facility at considerable cost reduction (over 50% cost savings per company). The companies do not necessarily have to be complementary or in the same sector; however, it is advisable that they are not directly competing against each other. The development of shared facilities is a natural progression of CTT's overall market development role which includes representation, market led design, improved quality, and so on. The shared office facility satisfies the criteria for an efficient and effective customer liaison service which has been noted in the past as being one of the major weaknesses in Irish firms dealing in overseas markets.

Promoting Group Marketing

In June 1987 the Export Board undertook a promotion campaign to inform SMEs of group marketing and of its benefits as an export development strategy. To undertake this campaign it was decided to package group marketing as a product. This entailed producing a brochure outlining some of the issues involved in group marketing and a detailed guidebook for the formation of export groups and the different forms of group marketing. (Exhibit 2 features an illustrative excerpt from this promotional literature). A video containing comments from the companies involved in different group marketing projects was also produced. A series of seminars was scheduled for Waterford, Limerick, Cork, Sligo and Dublin. Over 450 companies attended these seminars and discussions with ten potential groups have taken place to date. The purpose of undertaking the promotional campaign was to tackle some of the barriers to the cooperative approach, notably the lack of information on group marketing as a strategy and also any inadequate knowledge about the role of the Export Board as a central database and as a catalyst in the process.

In reviewing group marketing in the Irish context it is important to remember that the population for group marketing projects is small to medium sized firms whose ability to fund stand alone marketing costs is limited. Also, group marketing programmes tend to concentrate on one aspect of the SMEs marketing programme and are not responsible for the total export programme of an SME. As a consequence, it is not unusual to find an SME involved in the group programme devoting no more than 15-25% of its export sales to the group initiative. This must be recognised in assessing the group strategy as a major generator of export revenues.

Tackling another of the barriers, that of attitudinal problems, has been one of the major tasks undertaken in recent years. Proving that the concept of group programmes can work is an ongoing exercise and one that must be continuously reinforced. Irish companies, in common with many of their overseas counterparts, are suspicious of any group activity that involves sustained commitment on their behalf. Unless a tangible benefit is evident within a short to medium time frame, companies are not interested in committing themselves to a group programme where they risk losing control of their own destiny. In recent years, the benefits of cooperating have been reinforced and, to a limited extent, proven to be successful. It is interesting to highlight here the comparatively higher levels of marketing cooperation and joint commercial strategy achieved by many Scandinavian firms. Attitudinal barriers to cooperation seem lower in these countries.

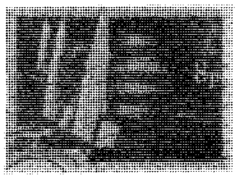
Recent Trends

The options for group programmes include continuation of the complementary/non-competing product groupings of which there is

Exhibit 2
Export Board's Promotional Literature — Illustrative Excerpt.

UNITED KINGDOM

Population	56.6 million
Currency	£ Sterling
Imports	84.6 billion Pounds
GNP	354.9 billion Pounds

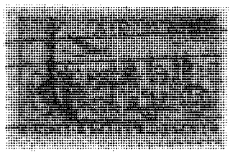


PROBLEMS AND ANSWERS.

If you are in the exporting business, the problem is real enough: how to increase your sales yet keep costs under control. This can put a great strain on you when you feel you are already stretched to the limit by financial and other restrictions in a tough marketing arena. There are several different approaches to this problem, depending on your particular company and market conditions. But a new approach to exporting now helps you to overcome many of the difficulties you may have been experiencing. It is called Group Marketing. And you can benefit from it in many ways.

UNITED STATES

Population	239.3 million
Currency	USA Dollars $
Imports	361.6 billion $
GNP	3.998.1 billion $



SHARED COSTS CAN HELP YOU INCREASE YOUR EXPORT SALES.

Group Marketing operates very simply where three or more companies agree to co-ordinate some or all of their export marketing activities. By sharing marketing expenses, the cost to individual companies is lower – for example: shared office facilities, shared sales representation, shared research and joint promotional material. When costs are shared, higher sales can be achieved by individual companies, at less cost for all concerned. Group Marketing is a potent selling force.

somewhat limited room for further progress. Alternatively, groupings of competing/homogenous products offer real opportunities, albeit with significant operating difficulties. Where a group of companies producing similar products share their marketing costs, then the opportunities for synergy clearly exist. Representing a united front to the European marketplace, and for a particular industry sector, must offer opportunities for individual Irish firms. Marketing groups not only diversify the range of export goods and improve the quality of individual items within the range, but can also be instrumental in developing more sophisticated export goods. Sometimes this is achieved by grouping together manufacturers of complementary products in order to deliver package deals comprising of a number of items. The value of the whole is often greater than that of the sum of the separate parts. A recent example of this is the grouping of fifteen Irish companies producing a range of 75 products under a single brand name *Garden Garlands* and targeted at the rapidly expanding British DIY market.

The problem of looking at Irish competitors as competitors as opposed to allies in the European market is an issue not yet successfully tackled. With 1992 taking immediate effect, it will be critical for the smaller firms to recognise exactly who their competitors are and that by remaining small their low economies of scale, whilst possibly offering niche opportunities, will come under serious attack in an open EC market. Group initiatives, be they long-term or for a specific market activity, will have to become an integral part of the companies' export development strategies.

The emergence of Special Trading Houses is a positive step towards the development of independent export marketing companies. The STHs should not be confused with group marketing programmes as they do not involve any collaborative or joint programmes amongst the firms. Rather, they are independent marketing companies set up to purchase and sell products from Irish manufacturers in overseas markets. They further reinforce the need for specialist marketing skills. It is possible that group projects, where the group has set up a joint company, could develop into a special trading house if the necessary financing and marketing criteria are in place.

Group Marketing in the EC

In 1983 a study carried out by the Economist Advisory Group on *Cooperative Marketing and Joint Trading for Small Firms* identified Sweden and Denmark as the two major countries in Western Europe undertaking group marketing programmes for export development, whilst Italy and France had a number of smaller domestic cooperatives with limited activity in overseas markets. Britain, by comparison, had comparatively few examples of cooperative marketing and these ventures were mostly in the agricultural sectors. Examples of cooperation in small firms occurred often amongst buying groups in the distribution trades. This was most evident in the craft and cottage industries and, in some instances, between firms exporting to similar markets. The study also examined the various forms of cooperative marketing and highlighted the major reasons for successes, failures and limiting factors.

In terms of cooperation in export marketing, the study identified a number of groups operating from the UK. These included groups in the food sector and also group programmes operating within the UK market from overseas companies. Here the report profiled the case of Super Jouets UK which is a trading and marketing company for a group of toy manufacturers from Joura in France. Other group activities operating in the UK include the Italian Design Centre and Anglo-Nordic Marketing which represents five Scandinavian furniture companies in the British market.

In the case of Denmark cooperation in export development is well established. In 1980 approximately 80 exporting groups were in existence in Denmark. Following a promotional campaign undertaken by the Danish Industry Federation this number had increased to over 200 exporting groups by 1983. Comparisons with the Irish industry base are inevitable but there are a number of key differences:

1. There are over 6,000 small/medium sized enterprises in the Danish market compared to over 2,000 in Ireland.

2. The existence of some 80 exporting groups was proof of the Danish attitude towards cooperation which was one of a positive approach as opposed to dwelling on the negatives.

3. The Danish export fund had, for a number of years, supported and funded group programmes undertaken by Danish industry.

Conclusions

Since introducing the scheme in 1984, the Irish Export Board has established twenty-five group programmes. Of these, eight were concluded within the first year of operation due to sales targets not being achieved or insufficient support from member companies. Of the remaining seventeen groups, seven were in the textiles and clothing sectors, four in engineering and electronics, two in furnishings and the remainder in medical supplies, housewares, food and pub refurbishment. The majority of projects have focused on UK and US markets with Europe and the Far East also contributing. The average number of companies per group is three. Cumulative sales to end 1988 for group programmes is projected at £10.5 million. However, it must be remembered that, for the average firm participating in a group scheme, only 25% or less of its total sales turnover is generated by its group activities. Recent projects have seen a noticeable increase in this average whereby the group programme becomes a significant strategy in the company's marketing programme. It is against this background that the actual sales to date must be considered encouraging. Group programmes contribute many intangible benefits to the SME, for example, more effective R&D, packaging, customer service, direct market feedback and, in general, a more rapid response to market change. These benefits, although difficult to quantity, are a real significance to the under-resourced SME.

As a concept, group marketing offers a logic that is persuasive — shared costs and information, thereby reducing risk and individual company expenditure. Previous attempts to translate the theory into practice failed due to a lack of appreciation of the formal and informal procedures necessary to succeed. Group marketing has been implemented in Ireland with modest success. Attitudinal barriers have been broken down and operating procedures have been refined and continue to improve with new successful groupings being formed.

True cooperation is hard work; it demands time and effort from the participants. The catalytical role adopted by the Irish Export Board has been necessary although its manifestations have changed over time. Initially groups materialised as a collection of individual firms with little or no common objectives. Management and control functions were carried out by an independent body and the member companies seldom took responsiblity for group activities. In recent years, group programmes reflect a synergy of purpose and effort where true group benefits exist and where the level of input required by the individual firm to the group process is fully recognised and understood from the outset.

SMEs in Ireland face increasing competition in the home and export markets. Cooperation with similar firms both within the home market and increasingly with EC partners will be inevitable. Since 1984 the concept has been tested and improved as a strategy for market development using some or all of the elements of the marketing mix. The group approach offers highly worthwhile prospects for the Irish SMEs and, if properly developed, can be applicable to a wide cross-section of industry sectors targeting at export growth.

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COOPERATING FOR CHANGE: THE EXPERIENCE OF A U.S. FOOD COOP

Ralph Hofstad, Land O'Lakes, Inc., Minnesota.

Summary
US agriculture like its European counterpart has undergone a period of significant transition over the last decade. It has evolved from an era of buoyant demand, growing prices and output to one of excess supply and uncertain prices. US cooperatives have been facing a new and hostile trading environment. In response many cooperatives have been re-examining the concept of cooperation, as distinct from competition, in developing business strategy. There has been a renewed commitment to cooperation among cooperatives and to exploring new forms of partnership and linkages in the agribusiness network.

This article describes examples of such cooperative ventures recently undertaken by Land O'Lakes, the giant Minnesota-based farm supply, dairy processing and food marketing cooperative. Three examples are discussed: an extensive cooperative partnership in the farm supply business; a significant joint venture in the dairy production business; and a partnership with the public, in the development of a publicly-held stock company in a portion of the company's food business. The concept of strategic partnership alternatives is then outlined. This examines a variety of methods for achieving partnerships along with their attendant risks and advantages.

From Competition to Cooperation

Over the last decade the business environment faced by U.S. farmers and their cooperatives has undergone significant transition. In essence, there has been a shift from a friendly to a hostile economic environment —from a period of buoyant demand, rapidly growing prices and output to an era of uncertain prices and enormous surpluses. In response, forward-looking cooperatives have been forced to pause, reassess their mission and operating strategies, activate meaningful repositioning, and develop new plans for growth. They have been re-examining, in particular, the benefits of *cooperation* in agribusiness enterprise and acknowledging increasingly that such cooperation can and does reap rewards.

The 1970s were the boom years for American agriculture. Everything looked bright. Farm income, land prices, commodity prices, production and exports all headed upward rapidly. Many felt the boom would last forever. In this wide-open production atmosphere *new* money was borrowed to till *new* land with *new* tractors. Conservative business practices were tossed aside by people who felt they had to grow quickly or get lost in the dust. In the last seven years these expectations have come back to haunt many a farmer and producer. U.S. agriculture in general, and farmers in Middle America specifically, have been tried and torn by heart-breaking prices and overwhelming surpluses in recent years. The economy's capacity to produce food far exceeds its ability to market what has become a phenomenally expensive, government wrenching, industry crushing surplus. Over the last five years, many American co-operatives have began to recognize they were not growing, nor were they particularly profitable. They were suffering from 'fuzzy' vision — a condition that had developed as they waited for the friendly agricultural environment of the 70s to return.

Since the end of World War II, cooperatives have worked mightily to take business away from their fellow cooperatives. They have failed to see them as potential allies, and viewed them as competitors. In this failure the members' investment has been squandered on duplicate staff, facilities, equipment and programmes. Fortunately, the unfriendly environment of recent years has forced a re-evaluation of this mistaken approach. There has been a growing realisation that cooperatives and cooperation can be of even greater value to farmers in the midst of rapid change than during periods of relative stability. In this new operating environment, American cooperatives are earnestly searching for ways to reduce duplication, cut expense, lower production, increase efficiency, expand exports, create higher value foods, and assist in developing the agricultural economic base in needy areas of the world.

Land O'Lakes, for its part, has sought, investigated and implemented a variety of creative and constructive ways to strengthen the cooperative system. It has launched over the recent past a series of carefully planned, strategic repositionings that have included operating consolidations, joint ventures, acquisitions and restructurings. These activities reflect a renewed commitment to cooperation among cooperatives and to the notion of cooperation as a business strategy. This article describes three such cooperative ventures recently carried out by Land O'Lakes and then discusses in a broader context the concept of 'strategic partnership alternatives'.

The Author

Ralph Hofstad is president and chief executive officer of Land O'Lakes, Inc. in Minneapolis, Minnesota, USA, a position he has held since April 1974. During his 39 years of cooperative service he has gained an exceptionally broad background in cooperative systems, agricultural policy, and agricultural product and food marketing – nationally and internationally. Mr. Hofstad serves on several interregional and industry boards, including the Supervisory Board of Intrade, Inc., a holding company owned by North American and European cooperatives. Mr. Hofstad was chairman of the US delegation at the United States-European Common Market Farm Forums from 1976 to 1981.

Business Philosophy

Land O'Lakes is a Minnesota-based food and agricultural cooperative owned by and serving more than 1,500 local cooperatives and 500,000 farmers and ranchers across the fifteen states in the Midwest and Northwest portion of the United States. Its sales in 1987 were $2.2 billion and net earnings were $13.2 million. As a farm supply and food marketing cooperative, Land O'Lakes sells and distributes a wide variety of farm production inputs and services including animal feeds, seeds, fertilizer and chemicals and petroleum products. Land O'Lakes also processes and markets more than 600 food products (principally ones that are dairy-based as well as some red and white meat products) nationally and internationally.

The company's mission is continually to improve returns to farmer-members and ensure the survivability of a least-cost, highly competitive cooperative *system*. The notion of a system must be stressed:

- a system that is both integrated and coordinated to meet the full range of financing, production and marketing needs of the farmer and rancher.
- a system with enhanced values and capabilities greater than the sum of its individual components.
- a system that fosters increased efficiency, reduced duplication and that stresses low-cost operation.
- a system that is flexible, growth-oriented and capable of flourishing in the face of rapid change.
- a system that seeks alliances with compatible organisations to strengthen its overall value to members.

To assist in fulfilling its mission, Land O'Lakes has developed a strategic planning framework which has proven particularly valuable in recent years. At its core is a six step formulation and evaluation process:

1. Review the business environment
2. State the vision for the new activity
3. Develop the organisational structure
4. Create the business operating plans
5. Devise the 'scorecard' to measure success, and
6. Continually review, revise and reassess plans based upon scorecard results.

Given the size and nature of the cooperative, Land O'Lakes has put a great amount of effort into designing a flexible and responsive organisational structure. Termed the 'cooperative umbrella' concept it achieves an optimal balance between overly loose federation and overly tight amalgamation. It retains the benefits of a large financially strong, multi-product cooperative organisation but facilitates decentralised control in a planned method. It recognises the unique governance needs in a cooperative organisation while not materially impacting the ability of the enterprise to function properly as a complex business entity. This structure makes it easier for segments of other cooperative business, for example, a dairy association or a feed operation, to come together, reduce unnecessary duplication and increase efficiency, yet still retain a separate identity when desirable.

Land O'Lakes, as a farm supply, dairy processing and food organisation, faces many of the same problems and opportunities as other cooperatives in the U.S. (and indeed in Europe) — the need to consolidate activities in certain areas, such as farm supply and dairy processing businesses but also to avail of growth possibilities in other enterprises, such as the development of value added food products. The author will now describe three ventures recently undertaken by his cooperative which reflect this new strategic direction and indicate a re-awakened commitment to cooperation and partnerships. These are:

- an extensive cooperative partnership in the farm supply business.
- a significant joint venture in the dairy production business.
- a partnership with the public, in the development of a publicly-held stock company in a portion of the company's food business.

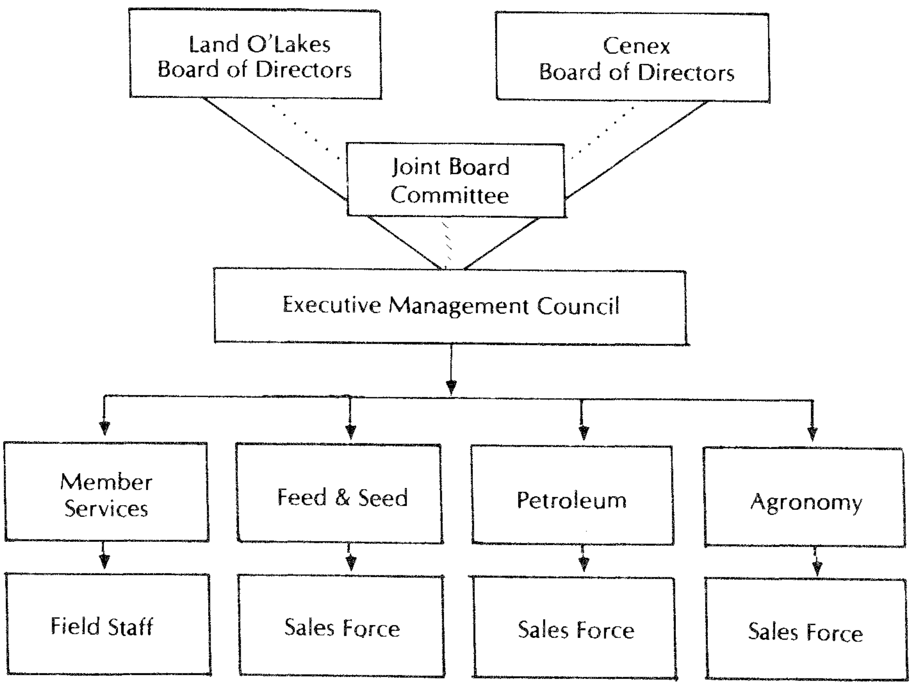
Cenex/Land O'Lakes Agricultural Services

As indicated earlier, U.S. cooperatives supplying agricultural production materials to farmers have not been immune to the economic pressures facing farmers. Thus towards the end of 1986, the Land O'Lakes board and management began meeting with the board and management of Cenex, a large, neighbouring farm supply cooperative to explore a variety of ways in which the two organisations might work more closely together. On the surface it looked like a logical union. The two organizations were headquartered in the same state. Both cooperatives were financially healthy and could bring specific market and financial strength to a new operational agreement. The two cooperatives were very similar in the size of their farm supply businesses — each with about a billion dollars in annual sales. Further, there was a good deal of overlap in both the trade area and in the member cooperatives served by the two organisations.

Merger was discussed, as also were a variety of other buy/sell arrangements through which the businesses could be restructured to accomplish operational consolidation. Each proposal held promise and each was reviewed in some depth. However, the points favouring an extensive joint venture outweighed other considerations. First, it was recognized that a joint venture could be accomplished quickly — one did not have to deal with governance issues before taking the plunge. Second, a joint venture would allow each to retain its individual marketplace identities and strengthen them through added volumes and reduced duplication. Third, a joint venture would allow a sharing of the major benefits in the areas of economic and operational savings. It was a venturesome proposal and one that these two proud, stable and successful organisations could have postponed indefinitely. Instead, management 'went to the country' with community meetings, and 30 days after the last meeting was pleasantly surprised by an overwhelming 95 percent approval from members. Cenex/Land O'Lakes Agricultural Services became a reality. Exhibit 1 shows the organisational structure of the venture.

Exhibit 1

Cenex/Land O'Lakes Agricultural Services



Members were tired of the duplication of activities and the low return on their invested capital in cooperatives. Some were recognizing a new willingness to change, and also a recognition of the growth activities of outside competitive forces. The venture is proving successful well beyond expectations. Initially $10 million was estimated in annual operating savings with up to an additional $7 million annually if administrative areas could be brought together —total savings of over one per cent of sales. To date these targets have been exceeded. Further, in late 1987 other administrative areas such as human resources, finance and computer systems, not part of the original proposal, were combined and additional savings achieved. On the marketing side, the combined Land O'Lakes and Cenex market share for both agricultural chemicals and fertilizer rose in 1987 despite an industry market decline. This trend has continued in 1988. With the creation of the joint venture farmers from Michigan to the West Coast now have access to petroleum products and TBA from the only U.S. cooperative oil company fully integrated from exploration and refining through to transportation and marketing.

In bringing the organisations together a particularly helpful formula for evaluating the various plants, warehouses, trucks and related assets was used. They were categorised as being either *productive*, *non-productive* or *surplus*. Productive facilities and equipment were, of course, maintained. Non-productive assets never became a part of the joint venture and each cooperative had to dispose of them and absorb the losses themselves. Assets identified as being in surplus were to be sold or dismantled and those costs shared 50/50 by each partner. In summary the Cenex/Land O'Lakes joint venture has translated into:

- Improved production, manufacturing and distribution efficiency.
- Increased ability to compete with larger, non-cooperative agribusinesses.
- Improved survivability in difficult economic environments, and,
- Additional flexibility in dealing with future developments in agriculture and the agricultural economy.

Land O'Lakes and Mid-America Dairymen

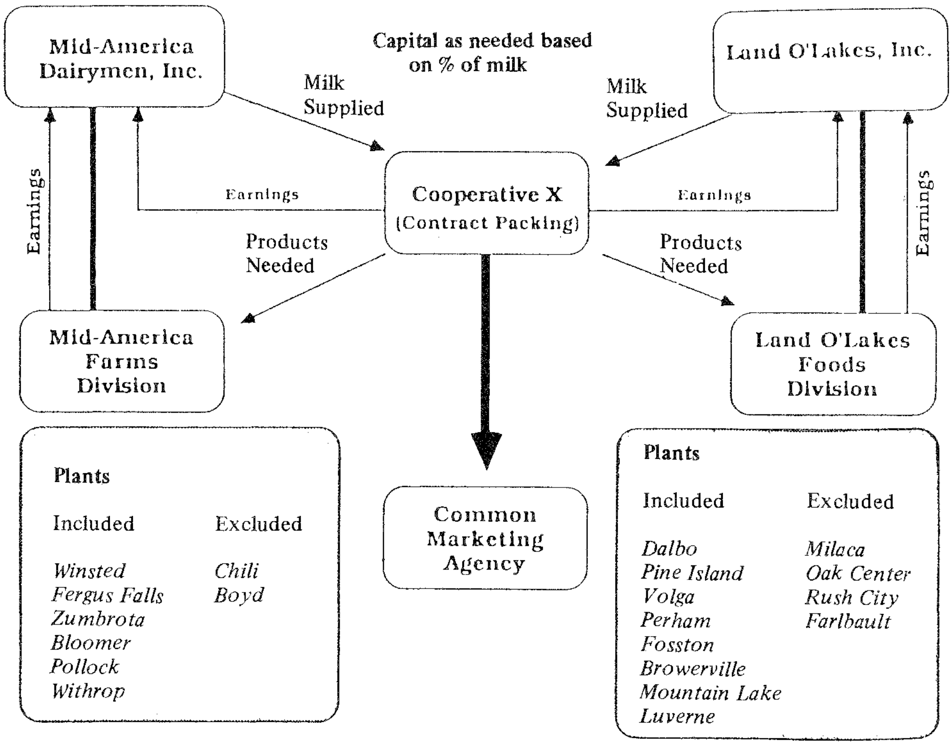
Early in 1987 Land O'Lakes entered a small but signficant venture with Mid-America Dairymen, Inc., one of the nation's largest dairy cooperatives. In this instance, milk processing facilities were combined in one small corner of the state of Minnesota. By closing one processing operation and making optimal use of two remaining plants, Land O'Lakes and Mid-Am achieved an operating efficiency that could not have been reached acting alone. Annual savings of $1.5 million were forecast and actual results to date make this an accurate prediction.

One of the interesting and beneficial aspects of cooperative activity is that, once initially embarked upon, many further opportunities for combined effort between partners emerge. This has been Land O'Lakes experience with Mid-Am. The initial limited venture triggered a much larger one in Spring 1988 to consolidate milk processing activities at 17 plants in a three state area. In planning this, extensive use has been made of computer-based economic modelling. These techniques have assisted decision-making in closing unnecessary plants, filling-up the most efficient and in designating swing plants. The savings from this venture are estimated at $12 million annually. Opportunities have also been found between the two partners for savings in the areas of procurement and milk assembly and for cooperation on commodity marketing programmes (see Exhibit 2).

Country Lake Foods Inc.

Like all cooperatives, Land O'Lakes does not have deep financial pockets, and in recent years great effort has been put into setting priorities on where capital should be spent. In foods the coop has national businesses and regional businesses. Land O'Lakes' butter and cheese are nationally distributed products. Fluid milk and ice cream are strong regional brands. To distinguish dairy products, the terminology hard goods and soft goods is used — the relative shelf-life being the determiner. The soft goods (milk

Exhibit 2
Land O'Lakes/Mid-Am



and ice cream) are in mature, slow growth markets. Here growth can only come from taking market share from another marketer or through acquisition. Since the milk and ice cream businesses didn't have the highest priority on available cash resources, management at Land O'Lakes evaluated options. From this consideration it was determined that by consolidating three milk and ice cream operations into one larger unit, it would have the size and potential to attract public investment by selling 30 to 40 percent of the business. Land O'Lakes would retain majority control, re-finance the company and use the new cash to carry out a growth through acquisition strategy. To do this the coop had to first acquire full ownership in some joint ventures. This has been done, and a prospectus filed with the national regulating authorities. Stock will shortly be sold on a phased basis.

In summary, this company, called Country Lake Foods, will have publicly traded stock, with Land O'Lakes holding the controlling ownership. Using outside investor financing will enable Country Lake Foods and Land O'Lakes to pursue an aggressive growth programme and gain important functional advantages:

- It will allow for the growth and expansion of the fluid milk business without additional capital from Land O'Lakes.
- The coop will have a one-time, pre-tax margin gain and as a result will be able to pass on increased patronage payments to members.
- There is a balance sheet improvement which will increase Land O'Lakes ability to fund desirable growth in accordance with its strategic plan, and,
- The balance sheet improvement will provide the opportunity for Land O'Lakes to repay a portion of the members' investment in the cooperative.

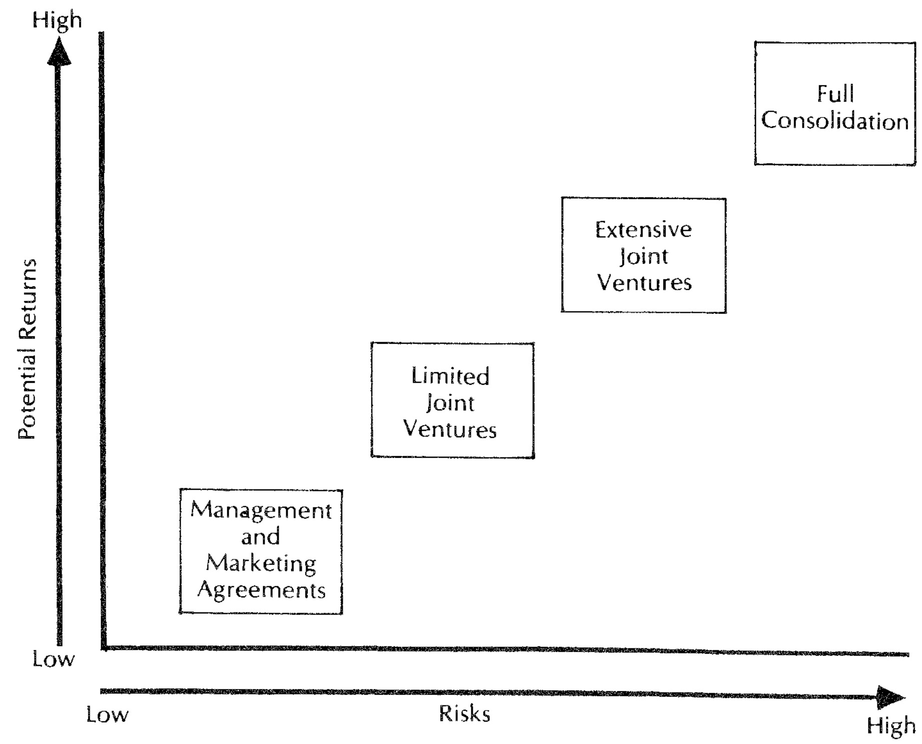
Strategic Partnership Alternatives
Experience at Land O'Lakes has indicated that a variety of methods exist for achieving partnership aimed at seeking savings from operational consolidations and at developing marketing strength. Land O'Lakes refers to these as 'strategic partnership alternatives' and they include:

- Management and/or Marketing agreements
- Limited joint ventures
- Extensive joint ventures
- Full consolidations

The risks and the returns can vary in each type of venture, and risks versus benefits must be fully examined and understood. As a rule, however, reward is directly proportional to risk. High risk — High reward. Low risk — Low reward. See Exhibit 3.

Exhibit 3

Strategic Partnership Alternatives

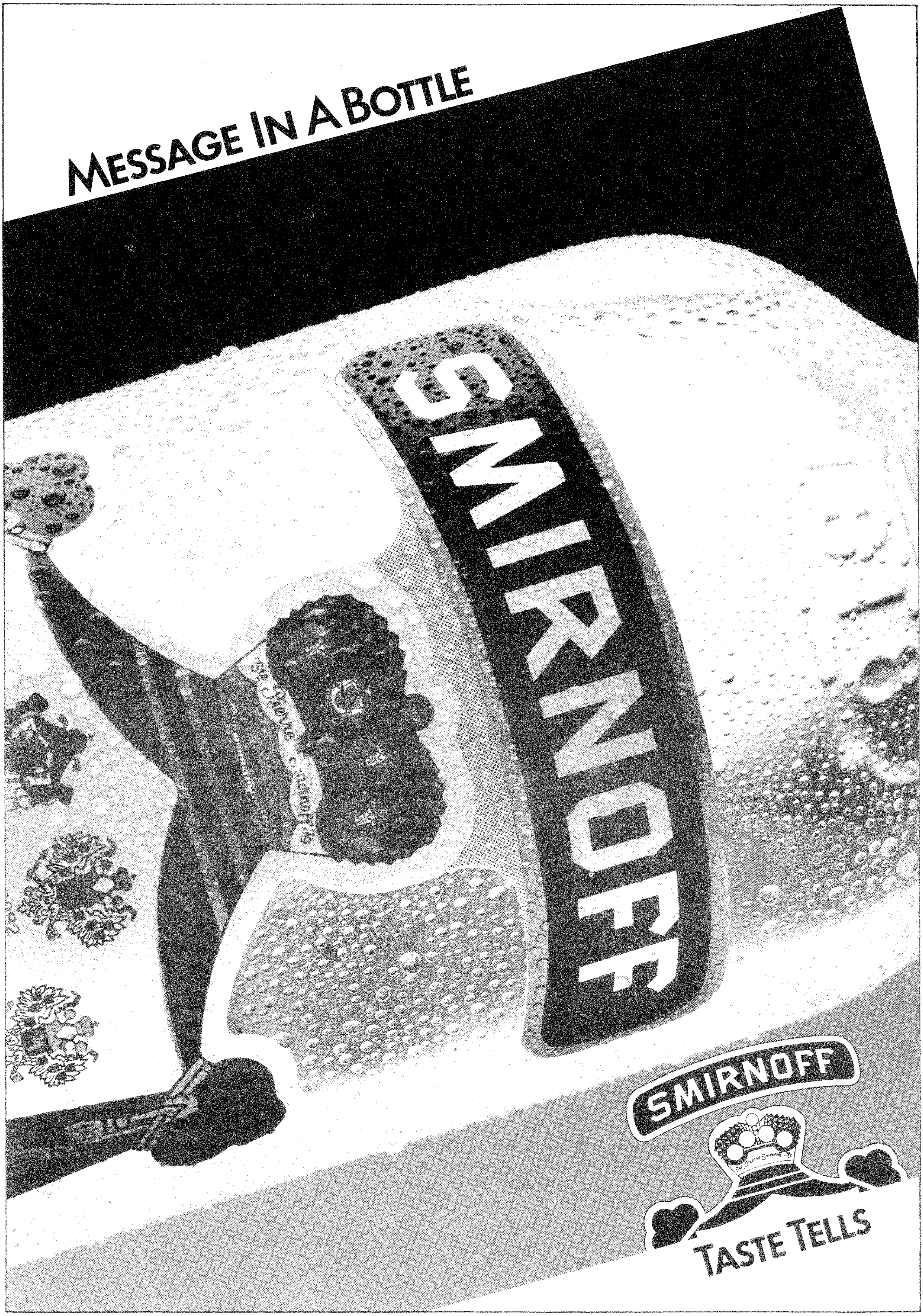


There are also certain principles that should be kept in mind to make a cooperative venture acceptable to each partner. The partnership must:

- Ensure each participant is better off in the partnership than outside it.
- Create an opportunity to improve competitive position through cost savings or market presence.
- Fulfil traditional cooperative roles where economically justified.
- Maintain farmer control.
- Avoid significant financial impairment to any participant.
- Provide for equitable sharing of control and benefits.
- Establish a healthy financial base with the opportunity to significantly improve profitability and benefits to stakeholders.
- Allow flexibility to engage in non-traditional forms of financing and alliances.

In conclusion it can be said that Land O'Lakes' renewed commitment to and recent experience of cooperative activity has been highly productive. Any vision of tomorrow must doubtless include further such ventures. The coop will concentrate its energies and resources on developing and enhancing cooperative systems to serve the financing, production and marketing needs of its farmer-members. Land O'Lakes will continue to establish linkages — partnerships, marketing agreements, technology transfers*, R & D associations, consolidations, acquisitions — to strengthen its systems in crops, hogs, dairy, cattle and turkey products, and to search out those cooperative and private industry partners whose business goals are compatible with its own.

**Editor's note:* One such technology transfer agreement came into force in 1986 between Land O'Lakes and Avonmore Creameries, Ireland.


MESSAGE IN A BOTTLE
SMIRNOFF
SMIRNOFF
TASTE TELLS

INVOLVED CONSUMERS AND ADVERTISING INVOLVEMENT

Katriona Lawlor, College of Marketing and Design, Dublin Institute of Technology

Summary

The question of consumer involvement has at times taken on the appearance of a theoretical quagmire. The proliferation of definitions apart, this confusion has been exacerbated by the failure to distinguish adequately between advertising and consumer involvement. The research outlined in this article attempts to probe the possible relationship between these two discrete entities.

It takes as its starting point Kassarjian's postulate of a generalised trait of purchasing involvement. This novel and as yet untested trait in consumers is cross tabulated with the levels of advertising involvement exhibited by these same consumers in a series of paint advertisements broadcast on Irish national television. A thought verbalisation methodology is employed to gauge this advertising involvement among members of an Irish countrywide consumer panel. The findings which emerge are as seminal to the applicability of such a thought verbalisation methodology as they are to the relationship between consumer and advertising involvement.

Consumer and advertising involvement are concerned with the relationship between attitude and behaviour. The fundamental assumption of high involvement is that the individual is first of all active in processing information, learning, and forming attitudes by evaluating attributes and alternative products, or by consciously evaluating ads and then behaving. Low involvement theorists question this assumption and propose instead that individuals learn passively and may not be concerned with choice processes; people learn by perceiving ads, behave and only then form attitudes.[1] Although the relationship between attitude and behaviour is the same for consumer and advertising involvement, this does not mean that consumers, highly involved with a product or product category, will necessarily be highly involved with ads for that product category.

The main objective of this paper is to ascertain the extent to which Kassarjian's generalised personality trait of "being involved in purchasing" affects the way consumers evaluate advertisements.[2] If personality factors do affect evaluation of ads this means that advertising strategies would have to be devised to cater for the three personality groupings. The first part of this paper is concerned with a literature review on consumer and advertising involvement. Consumer involvement is examined in terms of the various definitions and concepts which highlight the number of different variables in involvement. This is followed by an explanation of the research methodology used and then by analysis and discussion of the results of the research.

General Definition

The definition of involvement given by Rothschild is perhaps the most acceptable general definition; "involvement is an observable state of motivation, arousal or interest. It is evoked by a particular stimulus or situation and has drive properties. Its consequences are types of searching, information processing and decision making".[3] This is a cognitively based definition which implies direction and motivation. Other definitions are more specific, and tend to concentrate on a particular area of involvement.

The first specific area is product involvement.[4,5,6] Bloch's definition is typical of product involvement. "Product involvement is defined as an un-observable state reflecting the amount of interest, arousal or emotional attachment evoked by the product in a particular individual".[7] Individuals, highly involved with a product, will consciously evaluate attributes, and will be able to differentiate products. Lastovicka and Gardner maintain that "the low involvement consumer not only thinks of the product class as trivial but he further has little bond to his brand change".[8] They go on to say that, from a low involved information processing viewpoint, there is little perceived brand difference and uncertainty.

A second area of involvement is enduring product involvement which is more long term. Most people will be more involved in one or two product categories on a long term basis. There is general agreement in the literature on what enduring involvement is, but with the exception of Bloch, very little work has been carried out in this area.[9] Most involvement studies have concentrated on involvement with some aspect of the purchase. Again we may quote Bloch. "When consumer behaviourists talk about high involvement products they are more than likely referring to the tendency for high situational involvement to occur among the preponderance of individuals during the purchase of such projects due to a high degree of associated risks".[10] Involvement with a product, however, is not purchase dependent. High involvement at the time of purchase is not the same as enduring involvement. A consumer may only experience high enduring involvement for one or two product classes. Enduring involvement is likely to be experienced by product enthusiasts such as wine connoisseurs or car enthusiasts. Definitions of enduring involvement include an element of ego involvement. "This is an inner state of the individual that reflects a long term product interest or attachment".[11] This is similarly defined by Mitchell as: "The more the issue or object becomes integrated with the individual's values the higher the level of involvement".[12]

The Author

Katriona Lawlor lectures in advertising and marketing communications at the College of Marketing and Design, Dublin Institute of Technology. She spent a number of years working as an account executive with a large Dublin advertising agency. She has completed a number of studies on the theory and practice of advertising and is currently working on a doctoral thesis.

A third area of involvement is situation involvement which includes both task and purchase involvement. "Situational involvement refers essentially to the ability of a situation to elicit from individuals, concern for their behaviour in that situation".[13] Situational involvement is determined by the economic and time costs involved in purchase and by the amount of social risk involved as a consequence of purchase. Stanton and Bonner call for "a clear delineation between the purchase situation and the consumption situation".[14] Both situations require different measurement variables. Thus purchase involvement is interrelated both with task inolvement and whether the individual is trying to satisfy an immediate need or some more enduring motive. This was recognised by Clarke and Belk who introduced the concept of task involvement; "The task may be highly involving either because it entails important immediate goals (e.g. find a coat which is the least expensive brown wool coat in town) or because the intended usage situation involves important goals (e.g. find a dress to wear to the prom)".[15]

The final issue in relation to definition is whether involvement is defined as a state or a process. By definition a state is an existing condition or position, whereas a process is a course of action. There is an important difference between both. A state is static and can be measured with or without purchase. A process is dynamic, and will vary over time, and in the case of involvement will include more variables than the state definition. The state definition belongs in social psychology, where an individual's initial position is what is evaluated. The process definition however is rooted in cognitive response theory, which focuses on how individuals process thoughts; do they, for example, counter argue or support the message? Theories based on state models are concerned with antecedent conditions. Theories based on process models are concerned with how the stimulus affects the individual at the time of exposure to the ad or situation.[16] Due to the proliferation of involvement research and conceptualisations, a mini conference on involvement was held at New York University in June 1982 and a generic definition was proposed. "Involvement is a state of motivation, arousal or interest. It is driven by current external variables (the situation; the product; the communications) and past internal variables (enduring; ego; central values). Its consequents are types of searching, processing and decision making".[17]

Personality Involvement

Kassarjian's theory on involvement is concerned with the interaction of product involvement and individual or personality characteristics. "It is undeniable that independent of the product class, there are some persons that tend to be more involved in the consumer decision process".[18] At issue here is the existence of a generalised personality type.

Kassarjian postulates that alongside such personality traits as ambitiousness and sociability lies another personality trait — involvement in the purchasing process. So, just as some people are sociable by nature, others tend by nature to be involved in matters related to purchasing. A particular consumer may have an interest in wine — product involvement. Another consumer may be a true wine connoisseur — enduring product involvement. Yet another may be interested in wine purely because the boss is coming to dinner — situational involvement. But over and above these three different forms of involvement is Kassarjian's generalised involvement trait where a consumer is interested in wine because he/she is the type of personality who gets involved in purchasing things in general.

Kassarjian introduces a threefold personality classification: a high involvement individual, a low involvement individual "detached type" and a low involvement "know-nothing". While Kassarjian describes the interaction effect between these personality types and product involvement he does not suggest how either involved personality types or product involvement should be measured. Nor does he clearly specify whether product involvement is dependent on a particular type of behaviour. For example, does a person seek out information and visit numerous shops and possess a narrow latitude of acceptance every time he/she is highly involved with a product? The research in this paper is based on the assumption that product involvement does cause behaviour. In Kassarjian's matrix (see Figure 1) the high involvement personality type in a high involved product situation is described as being interested in the product, willing to search out information, reads consumer reports, pays greater attention to advertising, and remains involved with the product after purchase. In a low involvement situation the high involvement personality type is described as typical of low involvement research, where the individual is not concerned with cognitive processes. There are two categories of non-involved consumers, the low involvement detached type who is generally unconcerned about products but will occasionally be extremely interested in a product in a high involvement situation. After purchase they lose interest. The second category in the non-involved category of individuals is the low involved know-nothings who never become involved with a product or situation. In a high involvement situation they make decisions according to price, or packaging, and in a low involvement situation they simply don't know or don't care what happens.[19]

Figure 1
Classification of Involvement

		Situation Effect or Product Involvement: **High**	**Low**
Individual or Personality Factors	High Involvement	*Much of consumer knowledge as it exists today*	*Typical low involvement research*
	Low Involvement "Detached Type"	*Minimal interest but narrowly and intensely focused*	*Oblivious to product issues. Other interests*
	Low Involvement "Know-Nothing"	*Choice determined by: availability, packaging, affordability*	*Don't know. Don't care and No opinion*

Source: H. Kassarjian, "Low involvement — a second look", in Jerry W. Olson, ed., *Advances in Consumer Research*, vol. 8, Ann Arbor, Mich., Association for Consumer Research, 1980, p. 32.

Advertising Involvement
In his original definition describing ways of experiencing and being influenced by the mass media, Krugman describes involvement as "the number of conscious 'bridging experiences', connections, or personal references per minute that the viewer makes between his own life and the stimulus. This may vary from none to many".[20] Krugman is concerned with the different influences that the various media have on the individual. He defines television as having a passive effect on viewers; that is, people do not consciously evaluate ads on television. He defines print as having an active effect on viewers, where people consciously evaluate.[21] Wright feels that rather than attribute this effect to the medium, two variables must be considered separately: "arousal to process, and opportunity to process".[22] Arousal relates to an individual's interest in the content of a message and "recognition that the information has goal-satisfaction value".[23] Opportunity refers to natural characteristics of the medium and the facility for an active response. Television is temporal and there is little opportunity for reference. Preston, like Wright, feels that the type of ads in each medium has a greater effect than the medium itself. It is a "question of content rather than form ".[24]

The early hierarchy of effects models almost assume that as soon as a person comprehends something, he/she will like it, and therefore may purchase.[25,26,27] Learning the message content is the central route to persuasion, and as consumers learn and comprehend, attitudes can be changed. These early models do not really consider the role of the individual in processing information; they also assume that the individual is active in processing information. Involvement in both consumer behaviour and advertising has focused on the cognitive. Recent theory, particularly in advertising, tends to concentrate on the affective. "The term 'affect' is normally used to encompass all emotions, moods, feelings, and drives".[28] Affect is concerned with how a stimulus affects us and not with some objective evaluation of the stimulus.

The original work on advertising involvement was with the effect of the medium on the individual. More recently studies have examined involvement in advertising and the ad itself. Emerging from these studies is the relationship between processing these ads and classical conditioning. That is, evaluation of beliefs may not be important and, under low involvement and affective involvement, the visual and other peripheral cues such as music, may be the major factors in determining attitude to the ad which in turn affects attitude to the brand. Krugman,[29] Zajonc and Markus,[30] and Ray and Batra,[31] among others, question the assumption that individuals process ads simply on the basis of attributes which can form or change beliefs. Instead they may be affectively involved with the ad itself. The ad triggers a liking response, which can then be associated with some part of the ad, and/or may be associated with the brand advertised.

Research Methodology
The methodology that is used to determine either consumer or advertising involvement depends on whether one considers involvement a state or a process. The state definition belongs in social psychology; theories based on state models are concerned with antecedent conditions such as product and ego involvement. The process definition however is rooted in cognitive response theory, which focuses on how individuals process thoughts.[32] Theories based on process models are concerned with how the stimulus affects the individual at the time of exposure to the ad or situation. This research adopts such as process perspective.

Very few of the studies on involvement have taken into account how individual differences explain differences in involvement. Yet as is obvious from information processing theory, individual differences can explain differences in behaviour. Kassarjian, as described above, suggests a classification of involvement based on individual personality factors, the high involved, the low involved "detached" and the low involved "know-nothings". He also wished to ascertain whether the interaction of personality involvement with a product or situation determines consumer response. Figure 1 considers the relationship between personality involvement factors and situation or product involvement.[33] To the writer's knowledge this six matrix personality classification system has not been tested before. Thus the main objective of the research was to cross tabulate each of the personality factors, i.e. high involvement, low involvement/detached and low involvement/know-nothing, with responses to advertisements to see if high involvement personality produced counter arguments in a high involvement situation and low involvement detached personalities showed little interest in advertisements in a high involvement situation. Given that Kassarjian's final group the 'don't knows' and 'don't cares' are rarely found in research, as they tend to ignore questionnaires and refuse to partake in any form of research, it was not expected that this group would be found in the present study.[34]

Kassarjian's matrix of involvement (Figure 1) can be measured in two ways.[35] While it is generally agreed that involvement stems from consumer decision making which is involving, researchers also refer to product categories as having high or low involvement.[36] If one takes the viewpoint that there are high and low involving product categories then it is not necessary to measure product involvement as such in the Kassarjian matrix — measurement can be concerned with personality factors which is the approach taken in this research. A major appliance such as a fridge or washing machine was chosen as a high involvement product and groceries as a low involvement product. An alternative measurement approach would be where every product from bread to cars might be classified as high and low involvement products depending on individual consumers. In this case both personality factors and product involvement would have to be measured.

Kassarjian's personality classification of high and low involvement was tested by asking consumers to mark off statements that they felt matched the way in which they bought a major appliance such as a fridge or a washing machine. The following are examples of personality types for the high involved product. Extensive search, knowledge of brands and maintenance of product interest characterised the high involved personality type. Initial product interest with the product being forgotten about after purchase characterised the low involved detached personality type. Buying the cheapest product and not caring which brand was bought characterised the low involved know-nothing personality. For a low involved product respondents were asked to assume that they were buying a grocery product. The following are examples of personality type reaction in the low involvement situation. The high involved personality type in the low involved situation would be typified by conscientious shopping (only buys top quality and is price conscious). The low involved detached personality type would be typified by little interest in advertising and would not deliberately seek out brands. The low involved know-nothing personality type in the low involved situation would be typified by a lack of interest in brands and buy the cheapest.

Thought verbalisation methodology was used to determine advertising involvement. Thought verbalisation, or message evoked thoughts, has become popular in persuasion research. In a review of thought verbalisation studies, Wright concludes that "verbalised thoughts may be valid indicants of some audience processing activities".[37] Respondents were asked to describe what happened during any paint advertisement on television which they had seen during the week in which they received the questionnaire. Respondents received the questionnaire at the beginning of the first week in June 1986. Respondents in this study could pick their own time periods to fill in a questionnaire, which could have been a few days after receiving the questionnaire or immediately they saw an ad. It was felt that this would remove researcher identity and respondents would thus express themselves more freely. These descriptive statements were then coded by using a system developed by Park and Young.[38] The codes were mutually exclusive. The codes were as follows: counter arguments which were any statements that disagreed with statements expressed in the ad; source derogation statements were those that downgraded the source or aspects of the ad; support argument statements included source bolstering and whether respondents showed agreement and liking for the ad or brand. Examples of low involvement statements included a mention of brand name only and statements revealing no interest. Affective involvement thoughts were represented by aesthetic thoughts, perceived image, and thoughts referring to self image. It was expected that the interaction between personality and advertising involvement would imply that the high involvement type would be affectively involved with the ad, would counter argue and source derogate the ad; that the low involved detached would have a low involvement attitude to the ad, and would source derogate; and that the low involved know-nothings would have a low involvement attitude; and that there would be a moderate level of support arguing across all personalities.

Paint was chosen as a product because the researcher felt that it was the type of product that would reflect both high and low involvement. All of the major paint manufactures advertised during the first week of June. Respondents were free to choose whichever ad they wanted to describe. It is the researcher's opinion that some ads were affectively based such as the painting by numbers for *Crown* paint, the *Valspar* 'doll's house' ad, and the *Dulux* ad 'with the dog', although these did have cognitive or informational statements, while the *Berger* ads were predominantly cognitive. The results showed that there was no major difference in evaluation of ads. However, with respect to the *Berger* ads, less people were affectively involved and more people support argued.

At the time this research was conducted all affective responses were grouped into one response. Over the last few years a considerable amount of research has emerged on the affective area and in particular on emotion. The most popular methodology used to determine emotional responses is a response scale similar to one introduced by Wells, McConville and Leavitt.[39] These response scales represent a state of emotion; that is, whether or not an ad is happy. This is very different to a consumer response to an ad, for example, "the ad made me feel happy". The latter requires a process measure, and while the categorisation of responses in this study, particularly the affective area, is not as broad as it could be, both the cognitive and affective responses are measured by using a process methodology and not a mixutre of process and state.

The aspect of the overall study that is reported in this paper relates to a questionnaire conducted on the Attwood panel and will be referred to as the Attwood questionnaire in analysis of results. Attwood is a market research company providing consumer and market research on consumer panels. Out of a total sample of 1500, there were 948 replies, which is a postal return of 64%. Of the total number that replied, 66% represented the Rest of Ireland and 34% represented the Dublin Area. Households without children represented 40% of the Rest of Ireland and 38% of the Dublin Area. Households with children represented 60% of the Rest of Ireland and 62% of the Dublin Area.

RESULTS

Personality Categories

Kassarjian's personality classification suggests three categories of typical behaviour in the low involved situation and three in the high involved situation. Figure 2 gives the total counts for each personality category in each situation. There were more people in the high involved personality group/high involved situation than any other category. In the low involved situation distribution of households was more evenly spread among the three personality types. One could conclude from the findings in Figure 2 that it is possible to segment markets on the basis of involved personality type. With regard to purchase and use of paint one would expect the high involved personalities to differentiate between brands and to be a trade or experienced painter if paint was a high involvement product. This was not the case in that roughly 45% of each personality category thought brand paints were similar and 57% of each category described themselves as inexperienced painters.

Figure 2
Personality Type Shopper

		Situation Effect or Product Involvement	
		High	**Low**
Personality Factors	High Involvement	*418 / 188* *66% / 59%*	*318 / 170* *50% / 53%*
	Low Involvement "Detached Type"	*146 / 93* 23% / 29%	*182 / 88* 29% / 28%
	Low Involvement "Know-Nothing"	*67 / 36* *11% / 11%*	*131 / 59* *21% / 19%*

Advertisement Assessment
Before examining advertising opinion codes in detail it is necessary to point out that 256 households or 40% in the Rest of Ireland and 114 households or 36% in the Dublin Area, did not reply to this descriptive question. The individual codes are evaluated on the total responding sample, and not the 60% responding to this particular question. This is quite a high percentage and may mean that thought verbalisation is confined to face to face interviews. Another reason for failure in response may be that respondents simply did not see the ads on television during the week in which they received the questionnaire. The introduction of remote control for television has meant that advertisers do not know if an audience is exposed to an ad; the above response could imply that forty percent were not. In the case of individual codes, only 1% on average of the households in all demographic categories in both the Rest of Ireland and the Dublin Area counter argued with the ad. This implied a lack of high involvement. Similar results were found for source derogation, where 3% in the Rest of Ireland and 1% in the Dublin Area derogated the source. Again there were no major demographic or regional variations. In fact, in all codes there was very little difference between the averages on all demographic and regional variables. The average for support argue was 20% in the Rest of Ireland and in the Dublin Area; the exception to this was 27% of the under 35's who support argued in the Rest of Ireland. The average for affective involvement or image identification was 14% in the Rest of Ireland and 16% in the Dublin Area. The average for those who were low involved was 21% in the Rest of Ireland and 25% in the Dublin Area, with no major differences demographically. Figure 3 shows the total opinion responses.

Personality and Advertising Opinion Codes
The main objective of this study was to examine the interaction between involved personality type and individual responses to the ads evaluated. This interaction can be achieved by cross tabulating type of shopper with advertising codes (Figure 4). On the whole respondents did not consider that the ads were high involving, as there was very little counter arguing or source derogating. There was no difference between personality types in the high involved situation or the low involved situation. Of those who support argued in the low involving situation, 31% were the high involved personality type; 34% were the low involved

Figure 3
Advertising Opinion Codes

	Rest of Ireland	Dublin Area
Counter Argue	8 1%	4 1%
Source Derogation	18 3%	3 1%
Support Argue	126 20%	63 20%
Image Identification/ Affective Involvement	86 14%	52 16%
Low Involvement	133 21%	81 25%

detached; and 35% were the low involved know-nothings. Of those who affectively evaluated the ad, 23% were high involved, 23% were low involved detached and 30% were low involved know-nothings. The biggest percentage of each of the personality types described the ad in a low involving manner: 39% of the high involved in the low involved situation described the ad with a low involving statement; 37% of the low involvement detached used a low involving statement; and 31% of the low involved know-nothings used a low involving statement. It was expected that the low involved know-nothings would have formed a greater percentage of the low involved statements.

Figure 4
Personality Type and Advertising Opinions

	Counter Argue	*Source Derogate*	*Support Argue*	*Affective Involvement*	*Low Involvement*
LOW INVOLVED SITUATION					
High Involvement	7 2%	12 4%	99 31%	71 23%	121 39%
Low Involvement "Detached Type"	4 2%	6 3%	61 34%	42 23%	66 37%
Low Involvement "Know-Nothing"	1 1%	3 4%	29 35%	25 30%	26 31%
HIGH INVOLVED SITUATION					
High Involvement	10 3%	15 4%	124 32%	88 22%	149 38%
Low Involvement "Detached Type"	2 1%	5 3%	60 37%	39 24%	55 34%
Low Involvement "Know-Nothing"	0 0%	1 4%	5 19%	11 41%	10 21%

What was interesting was that in answering the descriptive question, a percentage of the people who bought a paint or who were high involved shoppers did not answer this question. The percentages rose considerably from the high involved to the low involved know-nothings. For example, of those who did not answer the descriptive question in the low involved situation, 36% were conscientious or high involved people, 33% were unconscientious or low involved detached and 56% were cheapest buyers or low involved know-nothings. In the high involved situation the same percentages held for the high involved and the low involved detached, but the low involved know-nothings increased to 74%. This means that the less involved the personality type, the less likely they will complete a descriptive evaluation in comparison with other personality types.

Discussion of Results

This section discusses conclusions in relation to involved consumers and advertising involvement. Personality factors could not explain differences in advertising involvement. Roughly the same percentage in each personality type group evaluated the ads in similar involvement manners. For example 32% of high involved personalities support argued, and so did 32% of the low involved personalities, (the low involved detached and the low involved know-nothings).

The first conclusion is that the high involved personality type has a moderate level of affective involvement. It was expected that more people in the high involved group would be affectively involved. This was not the case; in fact a larger percentage of the low involved know-nothings were affectively involved. However, in terms of total counts it was a much smaller number. The literature suggests that affective involvement is more attributed to high involved people,[40] because these people are so experienced with a product they like it and the same for the ad. One possible explanation for the percentage of low involved know-nothings who were affectively involved, is that these people found that the easiest way to describe the ad was with a favourable, short story type response, indicating attraction. It could also be that respondents like the dog in the paint ad but did not have any interest in paint. Research to date has not concentrated on the affective side of involvement and further research may show whether the above findings indicate that the low involved know-nothings are just as likely to be affectively involved as the high and low involved detached.

The second conclusion is that high involved people do not source derogate even though there are low levels of counter arguing. It was expected that more high involved people would counter argue or source derogate. This was not the case. Wright found that the more involved women were with the content, the higher the corresponding level of counter arguing.[41] There was however only a slight amount of counter arguing in this study. Wright also found that low involvement with content produced more source derogation and that maximum source derogation occurred under conditions where counter arguing was minimal.[42] It was decided to see if this was the case, and it was not. The reason for this is that the ads are processed in a low involving affective state, although there is little counter arguing. Instead of source derogating, affective statements are made. In previous studies the main focus of attention centres around Wright's classification of responses such as counter arguing, support arguing and source derogation. Previous studies however, do not consider that there is another type of response due, not to high or low involvement, but to affective involvement, and that is an affective response. It is now suggested that where there is a high level of source derogation in a low involving situation, there will be a low affective involvement level. The opposite is also true for a low involving situation. Where there is a high level of affective involvement, there will be a low level of source derogation, which is the case in this study. In the high involvement situation it is suggested that where there is a high level of counter arguing, there may be a moderate level of affective involvement with the ad.

Another reason for the high level of affective involvement is that the medium used is television, and if one considers the type of ads that are most popular, the *Dulux* dog ad and *Valspar* doll's house ad, it is easier to display controlled affective images through television. This may not be the case with the print medium. This leads to the conclusion that involvement may vary due to the nature of the medium and the processing capacities of the individual. Preston strongly believed in the nature of the medium and concentrated on arguing how it was the nature of the medium and not the processing capacities that caused the variation in involvement.[43] The conclusions in this study do not support this argument but suggest that the nature of the medium will particularly affect affective involvement.

The third conclusion is that the low involved detached have a low involvement attitude to the ad. It was expected that the low involved detached would have a low involving attitude; one can conclude that this was correct in that a third of the percentage that fell into this category did have a low involved attitude. When one considers that 56% of this category did not answer the descriptive question, one wonders whether or not this 56% represents the real low involved detached, who may have had a low involved attitude. Further research is necessary to answer this question.

The fourth conclusion is that the low involved know-nothings do not clearly have a low involvement attitude to the ad. It was expected that the low involved know-nothings would not source derogate but would have no interest whatsoever in advertising and would merely make a comment such as "I have no interest in ads or advertising". One can conclude that the majority of low involved know-nothings did not have a low involving attitude to the ad. If one were to combine support arguing and affective involvement, the clear majority would fall into that category. It is suggested here that support argument is dependent on affective involvement and that where there is a moderate level of affective involvement there will be a moderate level of support argument.

The last conclusion relates to all personality types and support arguing. It was expected that for low involvement paint advertising there would be a moderate level of support arguing across all personality types. Wright found no evidence of involvement affecting the level of support arguing.[44] This was also the case with this study, except for the low involved know-nothings in the high involved situation, where the level of support arguing dropped considerably compared to the other personality types. The reason for this was that there was an increase in affective involvement, which would indicate that if there is a high level of affective involvement there will be a low level of support arguing.

However the personality classification was very evident among those who did not answer the descriptive ad evaluation question. The issue is how useful is the personality classification in reflecting advertising involvement. The answer is that personality types are undifferentiated in ad evaluation and differentiated in those who are unprepared to answer this type of question. Kassarjian suggested that it would be difficult to get the low involved know-nothings to answer typical research questions.[45] However if Kassarjian's classification is to be useful in advertising or consumer involvement then it must be possible to measure the personality types and from an advertising perspective these different personality types must process ads differently. Otherwise there is little point in using this classification.

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THE MARKETING CHALLENGE OF 1992

M. Frank Bradley, University College Dublin

Summary

The marketing challenge facing Irish firms arising from the completion of the internal market in 1992 is examined in the context of global competition and the need for a strategic marketing response. Using company level data drawn from local and international sources, success factors for corporate survival in international markets are identified. These success factors are matched against the responses of Large Scale Indigenous Companies, Foreign Owned Companies and Small and Medium Enterprises operating in Ireland on the basis of an internationalisation effectiveness scale. Firms in the three categories are shown to be deficient in many respects. Public policy initiatives to select and support growth firms attempt to redress a number of these problems but fail to distinguish between corporate and entrepreneurial survival and growth, making it difficult to pick winners, which directly influences employment and profitability. A separation of macro environmental and company based initiatives must be made. The latter include marketing responses at the company level. The required marketing response consisting of a series of initiatives in the areas of product-market development, cost competitiveness, company growth factors and marketing professionalism to meet the challenge of 1992 are analysed for their value to Irish firms. Only firms which determine appropriate strategic growth paths that include an international marketing dimension are likely to survive and grow.

Among the more significant responses by successful companies worldwide to the removal of protective barriers and globalisation of markets has been the almost frenetic search for new ways of entering and staying in foreign markets. The strategic concern lies in seeking ways of establishing effective equity and non-equity ways of entering and developing foreign markets through exporting, foreign direct investment and corporate alliances based on joint ventures and licensing. For many firms, some or all of these approaches to competing in international markets represent new challenges and opportunities.
The challenge in a competitive environment is corporate survival and the opportunity is growth through internationalisation. A new boost for the internationalisation of European firms occurred in 1985 with the publication of the EC White Paper on Industrial Policy, *Completing the Internal Market*. The signing of the Single European Act in 1987 has given additional impetus to this process. The question now facing managers is to what extent are they preventing the development and growth of their firms by adhering to the delusion of protected domestic markets instead of adapting to a changing world which is becoming increasingly international.

This paper attempts to examine some of these questions and shows that it is important for managers to think and behave strategically and to operate effectively, however difficult that might seem. As a second theme the paper examines the impact of completing the internal EC market and outlines the threats and opportunities associated with the completion of the internal market in the EC in 1992. Under these circumstances firms must deal with rapid change calling for new strategic thinking, and they must also deal with discontinuity in the marketing environment which requires a radical examination of the company resource base. Finally, the paper outlines the required marketing response for company survival and growth in international markets. Aspects of this paper were presented at a conference held at University College Dublin (Bradley 1987).

THE MARKETING CHALLENGE

Competitiveness for the firm refers to its ability to increase earnings by expanding sales and/or profit margins in the market in which it competes to defend market position in the next round of competition as products and processes evolve. Competitiveness is almost synonymous with a firm's long-run profit performance relative to its rivals. An analogue exists at the national level, but it is much more complicated (Cohen, et al 1984).

A nation's competitiveness is the degree to which it can produce goods and services that meet the test of international markets while simultaneously expanding the real incomes of its people. International competitiveness at the national level is based on superior productivity performance and the economy's ability to shift to high productivity activities, which in turn can generate high levels of real wages. Competitivenes is associated with rising living standards, wealth, expanding employment opportunities, and the ability of a country to maintain its international obligations. It is the country's ability to stay ahead technologically and commercially in those product-markets likely to constitute a larger share of world consumption and value added in the future and not just the ability to sell abroad to maintain a trade equilibrium that is the key to national competitiveness.

Impact of Global Competition

To understand the issues the dynamics of competion in international markets must be clarified. Three different competitive situations are encountered (Cohen et al 1984). The Newly Industrialising Countries (NICs) are entering European markets by combining, in varied formulas, low cost labour, government promotion, and standard mature technologies. European firms have responded in three ways to such competition: off-shore production to match foreign labour costs, specialty products to move competition away from price, and innovative automation to reduce the labour content in manufacturing to become a low cost producer.

The Author

M. Frank Bradley is R & A Bailey Professor of International Marketing and Head of the Department of Marketing at University College Dublin where he teaches marketing and international marketing on undergraduate and postgraduate programmes. Dr. Bradley's major research interests concern the application of strategic marketing to the growth of the firm in international markets.

The second competitive situation arises in industries were product quality and costs depend on the mastery of complex manufacturing processes; success depends on factors such as the quality and speed of product design, the organisation of production and service, e.g. cars and TVs. Competition in such industries tends to be concentrated among the advanced countries of Europe, North America and Japan.

In the third situation are high technology industries where advances in product performance based on research and development are critical. As advanced products are copied, however, holding markets in high technology competition depends on good manufacturing and good marketing since the pace of imitation is faster because competitors are closer to the same technology frontier and because design processes can be accelerated.

The common feature of these three forms of competition is the importance of manufacturing and marketing systems to retaining industrial competitiveness in international markets and the ability of firms to understand and cope with the interaction between them. Even in the so-called haven of technology, the long-run competitiveness of firms will rest on their ability to translate product advantage in to enduring market position through the application of sophisticated marketing expertise. It is the position of the firm relative to its competitors that is important. Other European, Japanese and other Far Eastern firms continue to spend large sums in marketing investments. Treated creatively marketing investment should be included on the balance sheet as an investment and not treated as an expense to be minimised.

Challenge of 1992

It is the neglect of investment in marketing among firms in Ireland that gives cause for concern. Because little such investment appears in the balance sheet it tends to be accorded a low priority. Like any other investment in the firm, investment in marketing is the key to survival and growth. A distinction is made between internal company controlled marketing assets and market assets controlled by others but used by the firm. Marketing assets consists of long term commitments to the development of products, markets, and marketing systems within the firm, many of which are human resource related. In contrast, market assets are those controlled by other companies but which the firm can gain access to through business relationships, e.g. a customer's knowledge or demand for a specific product, a distributor's storage capacity, a network of dealers in France, a marketing data bank maintained by a government support agency, to mention a few. By viewing commitments to marketing activities and markets as investments, the firm is forced to take the longer viewpoint which coincides with developing strategies for long term profit, corporate survival, and company growth.

The successful firm caters for its customer within the context of the firm's competitive environment which has become increasingly international (Bradley 1985a; Hayes and Abernathy 1980, 68; Simon 1984; and Wind and Robertson 1983, 15). The competitive milieu consists of domestic and international customers and competition and national and EC public policy and regulation. It is influenced by social, cultural and educational trends in Europe and the rest of the world. The international marketing environment directly affects the strategic options open to the firm and, as a consequence, affects the kind of structure most appropriate for international marketing operations (Bradley 1985a; Bradley, Hession and Murray, 1985). It is not the marketing environment itself that is important but the firm's ability to cope with it (Bradley 1987). In the rapidly changing technological environment that characterises international markets there are few frozen market niches (Albernathy, Clark and Kantrow, 1983). Furthermore, the "most endangered companies in the rapidly evolving world tend to be those that dominate rather small domestic markets with high value added products for which there are smaller markets elsewhere" (Levitt 1983, 94). Attention must be focussed on the missing link in developing a competitive strategy for success in international markets: investment in marketing to produce an international orientation and an ability to compete successfully in international markets.

A standardised approach to the domestic market is frequently adequate because buyers and conditions are homogenous. To succeed in international markets it is necessary to develop multidimensional strategies. It is myopic to consider exporting as the only or primary way of entering foreign markets. By ignoring licensing, joint ventures and direct investment market entry modes, many firms effectively limit their strategic options to those markets which are best served by exporting (Bowers 1986).

Other foreign market entry modalities are increasingly being used by Irish firms. Foreign direct investment and equity joint ventures are now quite common (O'Donoghue 1986). With joint ventures, licensing and other alliances, as with other aspects of internationalisation, the relevant measure of the character of competition is not a simple calculation of market share but a careful determination, at a given point in time, of the precise relationships among market preferences, technical configuration and competitive focus (Abernathy, Clark and Kantrow, 1983, 50). The internationalisation of the firm and industry tends to redefine what it takes to be successful. The conventional wisdom of growth through exporting only may not be all that meaningful for the longer term development of the firm but continues to be applied through policies at national level. Herein lies a potential for conflict between macro and micro policy aimed at supporting internationally competitive firms. It is because competitiveness has different meanings for the firm and for the national economy that such conflict may occur.

General Marketing Implications of 1992

The creation of a large internal market in Europe is expected to create opportunities for production and distribution economies of scale which have not been feasible to date. The internal market with 320 million people will be larger than either the domestic market of the US or Japan. However, the nature of the internal market will not be comparable to a large domestic market. Linguistic and cultural divergences will remain intact for a considerable period. Economies of scale in production do not necessarily mean economies of scale in marketing — or at least not in all aspects of marketing. It will be necessary, for example, to continue to tailor many products, expecially low technology products such as food and clothing, packaging, and promotion to individual country-market requirements.

A single European market will pave the way for cross-border mergers and joint ventures. New modes of co-operation between firms may be developed. It is likely that existing distribution channels will change in nature and size in response to the elimination of physical, technical and fiscal barriers. Many of these changes are already in evidence but their full impact has not yet been felt. Among the major requirements for proper preparation for 1992 will be the development of a capacity to adapt to rigorous technical and marketing standards and the development of flexibility and adaptability in the modes of market entry chosen. The narrow interpretation of exporting as a sales mode may well diminish in importance as other modes such as joint ventures, licensing and foreign direct investment gain in strategic significance. In a large internal market, segmentation strategies will become increasingly important. Opportunities for imaginative segmentation are likely to emerge. It is almost certain that success will accompany those firms which, through strategic thinking regarding the possible consequences of 1992, are prepared for it while those that continue to operate in an opportunistic fashion will be eliminated by the brute force of competition.

In this context a word of warning may be appropriate. It will be important to avoid the situation which arose during this country's entry to the EC in 1972. Before joining the EC, traditional industry was cajoled into preparing itself for the new competitive regimes which would exist under EC membership. Most of these traditional industries were not ready and found the adaptation requirements impossible (O'Mahony 1985). In the meat and dairy products industries export development regressed after joining the EC (Bradley 1980). It will be important, therefore, to ensure that in the lead up to and for a period after 1992 that Irish companies do not suffer from retrograde policies and ill-conceived management decisions. It will be essential for corporate growth and development to avoid knee-jerk reactions to the competitive situation.

INTERNATIONALISATION OF BUSINESS IN THE EUROPEAN COMMUNITY

The pressures from each of the forms of competition described above are moulded by the concerted strategies of foreign governments like Japan, Korea, Brazil, and the US, through its Department of Defense, to promote national industrial development and to enhance the competitive position of their firms. The Japanese government's systematic policies have helped move the economy from labour intensive manufacturing such as textiles, to income elastic products such as televisions, cars, computers and aircraft. Similiar competitive pressures are present in countries like Brazil which has managed to penetrate the US steel and light aircraft industries. Clearly, therefore, comparative advantage can be created and it is the belief in such creation that has encouraged many countries, including Ireland, to play an active role in the development of local firms.

EC Policy Focusses on International Competition

Increasingly battered by competition from the US and Japan, European companies are pre-occupied with achieving the critical mass that will give them R+D strengths, economies of scale and marketing clout to meet the challenge. The EC still does not, however, have the catalytic influence on industrial development as is exerted by the public authorities in the US or Japan, or, as already mentioned, the NICs. In these situations governments have the power to sponsor business development. The EC has only a fraction of the leverage enjoyed by the government departments in the US (especially Defense) over industrial R+D. Neither does the EC possess the scope for industrial targeting coupled with a systematic co-operation between all the economic actors needed to achieve such targeting, which is the hallmark of Japan's MITI. Co-operation with business seems to be the foundation of Japan's industrial strategy. Co-operation and sponsorship appear to be the key policy issues of the late 1980s and 1990s. Underscoring the EC Commission's new role must be need to integrate policies on trade, industry, competition and R+D, at present pursued separately, into a welded single competitive strategy designed to improve the performance of European business. The need is for an effective European response in the form of high technology alliances and co-operation. This is beginning to happen as evidenced by the many and varied cross-border alliances and joint ventures at the corporate level in Europe.

The lessons from such worldwide industrial developments and corporate alliances have not gone astray in Europe. The French have been successful in promoting internationally competitive firms in telecommunications, aerospace, nuclear energy, off-shore engineering and transportation equipment. The Irish too have had their share of success as have the Scots, the Austrians and the Danes. In addition, it is noteworthy that European successes have not been tied to the inimitable cultural and social pecularities of Japan, especially its management traditions. It will be interesting to see how the EC Commission responds to these country initiatives. Will the Commission seek centralisation of developments and integration or will it encourage the growth of enterprise where it occurs? One thing is clear, a European-wide departure regarding industrial policy for international competition seems inevitable.

There are two clear signals regarding the approach of the EC to industrial policy. First, since the publication of the EC Commission's White Paper the Commission appears to be moving closer to business and in so doing it is distancing itself from the formal EC decision making process (Commission of the European Communities 1985). The White Paper is designed as a charter for business involvement in the attainment of EC market goals in a variety of sectors including foodstuffs, pharmacueticals, tobacco, motor vehicle manufacturing, banking and insurance. The cause of European integration is carried forward drawing on and deliberately fostering a new constituency: European international business. The second factor which is expected to assist in bringing about industrial integration in 1992 is the Single European Act which permits majority voting in the Council of Ministers in many circumstances. From various utterances and from the White Paper itself it would seem that the Commission has adopted a strong interventionist role in the area of industrial policy. Its new tasks include the channelling of the requirements of business into the political process, agreeing with business the nature of the problems facing industry in specific sectors, acting as a public fund raiser for industry's needs, and acting as a joint leader with business to nurture European projects in strategic sectors. Business is beginning to integrate Europe.

For survival after 1992 a positive response is required. The turbulent change in the environment implied will bring with it very dramatic consequences for the unprepared. Because of the magnitudes involved, the 1990s must be viewed as a period of marketing discontinuity whereby it will be very difficult, if not impossible, to predict environmental change. It is not all bleak, however. The behaviour of firms under stress in a period of discontinuity and the lessons to be learned from previous occasions may be salutory (O'Mahony 1985).

Response of European Firms to the New Competition

Management thinking today focuses on two major problems. The first is the ever pressing problem of dealing with change and the long term goal of matching corporate aspirations with those of society in general, tasks which are more complicated as firms internationalise and must manage in numerous socio-cultural and political systems. In such circumstances the theory and practice of management should acknowledge no frontiers other than those imposed by laws, cultural mores and the personal limitations of managers. It is debatable whether many firms in Ireland have become more flexible, adaptable and efficient in recent years and capable of overcoming the two problems outlined. A change in attitudes is still required (O'Grady 1987). A more positive orientation in business is required to ensure that the benefits are captured and to avoid opting out of the 1992 process.

The older generation of managers in Europe has been characterised as operating in a protected system and closed network whereby too many deals were done with one another and with trade unions which benefitted neither customer nor supplier. As a result the orientation of such managers is nationalistic in the extreme. A new type of manager has appeared in recent years, however, with whom we can count a number of our own, which is energetic, assertive, financially sophisticated and committed to progress through merit rather than connections or protection. The challenge for these managers in the next decade is whether they can continue to be European and global. There is considerable evidence that they can.

Recognising that a key strength of the US and Japan is a large uniform domestic market, European businesses are beginning to discard the antiquated idea that prosperity derives from protected markets. For many European firms this means large organisational changes while for others it means cross-border alliances to create global companies. A typical organisational response arises when firms observe the growth of EC markets and the new ease in advertising across borders. Under such circumstances it makes sense to switch from country based subsidiaries to a system organised along product lines. The recent spate of organisational change in many of the world's largest marketing companies is evidence of this phenomenon (*International Herald Tribune* 1987). The new organisational structure would require multilingual product line managers sensitive to cultural differences. These kinds of change are already beginning to occur in Europe and their impact in this country is manifest especially on the management of foreign owned firms. It will be difficult for policy makers and executives in development agencies to counteract the inevitable impact these pressures will have on the product portfolio of foreign companies establishing or expanding in Ireland.

European firms have, therefore, become more international in the past decade and continue to do so. Internationalisation of the European firm has arisen through a unique combination of management strategies and tactics (*International Management* 1986). The ways in which successful European firms achieve international status is through a concentration on a six stage process (Figure 1).

Figure 1

Successful European Firms Achieve International Status in Six Steps

1 *Increased efforts to foster a global corporate image*

2 *International alliances to expedite the acquisition of new technologies, products and new foreign markets*

3 *Sourcing more products and components from foreign firms*

4 *Increased foreign market budgets*

5 *Customising products to specific foreign markets*

6 *Changing the international executive's work habits to shorten his/her learning curve for going international through:*
- *improving fluency in at least one foreign language*
- *more frequent foreign travel*
- *reading more foreign publications*
- *attending more foreign conferences*
- *greater use of worldwide telecommunications*

Source: International Management (1986)

Other studies have reported that the most striking differences between high performance European firms and average companies are not just their professed commitment to high scores on strategic values but rather the emphasis these firms give to implementation. For high performance firms five factors were found to be highly correlated with success, the most important being quality (Figure 2).

Figure 2

Success Factors for High Performance European Firms*

1	Quality of product/service	— a marketing concern
2	Efficient technology	— a manufacturing concern
3	Efficient marketing systems	— a marketing concern
4	Ability to recognise market gaps	— a marketing concern
5	Effective educational programmes	— marketing and other functional area concerns

*Ranked in order of importance

Source: Adapted from *International Management* (1986)

Contrary to the conventional wisdom that perceives finance as the primary factor behind corporate success, marketing factors tend to be more critical among high performance firms. Perhaps the frequent complaint by Irish firms about the lack of finance should be read as a symptom of a problem arising under one of the above headings rather than as a shortage of finance.

CORPORATE RESOURCE BASE IN IRELAND

Corporate independence and national growth will, to a large extent, depend on the kind of firm which is encouraged to compete in the environment discussed above. The kind of firm promoted in Ireland, or more precisely, the portfolio of firms which have evolved, is not particularly suited to international competition. Three types of firm have evolved; the large scale indigenous firm, the small enterprise, and the new foreign owned firm (Bradley, Hession and Murray 1985). Research work in the Centre of International Marketing Studies at University College Dublin has attempted to classify firms in Ireland according to their position on an internationalisation scale. The basis of classification is the evaluation of firms on four factors specifically related to international markets: competitive advantage, managerial aspirations, management expectations, and organisational commitment. It is well documented that success in international markets depends on how well firms respond to these four sets of factors (Bradley 1987; Cavusgil and Nevin 1981; Johanson and Vahlne 1977; Mitchell and Bradley 1986; Wiedersheim-Paul, Olson and Welch 1978).

Internationalising Large Scale Enterprises

The large scale indigenous firms (LSIs) are, by and large, bureaucratic, inward looking and unable or unwilling to respond to the new international competition of the 1990s. Many of these firms operate in low cost industries which will be difficult to defend in the longer term against competition from low cost competitors and aggressive marketing companies seizing on the opportunities presented by the completion of the EC internal market. Many LSIs do not possess the management capacity nor resources required for strategic development. It is estimated that only one-third of the 600 firms of medium and large scale have significant potential to grow in internationally traded markets (Department of Industry and Commerce 1986, 40).

The competitive advantage of many large scale indigenous companies appears to be based on mature products, domestic markets, old technology, weak marketing skills, inadequate product-market information, and irrelevent business experience. Managerial aspirations in these firms reflects a myopic view of marketing, a domestic orientation, supply conditioning and strong motivational barriers resulting in a tyrannical short-run view. Management expectations among the LSIs reflect a lack of experience and low profit expectations, high risk perceptions, and lack of adequate market information leading to opportunistic marketing behaviour. Finally, the commitment to develop the organisation for internationalisation, must take place in the absence of the necessary strategic resources, marketing skills, and a dedicated marketing organisation since there has been little investment in foreign markets or marketing (Figure 3).

Internationalising Foreign Owned Enterprises

Foreign owned enterprises (FOs), on the other hand, are expected to continue to grow and survive on international markets. These firms, however, respond to management dictates and competitive factors located outside the national economic system. Investment in these firms is not influenced by factors within the firm but by determinants outside the country. In recent years the competition for mobile foreign investment has increased while the amounts available have declined. Majority owned foreign firms in 1986 accounted for 40 percent of all manufacturing employment in Ireland; it was much higher for chemicals, metals and engineering. US high technology companies dominate the foreign activity; 39 percent of all foreign firms in 1986 (Fitzpatrick 1987). Consequently, economic activity in the US, UK and Germany has a greater role to play in the growth strategies of foreign owned firms in Ireland than Irish based management. Furthermore, the "actual output and contribution to the economy (of these firms) is exaggerated due to the extent that transfer pricing is used (for tax purposes) to exaggerate Irish economy value added and the high levels of profit repatriation " (Department of Industry and Commerce 1986, 42). While corporate and national objectives and constraints coincide these firms will continue to compete internationally from a base in Ireland. Their continued presence in such large numbers here may be doubtful as the attraction of being located more centrally in a larger more open EC market grows.

Among foreign owned companies competitive advantage is based on weak marketing, HQ decisions, a production orientation and a strong dependency on other companies in the corporate network. Managerial aspirations are adversely affected by a limited functional configuration thereby treating business decisions myopically; profit and growth goals are given, and there is a strong affiliate and HQ orientation. Corporate dependency frequently stretches so far as to form institutional barriers to independent development of internationalisation strategies. Management expectations in FOs are defined for them under a strong bureaucratic influence emphasising production efficiency. Organisational commitment to internationalisation is weak because these firms lack marketing investment, lack of independence in resource allocation and commitment and suffer from bureaucratic control (Figure 3).

Internationalising Small and Medium Enterprises

The third group of firms, the indigenous small and medium enterprises (SMEs), arrive and depart depending on the economic policy of the day and on the whim of individual entrepreneurs. The essential ingredient for success among this group of firms is flexibility and adaptability. In the decade ending 1986 this group displayed a continuous growth in employment mainly coming from new entrepreneurial ventures. This group is also more heavily dependent on the domestic market. Many of the SMEs exist, by and large, to serve the other two groups. A number of these firms have grown and will continue to grow but they are very much in the minority. Apart from a few, these firms are also ill-structured, non-viable, and lack the marketing skills required to complete on international markets except in a subservient role (Bradley 1985c).

Among small and medium enterprises competitive advantage is based on weak management, domestic markets, a dependency on the state support system, since these firms lack the appropriate marketing skills and adequate product-market information. Managerial aspirations among SMEs reflect a tyrannical short run view of life, strong motivational barriers, a domestic orientation, resulting in a survival and

Figure 3
Determining the Capacity to Internationalise

Determinants	Large Scale Indigenous Firms	Foreign Owned Firms	Small and Medium Firms
Competitive Advantage	Mature Products & Technology	HQ Dependency	State Support System Dependency
Managerial Aspirations	Myopic	HQ & Affiliate Orientation	Survival & Tyranny of Short-run
Management Expectations	Opportunistic	Defined & Bureaucratic	Mixed & Unrealistic
Organisational Commitment	Inadequate Investment in Marketing	Little/No Investment in Marketing	Below Critical Mass

Source: See text for explanation and derivation production/sales orientation. Management expectations are mixed, unrealistic, based on a lack of market information and an unawareness of market requirements. Finally, organisational commitment is usually totally inadequate and below the critical mass threshold. These firms are often unaware of this deficiency and, therefore, do not attempt to provide adequate marketing investment and operate with almost no market investment (Figure 3).

Capacity to Internationalise is Weak

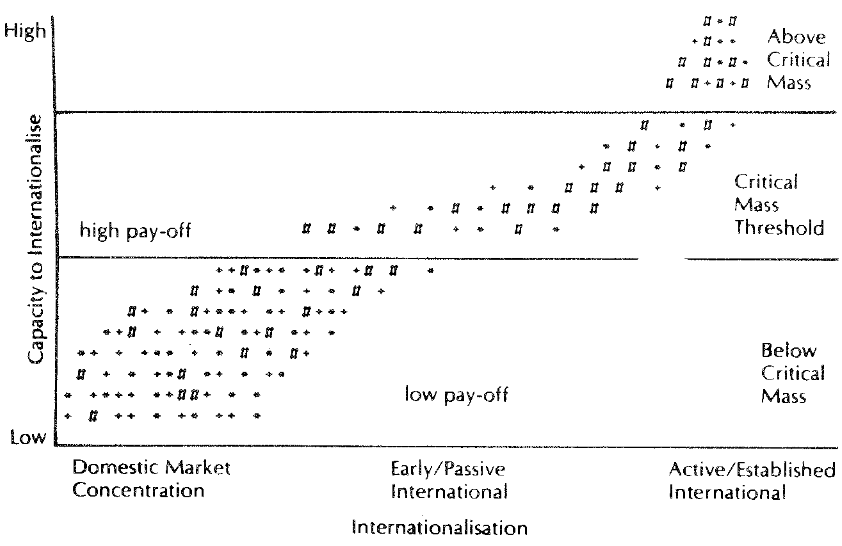
A detailed empirical analysis of the four groups of factors for firms in each of the three groups along the lines discussed above would determine the capacity of firms in each group to internationalise. Such an analysis would lead to a profile of firms in Ireland in regard to the extent to which they have reached the critical mass required for successful internationalisation (Attiyeh and Wenner 1981). On the basis of research carried out at University College Dublin on different sets of firms and by drawing inferences from published studies, a judgemental index of the capacity to internationalise was developed using the four indicators discussed above. The results of this analysis indicate that most firms have not reached the critical mass threshold required for successful internationalisation (Figure 4).

In order to reach the critical mass required for successful internationalisation the firm is required to invest proportionately more in managerial capacity, especially marketing capacity. Only when the firm reaches the critical mass threshold is there a significant pay-off in terms of internationalisation level actually reached. This is shown by the rapidly rising slope in the data in the lower left corner of the diagram: low pay-off investment in capacity; followed by a relatively flat part in the data; high pay-off for additional investment in managerial capacity. Firms are encouraged to invest sufficiently in marketing and managerial capacity to internationalise so that they reach the critical mass threshold.

A number of firms in each category have, however, reached the critical mass and are active and well established in the international arena and compete there quite successfully. These firms have demonstrated their ability to internationalise by engaging in foreign direct investment of various kinds, e.g. Smurfits, CRH and Glen Dimplex, to name some of the better known. They do so by using their high calibre management expertise abroad. In addition to these firms there is an increasing number of new firms which view international markets in strategic terms and accept foreign opportunities as the best way of achieving corporate

Figure 4

Internationalisation Profile of Firms in Ireland



* = Large Scale Indigenous Firms
# = Foreign Owned Firms
\+ = Small Scale Enterprises

Source : See text for explanation of derivation growth (O'Connor 1987). Some of these firms are foreign owned but many are indigenous. These firms would be positioned above the critical mass threshold, to the right in Figure 4. There are, however, myriad small firms which come into existence apparently to serve the others. This group, by far the largest, will be in a constant state of flux due to the sub-contracting and serving nature of their role. Because of their inadequate managerial capacity to internationalise many of these firms are condemned to the lower left hand corner of the figure. A small number survive to become early or passive international firms but most remain non-exporters and do not grow to any significant size. In the past, a major part of the state support for enterprise went in this group.

The key point of this discussion is that the vast majority of firms in all categories have not reached the stage where they could be said to be competing on international markets with any degree of confidence or stability. This is shown in the figure by the concentration of firms in the three categories in the bottom left hand corner, i.e. low capacity to internationalise, producing a strong domestic orientation.

The policy and management issues to be addressed are: to what extent will the new internal market in Europe encourage firms in each of the above categories? Will it be possible to prevent strong firms and their management from drifting to the centre of Europe? Will business and economic development in Ireland depend on the success of small firms? These two issues, company growth and the attraction of Ireland as a business location, will continue to pose important management and policy questions for some time to come.

Marketing Capacity for International Competition
To obtain information on the marketing asset position of firms in Ireland the raw interview data collected by consultants to the Consultative Committee on Marketing were re-analysed (Consultative Committee on Marketing 1984). The analysis and interpretation reported here are those of the author. The issues analysed fell under the three headings: (1) a behavioural orientation: marketing as the conceptualisation of a philosophy which is manifested as a strategic focus on the environment; (2) strategic marketing: the management process which focuses the resources, objectives and goals of the firm on opportunities which exist in the environment; and (3) marketing operations: the activity which involves decisions regarding products and services, physical distribution, channel structure, pricing, promotion and research (see Table 1).

It may be seen that marketing problems facing Irish companies vary by company characteristics. It is central to the present argument that behavioural problems are greatest, lower scores in Table 1, while operational problems are the least worrisome, higher scores in Table 1. This finding is true for indigenous and foreign owned firms, for all industrial sectors and for all sizes of firm. Furthermore, it is noteworthy that, in general, greater problems arise among indigenous and smaller firms. Firms in the agro-food sector appear to have greater difficulties at the strategic level than they do on the behavioural level. Operational issues arise more often among industrial firms whereas behavioural issues occur most frequently among service firms. These findings are consonant with a lack of experience among international marketing firms, little investment in markets and marketing, and weak structural configurations for the international marketing tasks.

While each of these findings is interesting in its own right the relative importance of behavioural and strategic issues is of crucial significance in the present argument. Firms attempting to internationalise must adopt a suitable orientation and encourage strategic thinking. Unless these two requirements are fulfilled, resources devoted to operational issues will continue to be wasted. It is in light of the above situation, that recent reviews of industrial policy and state support for company growth have occurred. The question now facing policy makers is: after more than 30 years of intervening in company performance how is it that Irish managers have improved the day to day operations in their firms but are still relatively weak in behavioural and strategic terms? Indeed how can we

Table 1

Marketing Asset Position of Firms in Ireland

Company Characteristic	Behavioural Orientation	Strategic Marketing	Marketing Operations
		Scores*	
Ownership**			
LSIs & SMEs	1.86	2.18	2.18
FO	1.90	2.54	2.52
Industry Sector			
Services	1.68	2.07	2.26
Industrial	1.90	2.22	2.16
Consumer	1.98	2.39	2.45
Agro-Food	1.95	1.84	2.45
Company Size			
< - 50	1.85	1.93	2.09
51 - 100	2.05	2.18	2.22
100 +	1.90	2.70	2.56
All Firms	1.85	2.22	2.44

* Score:
Performance: 1 = poor; 2 = moderate; 3 = good; 4 = excellent

** LSIs = Large Scale Indigenous Firms; SMEs = Small Scale Enterprise;
FO = Foreign Owned Firms

Source: Computed from raw data collected by the Consultative Committee on Marketing based on the responses of 100 companies drawn on a quota basis from major sectors and all sizes of industry in Ireland to reflect indigenous and foreign owned industry. The computations and interpretation are those of the author.

continue to justify state intervention of the nature and at the level experienced in the past?

COMPANY GROWTH THROUGH EXPORTING: THE POLICY DIMENSION

In recent years many reports have been published which attribute the weakness of exporting to the concentration of small firms in exporting which depend on outdated, narrow and unprofitable product ranges designed for the small domestic market. The managers of these firms, it is argued, have failed to recognise that their traditional export market, the UK, was increasingly being dominated by strong competition from other EC countries (Consultative Committee on Marketing 1984; Department of Industry and Commerce 1986). By direction of the White Paper on Industrial Policy (1984), Coras Trachtala (CTT) — the Irish Export Board — introduced a number of support programmes in an attempt to redress the situation. Among the programmes introduced were the Market Entry and Development Scheme (MEDS), Marketing Research, Group Marketing for Small Firms, Building Marketing Strengths in Firms, and Exporting of Services.

Policy makers believe that a number of the policy instruments listed above have produced indifferent results and in some cases have failed to reach short term targets. In a comment on the performance of a number of these schemes the Department of Industry and Commerce (1986, 47) stated: "This reflected the lower than anticipated number of firms participating in the new schemes. It is clear that this level of participation was due, in part, to the reluctance of firms to meet the new criteria for strategic marketing plans". In the same report, MEDS is described as a programme designed to help firms: "to undertake major developments in new or existing markets where substantial new investment is involved . . . MEDS projects generally cover a venture period of five years. The initial entry stage usually lasts for a two year period . . ." (p. 48).

Resulting from their assessment of the situation the Department of Industry and Commerce formulated the following guidelines for the application of the various support schemes:

- only firms which have a development plan based on a strategic marketing approach would qualify

- current CTT clients showing no capacity to develop would no longer be eligible
- assistance provided would cease after the market entry stage
- after launching new products firms would not receive assistance.

Given that MEDS was introduced in 1985 the above is clearly a premature assessment of its value. In addition, it is difficult to know how strategic positions and targets can be attained in the short run. The achievement of strategic targets is a long run objective and not an operational matter to be resolved in the short term. The policy changes outlined above reflect the disillusionment of the state support system with the indiscriminate provision of subsidies to new start-ups and small firms. An alternative interpretation of the behaviour of firms and enterpreneurs may help to explain the situation.

Entrepreneurnial Survival and Corporate Survival

Most state support schemes are designed to reduce the firm's costs with the ultimate objective of increasing employment. The assumption behind the provision of such support is that the subsidy influences the level of retained profits in the firm which in turn positively influences investment and employment. If only trading profit is influenced because of various leakages which can occur then the benefits of the subsidy may be small or accrue only to the promoters. The relationship which should be monitored is that between trading profit, investment and employment. There is no evidence that such research is carried out.

There is some evidence to suggest that many start-ups fail within two or three years and, for those that survive, that employment increases begin to flatten out after three to four years. This has led policy makers and government support agencies to believe that winners can be identified. The Industrial Development Authority has embarked on a programme designed to pick winners and enlarge small firms (Kerby 1988). This represents a very significant shift in policy because it recognises that there may be a difference between entrepreneurial survival and corporate survival. Policies to support start-ups favour entrepreneurs while policies for growth favour corporate survival. Individuals may be the directors of several companies especially in a small industrialising economy like Ireland where the state plays such a prominent role in development. Many such directors will have a portfolio of companies, some of which may be profitable, others starting up and others about to fold. For this reason it is important to make the distinction between corporate failure and entrepeneurial failure. The first reflects the closure of a firm for any number of reasons but this cannot be taken as a failure by directors who may continue to own other highly successful companies. Corporate failure rates are likely to overestimate the extent of entrepreneurial failure. Clearly, therefore, there is a need for policy makers to consider growth firms and not just start-ups. It is questionable, however, that the state support system, especially centralised support, can effectively intervene to produce growth and survival among firms.

Picking Winners is Difficult

Rapidly growing firms face many problems and benefit from customised support in a number of areas (Storey 1985). It has also been argued that the state support system should ensure the development of strong firms (Bradley 1983). The appropriate role for policy makers in such an environment is to provide the macro economic framework within which growth can occur. Policy makers and civil servants are not equipped to pick winners and they have a poor record in the regard (Department of Industry and Commerce 1986, 7). It is an empirical question whether there is a relationship between start-ups and winners and the evidence to date indicates that this relationship is tenuous. According to Mr. Albert Reynolds, the Minister for Industry and Commerce (1988), a recent analysis of small grant aided companies indicated that the average small firm had a 31 percent chance of collapsing, a 40 percent chance of remaining the same size, and a 29 percent chance of growing over an eight year period; and the majority of *growth companies* only progress to

(Now Taoiseach 1992)

the next size category while only one percent of such companies grows beyond 50 employees. This is a severe indictment of the application of public expenditure and the ability of such small firms to respond in the way desired.

A brief review of the situation facing firms in northern England provides a number of valuable insights. Defining a fast growth firm as one which reaches 50 employees within five years of incorporation, Storey et al (1987, 131-171) have shown that such companies are, by their second year of life, at least three times as large in terms of assets and employment as the average company in their sample. Second, fast growth firms tend to have lower trading profits but higher net profits supporting the view that the crucial element is a willingness to retain profits for re-investment. These firms also had professional directors with other corporate interests rather than being family owned and managed.

Two other factors are important to fast growth firms: the period of commencement and the industry to which the firms belonged. Certain periods tended to produce more high growth firms than others and growth was also influenced by industry membership. In a comment on these findings these authors strike a warning note: "the presence of professional directors is associated both with high growth and high failure rate companies" (Storey et al 1987, 170). This probably reflects the portfolio of companies held by the professional director. If entrepreneurs cannot bet accurately on fast growth companies how can the state support system pick winners? What is not in dispute is the opportunity for public policy to influence the odds through macro environmental instruments (Albernathy, Clark and Kantrow 1983).

THE REQUIRED MARKETING RESPONSE

Since the mid-seventies, rising foreign competition, from the Far-East in particular, turbulent financial markets and new technologies have created an era of rapid and painful change for companies. Many Irish managers, educated to operate in less volatile times with protected markets and a virtual guaranteed entry to the UK market under fixed exchange rates have stumbled badly in the past decade.

Product-Market Development

In order to avoid opportunistic response at the marketing operations level there are a number of things the firm should do and a number they should eschew. In a period of rapid change and discontinuity in the environment the firm should avoid knee-jerk reactions to difficulties in the marketplace. Successful product-markets can only be developed with patience and careful planning. Companies should, therefore, avoid attempting to introduce instant new products. Only products or product attributes with a very short life cycle can be introduced at short notice and without due strategic thinking. This is also a factor which should be considered by policy makers.

The company should also avoid attempting to develop instant new markets. In this context it should be realised that there are very few left and those that are left must be treated in a deliberate and strategic way. It is usually wrong to jump into markets; since markets follow certain rhythms the company may miss the opportunity. The clever strategy is to get in ahead of the crowd and enjoy the benefits of a developing marketing infrastructure. In this way the company avoids the bandwagon effect when the costs of serving the market begin to increase and then eventually drop off.

Cost Cutting and Restructuring

Cost cutting and restructuring are not strategic responses to the market but are reflective of failure to develop the appropriate marketing response (Porter 1987). Sometimes firms do not recognise this and engage in simple or serious cutbacks. The company should avoid cosmetic cutbacks. Expenses may be cut back but that type of strategy very often focuses and occupies managers' minds and shifts them from the main thrust of the business. The firm should also avoid the situation whereby very deep surgery is required. Deep surgery is a last resort all too frequently used by Irish companies in the past four to six years especially among LSIs. Deep surgery whereby significant parts of the firm are cut away can damage the firm's ability to perform in relation to its market. Situations arise whereby what remains of the company becomes risk adverse and resists any new ventures because of the fear of further deep surgery. In these circumstances only a revival of the economy at large will pull the firm back from the brink. This partly explains the weaknesses of the LSIs to meet the international marketing challenge and also explains some of the diversification activity of these companies, having reorganised as holding companies.

Company Growth in an Era of Discontinuity

To be sustaining, growth and development must come from within the company. It cannot be foisted on companies directly through grants and favourable loan terms or prompted through the establishment of committees as occurred in the 1960s. The environment facing companies in the next decade will be completely different from the present. As was seen in the previous section, further 'tinkering' with the constraints on enterprise will not bring the desired result. Policy makes can, however, work at the macro level to provide the necessary framework for competition in the 1990s. The hardware of such support would consist of financial and other incentives. The software, the more attractive option, consists of, among other things, providing through the education system the right people to manage Irish enterprises after 1992 (Bradley 1985c). Winners cannot be picked but must be developed (Storey et al 1987).

The question of overcoming these problems must be addressed. Successful firms recognising periods of discontinuity introduce a range of corporate changes realising that cost cutting is not enough. In such circumstances the basic philosophy of the firm is questioned. Corporate change means introducing new strategic thinking with institutional support within the company for a new environment. This means a thorough review of the risks facing the company. The company begins to react to discontinuity by tightening its risk review process and developing or strengthening strategic thinking within the company. This should be a continuing process and should be quite specific. In this context it is important, as was noted above, to distinguish clearly between behavioural change, strategic change, and operational change in the company.

Promoting Marketing Professionalism

Arising out of the discussion there are a number of implications for the managers of Irish enterprise and educationalists. Taking marketing education first, it is necessary that students graduating in marketing from various third and fourth level institutions and professional bodies receive an appropriate general management orientation as well as a solid training in financial management and analytical techniques. Beyond that, the marketing graduate needs a deeper appreciation of the distinction between strategic and operational marketing and a sense of career opportunities in each area. It is necessary that a career structure in marketing be developed. Many international companies have for many years recognised the need for customised training programmes. In recent years, CTT, the CII, FAS and the IGC and a small number of large companies have begun to recognise the problem and now provide formalised career entry structures for marketing graduates. The vast majority of Irish firms, however, neglect this important aspect of their development.

Academics also need to work with firms to ensure that career path opportunities in these areas are being developed with a sound understanding of the capabilities, expectations and needs of the graduate in mind as well as the company. Academics must also assume some measure of responsibility for promoting interest in marketing careers *per se* rather than fostering the notion that all successful managers are general managers. In a nutshell, marketing scholars need to stress the value of marketing professionalism. They need the tangible support of industry, however, to implement such professionalism in marketing education.

For senior management the challenge is to give clear signals to the marketing function. Senior managers must indicate established priorities and resolve the inevitable conflict between short term and long term financial marketing objectives. Performance and reward systems must be implemented that are consistent with the priorities and objectives. More innovative and entrepreneurial thinking cannot be expected in firms where strong sales management dominates the marketing function, where risk cannot be taken because failure cannot be tolerated and where the managing director emphasises finance or R & D or manufacturing rather than being the strongest support for marketing. The marketing function needs to think more innovatively and creatively and to take risks in the search for a competitive advantage in increasingly difficult markets at home and abroad.

Marketing people need to become more professional in marketing as opposed to developing a narrower sales competence or a broader general management competence. Senior management should assess the ways in which the firm's corporate culture and internal training programmes, where such exist, develop rote approaches to marketing. The development of marketing people and the marketing function is the responsibility of top management.

The accumulated evidence in Ireland shows that senior management of many firms have failed in these tasks because they do not understand them and because concerns for short run survival push strategic thinking down the list of priorities. Opportunistic market behaviour may be appropriate for short term success but to develop and grow the firm must think and act strategically. Ultimately the responsibility for the development of marketing in the company lies with the firm itself. Unless marketing is seen as an investment function with a strong sense for strategy, 1992 will represent a crisis and not an opportunity which will make it difficult for many firms to survive.

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thrust of the business. The firm should also avoid the situation whereby very deep surgery is required. Deep surgery is a last resort all too frequently used by Irish companies in the past four to six years especially among LSIs. Deep surgery whereby significant parts of the firm are cut away can damage the firm's ability to perform in relation to its market. Situations arise whereby what remains of the company becomes risk adverse and resists any new ventures because of the fear of further deep surgery. In these circumstances only a revival of the economy at large will pull the firm back from the brink. This partly explains the weaknesses of the LSIs to meet the international marketing challenge and also explains some of the diversification activity of these companies, having reorganised as holding companies.

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IMPLEMENTING THE MARKETING CONCEPT: A CASE HISTORY OF NORTHERN IRELAND ELECTRICITY

David Carson, University of Ulster

Maurice Kennedy, Northern Ireland Electricity

Summary

Northern Ireland Electricity has exhibited many of the symptons of a large bureaucratic public service organisation in its tardy response to changing customer and market needs and in a management approach focused more on adherence to procedure and rule than on effective decision-making. This case study describes the initiation of the marketing concept into NIE's Appliance Marketing Division. The task of developing marketing was not merely to identify market opportunity but also to imbue a whole organisation with a marketing philosophy and to ensure a proactive rather than a reactive role for marketing.

The restructuring of the marketing function is described and the crucial role of a marketing training and development programme is highlighted. An action based learning approach sought to make relevant concepts of marketing to the practice of each manager's work and responsibility. The establishment of a Marketing Training Panel and a Marketing Development Action Group is outlined. Tangible evidence of the success of this new direction is to be found in the division's significantly increased market share, 32 refurbished shops, new logo SHOP ELECTRIC, and increased product range. The authors witness a new professionalism in NIE's marketing personnel.

Northern Ireland Electricity was formed in 1973 by the amalgamation of the three electricity authorities of Belfast Corporation, Londonderry Development Commission and the Electricity Board of Northern Ireland. Each of the authorities had been trading in some way in electrical goods prior to 1973. NIE inherited the existing retail outlets and operated them under an Appliance Sales Division. It currently has thirty-two retail shops situated in most of the major towns throughout Northern Ireland. The shops combine appliance sales with cash collections and customer care in relation to electricity supply.

Northern Ireland Electricity may be seen to display many characteristics of a traditional and bureaucratic kind of organisation. The traditional base stems from the public service function of electricity supply and this public service still tends to dominate the work practices within the organisation. Traditionally the management of any of the functions within the organisation consisted of people who had 'served their time' as engineers or technicians in energy supply. Most of the middle and higher management could be described as 'lifers' in the sense that they had entered the industry or the company at a very young age and had remained every since. Being a public body has also meant that the organisation is bureaucratically managed, in terms of committees, panels and boards for all areas of decision-making. The consequence of this background is that, while there has been an extremely loyal and dedicated workforce and management, there has been very little management flair and innovation. With the best interests of electricity consumers in mind good decisions have been made in the past but because of the structures these decisions have taken a long time to be enacted.

Market Characteristics

Electrical appliances in general can be described as consumer durables and as such are subject to constant change and development in order to meet the ever changing needs of a large consumer market. The market for consumer durables is influenced broadly by economic booms and recessions and the consequent levels of disposable income available for such commodities. While the overall demand for electrical appliances in Northern Ireland over a ten year period shows an increase over and above the level of economic expansion, this demand has fallen slightly in the last three years because of the economic conditions. However some items have benefitted from a reduction in price in real terms, e.g. microwaves and televisions. These factors, combined with the major transfer from gas to electric cookers due to the closure of the Northern Ireland Gas facility, have tended to maintain overall demand at a buoyant and constant level. The electrical appliance market in Northern Ireland was valued at £93 million per annum in 1987.[1]

The electrical appliances market can be seen to be highly competitive both in the area of manufacturers of appliances and in retail outlets. Manufacturers tend to be large multi-national corporations with established and well known brand names. In the retail sector there is a definite trend away from independent outlets in favour of large retail chains. Competition among these major manufacturers and retail chains has resulted in price sensitive marketing and high consumer expectation.

In attempting to differentiate their products manufacturers are constantly introducing new models often on an annual basis.

The structure of the retail market for electrical appliances in Northern Ireland is somewhat different to the rest of the UK in that there is only one of the large national chains operating in NI. However, there are signs that these large UK chains are considering NI for future expansion. Historically, the NI market is dominated by Northern Ireland Electricity outlets which have accounted for something between one fifth and a third of retail sales of electrical 'white' goods such as freezers, fridges, cookers, and so on. The main competition in recent years has come from the *Connect* national chain and several independent local outlets.

Aside from the threat of the large multiple chains entering the NI market in the near future there has been substantially increased marketing activity in the last few years, due largely to enhanced competition and a basically static market. In addition, government has been keeping a wary eye on the industry and, in particular, the retailing activities of the Area Electricity Boards. In 1982 the Office of Fair Trading referred the retailing practices of the London Electricity Board to the Monopolies and Mergers Commission. This was on the basis of an OFT Report which concluded that electrical energy marketing was actually subsidising the retailing functions.[2] In summary, the market for electrical appliances in Northern Ireland can be described as steady, but subjected to ever increasing and sophisticated competition, as well as government scrutiny. What then were the consequences of all these factors for Northern Ireland Electricity's electrical appliance shops?

Marketing Consequence

Historically, Northern Ireland Electricity's approach to marketing may be seen as passive or reactive. The organisation perceived itself as a supplier of electrical appliances rather than as a proactive marketer of appliances. Consequently, as the market developed and became more sophisticated, with ever increasing competition, NIE began to lose ground to the more aggressive existing and new competition. Up until 1984 NIE had changed little in its selling approach for electrical appliances. Any initiative was confined to reducing overheads by keeping staff to a minimum. Most other activity was concentrated on product ranges and changes and additions created by the manufacturers and suppliers. Any promotions and incentives were instigated by these manufacturers and largely administered by NIE. Reaction to market changes and opportunities, where it occurred at all, was slow.

In early 1985 a new senior marketing executive for appliance marketing was appointed with specific responsibility for developing the appliance sales division, now rechristened as the Appliance Marketing Division, through enhanced marketing activity. This new senior executive first undertook, in conjunction with an outside marketing consultant, an appraisal of the division. It was obvious that all of the existing management and supervisory staff needed development in modern marketing approaches. Later in 1985 a chief executive sympathetic to the marketing concept was installed and in 1986 a director of marketing was appointed following a restructuring that brought the marketing function right to Board level. All three new executives were mindfully aware of the need to make the Appliance Marketing Division independently profitable in its own right. In fact a policy decision was taken in 1985 that required the division to become a profitable unit within the overall operation and remit of NIE.

The Marketing Organisation

The organisation structure inherited by the new senior executive for appliance marketing, while functionally sound, was deficient in marketing management ability. The total number of people employed in the Appliance Marketing Division amounted to approximately 300, excluding those employed in the distribution and supply of appliances to shops and customers. Two executives at head office were responsible for managing these people. One was responsible for purchasing and the other for

The Authors

David Carson is a Lecturer in Marketing at the University of Ulster at Jordanstown. In addition to teaching and research duties at the University he is actively involved in practising marketing through various consultancy assignments. He has been a consultant to Northern Ireland Electricity for several years.

Maurice Kennedy is Appliance Marketing Manager with Northern Ireland Electricity. He joined the organisation 27 years ago as a graduate trainee engineer. He is also actively involved in marketing activities outside NIE, and is a member of the executive committee of the Northern Ireland Branch of the Institute of Marketing.

special promotions and liaising with the advertising agent. Each area (six in all) had a sales controller with responsibility for each of the shops in the area and each shop had a shop manager (32 in all).

The management emphasis throughout all levels of the division was on ensuring adherence to the correct administration and procedures. At the level of shop managers the chief concern was the correct handling of cash and order processing. These were also the concern of sales controllers with an additional focus on appropriate stock levels, based on a cost criteria, and in handling customer complaints.

There was no consideration given to a co-ordinated and cohesive marketing programme. Apart from advertising there was little or no emphasis given to any other aspect of marketing. The management structure was seen largely as bureaucratic rather than as an executive decision-making body. The organisation's procedures and practices were of paramount importance; if these were satisfactorily accomplished then management and staff considered their job well done. Harries-Jenkins argues that such organisations are obstructive to good innovative marketing management and expresses concern at "the growth in the number of individuals in organisations whose activities and role are to 'administer' against a set of rules, programmes, and regulations that limit choice in recurring situations".[3] Merton concurs, ". . . . many bureaucracies come to view rules as ends in themselves. Similarly, an obsession with discipline lead to rigidity, overconformity, trained incapacity, and resistance to change."[4] These are all factors which prevailed in NIE before a greater marketing orientation was attempted.

Nurturing the Marketing Concept

It was obvious that what was needed was a marketing led approach, through the introduction of the marketing concept. This meant a change in emphasis away from the bureaucratic procedures of the traditional operation to decision-making based on marketing criteria. How could this new marketing philosophy and customer orientation be developed and achieved? As Pride and Ferrell state, "a philosophy may look good on paper. It may sound reasonable and even noble. But that does not mean it can be put into practice easily."[5] If this statement is to be accepted then what are the requirements for introducing the marketing concept into an organisation such as NIE?

The first key must lie in the appreciation of what is needed for customer orientation. As Myers points out, "Customer orientation is a frame of mind, from top management down, that permeates the firm and consciously or unconsciously affects a great many business decisions."[6] Myers argues that the best way to develop the maximum customer orientation is to, ". . . . build an effective marketing organisation within the firm". Myers suggests that such an organisation should have a chief marketing executive, integration of all marketing functions under this chief marketing executive, along with marketing staff functions. The importance of all members of the marketing organisation having the customer orientation frame of mind and applying this to implementing the marketing concept is emphasised by Pride and Ferrell when they state that, "Implementing the marketing concept demands the support not only of top management but also of managers and staff at all levels in the organisation."[7]

However, as Pride and Ferrell have stated, the introduction of the right frame of mind and the development of a good marketing organisation structure does not ensure that the marketing concept can be easily put into practice. The known problems associated with implementing the marketing concept are well documented. Kotler summarises the problems thus, "In the course of converting to a market-oriented company, a company will face three hurdles, those of organised resistance, slow learning, and fast forgetting."[8] Given the nature of NIE it is not surprising that these hurdles would likely be encountered. The problem is further recognised by Pride and Ferrell when they state that, "A firm may have trouble maintaining employee morale during any restructuring."[9] Indeed

Russ and Kirkpatrick see the problem as more fundamental by arguing that, "Angry and dissatisfied employees, ... can destroy the firm's ability to make profits."[10] Mandell and Rosenberg when discussing the notion of 'internal dissent' see the problem in broader terms by introducing another dimension; "Some managers seem to be unwilling to adopt the marketing concept. Managers with financial, production, or engineering backgrounds often see the marketing concept as a threat to their influence — or even their careers — within the organisation."[11] This issue is compounded further within NIE when it is considered that many of the managers within the marketing function come from an engineering background and have had little or no formal training in marketing or management practice. This again is another example of bureaucratic dominance highlighted by Harries-Jenkins, where "in these organisations the underlying principle is that selection of staff is given on their *technical* competence."[12]

Therefore the problems militating against the establishment of a marketing philosophy and the introduction and adoption of the marketing concept in NIE can be summarised as follows:

- cumbersome bureaucratic procedures,,practices and attitudes of mind
- little or no training in marketing or management techniques
- market complacency
- management personnel with no experience of any other organisation
- resistance to change, both within the structure of NIE and in the market place.

The new marketing approach adopted incorporated Kotler's six point plan for improving poor marketing performance:

1. "Training of officers, using mechanisms such as seminars to provide a better understanding of modern marketing.
2. Hiring of consultants to bring into the company specific marketing improvements that are needed.
3. Creation of new positions in the marketing organisation.
4. Personnel transfer where necessary.
5. Increased investment, or sometimes just more efficient investment, in marketing research.
6. Installment of improved formal planning procedures."[13]

Stage One Initiatives
Stage one initiatives centred around the first two points of Kotler's six point plan. The marketing consultant was given the specific brief of developing and improving the marketing performance and effectiveness of the Appliance Marketing Division. The first initiative recommended and devised by the consultant, in conjunction with the senior executive for appliance marketing and senior training personnel from NIE's Training Centre, was a programme of marketing development and training aimed at marketing management personnel from all levels of the Appliance Marketing Division. The selected personnel all occupied key positions within the marketing decision-making infrastructure. In addition the programme in general benefitted from the direct involvement of the senior executive for appliance marketing and occasional inputs from NIE's chief executive. The programme outline was as follows.

Programme Objectives: The aim was to enhance the marketing performance of NIE by improving the quality of contribution and decision-making of individuals responsible for various marketing activities. It was targeted that by completion of the programme each participant would have (1) carried out an appraisal of those aspects of the overall business which influenced most significantly his/her scope of marketing activities, (2) appraised NIE's overall policy within the context of his/her responsibility and (3) through the medium of an agreed work related project developed an actionable marketing initiative suited to the scope of his/her activities. It was expected that by participating on this programme executives would not only acquire an appreciation of the marketing concept but more specifically would continue to develop their marketing skills after completion of the formal programme.

Learning Approach: The programme was perceived as being essentially 'action based'. The focus was, as Revans describes, "on the need for real achievement", and for the "participant to learn from the experience."[14] From the programme's commencement participants were encouraged to apply the skills and knowledge they acquired to their own situation. An emphasis was given to enable participants to correctly identify and develop viable solutions to the problems encountered. Participants were expected to share ideas and tackle their own, and others' problems, by means of group discussions and individual counselling.

Programme Format: The programme consisted of twelve one-day workshops at monthly intervals (see Table 1).

Table 1

Workshop Design

<table>
<tr><td rowspan="2">Review and Discussion of Progress. Dealing with Outstanding Issues</td><td colspan="3">Scheduled Marketing Input</td><td rowspan="2">Review of Workshop Progress. Assignment of Tasks to Individuals</td></tr>
<tr><td>Theory Input</td><td>Practical Exercises on Application of Theory</td><td>Feedback on Practical Work</td></tr>
</table>

In addition to the monthly workshops participants divided into sub-sets for the purpose of discussing specific issues arising out of workshop sessions. The sub-sets met for half-day meetings at monthly intervals between each scheduled workshop. During the programme each participant worked on a 'live' project which consisted of tackling a marketing problem within his/her own sphere of marketing management control. As Mumford points out, "The best form of action for learning is work on a defined project of reality and significance to the manager himself."[15] Topics covered in these projects addressed a wide spectrum of marketing activity within the Appliance Marketing Division from identifying key target markets to promotional campaigns for reaching such markets, from assessing future training needs to enhancing communication flows throughout the organisation, and from planning future marketing activity of the division as a whole to evaluating additions to the product portfolio.

The impact and results of this stage one initiative were such that a second action learning programme was introduced to spread the marketing concept even further throughout the organisation. On completion of each programme participants were charged with responsibility for implementing the results and findings of their project work. As a result the marketing function found itself in the centre of dynamic change and development. In the space of two years 18 major marketing initiatives were instigated. This concentration of energy led to an increasing emphasis on marketing to the future growth and performance of NIE. What was needed was a vehicle to harness the new found enthusiasm of key personnel. Thus began stage two of the marketing development initiative.

Stage Two Initiative

This initiative sought to build upon the foundation provided by the action learning programmes and the new importance placed upon marketing by the whole organisation. It consisted of two main component parts, a Marketing Training Panel and a new Marketing Development Action Group. The Marketing Training Panel received its *modus operandi* from the division's senior marketing executive, including specific guidelines on broad marketing policies currently in operation and development. The objectives of the panel were to determine appropriate marketing training needs throughout the Appliance Marketing Division, to recommend suitable programmes for future implementation and to monitor developments and changes in the training requirements on an ongoing basis. The composition of the panel consisted of representatives from all the marketing strata in NIE. The purpose of the Marketing Development Action Group was to examine and develop 'key marketing issues' pertaining to the overall marketing effectiveness of the Appliance Marketing Division and to continue the training and development of key marketing executives who had participated on the action learning programmme. The whole of the stage two initiative was under the direct supervision and leadership of the marketing consultant who liaised with and reported to the senior marketing executive of the division.

Assessing Progress To-Date

In the comparatively short period of time since change was initiated in 1985, NIE's Appliance Marketing Division has moved from a complacent bureaucratic organisation, much maligned both by its employees and the industry as whole, to a modern dynamic competitor in a fast changing market. An analogy could be drawn with the awakening of a sleeping giant: the transformation of an organisation, which because of its position within the community was always dominant but considered complacent, into an enterprise which controls over one-third of appliance sales in Northern Ireland. In fact market share has increased from about 20% in 1984 to 38% in 1987. A new marketing image has been established which permeates all aspects of the organisation. Indeed NIE's Energy Division has instigated a similar marketing orientation development programme.

Tangible evidence of the new image can be seen in the refurbishment of the 32 shops with new colour schemes and layouts and a new logo, *SHOP ELECTRIC.* New products have been added to the existing range, most notably the addition of brown goods which appeals to a whole new market segment hitherto ignored. Internal reorganisation programmes are gradually eroding the bureaucratic barriers and replacing them with vibrant and effective management structures. Perhaps most significantly, NIE is witnessing a new professionalism in its marketing personnel who have adopted the marketing concept with an enthusiasm and belief never thought possible in the context of the old organisation. Marketing orientation has created a climate of change which has enabled NIE not only to position itself to cope with the market pressures in the future but also to create a situation which will undoubtedly lead to greater achievement.

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DESIGNING AND EVALUATING CROSS-NATIONAL ADVERTISING STRATEGIES FOR CONSUMER PRODUCTS

Nikolaos Papavassiliou, Athens Graduate School of Economics and Business Science

Summary

This article identifies a number of external and internal conditions influencing the designing and evaluating of cross-national advertising strategies. These conditions vary among countries and thus pose vexing problems for cross-national advertisers – problems which are not normally faced by national advertisers. The complexity of the problem is reduced by focusing on two major components, the communication impact and the risk factor.

The communication factor is posited to depend on an optimal selection of advertising messages, media, costs and audience contacts. A typology of cross-national advertising strategies is then presented and eight styles of advertising strategem are considered in different conditions. A further matching of advertising to a firm's level of international orientation is then offered. The risk factor is recognised as essentially subjective and dependent on judgements about six key influencing variables and on the basis of previous experience of management. Examples of the types of risk and their impact on communication are given.

The author then proposes a dynamic, stochastic, programming model, incorporating communication and risk factors to guide decision-makers in designing cross-national advertising strategies for consumer products. It is hoped that this approach along with suggested frameworks of classification will provide a step forward in research in this area.

Cross-National Advertising

In current advertising literature and research the relationship between the various factors influencing advertising decisions is studied in a general context. But the more specific domain of cross-national advertising of consumer products and the decision making process involved, has received a somewhat limited discussion.[1] By having to advertise across a frontier, the management of a firm is confronted with a foreign socio-economic environment. The crossing of a frontier bears additional costs and additional risks. There often exists a lack of knowledge about the facts and circumstances of foreign countries and a lack of techniques for communicating with consumers overseas. The purpose of this paper is to provide a facilitating framework to assist firms in designing and evaluating cross-national advertising strategies for consumer products.

Initially the article examines in some depth the key factors which influence the development and implementation of advertising strategies abroad, i.e., the *external* conditions, such as country, market, the consumer and tradefirms; and *internal* conditions, namely, the product and the enterprise. These features are summarised in a decision model and related to a selection of communication effects. In the discussion of these factors other approaches such as the Boston Portfolio and Channon model are employed. The complexity of the problem with the interaction between variables is recognised and tractability is sought by reducing it to a decision involving two components: one relating to the degree of risk and the other to the communication impact. The communication factor is posited to depend on an optimal selection of advertising messages, media, costs and audience contacts. A typology of cross-national advertising strategies is then presented and eight styles of advertising strategem are considered in different conditions. A further matching of advertising to a firm's level of international orientation is then offered. The risk factor is recognised as essentially subjective and dependent on judgements about the six key influencing variables and on the basis of previous experience of management. Examples of the types of risk and their impact on communication are given. Finally a stochastic, dynamic, mathematical model is proposed which takes into account both the communication and risk factors.

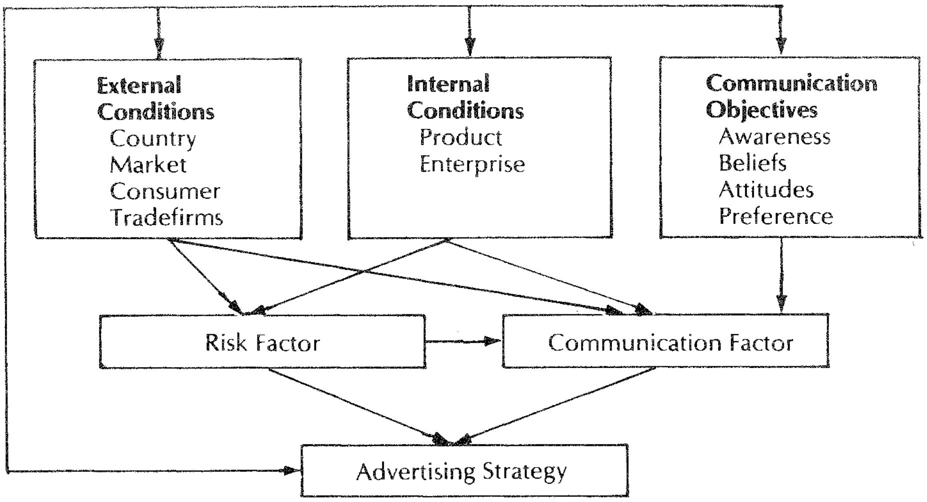
External Conditions

The reason why the problem-handling or the decision-making process in advertising abroad differs from the one used in domestic advertising is the difference in the country, the market conditions and distribution channel(s), the consumer characteristics, the tradefirms, the product and finally the company itself. These sets of factors interact and influence each other and contain a certain number of components, which determine to a large extent the issues of an advertising strategy abroad. A decision model showing the relationship between advertising strategy and the afore-mentioned factors is given in Figure 1. This decision model suggests that the formulation of a cross-national advertising strategy should start with a thorough review of the external and internal conditions. Otherwise its effectiveness as regards awareness, beliefs, attitudes and preference might be considerably diminished.

Country. A key factor influencing the advertising strategy of a firm is the country in which it operates or intends to operate. A country may be

Figure 1

Decision Model for Cross-National Advertising



classified into one of four groups: (a) low-income economies, (b) lower middle-income economies and middle-income oil-exporters, (c) upper middle-income economies and high-income oil exporters and (d) industrial market economies.[2] The extent of the world development indicators used in this classification strongly influences the stage of development and adoption of the marketing concept.[3] The firm must penetrate the country(ies) in which it operates and strive to take maximum advantage of those chances offered from the inside. This axiom has been proven true on the basis of market segmentation and target marketing. But, it is a different case when one targets a specific segment in a country, for the strengths and weaknesses of the firm are more difficult to transfer to other countries (product/market fit) than to different segments in the same country.

Market. A number of factors must be considered in respect of different markets abroad: (a) their development in time, with regard to quantity and value; (b) their structure, with regard to prices and quality; (c) their seasonal course; (d) the competitor(s)' share of the market with regard to quantity and value; and (e) their trend, that is the evaluation of market factors. Two further factors influencing the development of advertising strategy in markets abroad are the existence of competition and the availability of distribution channels.[4] According to the situation and behaviour of the competitor(s)' advertising strategy, a firm may decide on standardisation of advertising versus advertising being idiosyncratic to some country(ies). Distribution channels affect cross-national advertising since the advertising media must be in accordance with them.[5] Essentially, more complex communication structures exist in inter-linked markets abroad than in typical distribution channels.[6] This is because each successive market in the distribution channel undertakes its own particular advertising, which may be supplemented by the one before or next in line.

Consumer. Owing to the extreme complexity and variability of consumer behaviour across countries, a firm may never actually achieve maximum accuracy of prediction. However, in the course of time it will progressively come to understand how consumers behave across countries, although the consumers in each country have a uniquely personal set of experiences, values, beliefs, culture and roles.[7] While for example, traditional societies have been characterised by a dependence on information from personalised sources (such as family elders, village headmen etc.), modern societies have shifted their reliance to more impersonal sources, including advertising.[8] *Inter alia,* this is a result of the difference among countries as regards the involvement of family members in economic decisions.[9] Furthermore, the use, on the one hand, of the "chunking" of information,[10] and on the other, of psychographic factors,[11] both of which strongly influence consumer behaviour nowadays, may differ for the same product across countries. The buying decisions of

The Author

Dr. Nikolaos Papavassiliou is Lecturer in Marketing at the Athens Graduate School of Economics and Business Science. He has contributed to numerous journals including International Journal of Physical Distribution and Materials Management, European Journal of Marketing, Die Unternehmung Marktforschung *and* Der Markt. *Dr. Papavassiliou has worked in marketing with the Greek Chamber for Development and Economic Co-operation with Arab Countries, with the Greek Ministry of Agriculture, and with the multinational firm HANKEL/KG and A. in Dusseldorf. His research interests include distribution, advertising, and consumer behaviour.*

individual consumers basically depends on cognitive and affective factors[12] and the influence of these differs across national boundaries. This means that consumers vary across countries according to their access to information, their needs and their processing capacity.[13] Thus for the same product, involvement levels affecting receptivity to advertising vary from country to country.[14] But, where the consumer response patterns are shown to be similar, some standardisation of advertising properties, such as logo, slogan and so on, may be adopted. The information function stands at the forefront of cognition, the only valid instrument for launching and assessing change in the position of an existing brand.

Where consumer response patterns are shown to be similar, some standardisation of cross-national marketing strategies may be adopted, preferably on a market-by-market basis rather than on the assumption that a homogeneous world market can be broken down into units. For, according to Levitt, there is a tendency for the world's needs and desires to be irrevocably homogenised, because technology has homogenised the globe. Copy testing should be utilised to decide which attributes are cross-cultural. The appropriate means of testing will vary from market to market and country to country. It is the view of Meffert,[14] that the forces of adaptation to local conditions are sometimes too strong in the creative and media sectors, for which reasons he has proposed the development of differentiated strategies. With all reservations in relation to the generality of empirical studies, the following motto may be applied: *As much standardisation as possible and as much differentiation as necessary.* At this point it should be noted that the cost degression, which can be obtained by standardisation, is sometimes so significant that loss of revenues from abroad can be offset.

Tradefirms. Independent advertising measures, directed at tradefirms/wholesalers/distributors, are nowadays gaining in importance in many countries, a fact which exerts considerable influence on a firm's overall cross-national advertising strategy. Tradefirms and wholesalers are also nowadays becoming increasingly reluctant to submit to the objectives of producers. Producers are no longer the only ones involved in the decision-making process of the distribution system. Power positions also vary from country to country.[15] These varying situations exert an important influence on the presentation of information through advertising.

Internal Conditions

Product. The product does not have the same importance for advertising strategy in each country, because, inter alia, differences exist in consumption patterns across countries.[16] In countries where it is a low-market-share product in a high-growth industry (problem child),[17] the main objective is to maintain audience attention and to become well-known. In the product-life-cycle model the product is placed in the last stage of the phase of maturity, which means, according to Channon's model,[18] that a lot of related and only a few unrelated products exist in the market. There are countries where the product has a high-market-share in a low-growth industry (cash cow),[19] in which case important objectives are strengthening knowledge and attitudes. In the product-life-cycle model the product is placed in the last stage of the phase of growth or the first stage in the phase of maturity. This means, according to Channon's model,[20] that it is the dominant product in the market at present but into which, in the course of time, other products, related and unrelated, will be introduced.

In other countries the product is a high-market-share product in a high-growth industry (star).[21] In these instances introduction advertising is required in order to communicate the new idea and gain the first interested customers. In the product-life-cycle model the product is placed in the phase of introduction or in the initial phase of the stage of growth. This means, according to Channon's model,[22] that it is the sole product on the market and that, in the course of time, it will become the dominant product on the market. For products with a low-market-share in a low-growth-industry (dogs) the main objective is the maintenance of their existence.[23] In the product-life-cycle model the product is placed in the phase of decline. This means, according to Channon's model,[24] that there are only a few related and many unrelated products on the market. Finally, the type of the product, (mass-product, me-too-product, exclusive product, and so on) and the category of the product (food, personal care and so on) are of prime importance.[25] The type of product differs from country to country and has a considerable influence on the firm's advertising strategy abroad. In addition, the category of product advertised may influence advertising information across countries.

Enterprise. Apart from the position of the firm in the market, which differs across countries and which is closely related to the place of the products in their life-cycle, the relationship between the enterprise and its products and target markets, i.e., *inter alia* its image in each country, also plays an important role. Important questions to be asked are: (a) Can a positive image of the firm be transferred to the product and in which countries?, (b) Can a positive image of a product be transferred to another product and in which countries?, (c) Can a positive image of the firm or product in one country or countries be transferred to another country or countries?

The output of a concept can never exceed the input of information; it is related to the degree of "institutionalisation" of advertising functions within the firm's marketing department in each country. In turn, it is a matter of the form of engagement of the firm in each country (joint-venture, under licence, own factory, and so on) and, consequently the commitment to local autonomy. This commitment depends a great deal on the strategic importance of a specific country (strategic leader, contributor or implementer).[26] In addition, the degree of multi-nationalisation of the overall business strategy and the organisational structure of the firm play a significant part, because an effective cross-national strategy depends on the attitudes or orientation toward internationalisation and the development of a sophisticated organisational structure suitable to support this strategy.[27] This means, in effect, the degree to which a firm takes into account the particular conditions prevailing in a country and utilises an effective advertising message, when devising its advertising strategy. The advertising message should be a universal one but is frequently made for the firm's home country or for a cluster of major countries.[28] All these factors have a decisive influence on the allocation of scarce resources and disposal of personnel in the marketing, and especially the advertising departments. Finally, company size, capability, history, reputation, culture, tradition, resources, knowledge, experience and evolution,[29] product policy (one-product enterprise, multi-product enterprise, mainly quality products, continuous introduction of new products, and so on), sales volume and its relationship to production capacity, as well as the cost structure (cost advantageous production) in each country abroad, are all highly important factors influencing cross-national advertising strategy.

The Communication Factor

The complexity of the interaction and interrelationships between internal and external variables must be recognised. In order to make the decision-making process more tractable, it is suggested reducing it to a decision involving two components: one relating to the degree of risk or uncertainty and the other to the communication impact. Thus a cross-national advertising strategy abroad can be seen as a function of the variables of communication and risk:

$$A = f(K, R)$$

Where:

A = the total advertising strategy,
K = communication factor,
R = risk factor.

The communication factor depends on a thorough review of the external and internal conditions. The firm has a fixed budget. For this reason, the selection of advertising strategy can be viewed as an allocation problem, since the budget must be correctly allocated among the different advertising strategies in particular countries abroad. While a number of diverse advertising models exist in the literature,[30] the author proposes a stochastic, dynamic programming model to guide decision-making in cross-national advertising. This model is set out in Appendix 1. It represents an equation including production and media costs, contacts with the advertisement, media quality and combination, quality of the advertisement and duration of the advertising campaign.

The relationship between stage of development of the different countries with regard to the application of the concept of marketing, the diversity in product-market policies abroad, the strength of competition and extent of affective or cognitive thinking by consumers, determines the communication concept of the advertising strategy (see Figure 2). Concrete communication objectives of these strategies, which define the properties of the variables of equation, can be knowledge about technical matters, awareness of other characteristics, beliefs about the value of the product, judgements about the suitability of the brand and so on. These are specific communication tasks, to be accomplished among a defined audience, in a given period of time.[31] From all the above mentioned it is possible to build types or a typology of cross-national advertising strategies. Each type of strategy is relevant to firms operating in markets which have the characteristics set out in Figure 2.

- A type A strategy is suitable when the degree of development of the marketing concept in a country is low and there is strong affective thinking, weak competition and no diversification of product-market policies abroad. The suggested strategies must be regional-adjusted. The appropriate technique for advertising themes is emotional conditioning.

- A type B strategy provides a suitable solution when the degree of development of the marketing concept in a country is in a lower-middle and middle level, when there is not very strong affective thinking, competition is in a lower-middle and middle level and there is more than one dominant product on the market. The afore-mentioned strategies must be principally regional-adjusted with limited consideration of the product aspects. The appropriate techniques for the advertising themes would be emotional conditioning and social motivation.

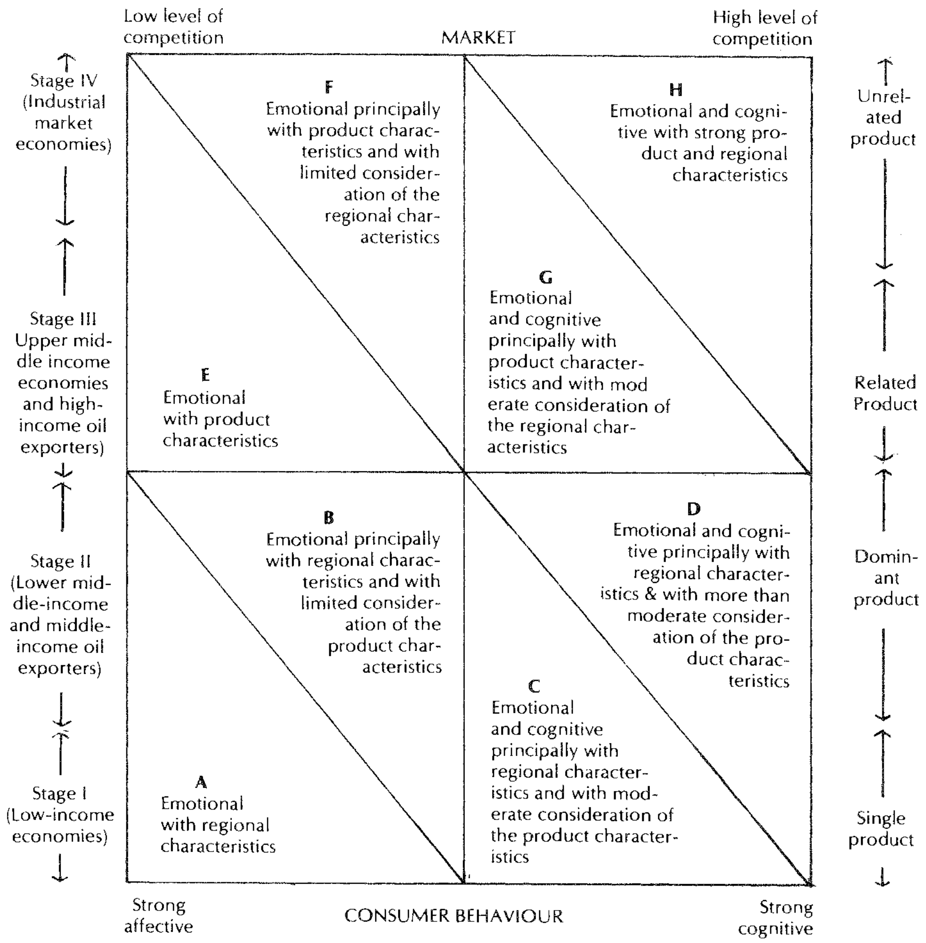
- Type C strategies are useful when the degree of development of the marketing concept in a country is low, when there is a medium level of cognitive thinking, competition is in an upper-middle level and there is no diversification of product-market policies abroad. The strategies must be principally regional-adjusted with moderate consideration of the product aspects. The appropriate techniques for the advertising themes are all the emotional techniques plus the informative technique (regulation through the language).

- Type D strategies would suggest a relevant direction when the degree of development of the marketing concept in a country is in a lower-middle and middle level, when there is strong cognitive thinking, competition is high and there is more than one dominant product on the market. The strategies must be principally regional-adjusted with more than moderate consideration of the product aspects. The appropriate techniques for the advertising themes are all the emotional techniques and all the informative techniques (regulation through the language and two-sided messages).

- Type E strategies are suitable solutions when the degree of development of the marketing concept in a country is in an upper-middle and high level, when there is strong affective thinking, competition is weak and there is in an upper-middle and high level diversification of product-market policies abroad. The afore-mentioned strategies must be product-adjusted. Again, the appropriate technique for the advertising themes is the emotional conditioning.

Figure 2

A Typology of Cross-National Advertising Strategies



- A type F strategy offers an ideal solution when the degree of development of the marketing concept in a country is in an upper-middle and high level, when there is not very strong affective thinking, competition is in a lower-middle and middle level and there is an upper-middle and high level diversification of product-market policies abroad. The strategies must be product-adjusted with limited consideration of the regional aspects. The appropriate techniques for the advertising themes are the emotional conditioning and social motivation.

- A type G strategy becomes relevant when the degree of development of the marketing concept in a country is in an upper- middle and high level, when there is a middle level of cognitive thinking, competition is in an upper-middle level and there is in an upper-middle and high level diversification of product-market policies abroad. Again, the strategies must be principally product-adjusted with moderate consideration of the regional aspects. The appropriate techniques for the advertising themes are all the emotional techniques plus the informative techniques (regulation through the language).

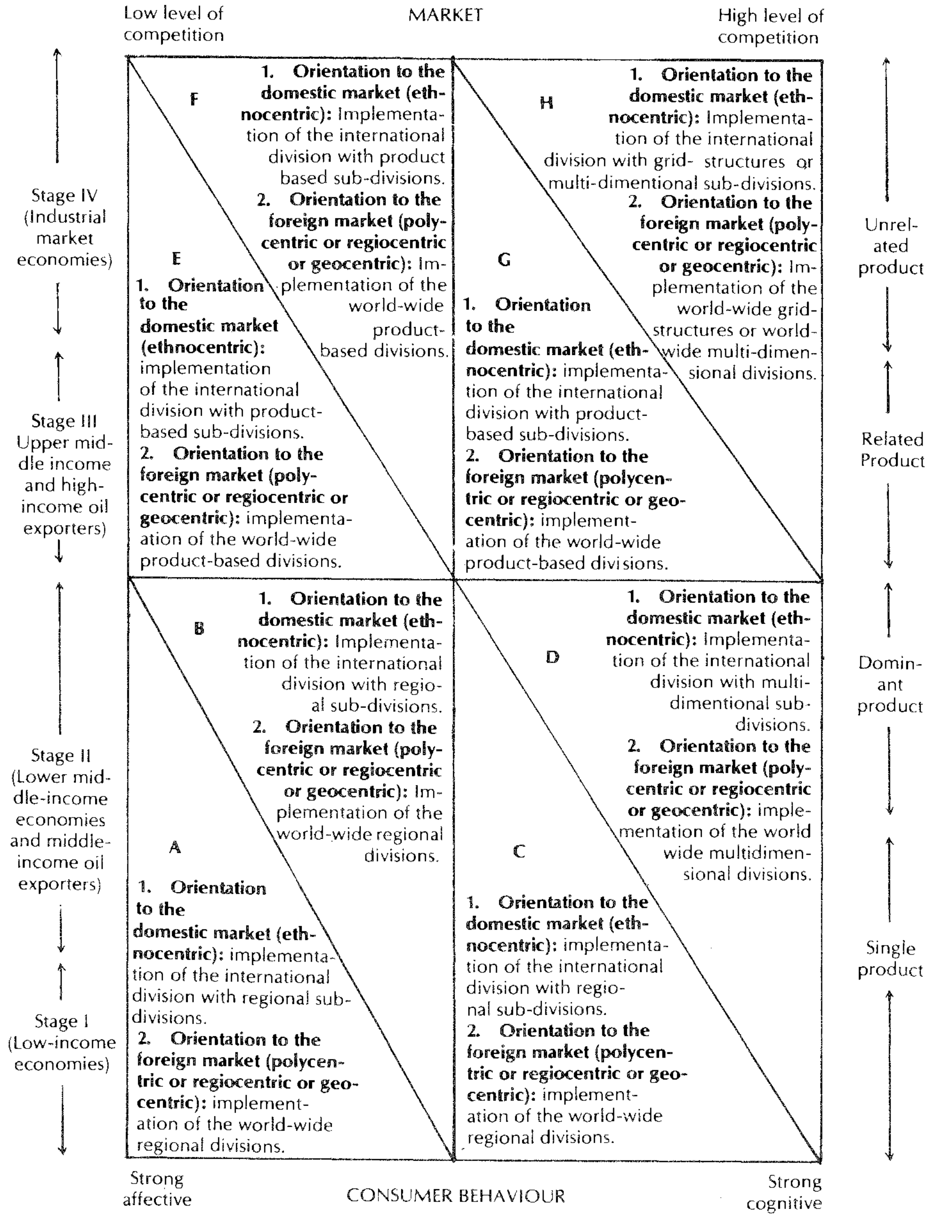
- Type H strategies are suggested when the degree of development of the marketing concept in a country is in an upper-middle and high level, when there is a strong cognitive thinking, competition is high and there is an upper-middle and high level diversification of product-market policies abroad. The strategies must be strong product - and regional - adjusted. The appropriate techniques for the advertising themes are all the emotional and the informative techniques (regulation through the language and two-sided messages).

Internationalisation and International Organisation

The effectiveness of advertising can be increased through relevant adjustment to particular traits of the various countries abroad. For this reason Figure 3 gives a description of attitudes or orientation toward internationalisation and organisational structures,[32] which should be considered suitable for the implementation of the aforementioned types of advertising campaigns (types A to H). This four-dimensional diagram shows the relationship between some clear patterns of internationalisation and international organisation, product diversity, stage of development and adoption of the marketing concept in the different countries abroad, level of competition, and extent of affective or cognitive thinking by consumers. According to the suggestions of the classification, product-based and regional divisions should be adopted as the extent of the aforementioned factors of influence increases. Finally, as these factors continue to increase, matrix- or grid-structures are prescribed.

Figure 3

A Classification Presenting the Relationship Between Patterns of Internationalisation and International Organisation and the Advertising Campaigns (Types A to H).



The Risk Factor

It is now necessary to consider the problem of risk and uncertainty in the context of each of the influencing factors: country, market, consumer, tradefirms, product and enterprise. The assessment of risks involved lies at the core of any decision-making process. In the case of cross-national advertising, assessment becomes even more problematic; the gap between objectivity and subjectivity can at times be substantial. As well as the capabilities and talents of the management of a firm, the experience of senior management in international marketing is a paramount variable. While a firm's research department, research companies, friendly overseas contacts and government agencies can provide information and assessment on risk factors in foreign countries, much ultimately comes down to what might be termed the "general business experience" of the management of the firm involved. The author has made an attempt to distinguish between the objective and subjective approaches in the proposed mathematical mode (see Appendix 1). In the Table 1 examples are given on the basis of various kinds of risks which may influence an advertising campaign during a certain period, and their likely effects on the communication output[33] for that period.

Table 1

Examples of Kinds of Risk and Their Possible Impact on the Communication Output

Kinds of Risk	Possible impact on communication
Country The degree of advertising and advertising media technology; the experience and know-how of the existing advertising firms as well as the relations of the company with the latter differ across countries.	Advertising/media quality.
Market The possible erroneous evaluation of market values in different countries abroad.	Not to reverse market trends, not to increase market share, not to combat or neutralise competitor's advertising, etc.
Consumer The possible erroneous evaluation of factors affecting consumer behaviour in different countries.	Not to prevent post-purchase dissonance, not to reach influential buyer decision makers, not to position a product/brand name, etc.
Trading companies The possible erroneous evaluation of factors affecting tradefirm behaviour in different countries abroad.	Not to help achieve sales to middlemen/distributors, not to aid and motivate middlemen/distributors.
Product The possible incorrect projection of the traits which appeal to the consumers of each country abroad.	Not to establish awareness of a product/brand name, not to disseminate information about a product/brand name, not to develop attitudes towards a product/brand name, etc.
Company The possible erroneous company strategy; inadequate budget, reputation, experience and know-how, poorly developed organisation, etc. with regard to each country abroad.	Not to build up a particular brand name in the long term, not to develop the proper advertising concept because of the limited budget.

Concluding Remarks

This article argues that there are a number of external and internal conditions influencing the design and evaluation of cross-national advertising strategies. These conditions vary among countries and thus pose vexing problems for cross-national advertisers — problems which are not normally faced by national advertisers. The complexity of the problem may be reduced by focusing on two major components, the communication impact and the risk factor. The communication dimension involved consideration of production and media costs, contacts with the advertisement, media quality and combination, quality of the advertisement and duration of the advertising campaign. Eight types of advertising campaign themes were presented. All were discussed in terms of the campaign's general properties as well as in terms of the relationships between patterns of internationalisation and international organisation and the aforementioned types of advertising campaigns. In considering risk an attempt was made to distinguish the objective from the subjective. The author then proposed a dynamic, stochastic, programming model, incorporating communication and risk factors to guide decision-makers in designing cross-national advertising strategies for consumer products. It is hoped that this approach along with suggested frameworks of classification will provide a step forward in research in this area.

In conclusion, it must be pointed out that each of the key factors of influence may be considered as a system of other features, which can be measured according to different scales, scoring models and check-lists. The result of this measurement is to indicate to what degree each factor corresponds to the demands which the advertiser has placed upon it. The analysis of each influence factor into a number of sub-features depends on the personal judgment and experience of the advertiser. For example, the factor *country* consists of the sub-features: economic development, literacy, linguistic dialects, cultural attitudes to advertising and so on. Each of these sub-features may be likened to a human being, on which the advertiser places demands and to which the sub-feature, in turn, responds in varying degrees. For example, on a scale from 1 to 10 this may have the value 5. This same procedure may be followed for measuring all the sub-features of each of the main influence factors as well as for the parameters of the equation related to the communication factor; advertising messages, media, costs, audience contacts and so on. The outcome is an estimate of all possible alternative advertising strategies. From this estimate the appropriate advertising strategy can be selected.

Appendix 1

Towards a Dynamic Programming Model of Cross-National Advertising Strategy

Cross-national advertising strategy abroad can be seen as a function of the variables of communication and risk:

$$A = f(K, R)$$

Where:

A = the total advertising strategy,

K = communication factor

R = risk factor.

The communication factor depends on the thorough review of the external and internal conditions. The firm has a fixed budget. For this reason, the selection of advertising strategy can be viewed as an allocation problem, since the budget must be correctly allocated among the different advertising strategies in particular countries abroad. Diverse advertising models exist in the literature. However, the proposed mathematical model is different in concept because, on the one hand, it takes into consideration the particular factors of cross-national advertising and, on the other hand, introduces certain variables not yet discussed in the various models in the current advertising literature. The variable communication is maximised:

$$K = \max \sum_{i=1}^{n} a_i(c_i) = \sum_{i=1}^{n} I_i \, . \, M_i \, . \, X_i \, . \, T_i \, . \, (c_i)$$

Subject to the following constraints:

$$\sum_{i=1}^{n} c_i \leqslant \text{Budget}$$

$$c_i \geqslant 0, \; V_i$$
$$I_i \geqslant 0, \; V_i$$
$$M_i \geqslant 0, \; V_i$$
$$X_i \geqslant 0, \; V_i$$
$$T_i > 0, \; V_i$$

Where, for each country, i = 1, 2 . . ., n:

a_i = the particular advertising strategy,

c_i = the particular costs (media and production costs),

I_i = the contacts with the advertisement,

M_i = the advertising media or the combination of advertising media,

X_i = the advertisements,

T_i = the duration of the advertising campaign.

The budget can be the minimum amount, which must be used during the planning period in order to safeguard the advertising strategy effects. This equation could be a multiplicative functional relation of the following type:

$$a_i = I_i^a \;.\; M_i^b \;.\; X_i^c \;.\; T_i^d$$

or in an estimated form:

$$1_n a_i = a_0 + a1_n I_i + b1_n M_i + c1_n X_i + d1_n T_i + u$$

where a_0, a, b, c, d are parameters; in fact a, b, c, and d are elasticities indicating the relevant importance of the four factors and u the random error of estimation. For example,$I_n a_i$ could be the per cent changes of the sales of the the product or the market share, which derive from the per cent change of awareness, beliefs, attitudes and preferences.

The risk factor depends on the difference (gap) between the real "states" (real values of the influence variables) and estimated "states" (not the desired or target positions but just the subjective value judgements of the variables) of the firm, in relation to six factors of influence (variables): country, market, consumer, tradefirms, product, and enterprise. These data can be determined partly empirically and partly from the firm's decisions.

The variable *risk* must satisfy a certain minimum condition:

$$R = \min \sum_{i=1}^{6} P_i W_i D_i \;, \quad D_i = (Y_i - Y_i^*) \;.$$

Subject to:

$R \leqslant R_m$

R_m is the maximum risk management wants to take during the period, and

$P_i \geqslant 0, \; V_i$

$W_i \geqslant 0, \; V_i$

$D_i \geqslant 0, \; V_i$

Where:

P_i = probability of correct evaluation of the factor of influence i,

W_i = weight of the factor of influence i,

D_i = the difference (gap) between real states Y_i and estimated states Y_i^* in relation to the six factors: country, market, consumer, tradefirms, product and enterprise.

It becomes clear that the factor risk is very important, because differences may emerge from the estimation of real values. These differences depend on the experience and personal judgement of the advertiser. By implementing the technique of "trial and error", in actual situations for a period of ten years or more, it is possible to determine the values of the indicators of the parameters of the equations where the communication factor is operationalised with regard to the firm under consideration, and thus obtain an *a priori* estimation of the value of the outcome of the alternative advertising campaigns. Furthermore, a determination of the well - and ill - defined problems of strategic cross-national advertising planning through the use of heuristic decision procedures may facilitate the implementation of the overall concept.

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COMPANY TURNAROUND STRATEGIES: A CONTEXT FOR MARKETING

James Wrynn and Timothy O'Mahony, College of Marketing and Design, Dublin Institute of Technology

Summary

This article considers the literature on corporate turnaround. It examines the nature of decline as well as the causes and the various indicators of decline. Following this Hofer's now well-established framework of analysis for the development of a turnaround strategy is described. This analysis falls into two stages: firstly, an assessment of current operational and strategic health of a firm and secondly, a consideration of turnaround options which may incorporate strategic and/or operational change. This model is then assessed in the context of a number of Irish firms in a turnaround situation. Important issues in turnaround strategy, such as management change, financial re-structuring and strategic realignment are addressed. In particular, the role and importance (and indeed, sometimes the unimportance) of marketing in strategic realignment are considered.

Strategic analysis has traditionally implicitly focused on companies in a healthy condition contemplating growth or development strategies. But over the last ten years, a body of literature has developed in the area of strategic analysis focusing on companies in difficulty with a view to turning such companies around. A number of works have emerged on the topic of company turnaround, significant amongst them being contributions by such authors as Bibeault,[1] Argenti,[2] Slatter,[3] and Kharbanda and Stallworthy[4]. One particular contribution, that of Hofer,[5] offers an exceptionally interesting perspective and develops a framework which identifies important management and strategic marketing issues in the analysis of turnarounds.

This article considers briefly the literature on corporate turnaround. It examines the nature of decline as well as the causes and the various indicators of decline. Following this, Hofer's framework of analysis for the development of a turnaround strategy is described. This analysis falls into two stages: firstly, an assessment of the current operational and strategic health of a firm and secondly, a consideration of the turnaround options which incorporate strategic and/or operational change. Hofer's framework is then assessed in the context of a number of Irish firms in a turnaround situation. Important issues in turnaround strategy, such as management change, financial re-structuring and strategic realignment are addressed. In particular, the role and importance (and indeed, sometimes the unimportance) of marketing in strategic realignment are considered.

Corporate Decline and Turnaround

The analysis of company turnaround usually starts with an analysis of the factors which have caused the decline. But this of course, presumes a clear cut definition of the nature of decline. Schendel, Patton and Riggs define decline in terms of performance of net income earned and also turnaround in similar terms.[6] Decline by their definition is regarded as having taken place if there are four years of uninterrupted decline in net income as normalised by GNP growth. Recovery is defined as having taken place if there are four years of increase in net income with allowance for a two year deviation between the downturn and upturn phase. Again net income is normalised by GNP growth. Hambrick and Schecter in their study of short run turnaround, using the Strategic Planning Institute's profit impact of market strategy (PIMS) data-base, looked at firms whose ROI recovered from less than 10% (pre-tax) to more than 20% (pre-tax) over a period of four years.[7]

Without becoming embroiled at this stage in setting down a precise definition of decline, it is worth considering more general factors which indicate decline and trigger the need for a turnaround strategy. In this vein Hofer considers the context in which turnarounds are necessary and pursued.[8] He argues for two important dimensions to the context: firstly, the areas of organisational performance affected and secondly, the 'time criticality' of the turnaround situation.

Poor organisational performance may be reflected in three different ways:

- Decline in organisational efficiency and/or profitability

- Lack of growth
- Poor asset utilisation

The notion of assets in this context might be usefully broadened to include marketing related assets such as brand image or market share. Indeed a number of recent takeovers and mergers on a transnational basis in the European Community reflect a realisation by acquiring companies that firms with under-utilised marketing related assets, such as brand names, corporate identity, market share and so on, are very worthwhile acquisitions.

The second characteristic of turnaround situations that is important to the design of effective turnaround strategies is the time criticality of the firm's situation i.e., if the situation is very critical, more readily deployed operational change may be more useful than long term strategic change. The reason for this is the lengthy time delay that usually exists between the taking of strategic action and the response that accompanies it. When the threat to organisational survival is not imminent — when there is some time to respond in a variety of ways — then it is possible to 'tailor' the turnaround strategy to the specific situation involved.

Cause of Decline

While there is variance in the precise definition offered by different authors, it should be borne in mind that agreement regarding the definition of decline is not central to the analysis of corporate decline and turnaround. If decline is apparent by whatever definition of decline chosen, it is possible then to examine the causes of decline. Slatter compares a diversity of classification of the causes of decline (Figure 1).[9] In all of these classifications, inadequacy of management appears as a causal factor in decline. But the definition of inadequate management is often loose and, more importantly, other factors cited are, of course, a consequence of inadequate management. Bibeault, like other commentators, identifies poor top management as a major cause of decline and goes some distance towards defining inadequate management.[10] He argues that poor management may exist because of:

- Incompetence of people at the top
- Narrow vision of managers
- Displacement activity — either too high or low a turnover of managers

While this hardly constitutes a comprehensive definition of management inadequacy, Bilbeault does develop the concept further and offers some interesting observations on this problem, not of immediate relevance to this discussion.

Indicators of Decline

An important distinction in the analysis of the decline must be made between the causes of decline and the symptoms of decline. Traditionally the most common symptom used in identifying organisation decline relates to financial ratio analysis. John Robertson has evaluated the traditional ratios used by organisations to measure their financial health.[11] He finds that the profitability ratios can be misleading, while the liquidity ratios are not responsive to changes taking place in the working capital cycle of failing companies. On profitability ratios he finds that the traditional ratio of ROI incorporating sales/net operating assets can be misleading and that sales/total assets is a much better ratio to use. In his research, Robertson looks at the balance sheet of failed organisations over the five previous years to failure and applied the traditional ratios to them. He concludes that there are major shortcomings in traditional ratios as predictors of failure. Robertson subsequently develops a model which he argues would have predicted 87% of the failures in forty-eight failed organisations at least two years in advance of a significant deterioration in their financial health. Altman's well known Z-score approach also consists of a a composite of ratios but Taffler[13] argues that the precise Z-scores to be used as warning indicators would differ from country to country and industry to industry. Bibeault emphasises the importance of declining margins and other non-financial indicators such as management turnover

The Authors

James Wrynn is a lecturer in Business Policy at the College of Marketing and Design, Dublin Institute of Technology. His research interests are in the areas of strategy, industrial analysis and organisational design. He is a co-author of The Electronics Industry in Ireland: its Structure and Technology, with Policy Implications, *a major study of Ireland's electronics industry. He is also a director of the Electricity Supply Board, the national electricity utility.*

Timothy O'Mahony is a graduate of the College of Marketing and Design, Dublin Institute of Technology. He holds its Diploma in Advanced Marketing Techniques. He was awarded a B.Sc. degree in management from Trinity College, University of Dublin. He has worked as an independent market research consultant and has recently taken up an appointment as a marketing executive with International Chemical Co. Ltd., Dublin.

in conjunction with traditional financial indicators as predictors of decline.[14]

Handy indicates some corporate cultures as being more susceptible to crisis than others, although no single cultural pattern leads to crisis.[15] This author found in his research that both bureaucratic types of culture (firms governed by rules and procedures) and firms exhibiting power cultures (e.g. the one-man-show type organisation) appear to be most susceptible to crisis. But it can be argued that Handy's definition of culture is somewhat primitive compared to recent developments of the concept of corporate culture.

Figure 1

Causes of Corporate Decline

Slatter	*Argenti*	*Schendel, Patton & Riggs*	*Sigoloff*
Lack of financial control	Accounting information		Lack of control
Inadequate management	Management	Management problems	Peter Principle Management without guts International conflict at decision-making level
Competition	Firm unresponsive to change	Increased competitive pressure Lower revenues	Change in technology Firm hostage to current product-markets
High cost structure relative to competitors		Higher costs	Development of locational disadvantages
Changes in market demand	Normal business hazards	Demand declines	Change in marketplace Increasing cost of debt
Adverse movement in commodity markets (including interest rates)			
Operational marketing problems		Marketing problems	Poor distribution
Big projects	Big project		Dependence on single customer
Acquisitions			
Financial policy	Gearing		Limited financial resources
Overtrading	Overtrading		Sales growth faster than working capital
		Strikes	

Source: S. Slatter, *Corporate Recovery: Successful Turnaround Strategies and Their Implementation,* Penguin Books, London, 1984, p. 26.

Large organisations may well be prone to failure as they are likely to have developed a sophistication in management which embodies sensitive environmental scanning and internal control systems that identify problems at an early stage, thus resulting in corrective action. Williams in a study of failure in large organisations identifies distinctive problems in such ailing organisations.[16] For example, he argues that failure often follows a period of expansion largely financed by debt. The identification and correction of difficulty may be inhibited by psychological pressures as executives who have enjoyed driving their organisation vigorously forward find it very hard to shift into low gear or reverse.

Assessing Current Operational Health

A first step in the development of a turnaround strategy is obviously an analysis of the current situation. Hofer argues that this analysis can be divided into two main areas of examination — an analysis of the current operational health and an analysis of the current strategic health of the organisation.[17] Organisational operational health may be assessed by examining four main areas.

Financial Condition: Indicators mentioned earlier such as Altman's Z-scores or other composite ratios may be used to assess how near the firm is to bankruptcy given the continuation of current strategies or to indicate the financial resources that could be raised in the short term to aid the battle.

Market Position: An assessment in this area would focus on the possibility of increasing sales within the present product/market scope to improve financial performance. Struggling firms rarely have the resources to successfully introduce new products.

Technological Stance: Generally product innovation should receive little attention due to the foregoing factors, but an assessment of the quality relative to the competition of the firm's products should be made. This may indicate, if quality is good, possibilities for increasing prices.

Production Capabilities: Critical here will be the variable cost position of the firm in relation to its competitors. It will also be necessary to establish what facilities absolutely need to be replaced to continue business in the short term and what facilities might be sold off.

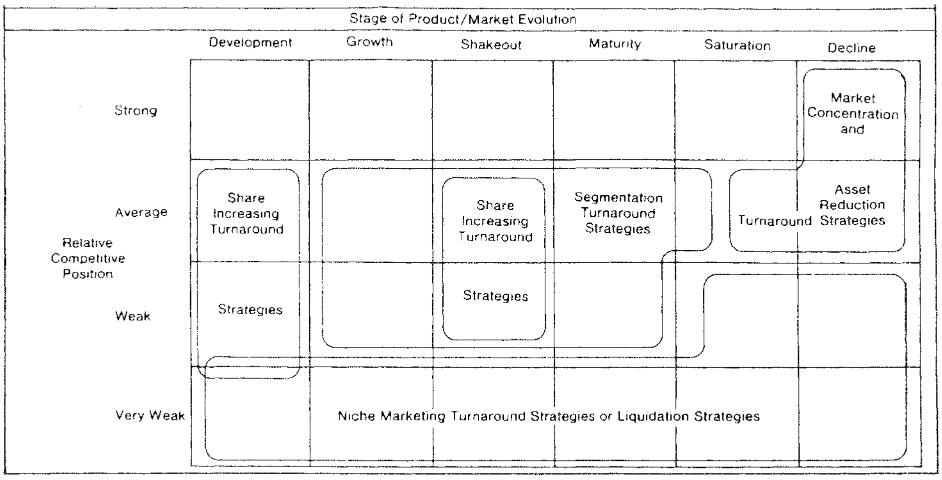
The above framework of analysis is very straightforward in its approach, paralleling the functional structure and activity of many organisations. It does not explicitly examine the personnel function and management capability, or more accurately its absence, which is reflected in performance in the functional areas. Since Hofer's original development of this framework almost ten years ago, a wide variety of measures have been developed both on a functional basis and on an industry basis to assess operating performance. For example there are well established criteria in the area of marketing. If we consider sales activity, measures of performance such as sales force productivity, advertising effectiveness and distribution effectiveness are strongly established areas of control in operational marketing activities. In the production function, most industries now have available a wide variety of criteria of performance that relate specifically to the industry concerned. For example, in electricity utilities there are criteria such as thermal efficiency of generating plant, million kilowatt hours sold per employee and fuel cost per unit sold.

Assessing Current Strategic Health

Similar dimensions to those used in assessing operating health can be utilised in assessing strategic health. Again Hofer argues for four dimensions in the analysis and suggests a useful matrix as a tool of analysis and as an indicator of the turnaround strategy to be chosen.

Market Position: The first aspect to be examined is market position. A six-by-four matrix with market evolution and relative competitive position on respective axes offers a classification of possible turnaround strategies (Figure 2). A criticism of this model is that the recommended strategies could apply equally to healthy companies at any of the stages of the industry/product-market evolution as they would to companies in difficulty. The recommendation of a niche strategy for companies in a very weak relative competitive position suffers from the same deficiencies as the general recommendation by niche enthusiasts for healthy companies or new companies, i.e., it constitutes a form of escapism from normal competitive forces and presumes that these will not ever exist in the niche or at least not until the first entrant has established a strong position. This may not always be the case.

Figure 2
Assessing Current Strategic Market Position



Source: C.W. Hofer, "Turnaround strategies", *Journal of Business Strategy,* vol. 1, no. 1, 1980, p. 22.

Technological and Production Capabilities: The analysis of the company's competitive position here will obviously be a function of the nature of the industry and the stage of industry evolution. For example, firms competing in mature industries will be concerned with process R & D, whereas firms in emerging industries will be concerned with product R & D.

Finances: Hofer makes the case that finances are inconsequential in that in the long term they will take care of themselves if the business is healthy in terms of markets, technology and production facilities, while admitting that in the short term, certain adjustments may have to be made to allow the firm to continue to exist and to take remedies in the other functional areas. This probably understates the extent to which significant capital restructuring may be an essential ingredient to both short term and long term recovery.

Selecting the Type of Turnaround

The type of turnaround strategy that should be selected by a firm will depend on its current operating and strategic health. If both are weak, then liquidation is probably the best option unless the firm has no other business it could invest in; in this case a strategic turnaround with tight controls may be possible. With a weak operating position and a moderate or strong strategic position, an operating turnaround strategy is usually advisable. When the business is strong operationally but weak strategically, then a strategic turnaround is almost always indicated though the firm may have a period of grace to decide what it will do. When both operating and strategic health are strong, turnaround strategies are seldom needed unless it is to improve asset utilisation which may sometimes lag.

Strategic turnarounds focus on change in strategy; performance is seen as a derivative of chosen strategy changes. "Strategic turnarounds can be divided into those that involve a change in the organisation strategy for competing in the same business and those that call for entering a new business or businesses".[18] Operating turnarounds focus primarily on performance targets to be achieved. Hofer identifies four general types of operating turnaround strategies, none of which require change to the firm's strategic posture. These are:

- Revenue-increasing strategies
- Cost-cutting strategies
- Asset-reduction strategies
- Combination strategies

In practice the distinction between strategic and operating actions in turnaround can often become blurred. Thus, actions that substantially decrease the firm's asset base, also often require a change in strategy to be most effective. However, even with this limitation the distinction is still relevant because of different priorities, trade-offs and time scales associated with the two levels of decision-making.

Other authors suggest different approaches to selecting the type of turnaround required. Slatter, for instance, identifies ten generic strategies.[19]

- Change of management
- Strong central financial control
- Organisational change and decentralisation
- Product-market re-orientation
- Import marketing
- Growth via acquisitions
- Asset reduction
- Cost reduction
- Investment
- Debt restructuring and other financial strategies

Further, Slatter points out that the selection of the appropriate generic action at strategic and/or operational level is a function of the actual causes of decline. Taking Slatter's[20] classification as a point of departure Figure 3 develops a framework of relationships between causes of decline and appropriate remedial activity which offers important additional causal factors and remedial activities; it also distinguishes remedial activities along strategic and operational dimensions.

Figure 3

Causes of Decline and General Remedial Activities

Causes of Decline	*Principal Remedial Activity*
Poor Management	New Management‡ Organisation structure change‡ Change in organisational culture‡
Over-diversified	Retreat to core business*
Poor operational marketing	Appropriate improvements in promotion, selling, distribution, etc.†
Competitive weakness	Change in strategy* Changes in operational areas which have caused competitive weakness†
Financial difficulties	Improve financial control† Capital restructuring*

* involves mainly strategic change
† involves mainly operational change
‡ involves both strategic and operational

An Exploratory Study of Irish Companies

The sample of companies chosen in this study was drawn from turnarounds in the Top 500 Irish Companies. Given the structure of Irish industry, which includes a high proportion of foreign companies (they account for approximately 40% of industrial employment) only indigenous companies were selected as decision-making in multinationals is often not located in the host country. From a total of twenty turnaround situations identified, six were selected on the basis of willingness to participate and also on the basis of discussion with Foir Teoranta, the state finance company charged with the responsibility of acting as a financial rescue agent to companies in very severe difficulty. The companies are briefly described in Exhibit 1.

Exhibit 1

Company Profiles

Company	*Pre-Turnaround Employment*	*Product Area*	*Ownership*
British & Irish Steam Packet Company Ltd. (B&I)	1000+	Sea transport	State
Bewleys Cafes Ltd	<500	Food wholesaling and catering	Co-op
Arklow Pottery Ltd.	500+	Tableware	Private Ltd. company
Great Southern Hotels	<500	Hotel chain	State
Company Five*	<500	Decorative & giftware	Private Ltd. company
Company Six*	500+	Industrial & consumer products based on polypropylene	Private Ltd. company

* The identity of these companies is confidential at the request of the companies.

The research was longitudinal in nature conducted in two phases during 1987. Initially, as much background information as possible was gathered about the companies from secondary sources such as annual reports, public domain commentary and any other sources of information. Secondly, interviews were conducted with the chief executives of the companies concerned. The interviews were structured around the following issues:

- Causes of decline as perceived by the (current) chief executive
- Previous strategies practised
- The turnaround process in general
- Examination of specific changes made within the company.

Discussion

Hofer developed a turnaround strategies performance model which compares recommended and actual turnaround strategies for companies and then indicates their success. The authors have applied this model to six companies in the sample of their research. The model assesses the company's operating and strategic health prior to the turnaround in order to indicate a turnaround strategy. Such strategies for the company are recommended by analysing the causes of decline for the company. Hofer applied this model to the twelve companies in his sample. He found that out of the six companies which succeeded in their turnaround that their actual strategy was consistent with the recommendations of the model.

The authors of this study also found a significant consistency with the model in the case of the six Irish companies. From the research data the problems of each company were analysed in operational and/or strategic terms. This indicated a suitable turnaround strategy to be pursued. Whether this strategy was in fact adopted was examined, as also were the subsequent performance results of each company. This enabled corroboration with the model (see Exhibit 2).

Exhibit 2

Turnaround Strategies Performance Model

Company	*Current Operating Health*	*Current Strategic Health*	*Indicated Turnaround Strategy*	*Indicated Strategy Adopted?*	*Performance Result Achieved*	*Corroboration with Model*
B & I	Very Weak	Average	Operating	No	Continued Losses	—
Bewleys Cafes	Weak	Very Weak	Operating/ Strategic	No/ Yes	Profits Anticipated	+
Arklow Pottery	Weak	Very Weak	Operating/ Strategic	No/ No	Continued Losses	—
Great Southern Hotels	Very Weak	Weak	Operating/ Strategic	Yes/ Yes	Profits	+
Company Five	Weak	Very Weak	Operating/ Strategic	Yes/ Yes	Profits	+
Company Six	Average	Weak	Strategic	Yes	Profits	+

It can be seen that this corroboration was, in broad terms, good. The experience of four out of the six companies was largely consistent with the model. Four of the companies were characterised by strategic and operational weakness, with the strategic situation being notably weak in three of them. Of the other two companies, it is significant that their more positive dimension was at best only average. Further studies might well confirm that many companies in need of turnaround from a base of chronic difficulty might well require attention to both dimensions.

The companies which followed strategies which were not recommended by the model experienced even further decline or did not improve their situation. Out of the six companies in the sample, five of the companies appointed a new managing director to carry out the turnaround. The only company which did not appoint a new managing director was Company Six and as this company did not experience any serious decline — the time criticality of the situation was not urgent — there was no need to make immediate changes at top level management. This result is consistent with all the literature on turnaround which says that management change is a pre-condition for a successful turnaround. Although Company Six did not appoint a new managing director, it did introduce a more professional management approach.

An important underlying condition in the turnaround strategy was financial backing. In the case of state companies, this did not appear a major problem, and in the case of the private sector companies successful negotiations with financial institutions were the first step in the turnaround process. While the research does not indicate examples where successful financial re-structurng was absent and consequently that the turnaround effort might have failed, this is an area that is worthy of further investigation. It should be noted that in Hofer's model fundamental preliminary financial re-structuring is not given the importance which seems to be required in most turnaround situations, even though some of his suggested strategies, such as sale of assets, do constitute an element in financial re-structuring. All of the companies except one emphasised the importance of strategic planning in the turnaround process, and it is interesting to note that this one company has been the least successful in its turnaround efforts.

Important issues arise concerning the role of strategic marketing in the context of turnaround strategy. Because of what might be considered the current fashion for marketing, marketing 'solutions' are often the automatic focus of remedy among those faced with turning around organisations in difficulty. And in particular, operational marketing 'solutions', such as increased advertising, are often implemented, because they are very readily available. Not alone may operational marketing remedies be the incorrect solution but strategic marketing change may also be inappropriate. Fundamental defects may more often exist in the financial structure of the organisation, in the production operating efficiency or in personnel management. On the other hand, where a company is dominated by a particular ethos such as production engineering or accounting, solutions may be sought solely in these areas because of the technical competence and background training of these personnel when in fact fundamental strategic marketing change is required. These comments may serve as a necessary caution against unidimensional solutions.

This article has focused on the theoretical body of knowledge that has developed in recent years in the area of turnaround. It has applied one particular model to companies in the Irish context requiring turnaround strategies and demonstrates the general usefulness of such a model in turnaround analysis, and the very positive degree of corroboration between model generated solutions and successful turnaround response. Some of the issues raised require further research and while the model used proved particularly appropriate to the study, more comprehensive models of analysis would be of value. Furthermore, the context in which marketing decision-making should operate in turnaround situations is identified and the limitations and possibilities of marketing's contribution are stressed.

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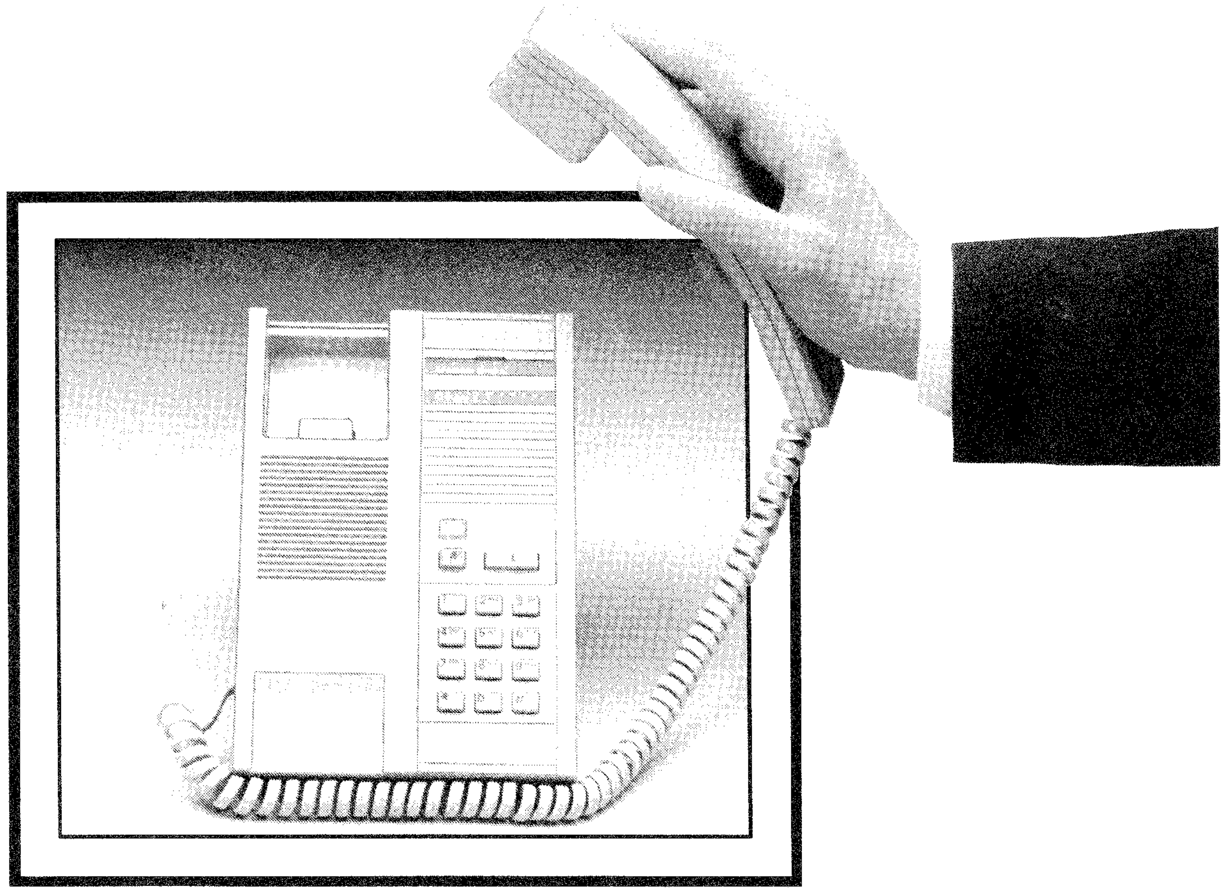

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TURNAROUND: THE CASE OF GREAT SOUTHERN HOTELS

Eamonn McKeon, Great Southern Hotels

Summary

This article describes the turnaround achieved in recent years by Great Southern Hotels, the state owned hotel group in Ireland. By 1982 following a series of circumstances the company had accumulated losses of almost £11 million and was unable to meet its current liabilities. The parlous state of the group's finances was finally tackled by the Government, as ultimate shareholder, and a number of options including winding-up, were considered.

The initial financial and organisational restructuring is outlined and the author then details the operational and strategic actions pursued in turnaround: increasing revenue, reducing costs, restoring standards of service, physical refurbishment and new marketing direction. Of particular interest is the shift in dependency achieved by Great Southern Hotels away from the volatile US market towards the home holiday and commercial market.

Background

Great Southern Hotels Limited was established in 1961 as a subsidiary of Coras Iompair Eireann (CIE), Ireland's national transport company, to take over and manage the 'railway' hotels then in state ownership. At that time all Great Southern Hotels were old world properties in the traditional style dating back to the nineteenth century.

Ireland in general and the tourism industry in particular enjoyed an economic boom in the sixties. The new sense of confidence encouraged expansion and four new hotels were built. Belfast and Rosslare were new locations for the company and second hotels were built in Galway and Killarney largely to cater for the motoring tourist. It is difficult now in retrospect to understand why the planners chose locations so heavily dependent upon seasonal tourism traffic when properties in major commercial centres such as Dublin, Cork or Limerick would have had year-round business potential. The decision to locate in Belfast, largely a Government initiative, was taken in the context of the improving North-South relations before the commencement of the present troubles.

The buoyant sixties gave way all too quickly to the traumatic seventies. Two international oil crises and serious conflict in Northern Ireland combined to ensure a decline in Irish tourism and continued losses in Great Southern Hotels, now burdened with crippling interest and loan repayment costs. The Belfast hotel was bombed twice and never once made a profit before being sold off in 1983. The hotels in Kenmare, Sligo, Mulrany and Bundoran were also sold off and the remaining properties declined through lack of re-investment. Morale throughout the organisation was inevitably poor as the problems become more intractable and trading continued to disimprove.

By 1982 Great Southern Hotels had accumulated losses of almost £11 million and was unable to meet its current liabilities. Its continued operation was made possible only by the agreed withholding of VAT, PAYE and PRSI payments due to the Exchequer. Something clearly had to be done. The parlous state of the company's finances was finally tackled by the Government, as ultimate shareholder, and a number of options, including winding up, were considered. The Government eventually decided to transfer responsibility for the company to a new Board of Directors reporting directly to the Minister for Labour. It paid off existing liabilities of £11 million and made a fund of £3 million available for essential, urgent repairs to the remaining six hotels. The brief to the new Board was simply expressed but formidable in its challenge: the company was to be run profitably as a commercial enterprise within the state sector.

The new Board, which came into office in 1984 on the eve of the tourist season, faced many problems but quickly established a distinctive, determined style. New auditors, solicitors, architects, public relations and marketing consultants were engaged. New positions of chief executive and financial controller were established and appointments made to these. The new Board and management team drew up a three year corporate business plan which established the following priorities:

- Increase revenue
- Reduce costs
- Restore standards of service
- Restore physical standards
- Develop a co-ordinated marketing strategy

Increase Revenue
Higher Rates: The ability of the company to charge realistic rates for its product had long been hampered by the poor state of that product. On the basis of the refurbishment plan proposed for 1984/1985 substantially higher group rates were negotiated with the major overseas tour operators for 1985. Where higher rates could not be agreed, the business was refused in the confidence (not without some nail biting) that the improved product should not be undersold.

Premium Business: A determined effort was made to re-capture the premium high rate coach tourism business for 1985 again on the promise of an improved product. Much of this had been lost to competitors in previous years.

More Business: While much of the capital outlay involved in the 1984/85 refurbishment plan was allocated to essential behind-the-scenes work on the fabric, some monies were earmarked for the improvement of revenue generating areas: restaurants, bars and shops. Nearly 70% of Great Southern Hotels' business came traditionally from US tourist traffic. The move to increase rates would reduce that sector's overall volume but increase its value. Efforts had to be made to increase business from other markets.

Reduce Costs
Decentralisation: Under CIE, Great Southern Hotels had become overly centralised in its operations. A head office in Dublin was responsible for all aspects of purchasing, sales, marketing, accounts, personnel — in fact for everything which did not have to be done in the hotels. Central charges were thus very substantial and were often contested when charged out to the operating units. The decision was taken to devolve all operating authority and responsibility to the hotel managers. A small head office team, relocated to Galway where there are two hotels, was made responsible only for corporate matters including, for example, consolidation of accounts. Its marketing, sales and reservations team provides group-wide marketing and reservations services and co-ordinates sales efforts.

Computerisation: The transfer of responsibility for accounts and management information reporting from head office to the hotels involved a substantial investment in computer hardware and software and in staff training. A small staff now produce detailed accounts and management reports within two days of period end. These are consolidated and company profit and loss, balance sheet reports, in comparison with budget and the previous year, as well as key statistics, are available and circulated on a weekly basis. This compares with a previous head office clerical staff of 27 when management reports were sometimes about three months out of date. The flow of up to date accurate management information has been vital to the success of the company in recent years. The ability to identify quickly trends and to take necessary action is a key tool for the managers on the ground in the short term and for Board and senior management in positioning the firm in the longer term.

Rationalisation: The achievement of the Government's brief to the re-structured company inevitably involved redundancies. The permanent staff was halved to the present level of 170. This is augmented during the

The Author

Eamonn McKeon was appointed Chief Executive of Great Southern Hotels in 1984. He has previously worked with Bord Failte and CIE Tours International and has extensive experience in the hospitality and tourism industry. He is a council member of the Irish Hotels Federation.

summer months by seasonal staff, many of whom are previous full-time employees.

Investment to Reduce Costs: Much needed investment was simply impossible during the seventies. Much of the company's energy generating equipment was very old and no longer efficient. This has now been replaced and, while consumption has increased, energy costs have reduced by about 50% in three years - this is in part however due to lower oil costs. A new laundry in Galway, servicing both hotels there, resulted in substantial savings in linen hire costs. The capital cost will be recovered in three years.

Restore Standards of Service

The dynamic approach adopted by Great Southern Hotels in tackling the many long neglected problems could not have been implemented without the co-operation and understanding of the staff and their representatives. The devolution policy has fundamently changed the accountability of local management with a consequent impact at all levels. Staff morale and the standards of service provided by them are related directly to their confidence in management and in the product. The introduction of a new young management team — with most senior appointments being made from within the organisation — and the impact of £6 million spent on the hotels and on-going staff training and retraining programmes have ensured the effective restoration of the highest international standards of service.

Restore Physical Standards

In 1984, the Board was professionally advised that it would cost £8 million to restore the fabric of the hotels. In less than four years, £6 million has been expended, with £3 million of this generated by the company itself. Much of the initial expenditure carried out in 1984/1985 and 1985/1986 was on basic behind-the-scenes work made necessary by many years of neglect: rewiring in the older hotels (built in the last century at the height of the golden age of railway); the elimination of wet and dry rot; and the cost of complying with statutory safety legislation. The current refurbishment programme is designed to maintain the quality of guest accommodation, to maximise revenue earning potential, and to respond to changing market conditions. All guest bedrooms and bathrooms are completely renovated on a regular cyclical basis. Improvements to public areas in the hotels are also planned on a phased basis.

Changes in the pattern of business since 1986 have resulted in major expenditure being allocated to improve facilities for the domestic market, both holiday and commercial traffic. All the company's hotels have swimming pools and these have been substantially upgraded to cater for increased Irish holiday business. Additional leisure facilities have also been provided in most locations. New conference/function rooms have been added to the Corrib and Rosslare hotels and the facilities in Killarney, one of Ireland's first conference centres, have been substantially renovated. 'Executive' class bedrooms have been provided in the two Galway hotels where business travel provides an important part of the trade. A traditional pub, *O'Flahertys*, has been added to the Galway Great Southern and the Corrib hotel also boasts a new bar, *O'Malleys*, an imaginatively designed pub finished to the highest standards. The commitment to maintaining the properties to the high standard which has now been attained and the on-going capital development plan calls for a further £2 million to be spent in this area, apart from routine maintenance, over the next three years. The plan is market-led and is reviewed regularly to take account of the changing needs of the clientele and business mix.

Marketing Strategy

Prior to the turnaround initiated in 1984, marketing policy and planning, like most other areas of Great Southern Hotels' operations, had suffered from a lack of funds and uncertainty about the company's future. Much of its business was attracted by a no longer deserved reputation for quality of service and excellence. As explained earlier Great Southern

Hotels had found itself with all its six properties in resort areas — two in Galway city, two in Killarney, Co. Kerry, as well as another in the remote and scenic Iveragh peninsula of Co. Kerry; a sixth in Rosslare, Co. Wexford, an important ferry port with the UK and Continent. Thus the company has been overly dependent upon seasonal tourism traffic and almost 70% of all business came from the volatile and cyclical US market. Much of the business was being handled at uneconomic rates, which were incapable of generating the levels of profit required for future development. Further, the performance of Irish tourism in the late seventies and early eighties had been disappointing while the local economy was sluggish with little prospect of increased consumer spending.

Exhibit 1

Advertisement Targeted at Irish Holiday Business

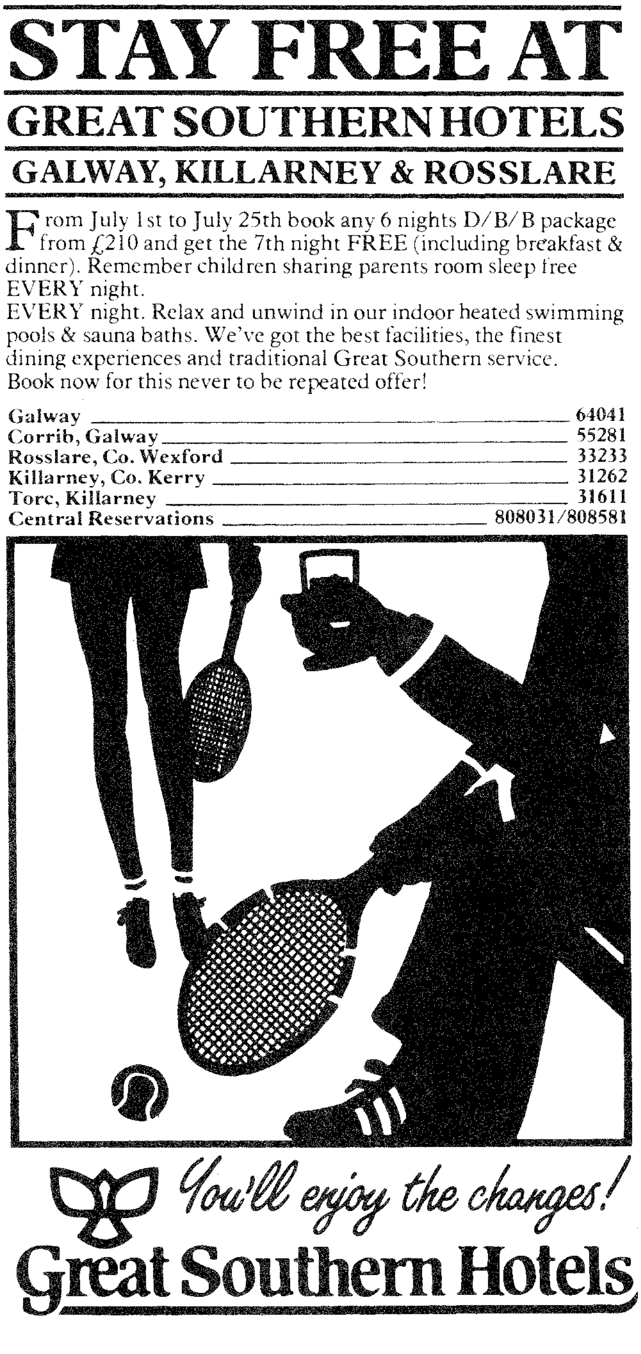
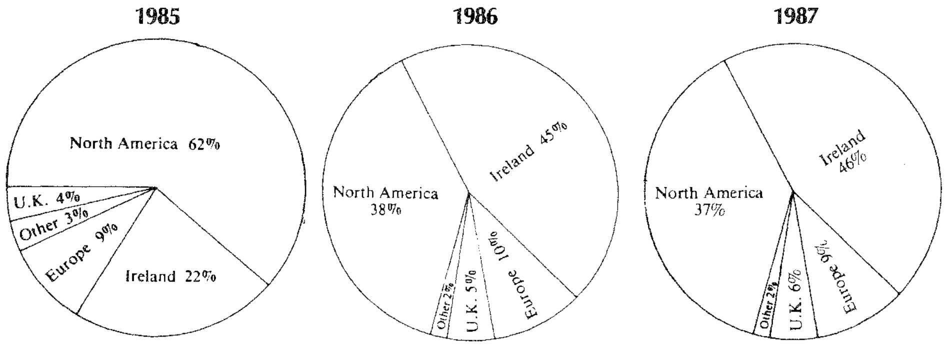


Exhibit 2

Source of Bednights 1985–1987



A marketing strategy was devised to address these weaknesses in the context of the Government's brief to the company. Target markets were identified and specific marketing plans devised for each:

US	• Coach tour traffic — at the right rate • Independent travellers • Convention and incentive business
Ireland	• Holiday market • Commercial market • Conference market
UK	• Holiday market
France/Germany	• Holiday market

Attracting the Irish holiday business was a particular challenge. The perception of the company's product in this market was that it was exclusive and expensive. An extensive and innovative advertising campaign highlighted the range of facilities available compared with competing hotels and stressed value for money. Exhibit 1 is an example of such advertising in the press medium.

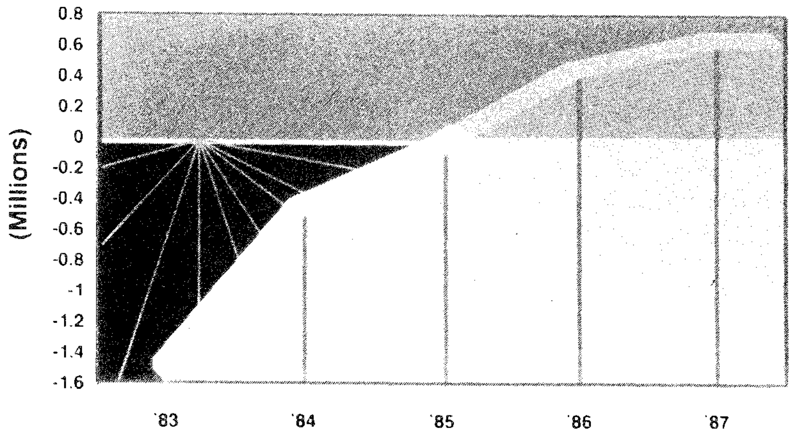
This campaign was so successful that by the time of the virtual collapse of the US traffic to Europe in 1986 (as result of the Libyan crisis) the group was able to increase its Irish business by 120% and that market became the company's single biggest market for the first time. Exhibit 2 indicates this shift in the source of bednights between 1985 and 1987. British business to the hotels has shown some encouraging growth and the current marketing priority is to significantly increase business from Continental Europe. Work is underway to determine the needs of the consumer in the principal markets and marketing effort will be focused on particular segments.

Turnaround

The objectives of the corporate plan adopted in 1984 have been achieved and the company has been turned around. In 1987 Great Southern Hotels achieved a turnover of £8.3 million and a profit of £.7 million (see Exhibit 3). Also very significant is the high level of customer satisfaction, regularly monitored for all nationalities and categories of customer. This is an indication of the company's flexibility in adapting to the different needs of its clients who range from families with small children to members of the US Bar Association. The hotel business is however notoriously volatile and the commitment and co-operation which has been so evident in the past few years will have to be maintained if the company is to meet the challenges of the future. The need for flexibility in marketing plans and sensitivity to the changing needs of our customers is an increasingly competitive environment are vital.

Exhibit 3

Profits 1983-1987



The company's trading position and balance sheet are now healthy and it is positioned with a substantial cash balance and a high credit rating from the financial community to develop and grow further. Dynamic development and growth will however only come about through imaginative and innovative plans. A number of options for the future of the company, now that it is restored to full health, are being examined which will ensure the ongoing success of Great Southern Hotels, as the flagship of the Irish hotel industry.

DETERMINANTS OF CUSTOMER SATISFACTION AMONG LUXURY CAR BUYERS: AN EMPIRICAL ANALYSIS

A. Diamantopoulos, A. C. Tynan and R. Hughes, University of Edinburgh

Summary

This paper investigates the concept of consumer satisfaction/dissatisfaction in the context of the luxury car market. In particular, an attempt is made to (a) estimate the extent of customer satisfaction among new car purchasers of a particular make of luxury car, and (b) identify the factors impinging upon the level of satisfaction experienced. Four sets of factors are examined, relating to pre- and post-purchase influences, the buying experience itself, and customer characteristics. Following a description of the incidence, level and variability of satisfaction among the population of interest, customer satisfaction is related to the four sets of factors described above, in an attempt to identify the latter's relative impact on satisfaction. The results are analysed in the context of previous evidence on customer satisfaction, with particular emphasis being placed on their managerial implications. Finally, a number of suggestions are made regarding the directions of future research.

The concept of consumer satisfaction/dissatisfaction is fundamental to both the theory and the practice of marketing. It is the focus of the marketing concept in that the goals of an organisation are achieved through the satisfaction of consumer needs and wants[1]. Satisfaction is also important because of its hypothesised relationship with such issues as brand loyalty and repeat purchases[2].

Satisfaction is commonly conceptualised as resulting from the interaction between pre-purchase expectations and performance in use. In this context, the literature suggests that there is no direct link between the level of expectations and the level of satisfaction[3]; rather, satisfaction is mediated through an intervening variable, namely disconfirmation[4]. When the consumer's expectations are not met by actual product performance, negative disconfirmation occurs leading to dissatisfaction; on the other hand if product performance exceeds expectations, satisfaction is experienced as a result of positive disconfirmation (satisfaction, of course, also occurs when expectations are exactly matched by product performance).

The last twenty years have seen a proliferation of research on the subject of consumer satisfaction as reflected in the large number of empirical studies undertaken and the special conferences organised on this topic (in particular the series of conferences organised by Keith Hunt and Ralph Day at the Division of Research, School of Business, University of Indiana). Research on satisfaction has taken the form of experimental as well as field investigations focusing on both high- and low-involvement purchases and products as diverse as meat, bread, movies[5], household appliances[6], video disc players and hybrid plants[7], grocery products[8], and appetite suppressants[9]. A variety of issues have been addressed in empirical studies, including the nature of satisfaction/dissatisfaction as an outcome of the consumer decision process, the relationship between satisfaction and post-purchase activities (e.g. complaint behaviour), and the factors influencing the level of satisfaction experience. With regard to the latter, empirical evidence stresses the importance of customer characteristics such as age[10], sex[11], and prior product experience[12] and the influences surrounding the purchase such as the duration of the consumer decision process[13], information sources used[14], and satisfaction with the buying experience[15].

The present study examines the impact of the above factors as well as other potentially relevant influences on the level of satisfaction derived from ownership of a luxury car. Using data relating to the U.K. luxury car market, the current research complements earlier American investigations of consumer satisfaction/dissatisfaction using automobiles as the product focus[16]. It is worth noting that the luxury car market is particularly well suited to an investigation of satisfaction issues, for three main reasons. First, luxury cars constitute an important purchase both in terms of the financial outlay involved and in terms of relevance to the individual's self-concept. As a result, the purchasing process is of the high-involvement variety, implying considerable post-purchase evaluation[17]. Second, pre-purchase expectations are likely to be higher than would be the case with standard cars; this in turn may effect both post-purchase evaluations and the overall level of satisfaction subsequently experienced. Finally, from a managerial viewpoint, it is essential to know the factors bearing upon buyer satisfaction so that these can be catered for in the manufacturer's marketing strategy. In the case of luxury cars, this is of prime importance as a lost customer cannot be easily replaced by another since the overall market size is relatively small; in 1985, the total U.K. luxury car market was estimated at about 20,000 units valued, however, at some £500 million[18].

The research reported in this paper examines the determinants of customer satisfaction experienced by buyers of a single make of cars, henceforth referred to as LUXCARS. The study is intentionally restricted to LUXCAR buyers who purchased their vehicles from the same motor dealer, in this case a major LUXCAR dealership located in the south of England. By restricting the study in the above manner, it became possible to obtain information on a *specific* product purchased from a *specific* outlet. This enabled the investigation of the issues of interest without having to deal with confounding effects in the form of product-specific and outlet-specific influences. A second benefit was that the results of the study could be put to immediate use by the manufacturer and the dealer concerned, as the analysis was based on information provided by LUXCAR customers only.

The Authors

Adamantios Diamantopoulos is Lecturer in Marketing, Department of Business Studies, University of Edinburgh. His main research interests are in the areas of pricing, sales forecasting and international marketing. His publications have appeared, among others, in the International Journal of Research in Marketing, Managerial and Decision Economics *and* International Marketing Review.

Caroline Tynan is Lecturer in Marketing, Department of Business Studies, University of Edinburgh. Her research interests and publications are in the areas of consumer behaviour, the marketing of services and research methodology. She is currently preparing a book on marketing to the older consumer. Dr. Tynan is shortly taking up a lecturing position at the Henley Management College.

Robin Hughes graduated from the University of Edinburgh with a B.Com (Hons) degree in Business Studies and is currently working in the finance department of a major car manufacturer.

METHODOLOGY

Data

Empirical data were collected by means of postal questionnaire which was developed following preliminary interviews with a convenience sample of LUXCAR buyers in the south of England. The sampling frame for the mail survey was constructed from the customer service records of the dealer concerned, as follows: first, all the new purchases of LUXCAR during the first seven months of 1985 were noted. Next, purchases made by companies (including leasing and car rental) were excluded, as the organisational buying process is substantially different from that associated with consumer purchases. Finally, a random sample, stratified by model type, was selected from an initial list of 512 customers who had bought LUXCARS for personal use. The final sample consisted of 350 customers and it was to these individuals that the questionnaire was dispatched in November 1985.

The method used to derive the sample ensured that a period of at least three months had elapsed between the purchase of a LUXCAR by the respondents and the time of the customer survey. The underlying rationale was that a shorter period was insufficient to permit an adequate post-purchase evaluation of the type of product under investigation. Being a durable and highly complex product with a large number of potentially important attributes, the product is likely to be a evaluated over a much longer period compared with a low-involvement product purchased for immediate consumption.

The mailing of the questionnaire resulted in a total of 199 replies, out of which 170 were unusable, representing an effective response rate of 48.6%. Comparison of the respondents with the national sales pattern of LUXCARS by model, revealed that the distribution of the former was practically identical with that of the latter.

Dependent Variable: Customer Satisfaction

The operationalisation/measurement of the satisfaction concept has always been a problem in empirical research. For example, Loudon and Della Bitta[19] observe that "the concept of satisfaction is one about which there are presently few agreed upon definitions or approaches to measurement". In a similar vein, Day[20] states that "while everyone knows what satisfaction means, it doesn't always mean the same thing to everyone. It has been defined by researchers in a number of ways".

Bearing the above in mind and given that a "global" measure of satisfaction was considered inappropriate in this instance due to the complex nature of the product, as reflected in the multitude of product attributes which are subjected to post-purchase evaluation, a weighted disconfirmation index was used to measure customer satisfaction. Specifically, the low level of satisfaction (S) experience by customer i was defined as:

$$S_i = \sum_{j=1}^{20} (R_{ij} - E_{ij})\, I_{ij} \qquad i = 1, \ldots, 170$$

where R_{ij} = post-purchase evaluation by customer i of product attribute j

E_{ij} = pre-purchase expectation of customer i regarding product attribute j

I_{ij} = importance attached by customer i to product attribute j

The twenty product attributes were developed as a result of the preliminary interviews. They include performance aspects (e.g. top speed, acceleration and stopping power), comfort aspects (e.g. front/rear space, ventilation and level of standard equipment), economic aspects (e.g. price and fuel consumption) and intangible aspects (e.g. body design, prestige and manufacturer reputation).

Five-point differential-type scales were used to measure attribute importance, pre-purchase expectations and post-purchase evaluation, as recommended by Westbrook and Oliver[21] for automobile satisfaction measurerment. Specifically, the importance attached to alternative product attributes was indicated on a scale ranging from 5= "great importance" to 1="no importance whatsoever", while pre-purchase expectations and post-purchase evaluations were scored on scales ranging from 5= "excellent" to 1="poor". When this measurement scheme is applied to the satisfaction scale defined by formula (1) a non-negative S value represents satisfaction while a negative S value represents dissatisfaction.

A reliability analysis performed on the satisfaction scale produced an alpha of .75, well above the .50 level suggested by Nunnally[22] as a minimum in exploratory research. Reflecting a high degree of face validity, the scale also behaved in the manner expected when correlated with a relevant criterion. In this instance, it was hypothesised that customer satisfaction in inversely related to the number of faults/problems that the car developed since the day of purchase. Clearly, if an individual spends a considerable amount of money in buying a luxury car and experiences problems within a short period of taking delivery, his/her level of satisfaction with the car is likely to be adversely affected. Consequently, any index that purports to measure satisfaction should be able to register such effects. As part of the questionnaire, LUXCAR buyers were asked to report any problems they had with their cars, such as electrical faults, gearbox and engine problems, etc. (excluding accident damage). Subsequently, an overall indication of the level of "trouble" experienced by buyers, was obtained by counting the number of individual problems mentioned. Consistent with expectations, a correlation analysis revealed a negative significant relationship between the satisfaction scale and the "trouble" index ($r=-0.17$ $p < 0.5$).

Independent Variables

The potential determinants of satisfaction considered in this study, fall into four major categories, notably (i) pre-purchase influences, (ii) satisfaction with the buying experience, (iii) post-purchase influences, and (iv) customer characteristics.

(i) Pre-Purchase Influences

These describe the nature of the purchasing process for the product in question and include the following:

- *Duration of the Consumer Decision Process* — this refers to the period elapsing between recognition and actual purchase of a LUXCAR. Respondents were asked to indicate the number of weeks that passed between their initial decision to buy a new car and the placement of a firm order for their present vehicle; a similar operationalisation was used by Newman and Staelin[23]. It can be argued that the length of the decision process could influence buyer satisfaction for two interrelated reasons: first the lack of time pressure allows the buyer to spend more time specifying the exact requirements which the product must fulfil; as a result, he/she will be in a better position to effectively assess alternative product solutions. Second, a greater number of potentially attractive alternatives can be identified and evaluated; as result, product choice is likely to be made by a more informed buyer. Taken together, these considerations suggest that, all other things being equal, a better purchasing decision is likely to be made if sufficient time is allowed for pre-purchase activities and thus a higher (lower) level of satisfaction (dissatisfaction) is likely to be experienced by the buyer in connection with the chosen product.

- *Information Sources Utilised* — these refer to the various personal and impersonal sources of information utilised by the buyer during the purchasing process. The importance attached to alternative sources of information is likely to affect the final decision reached and thus, the level of satisfaction subsequently experienced with the purchase[24]. For example, if an individual decides on a particular model largely because a friend has recommended it, he/she may experience dissatisfaction if the car turns out to be, say, very "thirsty" (a small detail that the friend "forgot" to mention!). Had the buyer relied more heavily on a different source of information (e.g. independent road test reports), he/she would have been aware of this problem *prior* to purchase and an alternative (i.e. more economical) vehicle may have been purchased instead.

The preliminary interviews revealed a total of eleven sources of information used by LUXCAR buyers; these were incorporated in the questionnaire. The importance of each source in influencing product choice was assessed by means of a five-point semantic differential-type scale ranging from 5="extremely important" to 1="not at all important". In an attempt to reduce the number of variables to a more manageable number and obtain orthogonal dimensions of information sources, a factor analysis was subsequently performed. Four factors were extracted, together accounting for 61.6% of the total variance in the data set; the relevant factor loadings are shown in Table 1.

Table 1

Varimax-Rotated Factor Matrix of Information Sources

Variable	FACTOR 1 *Media*	FACTOR 2 *Family*	FACTOR 3 *Dealer*	FACTOR 4 *Friends*
Road Test Reports from Press/TV	.71			
LUXCAR Brochure	.76			
LUXCAR Press Advertisements	.74			
Visits to Motor Shows/Exhibitions	.54			
Children		.81		
Other Relatives		.78		
Dealer Visit			.83	
Demonstration/Test Drive			.67	
Partner			.55	
Business Associate				.85
Friends/Acquaintances				.77
EIGENVALUE	2.76	1.65	1.23	1.14

Factor 1 accounts for 25.1% of total variance and loads heavily on impersonal sources of information such as road test reports and LUXCAR brochures and advertisements; thus, it represents the *media* source of information. Factor 2 represents the influence of *family;* it loads heavily on children and other relatives and accounts for 15.0% of total variance. Factor 3 indicates the influence of the *dealer.* The influence of the buyer's partner (e.g. husband/wife) is also included in this factor, probably because visiting a dealership and/or taking a test drive is likely to be undertaken jointly with one's partner; 11.2% of total variance is accounted for by this factor. Finally, Factor 4 is termed *friends* as it loads on personal, yet non-family, sources of in formation; it accounts for 10.3% of total variance.

- *Conflict Experienced* — this refers to the extent to which the product selected by the buyer is consistent with the choice that would have been made by the buyer's partner. Davis and Rigaux[25] found that the buying process associated with car purchase becomes syncratic (i.e. it involves a true joint decision) at the product selection stage. It has also been suggested that patterns of power and conflict in the family should be taken into account when evaluating consumer satisfaction/dissatisfaction[26]. If the final choice reflects the preferences of both the buyer and his/her partner, all other things being equal, this is likely to result in a greater level of satisfaction than if the partner's choice had been completely different. In the latter case, the partner's displeasure with the choice made, is likely to rub on to the buyer (e.g. through comments of the "I told you so" variety), create or exacerbate doubts regarding the soundness of the choice made and, thus, adversely affect the satisfaction experienced by the buyer.

  To assess whether conflict of the type described above characterised the buying decision, respondents were asked to respond to the following hypothetical situation:

  > "If you had no say in the purchasing decision, what car do you think your partner would like you to own?" [Please tick *one* option only]
  >
  > (a) The LUXCAR you presently own
  > (b) A different model of LUXCAR
  > (c) A different make of car

  Subsequently, a dichotomous (0,1) variable was created, whereby lack of conflict i.e. answer (a) above was coded as 1, while presence of conflict i.e. answers (b) and (c) was represented by 0.

(ii) *Satisfaction with the Buying Experience*
For the particular product under investigation, considerable effort is expended by the customer both in terms of information search and alternative evaluation after the initial product choice has been made. With respect to the latter, this involves negotiation about price and financing, agreement on delivery and the "tidying up" of administrative details (e.g. paperwork associated with the transfer of ownership). The extent to which the buyer is satisfied with the dealer's handling of these matters is likely to be reflected in the buyer's satisfaction with the product itself. Indeed, previous studies have indicated that satisfaction is related to the experience surrounding the acquisition of the product[27]. Respondents were asked to indicate their satisfaction with the conduct of the dealer under the following headings:

> (a) Delivery on time
> (b) Condition of the car on delivery
> (c) Financial deal agreed
> (d) Helpfulness of dealer personnel
> (e) Efficiency of dealer personnel

Four-point scales ranging from 4="very satisfied" to 1="not at all satisfied" were used to measure satisfaction with each of the above aspects. Subsequently, an index of overall satisfaction with the buying experience was constructed by summing the individual ratings; a reliability analysis confirmed the internal consistency of the derived scale (alpha=.78).

(iii) Post-Purchase Influences
These refer to factors associated with the usage of the product following purchase and include the following:

- *Type of Usage* — the specific end use of the product is likely to condition post-purchase evaluation and thus influence the level of satisfaction experienced by the customer. A vehicle used primarily in connection with the owner's business would be expected to fulfil a different function than the same vehicle used for domestic/social purposes. Moreover, the set of individuals who will comment on and judge the purchase is likely to vary between the two situations (e.g. business colleagues and customers versus friends and neighbours). Day[28] maintains that the reactions of "significant others" are particularly important in post-purchase evaluation of prestige products. Thus, it could be argued that, depending on the type of use, the buyer will be subjected to different influences which may subsequently affect the level of satisfaction experienced.

In the present study, a dichotomous variable (0, 1) was used to represent the usage, with 0 indicating that the LUXCAR purchased is used primarily for domestic/social purposes and 1 indicating business use.

- *Extent/Intensity of Use* — a second aspect relating to the use of the product relates to the intensity of usage. In the case of motor vehicles the measure common of use intensity is the mileage that a vehicle covers within a certain period (usually a year). Post-purchase evaluation (and therefore satisfaction) could be related to the number of miles driven for two reasons; first, certain deficiencies in the vehicle (e.g. comfort provided by the suspension and the seats) may not become apparent unless the car is driven for a prolonged period of time; equally, positive aspects (e.g. low noise level, high cruising speed) may not be fully appreciated if the car is driven short distances only. Second, the more the vehicle is used, the better the position of the owner in terms of undertaking a comprehensive and objective evaluation of all aspects of his/her car (it is also worth noting that, all other things being equal, the chances of things going wrong increase with the mileage driven). A question on use intensity was included in the questionnaire, whereby LUXCAR buyers were asked to state their approximate annual mileage.

- *Satisfaction with After Sales Service* — the extent to which the customer is satisfied with after sales service is likely to be a major factor that will impinge upon his overall satisfaction with the product chosen. For one thing, if the car is not properly serviced, then its performance is likely to be adversely affected leading to customer dissatisfaction. For another, if servicing takes too long and/or the car is returned half-finished or dirty, this is also likely to result in a lower level of satisfaction than would be the case if speedy and efficient servicing is provided by the dealer.

  A five-point semantic differential-type scale, ranging from 5="excellent" to 1="poor" was used to assess the overall quality of after sales service, as perceived by LUXCAR buyers.

(iv) Customer Characteristics
The final set of potential determinants of buyer satisfaction considered in the present study, consists of consumer demographics (notably age and sex) and prior product experience.

- *Age and Sex* — studies of consumer satisfaction have failed to produce a clear picture regarding the relationship between age and buyer satisfaction. A positive relationship has been reported in many studies[29]. On the other hand, a study by Gronhaug[30] found both positive and negative relationships depending on product, while Pfaff[31] found no relationship at all. Finally, a non-monotonic relationship has been suggested by Mason and Hines[32]. Conflicting evidence also exists with respect to the relationship between sex and consumer satisfaction. In some studies no sex variance in reported satisfaction levels was identified[33], while in others signifigant relationships have been noted[34]. However, the latter studies offer contradictory results as to whether women or men are the more satisfied customers.

  In the light of the above, it appears that the relationship between age/sex and satisfaction is situation-specific and likely to vary over different categories of products. Thus, provision was made in the questionnaire to establish the respondents' age (in years) and sex (0=female, 1=male).

- *Prior Product Experience* — prior product experience in the form of previous ownership of a LUXCAR, could also impinge upon satisfaction associated with the current purchase. This is because the buyer's pre-purchase expectations are likely to be conditioned by his/her previous experience[35] while post-purchase evaluation may involve a conscious or unconscious comparison with the previous LUXCAR owned[36]. Prior product experience was measured by asking respondents to indicate the number of LUXCARS they had owned in the past (excluding their latest purchase i.e. their present vehicle).

ANALYSIS

Level of Satisfaction

Prior to the investigation of the realtionship between buyer satisfaction and the various factors described in the previous section, it is useful to provide an indication of the overall level of satisfaction experienced by the respondents; relevant descriptive statistics are shown in Table 2.

Table 2

Satisfaction Experienced by LUXCAR Buyers (N=170)

Level of Satisfaction (S)

Mean	*Std. Deviation*	*Minimum*	*Maximum*	*Proportion of Buyers Satisfied*
−4.59	28.71	−107.10	64.00	46.47%

It can be seen that, on average, respondents are somewhat dissatisfied with their LUXCAR and that the maximum level of dissatisfaction reported is, in absolute terms, much higher than the maximum level of satisfaction. In addition, the proportion of the buyers with non-negative satisfaction scores constitutes only 46.47% of the total sample.

However, the above results are sample specific; of much greater importance are the relevant population parameters, the correct estimation of which depends largely upon whether the underlying population is normally distributed. A Kolmogorov-Smirnov goodness-of-fit test applied to the distribution of the satisfaction values in the sample, indicated that the assumption of normality was warranted in this case. Subsequently, confidence intervals were estimated for the mean and the standard deviation of the population as well as the proportion of buyers that would be expected to be satisfied (Table 3).

Table 3

95% Confidence Intervals for Population Parameters

Parameter	*Lower Limit*	*Upper Limit*
Mean	−8.90	−0.28
Std. Deviation	25.66	31.76
Proportion of Buyers Satisfied	43.34%	49.60%

As both the upper and the lower bound for the population mean are negative, it can be stated with 95% confidence that LUXCAR buyers are, on average, dissatisfied, albeit mildly so. At the same time it appears that there is considerable variation the in level of satisfaction experienced as indicated by the size of the standard deviation. The estimated proportion of satisfied buyers in the population is in the range of 43-50%, implying that, at best, only half of all buyers experience satisfaction with the product. It should be noted however, that the population in this case consists of LUXCAR buyers who purchased a new car from a specific dealer, rather than all LUXCAR owners in the U.K.

The proportion of satisfied LUXCAR owners is subsequently lower than that found in the literature for car owners generally. For example, Pickle and

Bruce[37] reported that only 10.0% of householders were dissatisfied with their car during the previous year, while Andreasen and Best[38] found 63.5% of satisfied with their car. The discrepancy between the present findings and evidence is probably due to the higher expectations among the LUXCAR buyers for their prestige product causing a wide disparity between expectations and thus resulting in lower satisfaction levels. Nevertheless, from a managerial perspective the above results are certainly disturbing as they reveal that a substantial of LUXCAR buyers are not particularly satisfied with their vehicles. Thus, the of factors likely to influence the level of satisfaction becomes an issue of importance for the manufacturer and dealer involved; this is addressed in the section.

Determinants of Satisfaction

To obtain a preliminary picture of the relationship between customer satisfaction and each of the thirteen independent variables described above, a correlation analysis was carried out; the relevant coefficients are reproduced in Table 4.

Table 4

Correlation Analysis Results (N = 170)

Independent Variable	*Level of Satisfaction (S)*
Lengths of the Consumer Decision Process	.17*
Information Sources:	
Media	−0.21***
Family	−0.05
Dealer	.14**
Friends	−0.04
Conflict Experienced	.16**
Satisfaction with the Buying Experience	.11*
Type of Usage	.11*
Intensity of Usage	.02
After Sales Service	.22***
Age	.08
Sex	.01
Prior Product Experience	−0.05

[*p <.10; **p<.05; ***p<.01]

Out of a total of thirteen correlation coefficients, seven are significant at the level or better, representing a far greater proportion than would have been purely as a result of chance. It is interesting to note that none of the three characteristics (age, sex and prior product experience) appears to be with buyer satisfaction and neither does the intensity of usage as indicated by the annual mileage driven. Also, no association can be discerned between level of satisfaction and two information sources, representing the influence family and friends respectively.

The seven variables indentified in the bivariate analysis as being significantly related to customer satisfaction were subsequently used as input in a multiple regression analysis. However, one variable had to be excluded in order to remove multicollinearity. This variable describes satisfaction with the buying experience and was found to be significantly correlated with both the quality of servicing and the influence of the dealer. Thus a total of six (uncorrelated) predictors were finally entered in a stepwise multiple regression, with the level of satisfaction as the criterion variable (Table 5).

The regression equation obtained through the stepwise procedure is highly significant and contains all six predictors. In an attempt to test the stability of the equation, the regression analysis was repeated using alternative methods of variable entry, notably forward and backward elimination respectively. In both cases the final equation obtained was identical to the one described in Table 5; moreover, examination of residual plots provided no evidence indicating violation of the assumptions underlying the regression model.

Table 5

Regression Results (N=170)

Independent Variable	*Beta*	*t-value*	*Sig.*
Length of Consumer Decision Process	.16	2.29	$p<.05$
Information Sources: Media	-0.23	-3.22	$p<.01$
Dealer	.13	1.76	$p<.10$
Conflict Experienced	.15	2.17	$p<.05$
Type of Usage	.13	1.79	$p<.10$
After Sales Service	.22	3.04	$p<.01$

Summary Statistics

R	R^2	R^2(adj.)	F-value	Sig.
.42	.18	.15	5.92	$p<.001$

Regarding the relative contribution of individual variables to the equation, it can be seen that the influence of the media has the greatest effect. The negative sign indicates that a lower level of satisfaction is experienced if product choice is based largely on information provided by the media; a similar relationship has been reported by Pickle and Bruce[39]. This finding may be partly explained by the fact that this type of information particularly if controlled by the manufacturer (e.g. advertisements and brochures), may create inordinately high pre-purchase expectations which are subsequently not fulfilled by the product's actual performance[40].

In contrast, the reliance on the dealer as an information source is positively related to the level of satisfaction. This finding makes intuitive sense, considering that the nature of information imparted by the dealer to the prospective customer is conditioned by (a) the presence of the actual product, (b) two-way communications, (c) expert knowledge and (d) opportunities to try the product; these features are not present in information obtained from other sources. A visit to a dealer provides the buyer with the opportunity to examine the "real thing" at close quarters, to ask questions and obtain expert answers regarding specific product attributes and, perhaps most important, to obtain "hands on" experience with the product by taking a test drive. Thus highly relevant information can be obtained in this way, leading to a better purchasing decision and, in turn to a higher level of satisfaction.

Consistent with prior expectations, the regression results also indicate that the level of satisfaction is likely to be higher if considerable time has been spent in pre-purchasing activity, if product choice reflects the preference of the partner, and if the quality of after sales service provided by the dealer is thought of highly by the customer. An important finding is that a higher level of satisfaction is experienced by buyers using their LUXCAR mainly for business rather than for social/domestic purposes. This could be due to the fact that the perceived benefits associated with ownership of a luxury car takes on increasing importance in business context (e.g. the need to portray an image of success to one's associates). A related point is that post-purchase ratings relating to certain attributes are likely to depend largely on the principal usage of the vehicle. For example, fuel, consumption may receive a lower score if the car is used for social purposes than if it is used in connection with the owner's business; in the latter case, running costs are likely to be treated as tax-deductible business expenses rather than "out of own pocket" costs.

Up to this point, the analysis has focused on identifying the factors affecting the level of satisfaction of LUXCAR buyers, irrespective of the specific *model* purchased. It is possible however, that variations in customer satisfaction may be exhibited across the different model types. To investigate whether this is indeed the case, the respondents in the sample were classified into five categories, each category representing a distinct model type. Subsequently, a covariance analysis was performed with the model type serving as the main effect and the six significant regression predictors as covariates (Table 6).

Table 6
ANCOVA Results (N=170)

Source of Variation	*Sum of Squares*	*Degrees of Freedom*	*Mean Square*	*F*	*Sig.*
Within Cells	110228	159	693		
Regression	27817	6	4636	6.65	p<.001
Constant	18231	1	18231	26.13	p<.001
Model Type	2918	4	730	1.05	NS

[NS = Not significant]

As expected, the regression of the dependent variable with the covariates is significant. However, the results provide no evidence that buyer satisfaction varies according to the specific LUXCAR model purchased (the Model Type Effect is non-significant). In other words, the level of satisfaction experienced by LUXCAR buyers does not depend on the particular model purchased. This is an interesting finding, considering that there are substantial differences among the five mode types examined in terms of performance, size, price, etc. It appears, therefore, that other factors such as the ones identified earlier are responsible for the observed variation in satisfaction among purchasers of new LUXCARS.

Discussion

Taken collectively, the results of the present study give rise to a number of implications bearing upon the marketing strategy of the manufacturer and dealer concerned.

The rather low level of satisfaction experienced among LUXCAR buyers suggests that taking customer satisfaction for granted is an unwarranted assumption in the luxury car market, despite the commonly held belief that the customer gets "quality" when purchasing a prestige car. According to the findings, there is considerable room for increasing buyer satisfaction and this should be perceived as a marketing opportunity by the manufacturer and dealer concerned. In this context, efforts directed at improving satisfaction should permeate the whole of the product range rather than concentrate on particular product types or models. The results provide no evidence supporting differential approaches for different customer groups based on model purchased.

From a managerial standpoint, particular attention should be paid to the factors found to be related to the level of satisfaction. The quality of after sales service is a major element in this respect and one that has been consistently found to be associated with success in the marketplace[41]. Providing quality after sales service is of considerable importance in ensuring customer satisfaction and the manufacturer can extend appropriate assistance (e.g. training, incentives, etc.) to help the dealer maintain a high standard.

The provision of pre-purchase information is another area in which the dealer plays a major role and well-trained personnel should be employed to fulfil this function. Such training is necessary to prevent the creation of inflated expectations and should not be geared toward the "quick sale"; the relationship established between satisfaction and the length of the consumer decision process implies that it would be counter-productive to hurry the buyer into making a speedy purchase. Thus, prospective customers should be encouraged to "take their time" in making up their minds and supplied with information relating to a number of potentially attractive product variants (i.e. different models), to enable them to make a well-informed product choice.

Dealer personnel can also help reduce potential conflict between the buyer and his/her partner by suggesting product solutions that satisfy the preferences/requirements of both parties — the extent to which this will be possible depends, of course, on the "gap" of both parties —between the preferences of the buyers and those of his/her partner. This should help create a positive buying experience for the customer, which will be subsequently reflected in the level of satisfaction experienced.

The negative relationship between satisfaction and reliance on impersonal sources of information suggests that a rethinking of advertising strategy by the manufacturer may be in order. In particular, a review of promotional brochures and advertising claims should help determine whether pre-purchase expectations are being inflated to unrealistic heights. If this is the case, remedial steps should be undertaken along the lines suggested by Anderson[42] and Wilke[43], notably to increase the informational content and reduce the persuasive element of promotional efforts. Provision of technical data to back performance claims and/or comparison of quantifiable product aspects with competitive offerings, are examples of actions worth exploring.

In addition, given that business use of LUXCARS is associated with higher satisfaction levels, advertising strategy should aim to emphasise the benefits LUXCAR provides to the business user (e.g. reliability, comfort) and utilise appropriate media (e.g. quality newspapers, financial/business publications) to reach this audience. Dealer personnel can also be instrumental in highlighting and demonstrating such benefits to prospective customers looking for a vehicle intended primarily for business use.

As a final point, it is worth considering those variables which were found *not* to be related with the level of customer satisfaction. The results with respect to age and sex serve to re-emphasise that the impact of such consumer demographics is highly dependent on the specific product/market under investigation and have no consistent relationship with satisfaction. More disturbing is the inability to establish a link between prior product experience and satisfaction, something one would have expected on the basis of previous research[44]. A possible explanation is that the measure of experience employed in this study is restricted to previous ownership of LUXCARS and does not encompass other makes that the respondent may have owned in the past. Moreover, the measure does not indicate whether the buyer already owned a car prior to purchasing and, if so, whether it was a LUXCAR or not. Whether the *last* car owned conditions pre-purchase expectations and post-purchase evaluations[45] or indeed whether previous ownership of any *car* conditions expectations and/or evaluations are questions that must remain open. The experience measure used here was insufficiently sensitive to capture such conditioning processes. Thus, judgement is reserved with respect to the influence of past ownership on customer satisfaction.

The lack of association between satisfaction and two personal information sources, notably "friends" and "relatives", is somewhat surprising given that consumers consider them as being sources of good information[46] and that "recommendation by others" has been found to be positively related with buyer satisfaction[47]. It would appear that, in the luxury car market, pre-purchase information is largely sought from other sources (e.g. the media and the dealer) and consequently the influence of friends/relatives is minimal.

Finally, the finding that intensity of usage is unrelated to the level of satisfaction appears to suggest that product evaluation is unaffected by the mileage driven; from a marketing perspective this suggests that efforts to increase the level of satisfaction should be targeted at *all* customers and not those identified as being "heavy users".

Conclusion

This paper has examined the factors affecting the level of satisfaction of prestige car buyers, while controlling for both manufacturer-specific and outlet-specific influences. The results have indicated that satisfaction levels reported at an aggregate level (i.e. for a product class) may not provide an accurate indication of satisfaction with a *specific* brand. Furthermore, it has been established that a number of influences impinge upon buyer satisfaction which should be explicitly considered in the formulation of marketing strategy.

Regarding the direction of future research efforts, attention should be placed foremost on additional factors that may affect the satisfaction of luxury car buyers. The rather low R^2 associated with the regression results suggest that other potentially important influences may still lie uncovered. In this context, the role of previous experience is certainly a factor worthy of future investigation given that links between satisfaction and experience have been reported in other studies and bearing in mind the limitations of the measure employed in the present research. In addition, the link between advertising and buyer satisfaction deserves further attention and, in particular, the impact of advertising claims on the level of pre-purchasing expectations. Other potential correlates of satisfaction may warrant investigation including the number and type of alternatives considered by the buyer (i.e. other makes of cars and their perceived similarities/differences with the model finally chosen), the specific methods employed in alternative evaluation (e.g. road tests reports versus test drives), the personal selling techniques employed by the dealer's salesperson(s) during the buying process, and the educational background of the buyer. Finally, a comparative study of the determinants of satisfaction of buyers of luxury and standard cars would help establish the extent to which important differences exist between these market segments.

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BOOK REVIEWS

The Marketing Mirage
By Colin McIver

London, Heinemann, 1987, pp. viii, 215, £15.00 stg.

John McGuire is Deputy Chairman of The Marketing Institute and Chief Executive (Designate) of Rehab Lotteries.

Reviewed by John McGuire

The central theme running through this book is that marketing, if it is to become a real force in business, needs to infect the bloodstream of organisations. Marketing men and women need to think more about indoctrinating their colleagues than about forming an exclusive club which knows all the marketing rules. In other words, marketing is too important to leave to the marketing people.

Against this background, the book is very much aimed at the wider business audience and will probably be enjoyed more by this group than the experienced well-read marketing professional. It is an exceptionally easy book to read and will be of great value to chief executives and managers in the finance, production, sales and development areas. Marketing professionals will find it to be a pleasant read rather an important source of new concepts and ideas.

In the first part of the book, Colin McIver explores why marketing, despite having been given a new focus during the past twenty years, has failed to deliver the goods. His main theory is that it would have been wiser to promote marketing as an important element in a co-ordinated management mix than as a wonder-working additive. He writes that too often the marketing department has been established because it was the right thing to do, and having done so, it has worked somewhat in isolation rather than being the spearhead for driving the business. He adds that marketers tend to be viewed simply as those overpaid chaps who look after the advertising and market research.

He also spends considerable time distinguishing between the operational day-to-day marketing of the business on the one hand and the need for the strategic marketing focus on the other hand. Whilst he places the responsibility for the former activity very much in the hands of the marketing manager, he advocates that the chief executive must assume the strategic marketing role. If the professional marketing advisor were given the opportunity to plant entries in the chief executive's diary, the author surmises that they should include "the marketing buck stops at your desk", "where the business will be in ten years' time is more important than where it is today", "it's up to you to set the pace and direction of organisational change and to get all the pieces and people working smoothly together in achieving it".

Managing change is the topic for the second part of the book which has a high emphasis on new product development and the reasons for the failure of new products and new businesses. One reason Colin McIver claims is that champions and godfathers fall in love with new product concepts and refuse to surrender them, despite irrefutable evidence that they should be abandoned. Acquisitive chairmen, faced with competition in a contested takeover, get the scent of battle in their nostrils and abandon reason for the sake of victory.

The book is pickled with some very nice real business stories some of which took place in Ireland. One relates to a marketing assignment commissioned by an unnamed development agency to carry out an evaluation of a mushroom project for which it was indicated that a reasoned rejection would not be unwelcome. In what is a fine advertisement for the use of marketing consultants, a novel approach was taken which led to a very exciting business opportunity which continues to flourish today. The report prompted McIver to write that the key to any evaluation is very often the dog that did not bark — the unconsidered possibility which makes the particular project different from others of the same ilk.

He also passes judgement on an unnamed brewery who had been in business for over 200 years and had been successful in establishing its "dark and creamy" brew in a dominant position as the national beverage. As a competitive strategy against lager and lighter beers, the company developed a light "dark and creamy product". Despite early warning signals of failure the product went to full launch stage and had to be withdrawn 18 months later. He advocates the use of quantified yardsticks which would precipitate abortion at different stages of the new product development process.

In the final part of the book, the author discusses the key responsibilities of marketing professionals towards the organisations which employ them. He considers some of the reasons why growing professionalism has not always resulted in an equivalent contribution to the success of the organisation concerned. He outlines his recipe for guarding brand names and equally attributes the decline and fall of brands to a loss of vitality not in the brands but in the people who manage them. He addresses the important issue of family or internal communications and quotes his experience of dealing with an Irish bank which had particular problems in this area. He has some salient and valid remarks to make about marketing in the accountancy profession.

In his book, Colin McIver sets down the digestion of his views on different aspects of marketing. His logic is most soundly based on 40 years of experience in market research with Gallup Poll, an advertising career with Young and Rubicam and twenty five years heading up his own marketing consultancy firm.

The experienced marketing professional will be very much at one with the views expressed — the young marketer will find the sentiments expressed well worthwhile imprinting in the mind as commandments for a successful career in marketing. Non-marketers will get exceptional value from this book and it is a must as a present for your chief executive.

The Marketing Book
By Michael J. Baker (ed.)

London, Heinemann, 1987, pp. xxv, 441, £17.90

Reviewed by John A. Murray

John A. Murray is Professor of Business Studies at Trinity College Dublin.

In his preface the editor of this book indicates that the contributing authors were asked to join with him in a venture to "produce an authoritative handbook setting out the scope and nature of the marketing function, its managerial application and its contribution to corporate success" (p.xix). The request was in response to a need identified by the Publications Committee of the Institute of Marketing in Britain for a text that would provide an overview of the marketing function to complement the series of texts already available on specialist topics in marketing. Hence, a handbook was decided upon with a very widely defined target audience: experienced marketing practitioners, managers of other functions and those beginning a career in marketing.

In pursuit of this demanding objective the editor has provided us with four themes concerned respectively with the nature and organisational role of marketing; the underlying conceptual contributions to marketing practice; the nature and management of the marketing mix and the application of marketing in a variety of organisational and sectoral contexts.

Handbooks are generally produced with the expectation that the reader will 'dip-in' as the need arises to find a point of reference on some aspect of a subject area. Taking such a viewpoint, the user of this hand-book will have some quite varied (but mostly pleasant and productive) experience. If a reader is drawn to the text to explore the nature and role of marketing the first section will provide some stimulating reading. It will also communicate some of the debate and diversity of opinion which is current concerning the interface between marketing and strategy. Wensley's paper is a useful contribution to this debate although likely to be of much more relevance to the experienced practitioner than to the first-time student of the subject.

The second part of the book is entitled 'The Framework of Marketing' and offers six chapters dealing with environmental analysis, consumer behaviour, organisational buying behaviour, quantitiative methods, computers and marketing information systems. In so far as the intention was to provide some basic reference sources concerning basic disciplinary sources for marketing practice it is a pity that a contributor could not be found to address the contribution of economics to marketing. Equally, while the chapters on quantitiative methods, computers and information systems are valuable, taken independently they sit a little awkwardly in this section which aspires to reviewing the conceptual underpinnings of marketing practice. Part three which deals with the marketing mix and its elements provide an excellent reference source although the way in which individual elements of the mix are treated varies somewhat in the degree of emphasis on practice versus concept. Doyle's opening chapter in this part of the book provides as especially useful and concise overview.

The final part of the book has the title of 'The Application of Marketing' which turns out to mean a series of perspectives on marketing in specific contexts such as industrial, services and international marketing as well as marketing for non-profit organisations and an end piece on the pursuit of quality. The positioning of international marketing in this part is perhaps an interesting reflection on its position within the whole of marketing education and practice. Given the nature of international and global competition and the European context of 1992, the international dimension might have deserved greater emphasis or perhaps a brief to all the authors of all the chapters that they deal with the international dimension of their individual topics.

Overall the book is a brave attempt to satisfy very ambitious objectives within a very short time scale of writing and production. It will be a useful reference source as intended, although the training and experience of each reader will significantly affect what they get from consulting the book and different consultations may bring varying rewards reflecting the variety of authors, styles and levels of treatment associated with different chapters.

The Want Makers
By Eric Clark

London, Hodder and Stoughton, 1988, pp. 416, £14.95 stg.

Reviewed by Katriona Lawlor

Katriona Lawlor is a Lecturer in Advertising at the College of Marketing and Design, Dublin Institute of Technology

Eric Clark investigates the advertising industry worldwide, talking to leading people in the advertising business in New York, Tokyo and London. Advertising is prevailing, and while there are three times as many advertisements today compared to fifteen years ago the real explosion is still to come. With developments in direct broadcasting by satellites, experts believe that by the late 1990s we could be receiving up to 144 TV channels. Clark emphasizes that this will increase the power of the advertiser. It is the advertiser's money that will pay for much of the programmes, the advertiser will have an influence on the type of programmes, and older media will have to compete for a share of the advertiser's budget.

While this is an investigative book as opposed to a text book, Clark manages to combine much of current theoretical aspects of advertising with interesting global campaigns. The book is divided into three parts. Part one examines the advertising industry, research and restrictive codes. Today is the age of the mega agency or the small break-away creative agency. When Saatchi and Saatchi took over the Ted Bates agency in 1986 to become the world's biggest they created a company with $7.5 billion worth of business. One fifth of the world's advertising was handled by the top seven agencies in 1987. The reason for the increase in advertising is that brands can only be differentiated by advertising, which means that advertising is the brand.

The second part of the book examines specific product and service areas, such as medical products, cigarettes, drink and politicians. Ethical issues such as targeting toy products through TV programmes direct to children, and whether or not cigarettes should be advertised, are discussed. Clark describes how cigarette companies get around advertising restrictions by sponsorship, and by diversifying into other product areas such as the holiday business and linking the cigarette brand name with the new enterprise, for example *Marlboro's* Adventure Travel, and *Peter Stuyvesant* Travel. There is good contrast between choice of products/services examined where advertising of medical products is very specifically aimed at doctors *and* drinks at the young. There is a detailed description of the drug/pharmaceutical market and the drinks market. The areas chosen for investigation also raise the most controversy in terms of whether advertising should be allowed and restrictions that are imposed.

The final section of the book looks at the media. In particular the relationship between advertising and the media is examined. One of the concerns in this area is the effect of the power of the advertiser over the TV stations' choice of programmes. TV apeals to 'the lowest common denominator' in order to achieve the highest ratings and thereby charge higher rates for its advertisements. The importance of audience size is clear when one considers that a one per cent drop in ratings in 1987 meant a loss of $90 million in advertising revenue. This section of the book looks at arguments for and against advertising and the effects on the idustry and consumer. The book gives an insight into how advertising works both on the consumer and between the advertiser, agency and media owner and provides a thorough investigation into the whole area of advertising.

The Tourism System: an introductory text
By Robert Mill and Alastair Morrison.

New Jersey, Prentice-Hall, Inc., 1987, pp. xiii, 457, £15.95 pbk.

Reviewed by Barra O'Cinneide

Barra O'Cinneide is Professor of Marketing and Dean of the College of Business at NIHE, Limerick's Technological University.

This text was introduced last year in paperback edition for the European market and, although written with the American reader in mind, it will be welcomed by students of tourism and others interested in the welfare of this sector of the economy on this side of the Atlantic.

The authors are averse to considering tourism as an industry. They prefer to perceive it as an economic activity that is hard to describe unambiguously since there is no universally accepted definition of the term 'tourism'. However, the text approaches the task of analysing tourism in a highly structured, methodological fashion as if it were an integrated and definable entity! As the title suggests, the authors believe that tourism is best considered as a system and, therefore, we need to understand not only the component parts and the application of different skills but also the linkages that form the basis for tourism.

The text highlights some of the distinctive characteristics of tourism — its service nature, and its potential for causing major problems for a country's cultural, social and physical environments. Tourism is acknowledged to be a major contributor to many economies in the developed and developing world through generating often much needed hard currency and creating valuable employment opportunities, both directly and indirectly. In spite of this, it has encountered great difficulty in establishing its respectability as a business activity, being positioned at the margin, somewhere between the 'real' and the 'black' economy.

The interesting feature for Irish readers is that while tourism has increased dramatically, worldwide, our own country's performance has been extremely disappointing, with tourism earnings declining in real terms practically every year. Much debate has taken place as to the cause and now, following the Price Waterhouse report, there is a state policy in place to earn an additional IR£500 million from international tourism and create 25,000 new jobs over the next five years. Perhaps in attempting to achieve these targets, tourism operators will get some valuable ideas from this text for future development, particularly in relation to product development, marketing research, consumer behaviour, market segmentation and market planning.

The authors are to be complimented for the prominence they have given to marketing in most chapters of the book and in the accompanying selected headings. It is ironic that the authors credit Ireland, along with France and the UK, as being "among the pioneers of the technology of tourism planning". Maybe this reminder of former leadership will spur on our tourism planners to strive a lot harder to regain the high ground we have lost in the extremely competitive arena of world tourism.

However, the text is not without several failings. It is primarily oriented to North American students and, although the concepts and principles it contains can be said to have universal application, it can be difficult for non-American readers to make the necessary mental adjustment to relate the text to their own very different tourism environments. There is a welcome tendency to illustrate elements of the tourism system and their interrelationships in graphical format but, in a number of instances, so much information has been included that the detail is indecipherable due to the micro print used.

While each chapter contains a sizeable list of references, these relate almost entirely to North America and suffer from being considerably dated. The text although originally published in 1985 in hardback, seems to have been written in 1982. Considerable changes have incurred on the world scene since then, which have affected international tourism and one would have wished for a more recent in-depth analysis of trends and prospective scenarios, taking into account developments such as airline deregulation, changing recreational patterns, and restructuring in wholesaler, retailer, customer relationships.

In spite of these reservations, serious students of tourism would be advised to add this text to their essential reading lists, if for no other reason than the fact that worthwhile publications dealing with this important economic sector are few and far between.

Guidelines for Contributors

1. The journal welcomes contributions. They should be addressed to the Editor, *Irish Marketing Review*, College of Marketing and Design, Mountjoy Square, Dublin 1, Ireland, to reach him before 1st December, 1988.

2. Contributions (from 4,000 to 5,000 words, excluding tables, illustrations and references) should be typewritten, double-spaced and submitted in duplicate. Contributions from marketing practitioners may be of 2,000 - 3,000 words. Contributors are requested to supply a summary of 300 words.

3. Contributions must not have been published elsewhere with substantially the same content. Some flexibility will be allowed for the incorporation of quantitative data published elsewhere but the papers submitted should reflect original research on the topic under consideration.

4. References, under the heading 'References', should be placed at the end of the article. *Irish Marketing Review* prefers the following system of reference citation. Superior or bracketed numbers are given in the text and these numbers are given in a full collection of citations in the references.

5. Citation formulas for references should be as follows:

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Periodicals
G. Wills, "Sweeping marketing overboard", *European Journal of Marketing*, vol. 14, no. 3, 1980, p. 26.

Articles/Contributions in a book
G. Day, "Analytical approaches to strategic market planning", in B. Enis and K. Roering, eds., *Review of Marketing*, Chicago, American Marketing Association, 1981, p. 106.

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