

## Executive Summaries

---

### **Socialisation through Consumption: Teenagers and the Internet**

*Christina K. C. Lee & Denise M. Conroy*

Many teenagers have integrated the internet as part of their daily existence. The internet has created a new learning culture, which is more interactive and social in nature rather than merely observing and modelling behaviour and attitudes. This research concentrates on understanding how teenagers learn to be consumers. Through a series of interviews and observations, we discovered that teenagers not only learn to be consumers through traditional sources such as, family, friends, school, and exposure to passive media such as television. Rather, the internet has provided an environment where teenagers have more freedom to explore and discover, often without the constraints of parental supervision. They are able to move anonymously if desired, and thus feel they are in control. This suggests an active socialisation process. That is, instead of passively absorbing and imitating behaviour, these teenagers are now willing to question and challenge attitudes and behaviour, as well as offer their opinions. Our research suggests that consumption on the internet is more experiential; teenagers in our study participated in activities available through the internet to form or to strengthen relationships either through virtual club membership, chat or play. Thus satisfaction is gained through shared emotions with others. The internet is just the “product” with the ability to provide this value. Based on our study, several implications for practitioners and researchers are outlined – one of which is the need for marketers to consider teenagers to be thinking young adults and use non-patronising communications, where the aim is to present facts that will help this audience to make up their own minds.

### **To Segment or Not to Segment? An Investigation of Segmentation Strategy Success Under Varying Market Conditions**

*Sara Dolnicar, Roman Freitag & Melanie Randle*

This study uses a computer simulated environment to explore the interaction between the level of competitiveness in a market and the success of the segmentation strategy adopted by firms operating within that market. The market simulation approach facilitates the investigation of this relationship despite the unavailability of real empirical data of the experimental nature required for this analysis. It also provides a market setting in which selected strategic components, such as segmentation and marketing budget, can be investigated under specific market conditions, for example high and low levels of competitiveness.

Two performance measures are used to assess the success of a firm’s strategy: number of units sold and the length of time the firm survives. Based on these measures the study provides evidence to suggest three key learnings. Firstly, the more competitive the market, the more successful a concentrated market segmentation strategy will be. Secondly, firms with greater marketing budgets do not benefit from a concentrated segmentation strategy, and thirdly, firms that target specific segments are negatively impacted if they rethink their strategies too frequently.

Information derived from such simulation studies can greatly assist marketing managers in developing marketing strategies which are appropriate for a firm in a specific market setting, allowing them to take into consideration the level of competition within the market, the marketing funding and expenditure currently available, and the frequency with which they are able to

revise their marketing strategy. The limitation of the present study lies in the fact that the designed market environment is unlikely to match any particular company's specific situation. However it does give general insight into the systematics of the interaction of segmentation strategy success and the competitiveness of the market.

### **A Profile of Adopters and Non-adopters of eCommerce in SME Professional Service Firms**

*Patrick McCole & Elaine Ramsey*

This study reports on the adoption of electronic commerce (hereafter referred to as EC) within smaller professional service firms in New Zealand.

Overall, the results provide evidence of a "primitive" and "localised exploitation" of EC technology. The research finds significant differences between firms that adopt and those that do not adopt EC technologies. Six factors relating to a firm's external/internal environment are found to underpin adoption. These are opportunities afforded by technology; negative attitudes or perceived barriers to EC; electronic commerce capability; response to new technology/innovation; customer orientation; and sensitivity to competitive/customer environments. Adopters are more aware of opportunities afforded by new technology (in terms of offering new service ideas); are more customer-oriented; and are more sensitive to the changes taking place in customer/competitive environments. Non-adopters harbour negative attitudes towards EC and believe that there are still many barriers hindering them from selling their goods and services online. Non-adopters are also slower in detecting changes in technologies that might affect their business. No differences were found between adopters and non-adopters in term of ability to adopt (i.e. staff capabilities, financial resources and service/product fit).

Negative mindsets regarding EC (such as: not trusting the technology; a belief that EC is highly risky; not being willing to change; not being aware of the benefits; and believing that there are more important things to be done) remains the biggest factor impeding adoption. On the other hand those firms that were more sensitive to changes in customer/competitor environments were more likely to adopt EC than those that were not.

The biggest challenges that lies ahead are: (1) how to change the mindset of non-adopters and make them realise the benefits (and cost savings) that EC can deliver; and (2) how to change the perceived

barriers/impediments (or negative beliefs/attitudes) towards EC. Examples of best practice into EC as a value adding resource may help alleviate this concern. In terms of the practitioner audience, the results offer insight into how firms might tailor EC tools and software to firms who have not yet adopted it (e.g. segmenting the market in terms of various levels of concerns and/or proactive/reactive tendencies). Owner-managers must be convinced of the benefits that EC can offer and receive continued support for implementing electronic commerce practices. New Zealand Trade and Enterprise have a key role to play here, and it is imperative that they continue to promote the benefits of EC within (service) firms.

### **Introducing Mr. Kau Kau: Using 'Prepared Role' to Facilitate Student Learning in International Marketing**

*Glenn Pearce*

The drama in education movement claims that improvisational drama is a potent and worthwhile method for facilitating student learning. Despite these claims, the feasibility and possible benefits of using educational drama techniques such as Prepared Role to enhance university students' learning about aspects of business, have been little researched. Prepared Role is said to simulate reality by introducing another lecturer, student or guest into classroom drama to play an accurate and authentic role in order to interact with students who are also in role.

Findings from the study offer useful insights into how drama engages students and the benefits that can accrue from using drama to train and develop marketing professionals. The finding that the more realistic and unknown the guest actor, the more students were drawn into the drama, suggests that some effort should go into finding a suitable person to act as the Prepared Role. The research challenges traditional approaches to marketing education and calls upon marketing educators to embrace more active, fun and engaging methods to encourage students to think independently as real marketers, solve problems (rather than be passively lectured-to) and integrate prior learning. In an era in which experiential learning is seemingly under attack on the grounds that; in many higher education institutions, teaching equals lecturing; academics may not have the inclination to change or learn new methods; universities are faced with increasingly large class sizes, meaning they cannot afford to consider smaller formats; and current teaching facilities are unsuitable; the study serves as a timely

reminder that facilitation of student learning should be the overriding concern. In terms of learning possibilities, the research suggests that improvisational drama strategies offer viable alternatives to the conventional and somewhat outdated role-play method.

**Repositioning New Zealand Venison:  
From Commodity to Brand**

*Michael B. Beverland*

The repositioning of basic commodities as high value brands has been a major focus of Australian and New Zealand agricultural exporters in the past decade. This case study examines one such example – the repositioning of venison as ‘Cervena’. The Cervena brand was developed by the New Zealand Game Industry Board (NZGIB) in response to falling margins in traditional export markets. Targeted at upmarket US restaurants, repositioning involved infusing the product with an aspirational message, adapting the product to the needs of multiple users (including key business buyers, chefs, and wait staff), and building consumer awareness through high profile, but relatively low cost public relations activities. Despite initial successes in building brand awareness and a point of difference, the program

has not been as successful as it could have been. This is due to the inability of the NZGIB to build supportive structures for the brand among farmers. Specifically, farmers can still only capture the value of such programs through increased commodity prices, even though this undermines the long-term viability of the brand with key business buyers who desire stability of price and supply.

The case offers lessons for implementing a market orientation and developing brands in business markets. Specially, the case identifies that the process of implementing a market orientation is difficult for commodity producers, and requires the deliberate unfreezing of previous assumptions, the establishment of new goals and cultural assumptions, and the refreezing of these assumptions through bottom up buy in by organisational members. This last step was not fully achieved in this case and resulted in low quality market-oriented outcomes. In regards to business-to-business brands the case offers support for brand programs that are based around the traditional business marketing offer, including reliability, product quality, adaptability, and uncertainty reduction, as well as targeting multiple members of the firm’s network, including business buyers, users, and end consumers.

## **Socialisation through Consumption: Teenagers and the Internet**

Christina K. C. Lee & Denise M. Conroy

---

### **Abstract**

In this exploratory research we were interested in how teenagers consume the internet, and how these experiences help to shape them as consumers. Through a series of interviews and observations, we discovered that the internet provides an environment where adolescents observe and learn attitudes and behaviours within global communities, they learn to become members of global communities and, importantly, we learned that teenagers consume the internet as an experiential, rather than as an economic, activity. Interestingly, this research also demonstrated that adolescents' consumption of the internet promoted active, as opposed to passive, socialisation processes. We discuss the potential impact these findings may have for both the way researchers approach adolescents as a consumer group, and the implications for policy makers concerned with regulating marketing approaches to adolescent consumers. We conclude with possible future research directions of interest to academics.

*Keywords: Adolescents, Teenagers, Internet, Consumption, Learning*

---

### **1. Background**

Adolescents constitute one of the fastest growing internet populations, with 77 million adolescent users expected to go online globally by 2005 (NUA Internet Survey, 2001). This growth is reflective of a global trend, e.g. in New Zealand most teenagers have access to the internet (Hendery, 2003); and in Hong Kong, the internet has overtaken the television as the preferred medium among teenage boys (NUA Internet Survey, 2002). This group of consumers spends more time online than adults and surpasses all other age groups in their use of chat, instant messaging and other new forms of electronic communication (Montgomery, 2000). Further, teenagers from Europe and US are predicted to spend US\$10.6 billion in 2005 compared to US\$1.2 billion in 2001 (NUA Internet Survey, 2001).

While psychologists and family counsellors research and debate the social and psychological impact of technology and the internet on children, consumer behaviourists have generally not ventured far into this domain. Yet the internet provides many new and interesting opportunities for marketers. A thorough understanding of how it is consumed is of practical interest to managers, whilst the

act of consumption is of interest to researchers because it offers the opportunity to explore socialisation of children as an active process. To date, the way children learn to be consumers has generally been considered as a passive process, that is, children predominantly learn through watching and modelling (Bandura, 1986), but with the internet, socialisation is more active because of the ability to interact virtually. While the process of active socialization can occur through many different ways, for example, when a child role plays with friends or caregivers, the internet presents an interesting context in which to consider the development of an active means of socialisation through consumption.

There is a wealth of research on how children learn to be consumers. It is established that the main agents of socialisation are family, peers, schools, and mass media (e.g. Martin and Bush, 2000; Moschis and Churchill, 1978; Roedder-John, 1999). A question of contemporary interest is the impact of the internet as a socialisation agent. This electronic technology is different to traditional mass media because of its interactive ability, that is, the possibility of users interacting with a machine, virtual communities and individuals, globally

(Hoffman and Novak, 1996; Shih, 1998; Steuer, 1992). The ability for virtual interaction means that the internet can act as a powerful socialisation medium for teenagers. The interactive ability of the internet, that is, the possibility of users interacting with a machine, virtual communities and individuals globally, means that their consumption experience of the internet is different to traditional media.

The finding from Forrester Research (2000) that young consumers unconsciously integrate the internet into their daily lives is reflective of previous research on the effects of television and socialisation (for example, Allen, 1992; O'Guinn and Shrum, 1997), which suggests that the television is such a common feature in our lives that it becomes very much part of our day-to-day existence. This ubiquitous nature of the television and its integration into our lives means that its "effects are often invisible", and "simply too immersed to easily observe its influence" (O'Guinn and Shrum, 1997). Similarly, the internet has overtaken the television as a powerful agent of socialisation because of its ubiquity. Many adolescents have integrated the internet as part of their daily existence and to a much higher intensity than many adults. According to a senior executive at Microsoft, this represents a discontinuous change in how adolescents behave. They view the internet as essential, with many adolescents being what the industry refers to as AORTAs – always online and real time available (Personal Correspondence, 2004). By internalizing this technology as part of their lifestyle, its use becomes an instinct, and with this instinct comes a new set of beliefs and expectations about consumption.

This research concentrates on consumer socialisation of teenagers, that is, we are interested in understanding how teenagers "acquire skills, knowledge and attitudes relevant to their functioning as consumers in the marketplace" (Ward, 1974, p2) through their interaction on the internet. Ward's (1972) definition and focus is adopted in our study, that is, our focus is on adolescents' socialisation, with the recognition that not all learning takes place during this period of time, for example, new roles adopted later in life, such as during early adulthood, may alter patterns of earlier learning. Secondly, our interest is on consumption-relevant skills, knowledge and attitudes, which is different to interest in other aspects of socialisation.

Adolescents are at the reflective stage of consumer socialisation. This stage is characterised by more

complex and sophisticated levels of information processing and social skills than early childhood. Adolescents are more reflective in their reasoning, with an awareness of others' opinions, more focused on meanings of the consumer marketplace, are needing to shape their own identities whilst conforming to group expectations (see Roedder-John, 1999 for an in-depth review). The internet offers an ideal place for adolescents to explore, construct and discover meanings in consumption without boundaries and restrictions.

Using Bandura's (1986) learning theories as a platform to understand consumer socialisation, we explore how socialisation through the internet can be viewed as being more active than previously thought. The traditional learning theory which suggests a more passive approach to learning, is briefly outlined followed by a review of the literature on how teenagers experience the internet, which suggests a more active approach to learning.

## **2. Traditional Learning Theory**

Traditional learning theories of socialisation adopt a perspective which assumes that exposure to the socialising agent, such as media, directly influences attitudes (Moschis and Churchill, 1978; Moschis and Mitchell, 1986; Villani, 2001). Such theories assume that the developing child is a passive recipient who is non-reactive in the learning process. For example, it is well established that consumer values are learned from a very early age, through interaction between friends, family, schools, neighbourhoods and significant adults (Kane, Taub and Hayes, 2000). Essentially, an individual's cognition, which includes their standard for performance and moral judgments, becomes developed through their observations and interactions with other people. That is, the process of learning consumer values occurs through modelling, reinforcement and social interaction (Moschis and Churchill, 1978).

*Modelling:* Bandura (1986) provides a strong argument for the role of modelling within the frameworks of social learning theory and social cognitive theory. This vicarious form of learning usually involves other people in a social setting, that is, children's and adolescents' attitudes and behaviours are formed by imitating behaviour. In addition to learning by observing people in a real social setting, adolescents may also model after people with whom they have no direct contact, such as movie stars and athletes, and events in television, film, music and print (Kane, Taub and Hayes, 2000; Martin and Bush, 2000).

*Reinforcement:* Reinforcement is often argued to occur in conjunction with modelling (Bandura, 1977; Lockwood and Kunda, 1997). While modelling often occurs because of an intrinsic desire to acquire observed behaviour, such learning may also be strengthened by direct reinforcement or consequences of a given behaviour (Moschis and Mitchell, 1986; Skinner, 1953). Positive reinforcement (e.g. social approval) from agents, such as the media or significant adults, helps adolescents to determine what are acceptable behaviours, values and attitudes in society. For example, a typical television commercial may depict a situation in which an individual gains social approval or avoids embarrassment by changing their behaviour, such as transforming from a pimply face to a clear face after using a particular pimple cream.

*Social Interaction:* Social interaction is often used to understand how children and adolescents acquire consumer related attitudes and skills through the influence of significant others, such as family and friends. As individuals interact frequently and directly as a cohesive group, similar attitudes and values are developed (Festinger, 1954; Homans, 1950). Alternatively, people who hold similar attitudes tend to interact more frequently with one another (e.g. Fiske and Taylor, 1991; Hendrick and Hendrick, 1992).

## **2.1 Learning to be Consumers on the Internet**

Essentially, the internet is viewed by teenagers as a social place, where diverse communities grow like micro organisms (Rheingold, 1993). Thus, it seems probable that the internet's ability to provide access to rich and diverse information, and its ability to reach across communities and national borders, may enhance a young consumer's learning process. This possibility resonates with Moore's (1996) idea that learning involves getting one's ideas and opinions into social circulation, starting first with people known to us, such as parents and friends, but eventually flowing to people unknown to us. In contrast to the traditional view on how adolescents learn, Tapscott (1998) suggests that adolescents today learn through a process of discovery and participation.

In the past, children and adolescents were limited in their choices of consumption decisions, these were left to the discretion of adults (e.g. editors and advertisers); and all young consumers were understood to react to information in a similar manner (Brown and Cantor, 2000; Tapscott, 1998). Contemporary theories of media effects reject these arguments and suggest that adolescents are active and motivated explorers of media

(Valkenburg and Cantor, 2001). The internet has created a new learning culture, which is social in nature, allowing adolescents to share, discuss, influence and learn interactively rather than merely observing and modelling behaviour and attitudes. Further, there is a feeling of empowerment – this technology allows teenagers more freedom of choice often without the constraints of parental supervision and this allows them to select information and make their own decisions (Peattie, 2002).

Children learn many different skills through play and it is an important part of a child's developmental process (Johnson and Yawkey, 1988). Learning is best achieved by being in physical contact (or interacting) with the object of study (Hodgkin, 1985; Shih, 1998) and the internet provides a perfect opportunity for an adolescent to experience this and to actively participate in the learning process. Internet users are able to synthesize their understanding by trying things out, suggesting that learning on the internet is mainly experiential.

Shih (1998) describes a form of behaviour, called bricolage, where information is organized through associations and nodes to fit an individual's own style of thinking and learning – without interference by the author of the information. It is essentially this type of behaviour, bricolage, which adolescents demonstrate in the interaction with the internet. The internet encourages teenagers to construct their own knowledge by integrating different bits of information from several sites and blending these with their own knowledge, suggesting that individuals construct their own meaning and make sense of the information in their own unique ways. Such learning is intrinsically motivated by a desire to experience "flow" – a sense of relaxation and control, a time passing activity which is enjoyable and fun (Hoffman and Novak, 1996). This form of participatory learning, through construction and discovery, adds another dimension to how adolescents learn consumer skills in today's interactive environment.

Adolescents' use of the internet also reflects the contemporary teenagers' ability to thrive in an environment that demands the ability to multi-task. They simultaneously surf the net, chat with friends, download music and play on-line games with others (Urban, Weinberg and Hauser, 1996).

From the literature review, it would appear that the internet has the potential to be a powerful shaper of consumer values and attitudes among adolescents. In

addition to the traditional socialisation methods of modelling, reinforcement and social interaction (Bandura, 1986), it could also be surmised that adolescents learn to be consumers through experiential consumption, that is, consumption is valued for its fantasies, feelings and fun (Holbrook and Hirschman, 1982). And, unlike traditional models of socialisation which consider the process to be passive, interaction with the internet appears to promote an *active* process of socialisation. This study adds to the literature by exploring the consumption experiences of adolescents with the internet, and how they learn to be consumers of this medium. Essentially, our aim is to explore the active socialisation processes that consumption of the internet facilitates.

### **3. Method**

The literature review provided inspiration for enquiring into this under explored area. In addition, it provided a theoretical framework within which to discuss our results. Given the embryonic nature of this work, the intention is to describe and generate a deeper understanding of this particular phenomenon, rather than to be restricted by research questions or propositions. It was considered that this freedom of discovery would generate several avenues for future research, and facilitate an interesting discussion of results. Thus, an interpretivist approach was adopted with a research design based on in-depth interviews and observations. The intention was to generate qualitative data, which might then be generalised to theory (Glaser and Straus, 1967).

#### **3.1 Sample**

A purposive sampling strategy was used to gain participants for this study; following this strategy meant that it was necessary for all participants of this study to be actively involved in the internet, so that they could then articulate their experiences with the internet (Eisenhardt 1989; Miles and Huberman, 1994). Thus, participants chosen were adolescents aged between 13 years to 19 years who had a minimum of three years of internet experience and who currently had the internet connected in their home computer.

Given the exploratory nature of the study, it was difficult to ascertain the number of participants required at the beginning of the data collection process, therefore we sampled to saturation (Glaser and Straus, 1967; Kvale, 1996). The sample was gained through a process of "snowballing" – getting to know the participants and

having them introduce you to others who fit the necessary criteria to participate (Taylor and Bogdan, 1998). In order to maintain diversity among the participants, different approaches were used to gain the sample, for example, personal contacts, posting advertisements in schools and through the internet.

The sample consisted of 12 participants; seven males and five females, four participants from each age group were of early adolescence (13-14years), middle adolescence (15-17years), and older adolescence (18-19years). Five participants were Caucasian, five Asians, and two Pacific Islanders.

#### **3.2 In-depth Personal Interviews**

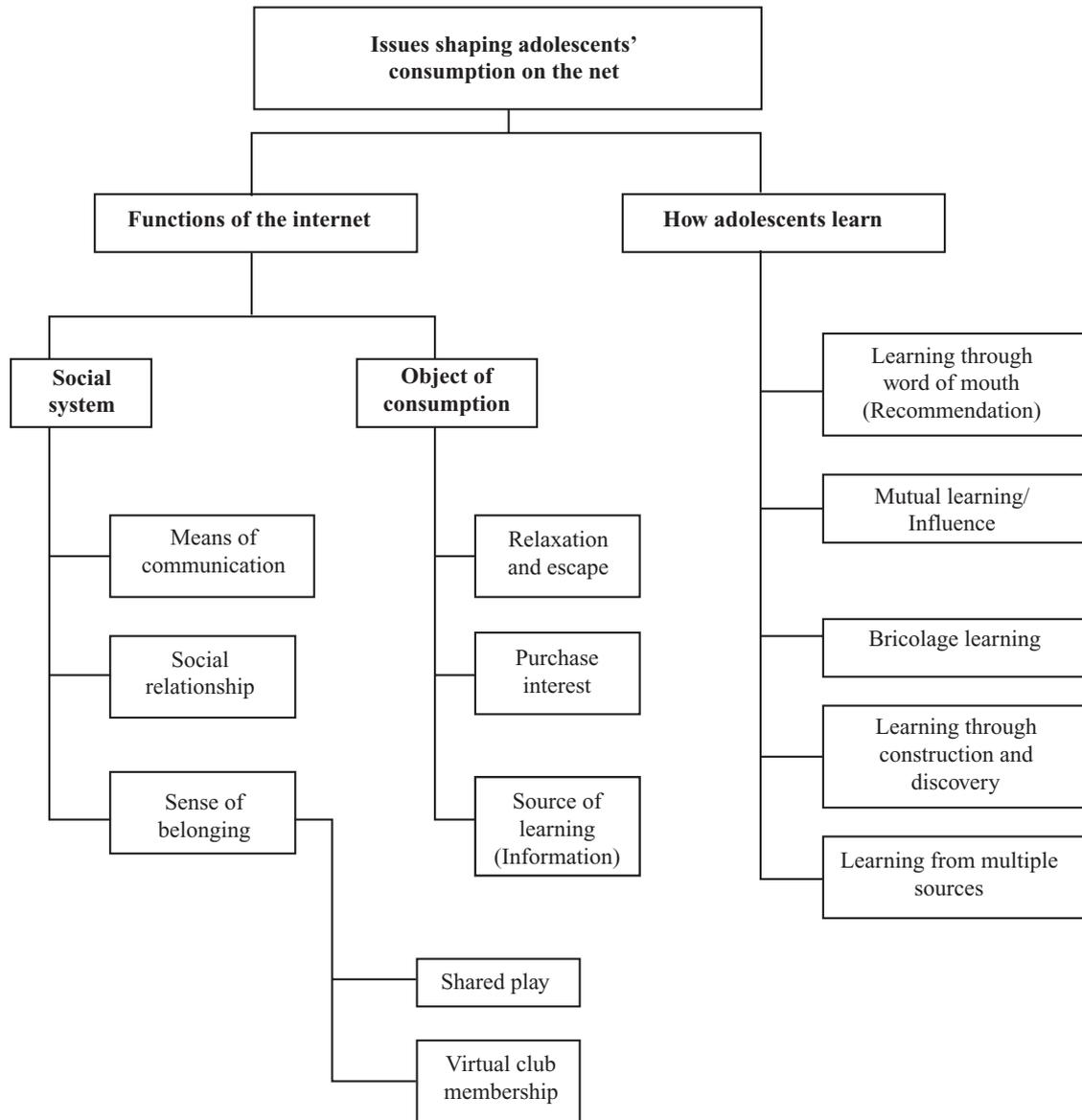
Each participant was interviewed in their own home, seated in front of their computer to allow demonstration if required, and this environment also assisted in eliciting previous internet experiences. One researcher conducted all the interviews, each lasting between 40 and 60 minutes. All interviews were audio-taped and later transcribed, and notes were also taken to capture non-verbal aspects of the interview.

At this exploratory stage, no hypothesis was formulated, rather the interviewer sought to encourage participants to tell stories about their past experiences and to express their thoughts about the internet, for example, how they use the internet, how they learn about various consumption skills, attitudes and behaviours. Although the interviews were relatively unstructured, all interviews began with a general invitation to talk about their internet usage and an interviewer guide was used to ensure all issues of interest were explored. The interviews were concluded by asking each participant for their overall thoughts and attitudes about the internet, for example, what they liked or disliked about the net.

#### **3.3 Observations**

While the in-depth interviews focused on participants' past experiences, the objective of the observation phase was to validate what participants said they did by observing their actual behaviour. This occurred either immediately after the interview or during the interview, depending on the appropriateness of the situation. Participants were given two scenarios (school holiday or normal school day) and were requested to do what they would normally do when they log onto the net. Further, they were asked to explain their actions to the interviewer. Notes were taken during these observations and conversations were also audio-taped. During this

Figure 1: Major Themes



phase, websites mentioned during the interviews were visited to verify participants' stories. This also provided the researcher with the opportunity to gain a "hands-on" experience and facilitated a richer understanding of the participants' actions and stories. These observations lasted for about 20 minutes.

### 3.4 Coding Process

The data gained for this study were generated from the participants' experiences using the internet, and the

purpose of the analysis was to identify common themes. A descriptive coding scheme was used to examine these themes (Miles and Huberman, 1994), whereby transcripts were organized by topics (based on the research questions), and the key expression or phrases were then identified within each topic. Iterative reviews of the key expression employed by participants for each topic led to the definition of the classes of themes.

The goal of the coding process was not to gain consensus or identical interpretations, rather the goal was for coders

to supplement and contest each other's statements thereby strengthening the results of the study (Malterud, 2001). Thus, rather than coding the interview transcripts independently to identify similar themes, the main coder provided her interpretation of the themes, and the other two coders commented on the plausibility of the main coder's interpretations.

The purpose of the first stage of the coding process was to ensure that the interviews contained themes that would inform our research objective. After completing three interviews, the main coder analyzed these three transcripts, and discussed the themes discovered with the second coder. This resulted in a refinement of the interview process, and a debate on themes discovered highlighted the need to conduct a second interview with two of these three participants. This first stage of coding was followed by three iterations. The first was undertaken following the second interviews of the two participants to ensure all themes had been captured and its purpose was to discuss the themes that had been identified, and to resolve any disagreements regarding themes. The second iteration was conducted in order to confirm the discovered themes and to ensure credibility. During this iteration, a third coder, who was not part of the research team, was recruited. The main coder independently coded all twelve interviews, she then provided the other two coders with a summary of the research background, coding instructions and a description of the themes. They were also provided with the main coder's thematic analysis, which contained all the themes identified and examples of quotes which corresponded to each theme. As noted previously, the objective is not to identify a "single truth"; rather the aim here is to ensure the plausibility of the main researcher's interpretations, together with the adequacy of the data for addressing the research objectives (Wallendorf and Belk, 1989). All three coders then met to discuss and resolve issues of disagreement and to debate the discovery of themes that had not been identified by the main coder. Where appropriate, these new themes were included. The purpose of the third and final iteration was to confirm the themes that had been identified in the second iteration. Following the refinement of the definitions and the identification of all themes, the two coders who were members of the research team re-analyzed the transcripts and the thematic analysis for confirmation. Following this step, two participants were asked to review the final results to ensure they were an accurate reflection of participants' views.

#### 4. Findings

Figure 1 depicts the themes identified in this research. The goal is to discover the issues shaping adolescents' consumption on the internet. Two main categories of interest here are the functions of the internet and how adolescents learn whilst using the internet. The themes identified under these two categories provide some preliminary answers about the experiential role of consumption among teenagers with the internet, and how this facilitates an active process of socialisation. First, we describe the findings relating to the functions of the internet, this is followed by the issue of learning on the internet.

##### 4.1 Functions of the Internet

Our results revealed that the internet fulfils two major functions: 1) it is a social system which acts as a medium for fostering human interactions and 2) it is a place and an object of consumption, which we define as a set of services to be consumed (e.g. machine interaction). For all the participants, the internet is sometimes used as a means of connecting with others as well as for consumption purposes, that is, interaction is with the machine alone, although the degree where one function is used more than the other may differ between participants. These two functions and their themes are described next.

###### 4.1.1 The internet as a Social System

Participants in this study confirmed previous findings regarding the use of the internet (e.g. Eighmey and McCord, 1998; LaFerle, Edwards and Lee, 2000; Parker and Plank, 2000). Essentially, the internet is used mainly for social learning, communication, social relationships and to foster a sense of belonging through shared play and virtual club membership (Figure 1). These themes are categorised under *social system*, that is, a virtual space where individuals interact socially with others to share similar interests and where friendships are nurtured.

*Social learning.* The internet is a source of social learning where the connection with others provides an avenue for sharing ideas and information. Learning occurs when participants discuss project ideas with team-mates, exchange information on cultures with virtual friends across the world, and through the playing of games with these virtual friends as noted by one participant: "I chat with other people in the world to learn about their cultures and things that are happening

in their parts of the world.” This clearly demonstrated active socialisation. These adolescents are involving themselves in their own learning by using the internet as a means of discovery and participation.

*Means of communication.* Participants in this study considered the internet to be an important means of maintaining relationships with their friends and relatives, both local and overseas. They described the internet as an instrument which facilitated several different forms of communication, e.g., email and chatting. Perhaps importantly, the internet is seen to supplement the telephone and face-to-face visits rather than to replace these more traditional forms of communication. For example, several participants noted that they would discuss games with friends whilst at school, and make appointments to meet online when they arrived home, or during the school holidays.

*Social relationship.* This theme describes the internet as a “companion” and a “friend” because of its ability to connect individuals and to encourage friendships. One participant noted that he is lucky to have the internet as his companion because it links him to many other people.

The internet is considered to allow individuals to obtain both social and emotional support, and to facilitate the building of stronger ties with distant friends and relatives because of its convenience, speed, interactivity and affordability. The internet is often regarded as an alternative, and a better method of communication than land mail and telephones, but used in a similar way - thus supporting more traditional views of socialisation processes. The internet is also a conduit for friendship with strangers from different parts of the world. In one case, emotional support was gained by a participant from a virtual friend he met on a random online chat. He felt that it was easier to share problems with people whom he has never met because he knows his internet friend would not be telling his friends about his problems. Interactions such as this go beyond passive socialisation where the ‘model’ may still be ‘virtual’ such as a movie star, and suggest active processes because there is two-way communication.

*Sense of belonging.* A sense of belonging and identity is gained from feelings of affiliation and connectedness through shared play. Participants often played online games to alleviate boredom and for entertainment. It is also through shared play that they learn to work in teams to solve problems. As the interaction through shared play

becomes more frequent, the affiliation between group members becomes stronger. These group members ultimately become the reference group for information, opinions and support. Affiliation and identity also occurs through membership in virtual clubs and communities. These communities provide fellowship among members with mutual interest and information of current events and new products. Again, this seems to suggest that the internet is being used in a similar way to more traditional game playing but, because of its nature, socialisation is more likely to involve active as opposed to passive processes.

The internet as a social system expresses social interactions with people, although virtual, as opposed to interactions with the machine. In using the internet in this manner, adolescents are certainly demonstrating active socialisation processes. They are in control of their own internet environment, and actively participate within these virtual social systems in a far more reactive manner than traditional models, which consider socialisation processes to be passive, allow. The extent of their participation is without boundaries – both in the sense of physical boundaries and parental control, and this give them a sense of empowerment, which adds another dimension to the traditional view of the socialisation process.

#### *4.1.2 The Internet as a Place and Object of Consumption*

The view that the internet is a place and an object of consumption is gained from participants referring to the net as a set of products and services. Here, the interactions occur between the user and the machine as opposed to the user and another person or persons. Three themes were discovered under this category (Figure 1). These are relaxation and escape, source of learning (information), and shopping. In each of these categories the user is an active, motivated explorer of the internet, learning through discovery and participation. These themes are described next.

*Relaxation and escape.* Participants described the internet as a place where they can relax, seek entertainment and alleviate boredom; a place where they can escape from reality, as noted by one participant: “A world to go to when you are bored with the real one...”

*Source of learning (information).* This theme describes learning from users’ interaction with the internet (not with people) to gain information from different sites, and through the downloading of files. The internet as a

source of information was mentioned by the majority of the participants, highlighting the importance of this theme. When asked to describe the internet in their own words, participants mentioned the internet as “a huge pool of resources”, and “a collection of information”, one participant compared the net to being “like a book without pages and dust”.

*Shopping.* The internet is seen as a fun place to shop, in terms of both browsing in virtual shopping malls and actually purchasing something from the internet. Some participants described the internet as a better place to shop than the real shopping world because one can acquire products not available in real shops and one viewed the internet as being more economical than the real world. Further, shopping is simplified because of the ability to compare prices and brands without the barriers, both physical and virtual. The internet seems to be used more to gain information, through discussion groups and company sites, about products or brands than actually purchasing the items. Additionally, this activity can take place any time, without a time limit, and without being hassled by shop assistants.

The themes discovered under this category again reflect the notion of socialisation process being a more active one. Participants enjoyed using the internet to shop or to find out more information without intrusion from adults or shop assistants. There is a sense of freedom of being able to gain any kind of information and there is no fear of reprisals if they decide against a purchase decision or reject or react to their sources of information or opinions. Thus, it is suggested that this empowerment and ability to control their virtual environment encourages an active socialisation process.

#### **4.2 How Adolescents Learn from the Internet**

The second issue which informs our understanding of consumer consumption experiences is a description of how adolescents learn from the internet (see Figure 1). The results suggest that adolescents learn in a number of ways through their interaction on the net, and several themes emerged, specifically: word of mouth (recommendation), mutual learning or influence, construction and discovery, multi-tasking, and learning from multiple sources. Importantly, each of these involves the user to be reactive in the learning process.

*Word of mouth.* The majority of participants relied on word of mouth to learn about consumption. These participants considered that regular interaction with friends on the internet, and others in their virtual

community, influenced their own attitudes and behaviours. Indeed, purchase choices are often made based on recommendations obtained via the internet. Some participants noted that they based their purchase decisions solely on recommendations from virtual friends and friends with whom they meet regularly at school. Word of mouth influence is magnified many times by the nature of the internet as communication may flow rapidly through a global community. Instead of one-to-one communication, the internet acts as one-to-many communication, and the flexibility and ease of communication and the absence of physical barriers allows information to spread quickly, and to a far wider audience. The significance of the internet as a channel for word of mouth cannot be underestimated. While this may prove useful to the marketer if the recommendations are positive, it can be extremely damaging to one's brand if a negative word of mouth flows across the global community. For example: “I wanted to buy Silence of the Lamb from Kmart online because it is very cheap... Other more knowledgeable friends (met from the forum) told me it is cheap because they want to get rid of the stock and a new double disc version is due out next month... much better than this one... I didn't end up buying the DVD thanks to my friends”.

*Mutual learning and influence.* Although word of mouth and mutual influence are very much inter-related constructs, for purposes of clarification they have been separated into two distinct themes. The intention is to better stress that word of mouth describes recommendations regarding purchase decisions, while mutual learning or influence refers to the occasions where participants are mutually influencing each other's values, beliefs and/or behaviour – to the extent that they begin to share similar interests and opinions as noted by this participant: “I discuss about the (Formula-1) driver that I like and compare him with the one that he (Net friend that informant shares his F-1 interest with) likes”.

*Construction and discovery.* This refers to the process of understanding gained through “trial and error”. Instead of learning from instruction, learning is gained through experimentation, for example: “I have the habit of exploring by myself and try things out... I just click on anything that I felt might be relevant in my searching process and learn as I experiment new things”.

*Multi-tasking.* Our results concur with previous research which note that individuals usually engaged in several activities simultaneously while surfing the net as opposed to doing one thing at time.

*Multiple Sources.* Participants gathered information from multiple sources, indicating flexibility and the resolve to resource different viewpoints for information regarding a particular issue.

The teenagers in this study were very comfortable with this technology and were able to move effortlessly in their virtual environment. The internet is especially useful for adolescents because they are at the reflective stage of the socialisation process – this is when they develop a sense of identity, are reflective of others' opinions and it is when they begin to understand symbolic meanings of consumption (Belk, Mayer and Driscoll, 1984; Roedder-John, 1999). The internet encourages the discovery and construction of meaning because of anonymity and lack of boundaries. Thus teenagers are free to act as both opinion leaders and followers, and rather than passively modelling behaviour, are able to question and challenge opinions and behaviour, again suggesting an active socialisation process.

## **5. Discussion**

In this exploratory research we were interested in consumption experiences of adolescents and how they learn to be consumers. Specifically, are adolescents socialised in this consumption through passive processes, or are more active processes responsible? The internet provides an environment where adolescents can observe and learn attitudes and behaviour, not only through frequent virtual interaction with known friends, both local and overseas, but also with global communities. When used in this manner, the internet conforms to the traditional models of socialisation as a passive process.

However, the internet can also be viewed as a virtual social system that allows adolescents to share their interests, express their opinions and form relationships and communities globally. These communities tend to be large, dispersed in space and time, and closely knitted, with members being heterogeneous in social characteristics, but holding homogeneous attitudes. These communities are drawn together through mutual interest, without physical constraints. This would imply that the socialisation of teenagers is not restricted to the traditional sources of family, friends, school and exposure to passive media such as television. Rather, the active interaction allowed by the internet means attitudes may now encompass a global view, and strongly indicates that socialisation is an active process. This process is fuelled by a sense of empowerment and

freedom where in this virtual environment, there is no parental supervision, they are able to move anonymously if desired, and thus feel they are in control. An active socialisation process suggests that instead of passively absorbing and imitating behaviour, these teenagers are now willing to question and challenge attitudes and behaviour, as well as offer their opinions.

While consumption is traditionally viewed as an economic activity of creating, buying and using goods and services (Campbell, 1995; McCracken, 1988), our research suggests an experiential perspective on consumption may be more appropriate when exploring consumption on the internet. The experiential view stresses that consumption experiences lie beyond the realm of purchase decisions; the important aspects of consumption are “fantasies, feelings and fun” (Solomon, 1983, p.319). Teenagers in our study participated in activities available through the internet to form or to strengthen relationships either through virtual club membership, chat or play. Thus satisfaction is gained through shared emotions with others, the internet is just the “product” with the ability to provide this value. This concurs with Cova (1997), who suggests that forming social links with others through consumption activities is more important than the product itself. Further evidence suggesting an experiential perspective of consumption is the finding that adolescents control their own discovery, and construct meaning drawn from multiple sources of information, that they are actively learning, rather than passively imitating behaviour.

Essentially, it is through interacting with the internet that adolescents learn its potential, with each new interaction providing them with the opportunity to build upon their previous experience with the medium – whether as a social facilitator or as an information source. Our work with adolescents and the internet clearly demonstrates that adolescents are active and motivated explorers, keenly engaging with their own learning experiences. Whilst past literature has emphasised the passive processes of socialisation, the interactive nature of the internet – together with the adolescents' comfort with the technology appears to be facilitating a new mode of active socialisation unexplored in the consumer literature.

## **6. Implications**

Our findings have some important implications for both marketers and social policy makers.

Teenagers today are active learners, not just passive recipients of information – marketers need to consider

teenagers to be thinking young adults, and their communications ought to guide adolescents to make decisions regarding brand choice, without patronising. The key is to present facts that will help this audience to make up their own minds. Marketers may also be wise to note the very high importance teenagers give to learning through word of mouth, and encourage positive word of mouth across the internet, perhaps, for example, by offering a free gift if one shares the website with five others.

Adolescents spend much of their time browsing websites for information, rather than with an intention to make an actual purchase. These information searches are motivated by a multitude of reasons from school projects to gaining product information before purchasing through a physical store. But, whatever the reason, businesses would do well to consider these teenage browsers as potential customers, and furnish their websites with as much information as possible about their brands. Further, they may wish to consider strategies to bring these information seekers back to their sites. One such strategy, is to provide links to other sites with related or useful information – perhaps, for example, a magazine targeted at teenagers could provide links to information related to health, beauty, music, social, cultural and political issues relevant to adolescents. Essentially, when it comes to using the internet as a medium, companies which market to teenagers in a manner that teenagers find engaging, are more likely to gain leverage in terms of awareness and preference when it comes to choice decisions, than companies which treat the internet in the same manner as more traditional media.

The internet is becoming an important avenue for reaching this consumer group, but its properties are different from those of traditional media, and the potential “dark-side” of utilizing the internet as a means of communication and information gathering deserves attention, particularly when the audience is vulnerable adolescents. Policy makers need to consider regulations and/or guidelines for marketers to avoid the misuse of the internet when reaching this group of consumers. Marketers need to be provided with a code of ethics, or at least guidelines, similar to those provided to advertisers of traditional media, regarding the appropriate forms of communication. Adolescents perceive the information gained from the internet to be extremely credible, and thus the potential to mislead

them is high. In addition, regulations need to be considered for developers of video games where product and brand positioning is frequently used within the game itself, and the question of targeting adolescents subliminally needs to be both voiced and addressed.

## **7. Future Research and Conclusion**

A key finding of this study is that the interactive nature of the internet appears to promote active socialisation. This clearly demands further exploration to, for example, describe the conditions within which such processes are active rather than passive, give consideration to factors such as, age, gender and culture, and examine the implications active socialisation has on other types of consumption. Additionally, this study highlighted many themes that seem to indicate that teenagers’ consumption activities are mainly experiential, rendering traditional economic views of consumption less appropriate. Thus, it is worthwhile exploring in-depth the experiential aspects of consumption of teenagers with the internet. Future research could involve delving into the meanings created and shared by adolescents through their social interactions within a global virtual community, because the breakdown of social and cultural barriers has important implications for research and marketing.

While there is considerable research documenting play as an important aspect in the development of young children, to date there has been limited attention paid to play’s role in the adolescent’s development as a consumer. Given the popularity of online family life games (e.g. *Simm City*), war strategy games, and avatars projecting virtual worlds, further research is needed to determine the consumer and social skills gained by adolescents through such play.

In conclusion, it would seem that as adolescents continue their interaction with the internet, it will continue to provide them with the opportunity to actively experience and learn about consumption. This learning may be social or individual but, whatever the nature, there can be little doubt that the internet is facilitating adolescents’ learning in ways previously unexplored in the consumption literature. It is now imperative for researchers to consider the implications of internet as an active socialisation agent of consumption.

## **Acknowledgement**

The authors would like to thank Cecilia Hii for her assistance in collecting and coding the data.

## References

- Allen, R.C. (Ed.), 1992. *Channels of Discourse, Reassembled: Television and Contemporary Criticism*, Chapel Hill, University of North Carolina Press.
- Bandura, A., 1986. *Social Foundations of Thought and Action*, Prentice-Hall, Englewood Cliffs, NJ.
- Belk, R., Mayer, R., and Driscoll, A., 1984. Children's recognition of consumption symbolism in children's products. *Journal of Consumer Research* 10 (March), 386-397.
- Brown, J.D., and Cantor, J., 2000. An agenda for research on youth and media. *Journal of Adolescent Health* 27 (August), 2-7.
- Campbell, C., 1995. The sociology of consumption. In: Miller, D. (Ed.), *Acknowledging Consumption: A Review of New Studies*. Routledge, London, 96-126.
- Cova, B., 1997. Community and consumption: Towards a definition of the "linking value" of products or services. *European Journal of Marketing* 31 (3/4), 297-316.
- Damer, B., 1977. *Avatars! Exploring and Building Virtual Worlds on the Internet*, Peachpit Press, New York.
- Eighthmey, J., and McCord, L., 1998. Adding value in the information age: Uses and gratifications of sites on the World Wide Web. *Journal of Business Research* 41, 187-194.
- Eisenhardt, K.M., 1989. Building theories from case study research. *Academy of Management Review* 14 (4), 532-550.
- Forrester Research Cambridge, 2000. *Young Net Surfers Are Tomorrow's Prime Financial Consumer*. Available online at <http://www.forrester.com/ER/Press/Release/0,1769,424,FF.html> (1st October 2001).
- Glaser, B.G., and Straus, A.L., 1967. *The Discovery of Grounded Theory: Strategies for Qualitative Research*, Aldine Publishing Co., Chicago.
- Hendery, S., 2003. Poll reveals secrets of teen market. *NZ Herald* 6 November 2003, available online at <http://www.nzherald.co.nz/business/businessstorydisplay.cfm?storyID=3532702&thesection=business&thesubsection=adandmark&thesecondsubsection=general>
- Hodgkin, R.A., 1985. *Education Through the Discovery of Order: Playing and Exploring*, Methuen & Co Ltd., London and New York.
- Hoffman, D.L., and Novak, T.P., 1996. Marketing in hypermedia computer-mediated environments: Conceptual foundations. *Journal of Marketing* 60 (3), 50-68.
- Holbrook, M.B., and Hirschman, E.C., 1982. The experiential aspects of consumption: Consumer fantasies, feelings and fun. *Journal of Consumer Research* 9 (September), 132-140.
- Johnson, J.E., and Yawkey, T.D., 1988. Play and integration. In: Thomas D., Yawkey, T., Johnson, J.E. (Eds.), *Integrative Processes and Socialisation: Early to Middle Childhood*. Lawrence Erlbaum Associates, Inc., NJ, 97-117.
- Kvale, S., 1996. *Interviews: An Introduction to Qualitative Research Interviewing*, Sage Publications, Thousand Oaks, CA.
- La Ferle, C., Edwards, S.M., and Lee, W.N., 2000. Teens' use of traditional media and the internet. *Journal of Advertising Research* 40 (3), 55-65.
- Malterud, K., 2001. Qualitative research: Standards, challenges and guidelines. *The Lancet* 358 (August), 483.
- McCracken, G., 1988. *Culture and Consumption: New Approaches to the Symbolic Character of Consumer Goods and Activities*, Indiana University Press.
- Miles, M.B., and Huberman, A.M., 1994. *Making Good Sense: Drawing and Verifying Conclusions in Qualitative Data Analysis: An Expanded Source Book*, John and Wiley Sons, Inc.
- Moore, G.A., 1996. Technology and social communication. *Technology in Society* 18 (2), 253-260.
- Montgomery, K., 2000. Youth and digital media: A policy research agenda. *Journal of Adolescent Health, Conference Proceedings* (April), 61-68.
- Moschis, G.P., and Churchill, G.A.Jr., 1979. An analysis of the adolescent consumer. *Journal of Marketing* 43 (3), 40-48.
- Moschis, G.P., and Mitchell, L.G., 1986. Television advertising and interpersonal influences on teenagers' participation in family consumer decisions. *Advances in Consumer Research* 13, 181-186.
- NUA Internet Surveys, 2001. Available online at [http://www.nua.ie/surveys/how\\_many\\_online/index.html](http://www.nua.ie/surveys/how_many_online/index.html)
- NUA Internet Surveys, 2002. Available online at [http://www.nua.ie/surveys/how\\_many\\_online/index.html](http://www.nua.ie/surveys/how_many_online/index.html)

O'Guinn, T.O., and Shrum, L.J., 1997. The role of television in the construction of consumer reality. *Journal of Consumer Research* 23 (4), 278-294.

Parker, B.J., and Plank, R.E., 2000. A uses and gratifications perspective on the internet as a new information source. *American Business Review* 18 (2), 43-49.

Peattie, S., 2002. Using the internet to communicate sun-safety message to teenagers. *Health Education* 102 (5), 210-218.

Rheingold, H., 1993. *The Virtual Community: Homesteading on The Electronic Frontier*, Addison-Wesley, New York.

Roedder John, D., 1999. Consumer socialisation of children: A retrospective look at twenty-five years of research. *Journal of Consumer Research* 26 (December), 183-213.

Shih, C.F.E., 1998. Conceptualising consumer experiences in cyberspace. *European Journal of Marketing* 32 (7/8), 655-663.

Solomon, M.R., 1983. The role of products as social stimuli: a symbolic interactionism perspective. *Journal of Consumer Research* 10 (Dec), 319-329.

Steuer, J., 1992. Defining virtual reality: Dimensions determining telepresence. *Journal of Communication* 42 (4), 73-93.

Tapscott, D., 1998. *Growing Up Digital: The Rise of the Net Generation*, McGraw-Hill, United States of America.

Taylor, S.J., and Bogdan, R., 1998. *Introduction to Qualitative Research Methods: A Guide and Resource*, 3rd Ed., John Wiley & Sons Inc., Canada.

Urban, G.L., Weinberg, B.D., and Hauser, J.R., 1996. Premarket forecasting of really new product. *Journal of Marketing* 60 (1), 47-60.

Valkenburg, P.M., and Cantor, J., 2001. The development of a child into a consumer. *Applied Developmental Psychology* 22, 61-72.

Villani, S., 2001. Impact of media on children and adolescent: A ten year review of the research. *Journal of*

*the American Academy of Child and Adolescent Psychiatry* 40 (4), 392-401.

Wallendorf, M., and Belk, R.W., 1989. Assessing trustworthiness in naturalistic consumer research. *Interpretive Consumer Research*, 69-84.

Ward, S., 1974. Consumer socialization. *Journal of Consumer Research* 1 (September), 1-14.

### **Biographies**

**Christina K. C. Lee** is a Senior Lecturer in the Department of Marketing at the University of Auckland. Christina's research focuses on issues relating to consumer behaviour, in particular, the role of self and self referencing, adolescents, family decision making, social marketing and cross-cultural research. She has recently published in the *Journal of Advertising*, *European Journal of Marketing*, *Australasian Marketing Journal*, *International Journal of Advertising*, *Journal of Consumer Marketing and Qualitative Market Research: An International Journal*.

**Denise M. Conroy** is a Senior Lecturer in the Department of Marketing at the University of Auckland. Denise's primary research interest is centred on consumer behaviour. In addition to her interest in adolescents and their consumption of the internet she is currently taking a constructivist approach to the concept of personal appearance, building upon her interest in both identity and identification. Denise has twelve years commercial experience in the communication area and has addressed both national and international conferences.

### **Correspondence Addresses**

Dr. Christina K. C. Lee, Senior Lecturer, Department of Marketing, University of Auckland, Private Bag 92019, Auckland, New Zealand. Telephone: +64 (9) 3737 599 extension 87384. Facsimile: +64 (9) 3737 444. Email: c.lee@auckland.ac.nz; Dr. Denise M. Conroy, Senior Lecturer, Department of Marketing, University of Auckland, Private Bag 92019, Auckland, New Zealand, Telephone: +64 (9) 3737 599 extension 87286. Facsimile: +64 (9) 3737444. Email: d.conroy@auckland.ac.nz

## **To Segment or Not to Segment? An Investigation of Segmentation Strategy Success Under Varying Market Conditions**

Sara Dolnicar, Roman Freitag, Melanie Randle\*

---

### **Abstract**

A computer simulation study is conducted to explore the interaction of alternative segmentation strategies and the competitiveness of the market environment, a goal that can neither be tackled by purely analytic approaches as there is neither sufficient and undistorted real market data available to deduct findings in an empirical manner. The fundamental idea of the simulation is to increase competition in the artificial marketplace and to study the influence of segmentation strategy and varying market conditions on organisational success. Success/failure is measured using two performance criteria: number of units sold and survival of organisations over 36 periods of time. Three central findings emerge: (1) the more competitive a market environment, the more successful the concentrated market segmentation strategy; (2) increased levels of marketing budgets do not favour organisations following a concentrated segmentation strategy; and (3) frequent rethinking and strategy modification impairs organisations that concentrate on target segments.

*Keywords: Market segmentation, Market condition influences, Simulation*

---

### **1. Introduction**

Despite wide agreement that strategic marketing forms the basis of organisational success and the considerable amount of research that has been conducted over the past decades in areas of strategic marketing, only limited work has investigated the interrelations between market segmentation, product positioning, competition and success in the marketplace.

The aim of this study is to take one step in the direction of filling the gap by researching the interplay between market segmentation strategy and competitive market conditions, a gap that was specifically identified by Eliashberg & Chatterjee (1985) and Kuester, Homburg & Robertson (1999).

We choose a market simulation approach as (1) empirical data of the experimental or pseudo-experimental nature required is not available, and (2) economic and game-theoretic analyses are typically limited to very simple, highly unrealistic settings (for instance, one dimensional product attribute spaces, uniformly distributed consumer preferences, rational players). The simulation approach

allows us to investigate selected strategic components under selected market conditions in a controlled experimental setting that is simplified and artificial, but realistic with respect to the main features under investigation.

This paper will firstly review prior research in the areas of market segmentation and competition, from which three research questions are derived. A computer simulation based on an artificial market environment will then be performed to test the three hypotheses and then, using the pre-determined measures of firm success, conclusions will be drawn regarding the optimal strategies for firms operating in markets with varying levels of competition. Limitations of the study and ideas for future work are also discussed.

### **2. Literature Review**

Both areas central to the present study, market segmentation and competition, have been extensively investigated individually in the past.

Within the field of segmentation research three main themes can broadly be identified: (1) research aiming at

\* Authors names are in alphabetical order

improving segmentation methodology (Aldenderfer & Blashfield, 1984; Bailey, 1994; Dolnicar & Leisch, 2000; Dolnicar & Leisch, 2004; Ketchen & Shook, 1996; Krieger & Green, 1996; Lilien & Rangaswamy, 2000; Mazanec & Strasser, 2000; Milligan & Cooper, 1985; Milligan, 1981; Myers & Tauber, 1977; Punj & Stewart, 1983; Thorndike, 1953; (2) research comparatively evaluating the usefulness of different kinds of segmentation bases (Abbey, 1979; Frank, Massy & Wind, 1972; Haley, 1968; Wedel & Kamakura, 1998; Wind, 1978), and (3) empirically based reports on applied segmentation studies (these segmentation applications dominate in terms of quantity, a summarising report including 243 studies of this kind published in academic journals is provided by Baumann (2000) and Dolnicar (2003).

However, few attempts have been made in the area of market segmentation research to simultaneously account for other components of the marketing strategy, as for instance, the product positioning decision or the competitive market pressures faced. This research gap exists both (1) conceptually / methodologically as only few techniques (see below) have been suggested in the literature to analyse market data simultaneously to account for all strategic areas, and (2) empirically, as it is difficult to collect pseudo-experimental data required to investigate the effectiveness of different strategies under different market conditions. The existence of this research gap implicitly suggests that the target segment can be chosen without considering the competitive market environment and the positioning of the own and all competing brands. Two notable exceptions exist: ideal point preference mapping (Myers & Tauber 1977, Myers 1996) and perceptions based market segmentation (Buchta, Dolnicar & Reutterer, 2000; Mazanec & Strasser, 2000) simultaneously explore positioning, segmentation and competition issues based on empirical data. However there is little empirical evidence for success of certain segmentation strategies under specific market conditions, evidence that would be of interest to managers who would get more than purely theoretical guidance with regard to optimal segmentation strategies in given market conditions.

The area of competition research is even more extensive and heterogeneous than segmentation research. Competition research can broadly be classified into general approaches studying the issue in an isolated manner, pure case studies and investigations of interactions between competition and other aspects of marketing.

## 2.1 General Investigations into the Phenomenon of Competition

Porter (1980) describes different forms of competition in different market settings and suggests generic strategies to choose from. Putsis & Dhar (1998) discuss five types of competitive interaction: cooperative, non-cooperative and independent (all symmetric), leader-follower and dominant/fringe firm (asymmetric).

Models of perfect competition focus on the outcome of competition rather than the actual act of competing and suggest that perfectly competitive firms operate independently and without consideration of competitors (McAfee & McMillan, 1996). Neoclassical economists believe perfect competition to result in the efficient allocation of resources and the maximisation of social welfare (Hunt & Duhan, 2002). Conventional business theorists however believe that greater competition results in more effective outcomes because organisations that are able to operate more effectively and offer customers more value for money will receive more profits and flourish (Hunt & Duhan, 2002). Hunt & Duhan (2002) developed the interdisciplinary resource-advantage theory which allows firms to act both efficiently, as suggested by perfect competition and effectively, as proposed by conventional business wisdom.

Game theory is the dominant paradigm used in marketing to analyse the interaction between organisations operating in oligopolistic markets (Moorthy, 1985; Putsis & Dhar, 1998; Weitz, 1985), whereby the focus is on the actual act of competing (McAfee & McMillan, 1996). According to this view the actions of a firm are at least partly in response to the other players in the 'game', or competitors in the market, and competition is viewed as a process of decision-making that is done in an uncertain environment. Evolving from game theoretic models have come 'new markets' of competition which allowed decentralised decision making in situations where it had previously been done centrally and inefficiently (McAfee & McMillan, 1996).

In the tradition of exploring competition in an aggregate manner Urban, Johnson & Hauser (1984) suggest a quantitative criterion to determine the competitive market structure as a basis for managerial decision making, later extended by Novak & Stangor (1987) and Kannan & Wright (1991). Henderson (1983) lists fundamental principles for competition analysis deduced from natural sciences.

## **2.2 Case studies based on specific industries**

Wesson & De Figueiredo (2001) explore the microbrewery market and find that aggressive entry is most successful when no budget constraints are faced and the degree of focus chosen by the new entrant significantly influences market success. Smith et al. (1991) investigate competition in the US domestic airline market focusing on firms' responses to competitor initiatives, later extended by Chen & MacMillan (1992) who take a more fundamental and game theoretic approach to competitive response behaviour in the industry. Clearly the limitations of these studies lie in the low generalisability.

## **2.3 Interactions between competition and other aspects of marketing**

Weitz (1985) noted the general lack of research into the affect of competition intensity on marketing activity. However in recent decades researchers and managers have increasingly recognised the importance of understanding the different types of competition across categories, marketing instruments and strategic groups (Putsis & Dhar, 1998). Henderson (1983) notes: 'the success of any marketing strategy depends on the strength of the competitive analysis on which it is based' (p. 7).

Some theorists have examined the relationship between competition intensity and the overall marketing mix (Dutta & King, 1980; Gatignon, Anderson & Helsen, 1989; Hauser & Shugan, 1983; Kotler, 1965; Oxenfeldt & Moore, 1978; Robinson, 1988). Kotler (1965) presented a duopolistic dynamic competitive model which included advertising, distribution and pricing decisions, while Dutta & King (1980) used 'metagame' analysis to develop a framework for competitive strategy development. Slade (1995) investigated the nature of competition amongst competing brands by developing a dynamic model of product rivalry in a market where organisations have a number of competitive tools including price and advertising intensity. Carpenter & Lehmann (1985) used not only the marketing mix variables but also brand switching and product features to develop a model to investigate patterns of competition and market structure.

Although empirical research in the area of market defence strategies to respond to increasing competition is relatively thin (Kuester, Homburg & Robertson, 1999) some researchers have begun to investigate this issue. Perhaps most significantly, Hauser & Shugan (1983) developed the 'Defender' model which provided a framework for how

firms should modify their marketing mix to respond to new entrants. The interaction between competition, positioning and segmentation was further explored by Hauser (1988) in the extended Defender model where equilibria conditions were identified and maximum differentiation was found to maximise profits. Gatignon, Robertson & Fein (1997) investigate defence strategies for incumbents facing increased competition in the form of new entrants and recommends that the response strategy should include as few elements of the marketing mix as possible in order to avoid underspending on each element relative to its marginal utility.

### *2.3.1 Competition & Positioning*

Interaction between positioning and competition was studied by Hotelling (1929, principle of minimum differentiation) and d'Aspremont, Gabszewicz & Thisse (1979, principle of maximum differentiation) focusing on the case of unidimensional product feature space including price in a duopoly market setting. Vandenbosch & Weinberg (1995) extended the one dimensional Hotelling model to two dimensions, still assuming uniform distribution of consumer preferences and looking at the duopoly situation exclusively resulting in an equilibrium positioning where one attribute is at its maximum level and the second one at the minimum level for one firm and exactly the opposite for the competitor. Carpenter (1989) investigated the same interaction emphasising organisation's expenditures for advertising and distribution, finding that positioning and optimal marketing mix in terms of these expenditures are highly dependent. Stearns et al. (1995) studied the effect of different positioning approaches under varying competitive market situations using empirical data of new entrants and found significant interaction with inconsistent findings for different settings.

### *2.3.2 Competition & Price*

Rao & Shakun (1972) developed a static pricing model with price as the only decision variable. Others such as Thompson & Teng (1984) later proposed dynamic models which consider price as a control variable in deriving equilibrium strategies. A study by Rao & Bass (1985) explored how competition influences dynamic pricing of new products by focusing on the development of industry pricing in different competitive settings. They modelled competition as a dynamic Nash equilibrium and extended analysis of dynamic pricing to an undifferentiated oligopoly by addressing the problem analytically, numerically and empirically.

Ansari, Economides & Ghosh (1994) explored the interaction of positioning and price in a competitive environment in a game theoretic manner. They relaxed the assumption of uniformly distributed consumer preferences illustrating the difference in results if this assumption is made. The investigation included competitive situations with different numbers of competing firms and found that differentiation reduces price competition and increases profits, optimal positions depend on the number of organisations and the level of consumer heterogeneity. McAfee & McMillan (1996) also discuss the value of the game-theoretic approach to marketers and the affect of competition on product positioning and pricing. They emphasise the value of creating competition for a new product as an effective way of ensuring low prices in the longer term.

Ramaswamy, Gatignon & Reibstein (1994) focus on price and selling and investigate cooperative and retaliatory competitive strategies, discussing the extent to which different levels of competition influence marketing behaviour. Clarke & Dolan (1984) simulate a range of pricing strategies in a sequential entry context where the entry date is known, while Spence (1981) also considers sequential entry in developing a dynamic model of competition focusing on the issue of declining costs.

### *2.3.3 Competition & Product*

Ballou & Pipkin (1980) developed a framework for modelling competition and investigated product positioning strategies in oligopolistic markets that are highly competitive and uncompetitive. Interaction between product quality and competition was also studied by Moorthy (1988) in one dimensional product attribute space, while McGuire & Staelin (1983) focused on competition and product substitutability using a linear duopoly model and established equilibrium conditions for different channel structures. Lane (1980) investigated the relationship between product positioning and pricing and levels of competition in oligopolistic markets with sequential entry.

### *2.3.4 Competition & Advertising Expenditure*

Friedman (1958) used game theory as a basis for a static model of advertising expenditure using different scenarios, which was later developed by Shakun who introduced interdependencies between segments, and Gupta & Krishnan (1967) who included multiple competitors and additional controllable variables.

Schmalensee (1978) proposed a dynamic model of advertising expenditure in which he recognised the ongoing nature of advertising decision making. This was later extended to include finite planning horizons and the investigation of duopolistic situations for growing and non-growing markets (Deal, 1979; Erickson, 1985; Wang & Wu, 2001), and oligopolistic situations with pricing included as an additional control variable (Thompson & Teng, 1984).

### *2.3.5 Competition & Market Segmentation*

The interplay between organisational market segmentation strategy and different competitive market situations has so far received little attention (Eliashberg & Chatterjee, 1985), although recommendations for managerial decision making on a strategic level cannot be made in an isolated manner.

Lilien & Rangaswamy (2000) introduce the STP approach, a stepwise procedure integrating segmentation target choice and positioning in a sequential manner. Mazanec & Strasser (2000) and Buchta, Dolnicar & Reutterer (2000) propose and illustrate an integrated approach of analysis including segmentation, positioning and competition based on empirical three way data (PBMS, perceptions based market segmentation). Wesson & De Figueiredo relate the issues of competition and market segmentation to each other in a case study, empirically finding that new entrants into the microbrewery industry are better off serving small market segments.

## **3. Research Questions**

The central issue to be investigated in this study is the interaction between different segmentation strategies and the level of competition within the market in which a firm is operating. As opposed to most previous studies on this interaction, we do not investigate the effects of market entry (Gatignon, Robertson & Fein, 1997; Hauser & Shugan, 1983; Lane, 1980; Spence, 1981; Stearns et al., 1995; Wesson & De Figueiredo, 2001). Three hypotheses are to be tested in this study.

Firstly, it has been widely postulated that higher levels of competition favour a concentrated market segmentation strategy, and although this assumption is not surprising, there is so far little evidence for this assertion. Prior work investigating the relationship between competition and market segmentation strategy have either used economic approaches making limiting assumptions or of empirical

approaches and have consequently been limited in their generalisability. For example Hauser's study (1988) demonstrates higher price equilibria for differentiated product positions. Ansari, Economides & Ghosh (1994) found that greater heterogeneity in consumer preferences results in maximum segmentation and differentiation, increased market share, and less price competition resulting in higher profits. These investigations, however, are limited to 2-4 competitors. Wesson & De Figueiredo (2001), in their empirical study, found an association of segmentation and success of new entrants. Stearns et al. (1995) found that new firm survival could not be predicted by examining an industry in isolation, but that when the location and strategy of the firm were also considered survival chances could be predicted. For example, service industry firms operating in metropolitan locations were far more likely to succeed if they pursued a narrow or niche marketing strategy. Therefore the first hypothesis to be tested is:

*Hypothesis 1: Higher levels of competition favour a concentrated market segmentation strategy.*

The second hypothesis relates to advertising expenditure levels. Friedman (1958) studied the interaction of competitive strategy and advertising expenditure finding that the optimal advertising expenditure differs for each firm and is proportional to both the potential sales in the area and the share of total advertising in the area; and that when a firm has less advertising funding available than a competitor it should adopt a mixed strategy, increasing the probability of reaching any given customer. Shakun's study (1965) indicates that the level of advertising expenditure spent selling the product of one firm proportionately influences sales of the corresponding product of the other firm, limiting the investigation to two competitors only. Gupta & Krishnan (1967) assume multiple competitors but limit the controllable variables of the firm to price and promotion, identifying conditions under which competitors with differing levels of resources should use price and promotions as their major competitive tool, depending on their respective resource levels. The knowledge gap however lies in the investigation of high levels of advertising expenditure and the most appropriate segmentation strategy for firms finding themselves in this position. Therefore, we will be testing the following assumption.

*Hypothesis 2: Higher advertising expenditure levels favour the concentrated market segmentation strategy more than the mass marketing strategy.*

To the authors' knowledge, no prior investigations of frequency of marketing and segmentation strategy revision on market performance have been undertaken. It has been generally postulated, however, that the periodic reassessment of marketing strategy is a crucial organisational success factor (Kotler, 1999, 2003; McDonald, 2002; McDonald & Payne, 1996; Schnaars, 1998). This is because the customisation to the target group chosen can be optimised steadily. This is reflected in hypothesis three:

*Hypothesis 3: Frequent revision of strategy favours the concentrated market segmentation strategy.*

#### **4. The Simulation Environment: an Artificial Consumer Market**

A market simulation approach has been chosen for this study primarily due to the unavailability of the experimental empirical data required. Using a simulation approach, selected strategic components can be investigated under specific market conditions in a controlled setting.

The computer simulation is based on an artificial consumer market environment (SIMSEG/ACM by Buchta & Mazanec, 2001; Buchta et al., 2004) that is outlined in Figure 3. The main purpose of this environment is to provide a market-like framework, which supports, *ceteris paribus* experiments in order to gain insight on how successful certain corporate strategies are in a competitive marketplace. The central research question is formalised within this environment by constructing artificial actors (agents) that compete with each other. In the present study, these actors represent organisations. They are designed to make use of different decision rules concerning their market segmentation strategy. The organisations are confronted with each other and each other's market strategies in a marketplace. Over the multiple replications of the simulation the market conditions are systematically varied. By simulating a long period of time (three years), insights are gained about the success of particular strategies under given circumstances. These conditions are defined *a priori*. In this experiment the following components define the artificial marketplace:

**Product:** The product consists of 12 attributes that can be perceived by a customer. These could be associations that tourists have with destinations (cool, trendy, relaxing, safe, expensive, etc.) or perceived characteristics of a car (fast, sexy, fancy, luxurious, etc.). These 12 attributes are designed to load on four hidden

dimensions (factors), three attributes per dimension. For instance, the attributes cool and trendy for tourist destinations are likely to load on a different underlying factor than safety. All dimensions represent information that is purely influenced by advertising action, as the production is not of fundamental importance for the question under investigation and was therefore not modelled in the simulation.

**Customers:** The world consists of many consumers who have heterogeneous preferences with regard to the 12 product attributes. Six such market segments are modelled, the preferences of which are given in Table 1.

Every column represents one hidden dimension (factor), every row represents one segment. For instance, Factor 1 could represent safety related tourist destination

Table 1: Consumer preference segments

	Factor 1	Factor 2	Factor 3	Factor 4
Segment 1	I	I	R	R
Segment 2	R	R	I	I
Segment 3	R	I	R	I
Segment 4	R	R	R	R
Segment 5	I	I	I	I
Segment 6	I	R	I	R

Note: I = irrelevant; R = relevant

perceptions and include three attributes (safety, familiarity and low crime rate) and Segment 1 could be the segment of young tourists travelling with friends and mainly interested in an exiting and adventurous holiday. Furthermore, Table 1 specifies whether the Factors are relevant or irrelevant to the segments in the marketplace: an 'I' indicates that the attributes forming this Factor are irrelevant to a segment, whereas an 'R' stand for relevant. Thus, Segment 1 does not care about the first three items (which could mean that young adventure-seeking tourists are not evaluating a tourist destination on the basis of the safety), whereas the information about the last three items is studied very carefully by this group of customers when they make a buying decision. The preferences of the segments remain fixed during the entire simulation. Segment sizes are unequal (with segment 3 including 50 percent of the customers and every other segment 10 percent). Each customer buys exactly one product in each period (non-purchase is not an option).

**Competitors:** Two kinds of organisations compete in the artificial marketplace where organisational behaviour is assumed to be bounded rational. The two organisational prototypes are therefore developed to follow very simple decision rules.

**Mass marketer:** They do not construct consumer market segments. All potential buyers are addressed with the same advertising message. The mass marketer creates this message by accentuating product attributes that are strongly perceived among buyers of the mass marketer's product in the past period. The mass marketer thus assumes a continuing causal relation between attribute perception and a buying act in the following period. The functioning of this organisation (the bounded rational behaviour rule) is outlined in Figure 1.

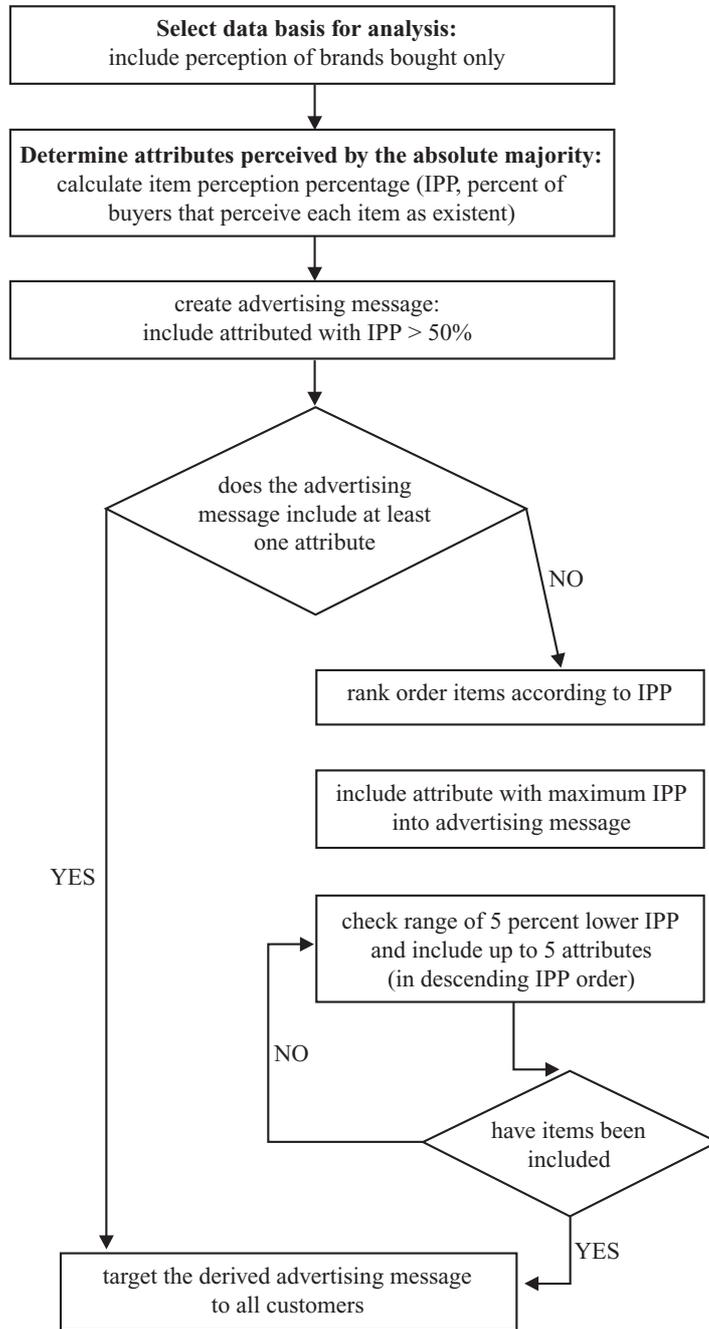
**Segmenter:** They create a partition of the consumers' based on their perception of the own brand. For advertising message development, the segmenter first chooses the group of individuals with the highest number of buying acts in the past period and then affirms attributes which are perceived by more than 50%. This message is targeted at all buyers of the own brand. An outline is provided in Figure 2.

**Simulation cycle:** One simulation period starts with organisational decisions that are fed into the artificial consumer market. These decisions include the development of the advertising message and the selection of the market segment to be targeted (in case of the segmenter). After all computations within the artificial world are executed (customers match their preferences with the perceptions of the products in the marketplace as influenced by advertising action), the actors receive a summary of market performance including consumer choices (who bought which product), and the beliefs or perceptions of the customers on all 12 product attributes. A summary of the computations that take place in the SIMSEG simulation environment is provided in Figure 3.

### 5. Measures of Organisational Performance

The typical performance measures used in segmentation studies are profit, sales and market share. In competition analysis survival dominates the list of criteria explored. In this article the effect of the strategy-competition-interaction is investigated for two different performance measures representing different organisational goals encountered: the number of units sold is the general success measure (representing profit and revenues as

Figure 1: Organisational behaviour under the mass marketing strategy



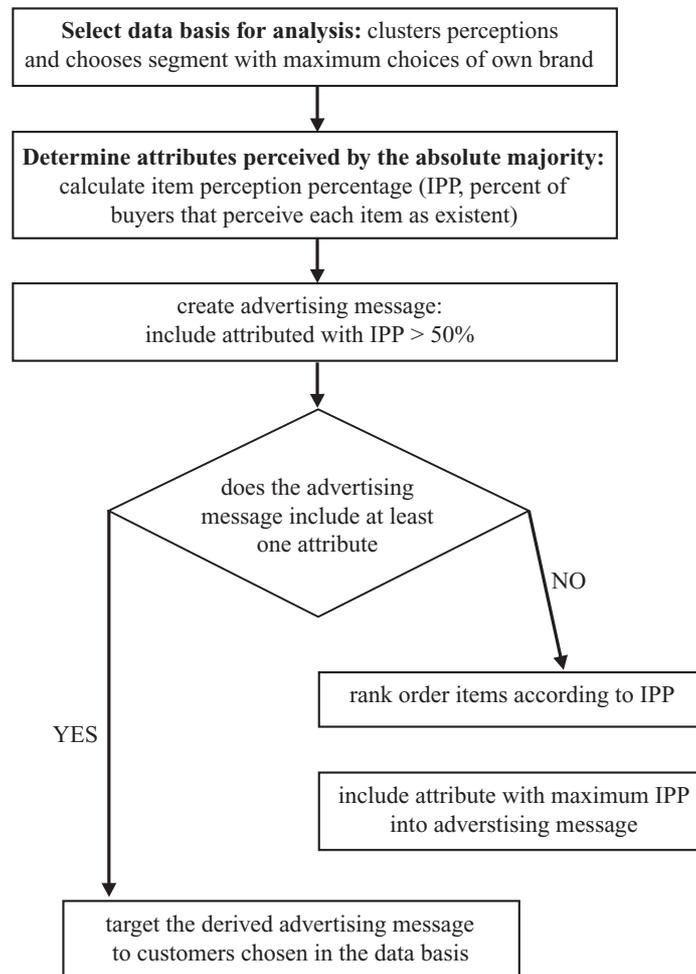
well in this particular simulation because the price module was excluded) and survival representing the long-term perspective of the organisation.

**Number of units sold:** The simplest way to measure success or undertake success comparisons is to take a

look at the total units sold. As price is set fixed in our simulation this would be the equivalent to a sales criterion as well as a market share indicator.

**Survival:** Another common way to evaluate corporate success in a competitive environment is to monitor

Figure 2: Organisational behaviour under the segmenter strategy



which companies survive in the long run (Stearns et al., 1995), an approach very typical for new venture success investigations. This criterion can be measured in a binary manner, allowing the conclusion that surviving companies acted more successfully in the marketplace in the long run than non surviving companies.

### 6. Experimental Design

Every simulation has a duration of 36 periods with one period representing one month. The number of independent simulations is a result of the full factorial experimental design based on the following factors and factor levels:

- Advertising budget: low (100) and high (200 monetary units)

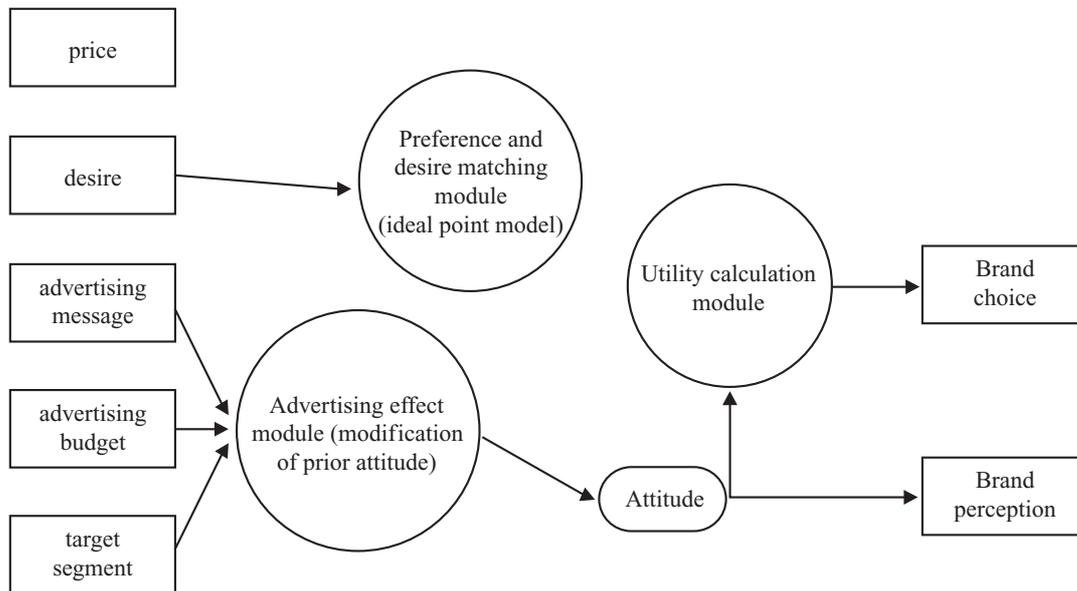
- Thinking cycle (this is the frequency of the possibility to revise the strategy): every simulation period and every 6th simulation period
- Number of organisation in the marketplace: 2, 3, 5, 7 and 10

Each simulation was repeated ten times. The experimental design is outlined in Figure 4, providing the exact mix of mass marketers and segmenters competing in the marketplace in each scenario.

### 7. Results

**Results based on the number of units sold as the performance measure:** Analyses of variance are computed assuming a linear model where units sold function as the dependent variable and the amount of

Figure 3: Outline of basic SIMSEG/ACM functioning



advertising budget and the length of the thinking cycle represent the independent variables. First order interactions are included. Separate analyses are computed for each competitive setting (consisting of ten replications under identical conditions).

Figure 5 illustrates these results visualised by means of box plots where the top two quadrants show results under the condition of high marketing budgets and the bottom quadrants for low marketing budgets. The right hand side of the plot provides results under the condition that strategic reorientation of the organisation was possible in every sixth period, whereas the left hand side allowed strategy changes in each period.

The major finding that results from the simulations conducted, is that organisations that choose to segment the consumers and focus on target markets are more successful in highly competitive environments; when two organisations compete (adjusted R squared .88,  $p$ -value < .001), the segmenter is significantly less successful than the mass marketer. In addition, longer thinking cycles (every sixth period of time) significantly favour the performance of the segmenters in highly competitive environments. The latter effect is caused by the fact that the segmenter tends to switch market niches and the advertising profile when the choice of possible sub markets is large due to low competition.

In the case of three competing firms (adjusted R squared .48,  $p$ -value < .001) the segmenter performs significantly worse than the mass marketers, with high budget additionally decreasing performance level of the segmenter because mass marketers can more efficiently advertise to their large number of customers, whereas segmenters targeting smaller groups of potential buyers reach saturation levels. The linear model including five competitors in general does not fit very well (adjusted R squared .19,  $p$ -value < .001). Significance values indicate that the segmenters' performance is inferior, longer thinking cycles favours them while impairing success of mass marketers. The same is true for the seven-competitors scenario (adjusted R squared .25,  $p$ -value < .001), supporting the finding that long thinking cycles are in favour of the segmenter strategy. In the market with ten competitors (Figure 5) all segmenters turn out to be significantly more successful. Marketing budget plays an important role, with higher budgets impairing the success of segmenters and long thinking cycles benefiting them.

**Results based on the survival performance measure:** Survival was investigated in the last simulation period. Firms that did not sell any products at all (market share equals zero) failed to survive in this marketplace. The results are given in Table 2 where the descriptions of the scenarios are given in columns 1 and 2. The three right-

Figure 4: Experimental Factors and Factor Levels

marketing budget (2 levels)	thinking cycle (2 levels)	number of agents (5 levels)
100 monetary units	every period of time	1 mass marketer 1 segmenter
200 monetary units	every sixth period of time	2 mass marketer 1 segmenter
		3 mass marketer 2 segmenter
		5 mass marketer 2 segmenter
		7 mass marketer 3 segmenter

hand columns provide the number of organisations that did not survive the simulated three-year period of time. Each of the three columns specifies the number of competitors these organisations faced. For instance, if the strategy could be revised each period (thinking cycle 1) and the advertising budget was low (100), 1 organisation died in a highly competitive market and this was a mass marketer.

It becomes apparent from this table that all firms survive in the marketplaces with low competition. Both in the two- and three-competitor-marketplaces all firms operate and sell their products until the last period of time simulated. In all simulation runs except for the five-competitor-scenario, exclusively mass marketers fail to survive. As can be seen, more mass marketers are unable to cope with competition in general (and especially under the conditions of low advertising budget and long periods of time without adaptation of the advertising message and the segment targeted). The reasons are twofold: First, the mass marketer in general suffers more from low budgets than the segmenter does (larger amount of potential buyers the advertising message is addressed to). Second, mass marketers suffer from the fact that segmenters perform better when strategic thinking cycles are longer because the rule of the

segmenter supports rapid change that on the long run does not optimally influence the advertising effectiveness and thus the customer perceptions. Exactly the opposite reasoning explains the one death of a segmenter in the five-competitors market environment with high advertising budget and frequent possibility to change the advertising message.

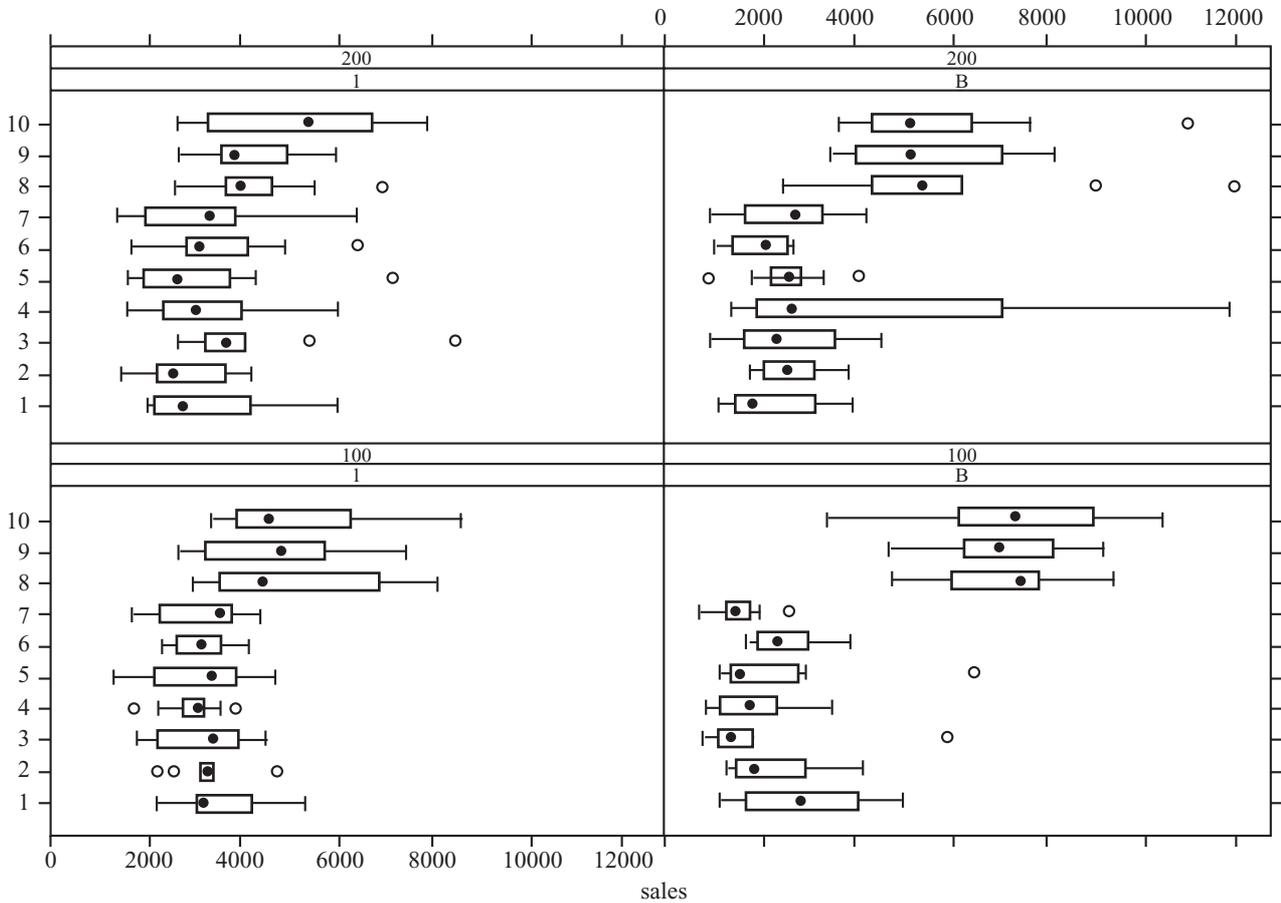
In sum, three findings can be deduced from investigating this performance measure: (1) under the market conditions modelled, non-survival is a rare event in general, (2) the segmenters beat the mass marketers with respect to the survival criterion and (3) the more competitors offer their products in the marketplace, the higher the probability of firms not surviving the entire simulation period.

With regard to the proposed research questions, the simulation results lead to following conclusions:

*Hypothesis 1:* The concentrated segmentation strategy is found to be more successful under the condition of high competition with regard to organisational performance.

*Hypothesis 2:* Increased advertising expenditure is not found to favour the concentrated segmentation

Figure 5: Box Plot of Simulation Results with 10 Competitors  
 (mass marketers coded as “1”, “2”, “3”, “4”, “5”, “6” and “7”, segmenters as “8”, “9” and “10”)



strategy. On the contrary, higher marketing budget levels for all competitors turn out to significantly impair the success of segmenters in the case of number of units sold used as performance measure. The same is true where the survival criterion is used instead of the performance measure, although the contrary effect is not detected.

*Hypothesis 3:* The opportunity to review the strategy more frequently does not lead to increased market success of the segmenter. On the contrary, segmenters are found to suffer from the multitude of possible segments when competition is low, for both performance measures.

In sum, the concentrated segmentation strategy seems to provide an advantage in a market with high competitive pressure. Log-file analysis of consecutive periods allows insight into the market developments in every single

simulated month over the entire period of the simulation. The fundamental functioning as extracted is as follows: Mass marketers advertise the same product attributes, the attributes perceived most often to apply among the buyers of the total market. Additional competitors that act in accordance with the mass marketing rule thus reduce the market size for this strategy. More competition among mass marketers only therefore decreases the number of units sold for all organisations targeting the entire market. Segmenters that attack mass marketers by choosing to advertise product attributes identical or very similar to those promoted by the mass marketers have stronger advertising effectiveness due to a smaller group of individuals exposed to the advertising message. Segmenters that target a niche market and therefore advertise a product profile that is very distinct in the marketplace take advantage of the fact that there is no or very low competition for the product offered. As

Table 2: Non-survival Results

Thinking cycle	Advertising budget	Scenario with 10 competitors	Scenario with 7 competitors	Scenario with 5 competitors
each period (1)	low (100)	1 (mass marketer)	1 (mass marketer)	0
each period (1)	high (200)	0	0	1 (segmenter)
every sixth period (6)	low (100)	4 (mass marketers)	1 (mass marketer)	0
every sixth period (6)	high (200)	2 (mass marketers)	0	0

long as competition is low, mass marketers beat segmenters because they influence a large number of consumer opinions in the favoured product perception dimensions, whereas the segmenter only influences a small number, thus generating less buying acts. With increasing competition the pure size effect vanishes and the segmenter strategy is more successful due to either increased advertising effects or niche targeting.

**8. Conclusions, Limitations and Future Work**

A computer simulation study was conducted investigating the interaction of alternative segmentation strategies and the competitiveness of the market environment. The artificial world that was developed to represent the aspect of market reality relevant to our research questions is a mature market (with no new entries), containing preference segments with fixed preferences over the entire three simulated years. Each consumer buys exactly one product a year, advertising effects are cumulative, but past organisations’ strategy mistakes cannot not be fed back into future strategy. Two kinds of organisations compete in the market place: mass marketers and segmenters. Both follow a simple segment selection and advertising message development rule and can occur multiple times in the market.

The following central conclusions can be drawn from the simulation: (1) the more competitive a market environment, the more successful the concentrated market segmentation strategy; (2) increased levels of marketing budget for all competitors does not favour segmenters, as they reach advertising effect saturation levels earlier; (3) frequently rethinking and modifying

the strategy is not recommended for organisations following a concentrated segmentation strategy because cumulative advertising effects over multiple periods of time are not taken advantage of if the target segment is modified too often.

These findings were based on the analysis of two different performance measures: the number of units sold and organisation survival. The latter was found not to be very informative for this particular experiment, as the number of organisations not surviving the simulations was rather low. The number of units sold served well as performance measure for the simulation set up.

Within the constraints of simulation experiments, our study is limited by the following restrictions that were deliberately excluded from investigation but interesting for future simulations with different research questions: (1) price was set equal for all organisations; (2) no agent memory was modelled (learning from failures in the past therefore is not possible); (3) consumers in the artificial world modelled have fixed preferences and therefore do not change aspiration levels in reaction to market development and finally; (4) advertising budget levels were able to be increased for all competing organisations where, for instance, niche marketers may realistically have less resources to do this.

**Acknowledgements**

This research project was supported by the Austrian Science Foundation (FWF) under Grant SFB 010 (‘Adaptive Information Systems and Modelling in Economics and Management Science’) and conducted

during Sara Dolnicar's appointment at the Institute for Tourism and Leisure Studies at the Vienna University of Economics and Business Administration. We wish to thank Christian Buchta and Josef Mazanec for making the SIMSEG/ACM environment available for simulation experiments and supporting us in troubleshooting.

## References

- Abbey, J.R., 1979. Does life-style profiling work? *Journal of Travel Research* 18, 8-14.
- Aldenderfer, M.S., and Blashfield, R.K., 1984. *Cluster Analysis*, Sage Series on Quantitative Applications in the Social Sciences, Sage Publications, Beverly Hills.
- Ansari, A., Economides, N., and Ghosh, A. 1994. Competitive positioning in markets with nonuniform preferences. *Marketing Science* 13, 248-273.
- Bailey, K.D., 1994. *Typologies and Taxonomies: An Introduction to Classification Techniques*, Sage University Paper Series on Quantitative Applications in the Social Sciences, Sage, Thousand Oaks.
- Ballou, D.P., Pipkin, J.S., 1980. Competitive strategies: A cognitive choice model. *Omega* 8 (1), 53-62.
- Baumann, R., 2000. Marktsegmentierung in den Sozial- und Wirtschaftswissenschaften: eine Metaanalyse der Zielsetzungen und Zugänge, Diploma thesis at Vienna University of Economics and Management Science, Vienna.
- Buchta, C., Dolnicar, S., and Reutterer, T., 2000. A Nonparametric Approach to Perceptions-Based Market Segmentation: Applications, Series: Interdisciplinary Studies in Economics and Management Volume II, Springer, Berlin.
- Buchta, C., and Mazanec, J., 2001. SIMSEG/ACM – a simulation environment for artificial consumer markets. Working Paper Series of the SFB "Adaptive Information Systems and Modelling in Economics and Management Science", No. 79.
- Buchta, C., Mazanec, J.A., Schuster, U., Wockl, J., 2004. Building Artificial Consumer Markets. In: Taudes, A. (Ed.), *Adaptive Systems and Modelling in Economics and Management Science*, Springer, Vienna-New York.
- Carpenter, G.S., and Lehmann, D.R., 1985. A Model of Marketing Mix, Brand Switching, and Competition. *Journal of Marketing Research* 22 (3), 318-329.
- Carpenter, G.S., 1989. Perceptual position and competitive brand strategy in a two-dimensional two-brand market. *Management Science* 35, 1029-1044.
- Chen, M.J., and MacMillan, I.C., 1992. Nonresponse and delayed response to competitive moves: The roles of competitor dependence and action irreversibility. *Academy of Management Journal* 35 (3), 539-571.
- Clarke, D.G., Dolan, R.J., 1984. A simulation analysis of alternative pricing strategies for dynamic environments. *Journal of Business* 57(1), 179-200.
- D'Aspremont, C., Gabszewicz, J., and Thisse, J., 1979. On Hotelling's stability in competition. *Econometrica* 47, 1145-1150.
- Deal, K.R., 1979. Optimizing advertising expenditures in a dynamic duopoly. *Operations Research* 27 (4), 682-692.
- Dolnicar, S., and Leisch, F., 2004. Segmenting markets by bagged clustering. *Australasian Marketing Journal* 12 (1), 51-65.
- Dolnicar, S., 2003. Using cluster analysis for market segmentation - typical misconceptions, Established methodological weaknesses and some recommendations for improvement. *Australasian Journal of Market Research* 11 (2), 5-12.
- Dolnicar, S., Leisch, F., 2000. Behavioral market segmentation using the bagged clustering approach based on binary guest survey data: Exploring and visualizing unobserved heterogeneity. *Tourism Analysis* 5 (2-4), 163-170.
- Dutta, B.K., and King, W.R., 1980. A competitive scenario modelling system. *Management Science* 26 (3), 261-273.
- Eliashberg, J., Chatterjee, R., 1985. Analytical models of competition with implications for marketing: Issues, findings and outlook. *Journal of Marketing Research* 22 (3), 237-261.
- Erickson, G.M., 1985. A model of advertising competition. *Journal of Marketing Research* 22, 297-304.
- Frank, R.E., Massy, W.F., and Wind, Y., 1972. *Market Segmentation*, Prentice-Hall, Englewood Cliff.
- Friedman, L., 1958. Game-theory models in the allocation of advertising expenditures. *Operations Research* 6 (5), 699-709.
- Gatignon, H., Anderson, E., and Helsen, K., 1989.

- Competitive reactions to market entry: explaining interfirm differences. *Journal of Marketing Research* 26 (1), 44-55.
- Gatignon, H., Robertson, T.S., and Fein, A.J., 1997. Incumbent defense strategies against new product entry. *International Journal of Research in Marketing* 14 (2), 163-176.
- Gupta, S.K., and Krishnan, K.S., 1967. Mathematical models in marketing. *Operations Research* 15 (6), 1040-1050.
- Haley, R.J., 1968. Benefit segmentation: A decision-oriented research tool. *Journal of Marketing* 32, 30-35.
- Hauser J.R., 1988. Competitive price and positioning strategies. *Marketing Science* 7, 76-91.
- Hauser, J.R., and Shugan, S.M., 1983. Defensive marketing strategies. *Marketing Science* 2 (4), 319-360.
- Hauser, J.R., 1988. Competitive price and positioning strategies. *Marketing Science* 7 (1), 76-91.
- Henderson, B.D., 1983. The anatomy of competition. *Journal of Marketing* 47, 7-11.
- Hotelling, H., 1929. Stability in competition. *Economic Journal*, 41-57.
- Hunt, S.D., and Duhan, D.F., 2002. Competition in the third millennium: Efficiency or effectiveness? *Journal of Business Research* 55 (2), 97-102.
- Kannan P.K., and Wright, G.P., 1991. On testing competitive market structures. *Marketing Science* 10, 338-345.
- Ketchen D.J.Jr., and Shook, C.L., 1996. The application of cluster analysis in strategic management research: An analysis and critique. *Strategic Management Journal* 17, 441-458.
- Kotler, P., 1965. Competitive strategies for new product marketing over the life cycle. *Management Science* 12 (4), 104-119.
- Kotler, P., 1999. *Kotler on Marketing: How to Create, Win, and Dominate Markets*, The Free Press, New York.
- Kotler, P., 2003. *Marketing Management*, 11th Ed., Prentice Hall, Upper Saddle River.
- Krieger, A.M., and Green, P.E. 1996. Modifying cluster-based segments to enhance agreement with an exogeneous response variable. *Journal of Marketing Research* 33, 351-363.
- Kuester, S., Homburg, C., and Robertson, T.S., 1999. Retaliatory behavior to new product entry. *Journal of Marketing* 63 (4), 90-106.
- Lane, W.J., 1980. Product differentiation in a market with endogenous sequential entry. *The Bell Journal of Economics* 11 (1), 237-260.
- Lilien, G.L., and Rangaswamy, A. 2000. *Marketing Engineering: Computer-Assisted Marketing Analysis and Planning*, Addison-Wesley, Mass.
- Mazanec, J., and Strasser, H., 2000. *A Nonparametric Approach to Perceptions-Based Market Segmentation: Foundations*, Springer, Berlin.
- McAfee, R.P., and McMillan, J., 1996. Competition and game theory. *Journal of Marketing Research* 33 (3), 263-267.
- McDonald, M., and Payne, A., 1996. *Marketing Planning for Services*, Butterworth-Heinemann, Oxford.
- McDonald, M., 2002. *The Essential Guide to Marketing Planning*, Kogan Page, London.
- McGuire, T.W., and Staelin, R., 1983. An industry equilibrium analysis of downstream vertical integration. *Marketing Science* 2 (2), 161-191.
- Milligan, G.W., and Cooper, M.C., 1985. An examination of procedures for determining the number of clusters in data sets. *Psychometrika* 50, 159-179.
- Milligan, G.W., 1981. A monte carlo study of thirty internal criterion measures for cluster analysis. *Psychometrika* 46, 187-199.
- Moorthy, K.S., 1985. Using game theory to model competition. *Journal of Marketing Research* 22, 262-282.
- Moorthy, K.S., 1988. Product and price competition in a duopoly. *Marketing Science* 7, 141-168.
- Myers, J.H., and Tauber, E., 1977. *Market Structure Analysis*, American Marketing Association, Chicago.
- Novak, T.P., Stangor, C., 1987. Testing competitive market structures: An application of weighted least squares methodology to brand switching data. *Marketing Science* 6, 82-97.
- Oxenfeldt, A.R., Moore, W.L., 1978. Customer or competitor: Which guideline for marketing? *Management Review* 67 (8), 43-48.
- Porter, M., 1980. *Competitive Strategy: Techniques For*

- Analyzing Industry and Competitors, The Free Press, New York.
- Punj, G., and Stewart, D.W., 1983. Cluster analysis in marketing research: Review and suggestions for application. *Journal of Marketing Research* 20, 134-148.
- Putsis, W.P., and Dhar, R., 1998. The many faces of competition. *Marketing Letters* 9 (3), 269-284.
- Ramaswamy, V., Gatignon, H., and Reibstein, D.J., 1994. Competitive marketing behaviour in industrial markets. *Journal of Marketing* 58 (2), 45-55.
- Rao, A.G., and Shakun, M.F., 1972. A quasi-game theory approach to pricing. *Management Science* 18 (5), 110-123.
- Rao, R.C., and Bass, F.M., 1985. Competition, strategy, and price dynamics: A theoretical and empirical investigation. *Journal of Marketing Research* 22 (3), 283-296.
- Robinson, W.T., 1988. Marketing mix reactions to entry. *Marketing Science* 7 (4), 368-385.
- Schmalensee, R., 1978. A model of advertising and product quality. *Journal of Political Economy* 86 (3), 485-503.
- Schnaars, S.P., 1998. *Marketing Strategy: Customers and Competition*, 2nd Ed, The Free Press, New York.
- Shakun, M.F., 1965. Advertising expenditures in coupled markets - A game-theory approach. *Management Science* 11 (4), 42-47.
- Slade, M.E., 1995. Product rivalry with multiple strategic weapons: An analysis of price and advertising competition. *Journal of Economics and Management Strategy* 4 (3), 445-476.
- Smith, K.G., Grimm, C.M., Gannon, M.J., Chen, M.J., 1991. Organizational information processing, competitive responses, and performance in the U.S. domestic airline industry. *Academy of Management Journal* 34 (1), 60-85.
- Spence, A.M., 1981. The learning curve and competition. *The Bell Journal of Economics* 12 (1), 49-70.
- Stearns, T.M., Carter, N.M., Reynolds, P.D., Williams, M.L., 1995. New firm survival: Industry, strategy, and location. *Journal of Business Venturing* 10, 23-42.
- Thompson, G.L., Teng, J.T., 1984. Optimal pricing and advertising policies for new product oligopoly models. *Marketing Science* 3 (2), 148-168.
- Thorndike, R.L., 1953. Who belongs in the family? *Psychometrika* 18, 267-276.
- Urban, G.L., Johnson, P.L., and Hauser, J.R., 1984. Testing competitive market structures. *Marketing Science* 3, 83-112.
- Vandenbosch, M.B., and Weinberg, C.B., 1995. Product and price competition in a two-dimensional vertical differentiation model. *Marketing Science* 14, 224-249.
- Wang, Q., and Wu, Z., 2001. A duopolistic model of dynamic competitive advertising. *European Journal of Operational Research* 128 (1), 213-226.
- Wedel, M., and Kamakura, W., 1998. *Market Segmentation - Conceptual and Methodological Foundations*, Kluwer Academic Publishers, Boston.
- Weitz, B.A., 1985. Introduction to special issue on competition in marketing. *Journal of Marketing Research* 22 (3), 229-236.
- Wesson, T., and De Figueiredo, J.N., 2001. The importance of focus to market entrants: A study of microbrewery performance. *Journal of Business Venturing* 16, 377-403.
- Wind, Y., 1978. Issues and advances in segmentation research. *Journal of Marketing Research* 15 (3), 317-337.

### **Biographies**

**Dr Sara Dolnicar** is Associate Professor at the School of Management & Marketing at the University of Wollongong. She completed her Masters degree in Psychology at the University of Vienna and her PhD degree in business administration at the Vienna University of Economics and Business Administration, where she worked from 1994 to 2002 as Assistant Professor. During this time she acted as Secretary General of the Austrian Society for Applied Research in Tourism located in Vienna, Austria. Her research interests centre on issues of integrated market structure analysis.

**Roman Freitag** presently works at the Federal Ministry of Social Security, Generations and Consumer Protection in the Social Insurance department. He completed his Masters degree in business administration at the Vienna University of Economics and Business Administration where he worked from 2000 to 2003 as a research assistant at the Department of Mathematical Modelling and Information Systems in Economics and Management Science (a joint endeavor of three universities in Vienna and funded by the Austrian

Research Foundation). His research interests centre around simulation and queuing systems.

**Melanie Randle** completed a Masters of Business (Marketing) at Charles Sturt University in 1999 and is presently studying a PhD at the School of Management & Marketing at the University of Wollongong. Her PhD study investigates heterogeneity of motivations for volunteering within a highly multicultural community and is funded by an Australian Research Council Linkage grant. Her research interests include social marketing and volunteering.

#### **Correspondence address**

Sara Dolnicar, School of Management & Marketing, University of Wollongong, Northfields Ave, 2522 Wollongong, NSW Australia. Telephone: +61 (2) 4221 3862, Email: sarad@uow.edu.au; Roman Freitag, Federal Ministry of Social Security, Generations and Consumer Protection, Social Insurance Department, Stubenring 1, A-1010 Wien, Austria, Telephone: +01 71100 6358, Email: romanfreitag@yahoo.com; Melanie Randle, School of Management & Marketing, University of Wollongong, Northfields Ave, 2522 Wollongong, NSW Australia, Telephone: +61 (2) 4221 5528, Email: mjr46@uow.edu.au

## **A Profile of Adopters and Non-adopters of eCommerce in SME Professional Service Firms**

Patrick McCole & Elaine Ramsey

---

### **Abstract**

The new spatial possibilities of Internet-based technologies provide a powerful route to innovative marketing strategies. Consequently, firms of all sizes are finding it necessary to establish a Web presence to increase their ability to survive in an increasingly dynamic and competitive business environment. This study reports on the differences between adopters and non-adopters of electronic commerce in SME professional service firms in New Zealand. Six factors relating to a firm's external/internal environment were found to underpin adoption. These are: response to technological environment / opportunities afforded by technology; negative attitudes or perceived barriers/impediments to electronic commerce; electronic commerce capability; response to new technology/innovation; customer orientation; and sensitivity to competitive/customer environments. T-tests reveal differences between adopters and non-adopters, and logistic regression is used to assess the extent to which these six factors actually predict electronic commerce adoption.

*Keywords: Electronic commerce, Professional service firms, SMEs.*

---

### **1. Introduction**

The rise of the information economy and the challenges of the global market have secured a strategic place in all firms for electronic commerce (hereafter referred to as EC). More than just an Internet façade, EC has the potential to streamline central organisational policies and procedures. In fact, to remain competitive in global markets, EC has become imperative (Maguire et al., 2001, p.1) and encompasses activities such as electronic data interchange, having a Web site that is linked with key business processes, and capabilities to buy online (European Commission, 1998; Watson et al., 2000; Reedy et al., 2000; Turban et al., 2000; and Fillis et al., 2004). It has been argued that competing in the new millennium without Internet-enabled capabilities will be similar to "trying to compete today without a sales force or a telephone" (Frank, 1997, p. 31). In this paper, EC is defined as "any form of business transaction in which the parties interact electronically rather than by physical exchanges or direct physical contact" (European Commission, 1998). It includes business-to-consumer and business-to-business activities conducted using electronic data transmission via the Internet and/or WWW.

There are many studies documenting the advantages associated with adopting Internet-enabled technologies for business purposes (e.g. Quelch and Klein, 1996; Hamill and Gregory, 1997; Burgess and Cooper, 1998; Keogh et al., 1998; Zampetakis, 2000). Despite these much-publicised advantages, recent research has shown that a large number of small to medium sized enterprises (SMEs) have been slow to capitalise on this new mode of carrying out business (see for example Clark et al., 2001, 2002; Smyth and Ibbotson, 2001).

EC uptake in New Zealand has been particularly slow compared with some of its major trading partners, including the United States, United Kingdom, and Australia (Gray et al., 1999; Clark et al., 2003; Reed, 2003; McCole and Ramsey, 2004). This suggests that the New Zealand Government's vision to "...be world class in embracing EC for competitive advantage" may not be going according to plan. It also suggests that the goals outlined in the New Zealand Government EC Strategy document are not being met.

The aim of this paper is to understand why some New Zealand firms in the professional services industry have been slow to embrace EC activities? This question is

explored in three parts. First of all the extent of EC adoption in the professional service sector is explored. Second, professional service firms that have/have not adopted the Internet for business purposes are compared on internal /external factors that are reported to underpin adoption. Third, a logistic regression is performed in order to discriminate between factors that predict adoption/non-adoption.

## **2. Literature Review**

Many studies have examined the use of new technologies in SMEs (see for example Chong, 2001; Cragg and King, 1993; Dos Santos and Peffer, 1998; Fillis, 2004; Ramsey et al., 2003, 2004). With particular reference to EC, Chong (2001) notes that 'although there is growing body of literature dedicated to the analysis of the technical and operational aspects of EC, there is little empirical research on topics relating to the factors that lead to the successful adoption of this emerging technological innovation and business practice' (p. 3). Our research seeks to find out which factors have the greatest influence on the adoption and use of EC for business purposes in a sample of SMEs in New Zealand. Similar to Chong (2001) who recognises that 'in the absence of empirical studies to assist in the selection of the most significant variables for EC adoption, all relevant factors have been identified and grouped into broad categories of internal and external environment factors' (p. 4).

### **2.1 Internal Environment Factors**

Simpson and Docherty (2004, citing Bodorick et al., 2002; Jeffcoate et al., 2002; Cragg et al., 2002; Darach and Lucas, 2002; Sadowski et al., 2002; Kalakota and Robinson, 2001; Lawson et al., 2003; Timmers, 2000) provides a detailed discussion of the reasons for and barriers to EC adoption in SMEs. From their summary, we refer to those that are internal to the firm. These include: management resistance; technology concerns; resource issues; lack of awareness; and lack of information (see Simpson and Docherty, 2004, p. 320 for a fuller discussion). We add to this work by considering whether market orientation influences EC adoption.

Another internal factor that is likely to influence technology adoption is market orientation. Market orientation (or market-oriented behaviour) can be viewed as the implementation of a particular corporate philosophy, the marketing concept (Gray et al., 1998a, 1998b, 2000). Market orientation goes beyond simply responding to customer needs: it also includes countering competitor actions. Since the initial empirical

research by Kohli and Jaworski (1990) and Narver and Slater (1990), a growing number of studies have supported the links between market-oriented behaviour and company performance, including recent studies in the services sector (Chang and Chen, 1998; Han et al., 1998; Van Egeren and O'Connor, 1998 as cited in Gray et al., 2000, p.149).

A market orientation essentially involves doing something new or different in response to market conditions, and may be viewed as a form of innovative behaviour (Gray et al., 1998a). The opportunities for growth as well as the need to keep up with competition are often regarded as the driving forces behind EC adoption (Drew, 2003, p.84). This implies that a market-oriented firm will adopt Internet based technologies and develop a Web presence to facilitate and practice e-marketing – thus allowing that firm to compete on (and in) the same grounds as their bigger counterparts. More market-oriented firms therefore will show greater responsiveness to Internet-enabled technology.

### **2.2 External Environment Factors**

Chong (2001, citing Fink and Kazakoff, 1997; Hart and Saunders, 1994; Iacovou et al., 1995; Kettinger, 1994; Pennings and Harianto, 1992; Robertson and Gatignon, 1986; Tan, 1998; Takac and Singh, 1992) provides an excellent discussion of some of the external environment factors likely to influence the successful adoption of EC. These include: environmental uncertainty; pressure from other trading partners as well as other industry-specific competitive pressures; government influences; critical mass; issues related to infrastructure; and technological standards (see Chong, 2001, p. 5 for a fuller discussion). We add to this discussion by including issues relating to general technological innovation.

To study adoption of general technological innovation, Tornatsky and Fleischer (1990) developed the technology-organisation-environment framework, which identified three aspects of a firm's context that influence the process by which it adopts and implements technological innovation. A firm's environment is one of these contexts and consists of: competitors; access to resources supplied by others; and dealings with government (Tornatsky and Fleischer, 1990, p. 152-4 as cited in Zhu et al., 2002, p. 338).

Experience tells us that technology adoption is primarily market-driven, either by competition or by the availability of new technologies and the search for new industrial applications (Rogers, 1995; Porter, 2001). In

those markets where competition is intense, demand elasticities are expected to be higher because of the existence of close substitutes and this has the potential to drive innovative behaviours within the firm (Majumdar and Venkataraman, 1993).

Technologies do not easily diffuse in industries. In general, the use of new technologies is expected to increase by time due to different reasons (Rogers, 1995). One model of technology diffusion is the epidemic model, indicating that the lack of information available about the new technology can limit the diffusion of technology. Another model, the probit model, suggests that different firms adopt new technology at different times due to their differences in goals and abilities. An alternative model is related to density dependence that considers diffusion as the result of legitimation and competition (Cetindamar, 2001, p.186-7).

Of particular relevance to this research is the epidemic model of technology diffusion. The epidemic model of technology diffusion stresses information spillovers from users to non-users (see Canepa and Stoneman, 2004). Thus a firm's propensity to adopt a technology at a certain point is positively influenced by the present level of adoption and diffusion in the economy as a whole, or by the proportion of adopters in the industry or sector to which the specific firm is affiliated. Empirical studies confirm that epidemic effects are powerful drivers of technology adoption (Canepa and Stoneman, 2004; Bertschek and Fryges, 2002).

### **3. Research Questions**

Our research seeks to find out which factors have the greatest influence on the adoption and use of EC for business purposes in a sample of SMEs in New Zealand. We have developed three research questions to help us accomplish this:

*RQ1 What is the current state of EC adoption in SME professional service firms in New Zealand?*

*RQ2 Are there any differences between adopters and non-adopters in terms of internal and external environmental influences?*

*RQ3 What internal and/or external factors actually predict EC adoption?*

### **4. Methodology**

#### **4.1 Research Context**

The research is confined to the professional services sector in New Zealand. Professional service firms are

information intensive and are therefore more likely to adopt Internet-enabled technology for business purposes (Miles et al., 1994; Peterson et al., 1997; Lovelock et al., 1999; Porter, 2001; Preissl, 2003). The research is also confined to small-to-medium sized enterprises (SMEs). A SME is defined as an enterprise employing fewer than 250 persons (EU, 2003). SMEs constitute the majority of all enterprises in New Zealand – and the majority of SMEs in New Zealand are in the professional services sector (Ministry of Economic Development, 2003).

#### **4.2 Data Collection Method**

A questionnaire was developed that included measures of both internal and external environmental factors. These included perceived barriers to EC (Cragg et al. 2001; Darch and Lucas, 2002; Sadowski et al., 2002; Ramsey et al., 2003, 2004; Simpson and Docherty, 2004); the nature of the service offered (Gray et al., 1999); approaches to staff development (McCole et al., 2001); degree of market-orientation (Kohli and Jaworski, 1990; Gray et al., 1999); competitive factors (Gray et al., 1999; Hart and Saunders, 1994; Iacovou et al. 1995; Ramsey et al., 2003, 2004) and technology awareness (Gray et al. 1999; McCole and Ramsey, 2004). Being taken from published research these constructs are considered to be reliable and have construct validity. The constructs were measured using a Likert-type format ranging from strongly disagree to strongly agree. The questionnaire also included other demographic / firm characteristic items which were measured using nominal-type scales.

#### **4.3 Sampling Frame**

A commercial data provider was asked to select a sample of 500 professional service firms based on the definition provided by Miles et al. (1994). Businesses were selected according to NZSIC codes, number of staff employed (less than 250 FTE), and selected NZ cities. The cities included Auckland, Wellington, Christchurch, Palmerston-North and Dunedin - which is where the majority of New Zealand SMEs are situated (Ministry of Economic Development, 2003).

A stratified random sample was used to ensure a proportional representation of the different small-to-medium professional service firms across New Zealand. Questionnaires were posted in October 2003. The final total (useable) response rate was 31.6 percent (158 questionnaires).

#### **4.4 Definition of Adopters and Non-adopters**

In line with definitions of EC (see for example the European Commission, 1998; Watson et al., 2000; Reedy et al., 2000; Turban et al., 2000; Aldin et al., 2004; and Fillis et al., 2004) businesses that had a Web site that could “facilitate any form of business transaction in which the parties interact electronically rather than by physical exchanges or direct physical contact” were termed adopters; and those that did not conform to this definition were termed non-adopters. The sample comprised 96 adopters and 62 non-adopters.

#### **4.5 Early versus Late Responses**

To check for non-response bias, the procedure suggested by Armstrong and Overton (1977) was applied. Questionnaires were assembled in date order of receipt, having been date stamped as they arrived. Approximately equal numbers of questionnaires from the first few days after the mailing date and last few days on which there were responses were selected for testing. The t-test to check for significant differences between early and late responses were performed on a number of variables. No significant differences in means were found between the early and late groups at  $p < 0.05$  on any of the variables tested. On the basis of the method of Armstrong and Overton (1977), this indicates that non-response bias did not appear to be an issue (see also Baxter, 2005).

### **5. Results and Discussion**

#### **5.1 Current State of EC Adoption (RQ1)**

Table 1 ( $n = 158$ ) presents an overall profile of responses in terms of business sector and the percentage (and number) that had Web-based communication (email) together with the percentage (and number) that had a Web site. The majority of firms in the sample were involved in the legal profession, financial consulting services, management/business consulting, architectural/building services and publishing and printing. Table 1 also illustrates that whereas the majority of the firms surveyed had at least one computer and modem to facilitate Web-based communication (email), the percentage that had their own Web site was much lower. For example, whereas all management/business consulting firms surveyed had Web-based communication, only 42.9 percent had a Web site/presence. The same was found for legal firms: whereas 91.9 percent had Web-based communication, only 50 percent had a Web site/presence. The highest

penetration of Web site/presence was found in firms involved in research and development (100 percent), publishing and printing (93.8 percent), computer services/software development (90 percent), ‘other’ professional services (87.5 percent), recruitment/employment services (80 percent), and marketing and advertising (75 percent). Interestingly, all firms involved in telecommunications, and engineer design/consulting all reported that they did not have a Web site/presence even though they did have Web-based communication. Overall 96.2 percent of firms had at least one computer and modem to facilitate Web-based communication, but only 61.4 percent had a Web site/presence.

The results suggest that although firms may be connected to a modem to facilitate Web-based communication, they don’t seem to be taking advantage of Internet-enabled commerce for business purposes.

##### *5.1.1 Reason for having a Web Site*

The top five reasons were: to advertise and promote our firm’s name and intent (57.2 percent); to communicate specific product/service information (51.6 percent); to enhance customer service (39.0 percent); to communicate with customers and/or suppliers (37.7 percent); and because competitors have one (25.8 percent). Only 5.7 percent of the sample cited to receive payments online as a main reason for having a Web site/presence. The results imply that even though there has been a rise in Web site ownership since 2000 (see Clark et al., 2001), it is not matched by a growth in online activities (i.e. more ‘advanced’ levels of sophistication).

##### *5.1.2 Internal Integration*

The vast majority of firms had no integration between their key internal systems and Internet applications. Of the businesses that did have partial or complete integration, service/product database (34.2 percent); customer database (27.1 percent); and accounting systems (20 percent) were more likely to be integrated with Web site applications. Overall, the level of EC sophistication in the majority of the firms surveyed tended to be “primitive” (Chaffey et al., 2000).

##### *5.1.3 EC Benefits*

The main benefits realised from having a Web site/presence included (measured on a 5 point scale where 1 = strongly disagree to 5 = strongly agree): effective advertising and brand building (mean = 3.2); increased customer base (mean = 2.6); increased sales

Table 1: Profile of Sample Including % and number with Web Based Communication and % and number with Web Site

Business Sector	% and (n) of sample	% and (n) that have Web-based communication	% and (n) that have Web site
Management/Business Consulting	13.3 (21)	100.0 (21)	42.9 (9)
Financial Consultant/Services	17.1 (27)	96.3 (26)	61.5 (16)
Architectural/Building Services	10.8 (17)	100.0 (17)	64.7 (11)
Publishing/Printing	10.1 (16)	100.0 (16)	93.8 (15)
Telecommunications	0.6 (1)	100.0 (1)	0.0 (0)
Recruitment/Employment Services	3.2 (5)	100.0 (5)	80.0 (4)
Travel/Tourism	1.9 (3)	100.0 (3)	66.7 (2)
Marketing/Advertising	2.5 (4)	100.0 (4)	75.0 (3)
Estate Agent/Property Transfer	3.2 (5)	100.0 (5)	60.0 (3)
Engineer Design/Consultant	1.3 (2)	50.0 (1)	0.0 (0)
Computer Services/Software Development	6.3 (10)	100.0 (10)	90.0 (9)
Research/Development	0.6 (1)	100.0 (1)	100.0 (1)
Legal	23.4 (37)	91.9 (34)	50.0 (17)
Other Professional Service	5.7 (9)	88.9 (8)	87.5 (7)
	100% (n=158)	96.2% (n=152)	61.4% (n=97)

(mean = 2.6); cost savings (mean = 2.4); increased profits (mean = 2.3); finding new suppliers (mean = 1.7); and better purchasing terms (mean = 1.5). Closer inspection of these results suggest that the firms surveyed are not realising any benefits from having a Web presence, other than it provides effective advertising and brand building. These findings would again suggest that the level of EC sophistication within the firms surveyed is, at best, “primitive” (Chaffey et al., 2000).

**5.2 Establishing Internal and External Factors**

In order to answer research question 2, principal component analysis (PCA) using orthogonal rotation (VARIMAX) was first performed to assess the underlying structure of the data. The PCA method is particularly suited to research issues that are concerned about prediction and determining the minimum number of factors to account for the maximum amount of

variance in the data (Hair et al., 1998). Orthogonal extraction, using varimax rotation suited our research goals and the need to reduce a large number of variables to a small set of uncorrelated variables (Hair et al., 1998). Varimax rotation also attempts to minimise the number of variables that have high loadings on a factor hence enhancing the interpretability of the factors. The rationale for this approach was to assess whether or not there were clear internal and external dimensions which could be (1) used to compare non-adopters and adopters; and (2) used as covariates in logistic regression to assess the extent to which they actually predict (or not) EC adoption.

The appropriateness of the data for factor analysis was confirmed by using the Bartlett's test of sphericity. The Bartlett's test result for sphericity is large at 1208.552 and the associated significance level was  $p < .001$ . The result of Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy for the data is 0.803 which is meritorious (Hair

Table 2: Rotated Component Matrix

Item	F1	F2	F3	F4	F5	F6
Technological changes provide big opportunities in our service sector	.87					
A large number of new service ideas have been made possible through technological breakthroughs	.82					
The technology in our service sector is changing rapidly	.82					
We actively seek intelligence in technological changes in the environment that may affect our business	.63					
We do not trust the technology/security associated with the Internet		.78				
Internet enabled business is highly risky for us and our customers		.74				
We are not prepared to change our business processes to accommodate e-commerce		.72				
We are unaware of the benefits of the Internet for our business		.57				
We have other more pressing concerns			.87			
There is a good fit between staff capabilities and e-commerce			.80			
There is a good fit between financial resources and e-commerce			.78			
There is a good fit between our service/product offering and e-commerce				.84		
This business lags behind the industry in responding to new technologies				.83		
We are slow to respond to new technologies				.77		
We are slow to detect changes in technologies that might affect our business					.85	
We measure customer satisfaction on a regular basis					.71	
We encourage customer comments and complaints because they help us to do a better job					.58	
Compared to others in our industry, our firm is first to recognise and develop new markets						
Our customers tend to look for new services all the time						.84
Competition in our service sector is "cut throat"						.74
In our kind of business, customers' preference for services change quite a bit over time						.40
Eigenvalue	5.8	2.8	1.6	1.4	1.3	1.2
% of Variance explained	27.5	13.3	7.7	6.7	6.4	5.5
Factor mean	3.3	2.0	2.4	2.4	3.2	2.9
Standard deviation of factor	.91	.67	.78	.87	.84	.78
Cronbach's Alpha for factor	.84	.76	.86	.85	.70	.60

1. No cross loadings exist. Values below .35 were suppressed.

2. Factor labels: F1 = response to technological environment - opportunities afforded by technology; F2 = negative attitudes / perceived barriers to EC; F3 = EC capability; F4 = slow to detect change / respond to new technologies; F5 = customer orientation; and F6 = sensitivity to changes in customer / competitor environments.

et al., 1998). Both tests indicate the appropriateness of factor analytic techniques in this study.

Principal component analysis (PCA) using orthogonal rotation (VARIMAX) was then applied. All factors with an eigenvalue (latent root criterion) greater than one were considered significant (Hair et al., 1998). In addition, values less than .35 were suppressed and items that cross-loaded were deleted (21/35 items retained).

The final factor solution contained 6 interpretable factors accounting for over 67 per cent of the common and unique variance. The communalities ranged from 0.385 to 0.831; therefore, a degree of confidence in the factor solution was permissible. The factor solution with the factor loadings is presented in Table 2. The internal reliability of the analysis was further measured by calculating the Cronbach's alpha for the 6 Factors (Table 2). The alpha values ranged from 0.60 to 0.86. These alpha values were all within the acceptable level. The 6 factors proved to be relatively easy to interpret, owing to the strong variable loadings. The factors can be viewed from two distinct categories: internal and external factors. These are discussed next.

#### *5.2.1 Internal Factors*

Four factors were deemed to represent internal characteristics in that they could be controlled by the management of the firms in the sample. Factor 2, titled *negative attitudes/perceived barriers* to EC, includes measures of trust, risk, and willingness to change. This factor accounts for 13.3 per cent of the variance. Factor 3, titled *EC capability*, is concerned with fit and overall ability to adopt EC. This factor accounts for 7.7 per cent of the variance. Factor 4, titled *slow to detect change/respond to new technologies* is concerned with the speed at which businesses respond to new technologies and/or detect changes in the technological environment. This factor accounts for 6.7 of the variance. Factor 5, titled *customer-orientation*, refers to the extent to which the firm is concerned with providing customer satisfaction and value relative to competitors. This factor accounts for 6.4 per cent of the variance.

#### *5.2.2 External Factors*

Two factors were deemed to represent external characteristics in that they are beyond the control of the service firm. Factor 1, titled *response to technological environment/opportunities afforded by technology*, includes measures pertaining to new service ideas offered by new technology and general speed of

technological change taking place in the environment. This factor explains the greatest variance with 27.5 per cent. Factor 6, titled *sensitivity to changes in customer/competitive environments*, refers to the "fluid" and harsh nature of customer/competitive markets. This factor explains 5.5 per cent of the variance.

### **5.3 Differences Between Adopters and Non-adopters (RQ2)**

The Independent-samples t-test was used to assess whether there were any differences between adopters ( $n = 96$ ) and non-adopters ( $n = 62$ ) in terms of internal/external influences on EC adoption. In line with definitions of EC (see for example the European Commission, 1998; Watson et al., 2000; Reedy et al., 2000; Turban et al., 2000; Aldin et al., 2004; and Fillis et al., 2004) businesses that had a Web site that could "facilitate any form of business transaction in which the parties interact electronically rather than by physical exchanges or direct physical contact" were termed adopters; and those that did not conform to this definition were termed non-adopters. This technique is appropriate when groups are of unequal size and is robust against moderate violations of normality and homogeneity of variance (Corston and Colman, 2000). The non-parametric equivalent of the t-test (the Mann-Whitney U test) was also carried out. Both tests returned the same results (in terms of significance), but only the t-test is reported.

The results of the t-tests show that the mean values of the internal/external factors differ somewhat between adopters and non-adopters of EC for business purposes. Adopters and non-adopters were significantly different on five out of the six factors identified in Table 2. Adopters are more aware of opportunities afforded by technology ( $p < .01$ ); are more customer-oriented ( $p < .01$ ); and are more sensitive to changes in their customer/competitive environment ( $p < .001$ ). On the other hand, non-adopters returned higher scores relating to barriers/impediments ( $p < .001$ ) and tended to be slower to detect changes in technologies that might affect their business ( $p < .01$ ). There were no differences between adopters and non-adopters in term of ability to adopt ( $p > .05$ ), indicating that adopters and non-adopters cannot be differentiated in terms of staff capabilities, financial resources, and service/product fit.

### **5.4 Predicting Adoption (RQ3)**

In order to answer research question three, logistic regression was used to identify (predict) attributes

affecting adoption. Logistic regression is a special form of regression in which the dependent variable is a non-metric, dichotomous (binary) variable. In this research, the dependent variable is adoption (0 = non-adoption, 1 = adoption) and the 6 factors from PCA VARIMAX (Table 2) acted as covariates. The forward stepwise (likelihood ratio) computation method was used to analyse the data. This regression technique builds a model one variable at a time and indicates those variables that are statistically significant to the model.

As illustrated in Table 4, the final model Chi-square together with the goodness-of-fit index and other model statistics suggest a very good fit to the data. For example evidence of good fit is given by the model's classification rate or hit ratio of 71.3 per cent (67.2 per cent for non-adopters and 74.6 per cent for adopters). This percentage is a strong indication of the discriminating power of the predictor variables. In fact these percentages can be compared favourably with the proportional chance criterion (51%) as the most useful reference point in instances of unequal cell sizes (Morrison, 1969 as cited in Patterson, 2004).

Table 4 shows the regression coefficients (B), the standard error (S.E), Wald statistic, degrees of freedom (df), significance level (Sig) and the odds multiplier (Exp(B)). Using forward stepwise (LR) logistic regression only 2/6 factors (1 internal and 1 external) were found to significantly predict EC adoption.

The two variables are: barriers/impediments to EC (internal) and sensitivity to change in customer/competitors environments (external). These findings were also consistent with the results returned by the full model (using the enter computation method). The odds multiplier gives the average impact of the predictor variable on adoption. Perceived barriers/impediments have, by far, the greatest impact on adoption behaviour. Business managers of professional SME firms in New Zealand reported that the perceived barriers/impediments associated with EC reduce the odds of adoption by 10/1. This finding is consistent with findings from other countries. For example Darch and Lucas (2002, as cited by Simpson and Docherty, 2004, p. 320) found several perceived barriers to the adoption of EC in Australian SMEs including costs, lack of EC skills, lack of knowledge, lack of help, lack of time and trust/security issues associated with technology. On the other hand, those firms that are (more) aware that customers look for new services, recognise that competition (in their service sector) is "cut throat", and/or understand that customer preferences for services continually change - increases on average - the odds of adoption by 2.2 to 1. Although largely intuitive, this finding reinforces the notion that more proactive firms are more likely to adopt EC practices in an effort to accommodate more demanding customer needs, which in turn may make them more attractive than competitors who have not adopted the technology.

Table 3: Difference Between Adopters and Non-Adopters

Factor	Mean Adopters	Mean Non-Adopters	t-value	Level of Significance
1. Response to technological environment / opportunities afforded by technology	3.5	3.0	- 3.4	.001
2. Perceived barriers / impediments to EC	1.8	2.3	4.1	.000
3. EC capability	2.5	2.3	- 1.6	.103
4. Slow to detect change / respond to new technologies	2.2	2.7	3.3	.001
5. Customer-orientation	3.4	2.9	- 3.3	.001
6. Sensitivity to change in customer / competitive environments	3.1	2.6	- 4.1	.000

Table 4: Forward Stepwise (LR) Logistic Regression Results (Trimmed Model)

Factor	B	S.E.	Wald	df	Sig.	Exp (B)
2. Perceived Barriers/Impediments to EC	-2.3	.44	26.3	1	.000	.11
6. Sensitivity to Change in Customer/Competitive Environments	.78	.30	6.7	1	.009	2.2
Log-likelihood value	127.9 (initial -2LL = 177.5)					
Model Chi-square	49.6 (p < .001)					
Goodness of fit	7.6 (df = 8) (p > .05)					
Nagelkerke R Square	.43					
Pseudo R <sup>2</sup>	.28					
Overall hit ratio	71%					
Proportion chance criterion	51%					

**6. Conclusions**

This research has reported the extent of EC within smaller professional service firms in New Zealand, examined the differences between adopters and non-adopters and developed a logistic model to find out which items drive EC adoption.

Overall, the results provide evidence of a “primitive” (Chaffey et al., 2000) and “localised exploitation” (Venkatraman, 1994) of EC technology. The research found significant differences between firms that adopt and those that do not adopt EC technologies. Adopters tend to be more proactive and even more “creative” in that they are more aware of opportunities afforded by new technology (in terms of offering new service ideas). They also tend to be more customer-oriented and are more sensitive to the changes taking place in customer/competitive environments. Non-adopters harbour negative attitudes towards EC and believe that there are still many barriers hindering them from selling their goods and services online. Non-adopters are also slower in detecting changes in technologies that might affect their business. No differences were found between adopters and non-adopters in term of ability to adopt (i.e. staff capabilities, financial resources and service/product fit).

Negative mindsets regarding EC (such as: not trusting the technology; a belief that EC is highly risky; not being willing to change; not being aware of the benefits; and

believing that there are more important things to be done) remains the biggest factor impeding adoption. This finding concurs with other studies. For example Kalakota and Robinson (2001, as cited in Simpson and Docherty, 2004, p. 320) reported that the main barrier to EC is the unwillingness of managers to be responsible for technological change. Timmers (2000, as cited in Simpson and Docherty, 2004, p. 320) suggested that ignorance surrounding technology fuels concerns about security, costs, legislation and interoperability. Further, Chappell and Feindt (2002, as cited in Sadowski et al., 2002, p. 78) reported that the valuable resources of time and effort to incorporate such telecommunications were principal barriers to the adoption of IT.

On the other hand firms that are more sensitive to changes in customer/competitor environments are more likely to adopt EC than those that are not. Again, this concurs with findings from other countries. For example, according to Fink and Kazakoff (1997, as cited in Chong, 2001, p.5), SMEs are usually characterised by a high level of environmental uncertainty such as fluctuation in interest rates, reliability of supply, competition, etc., and related to this is the point that the use of IT and EC is often imposed on SMEs by major customers or suppliers. Such pressure from trading partners has been found to play a critical role in IT and EC adoption by small firms (Hart and Saunders, 1994; Iacovou et al., 1995 as cited in Chong, 2001, p.5).

Iacovou et al. (1995) also stated that the competitive pressure that firms face within their particular industry from customer and competitor environment greatly influences the company's decision to adopt IT. Adopting EC is also another way of maintaining a favourable competitive position (see Chong, 2001, p. 5 for a fuller discussion).

Although largely intuitive, these results provide both academics and marketing practitioners with suggestions as to how to tackle the problem of non-adoption in professional SMEs in New Zealand. In terms of the relevance to the academic community, the biggest challenge now is to find out how to change the perceived barriers/impediments (or negative beliefs/attitudes) towards EC. Examples of best practice and/or investigation into EC as a value adding resource may help alleviate this concern, and research profiling best practice is needed. In terms of the practitioner audience, the results offer insight into how one might tailor/target EC tools and software to firms who have not yet adopted it (e.g. segmenting the market in terms of various levels of concerns and/or proactive/reactive tendencies). Owner-managers must be convinced of the benefits that EC can offer and receive continued support for implementing e-business practices. New Zealand Trade and Enterprise seem to be the ambassadors for this and it is imperative that they continue to promote the benefits of EC within (service) firms.

The New Zealand government has already made significant efforts to help the country realise the vision "...be world class in embracing EC for competitive advantage". Nevertheless they must continue to: raise awareness and champion EC; be informed about New Zealand's e-capability; provide help and support to those that need it; deliver cheaper and faster services to customers through the introduction of on-line services; lead by example through e-government and e-procurement; and ensure the continuing supply of skilled resources. Of course the onus for e-progress not only rests with the government. Choices about new technology and the exploitation of opportunities must be led by the private sector (see MED, 2003 for a fuller discussion). The development of EC must be led by individuals and business innovators. Adopters must continue to develop their EC capabilities and levels of sophistication. The biggest challenge that lies ahead is how to change the mindset of non-adopters and make them realise the benefits (and cost savings) that EC can deliver.

## References

- Armstrong, J.S., and Overton, T.S. 1977. Estimating non-response bias in mail surveys. *Journal of Marketing Research* 14 (August), 396-402.
- Baxter, R. 2005. *The Dimensions of Intangible Value in Business-to-Business Buyer-Seller Relationships: An Intellectual Capital Model*. Unpublished PhD, University of Otago, Dunedin, New Zealand.
- Bertschek, I., and Fryges, H. 2002. The adoption of business-to-business e-commerce: Empirical evidence for German companies. Centre for European Economic Research Discussion Paper No: 02-05, Mannheim. Available at <http://bibserv7.bib.uni-mannheim.de/madoc/volltexte/2004/439/pdf/dp0205.pdf>. Accessed 5th March 2004.
- Bodorick, P., Dhaliwal, J., and Jutla, D., 2002. Supporting the e-business readiness of small and medium-sized enterprises: Approaches and metrics. *Internet Research: Electronic Networking Applications and Policy* 12 (2), 139-64.
- Burgess, L., and Cooper, J., 1998. The status of Internet commerce in the manufacturing industry in Australia: A survey of metal fabrication industries. *Proceedings of the 2nd Annual Conference on EC [CD ROM]*, 65-73.
- Canepa, A., and Stoneman, P., 2004. Comparative international diffusion: Patterns, determinants and policies. *Economics of Innovation and New Technology* 13 (3), 23-48.
- Cetindamar, D., 2001. The role of regulations in the diffusion of environment technologies: Micro and macro issues. *European Journal of Innovation Management* 4 (4), 186-193.
- Chaffey, D., Mayef, E., Johnson, K., and Ellis-Chadwick, F., 2000. *Internet Marketing: Strategy, Implementation and Practice*, Financial Times/Prentice Hall, London.
- Chang, T.Z., and Chen, S.J., 1998. Market orientation, service quality and business profitability: A conceptual model and empirical evidence. *Journal of Services Marketing* 12 (4), 246-64.
- Chappell, C., Feindt, S., and Jeffcoate, J., 2002. Best practice in SME adoption of e-commerce. *Benchmarking: An International Journal* 9 (2), 122-32.
- Chong, S., 2001. EC adoption by small-medium sized enterprises in Australia and Singapore. Working Paper,

- School of Information Systems, Curtin University of Technology, Perth, Western Australia.
- Clark D., Bowden, S., Corner, P., Gibb, J., Kearins, K., and Pavlovich, K., 2001. Adoption and Implementation of E-Business in New Zealand: Empirical Results 2001. University of Waikato Management School Research Report.
- Clark, D., Bowden, S., and Corner, P., 2002. Adoption and Implementation of E-Business in New Zealand: Comparative Empirical Results 2001 and 2002. University of Waikato, Management School Research Report.
- Clark, D., Bowden, S., and Corner, P., 2003. E-business in New Zealand 2000-2002: Are we ready for the digital economy? *University of Auckland Business Review* 5 (2), 79-90.
- Corston, R., and Colman, A., 2000. *A Crash Course in SPSS for Windows*, Blackwell, UK.
- Cragg, P., and King, M., 1993. Small-firm computing: Motivators and inhibitors. *MIS Quarterly* 17 (1), 47-60.
- Cragg, P., Mehrtens, J., Mills, A., 2001. A model of internet adoption by SMEs. *Information and Management* 39, 165-76.
- Darch, H., Lucas, T., 2002. Training as an e-commerce enabler. *Journal of Workplace Learning* 14 (4), 148-55.
- Dongen, J., Maitland, C., and Sadowski, B., 2002. Strategic use of the Internet by small and medium-sized companies: An exploratory study. *Information Economics and Policy* 14, 75-93.
- Dos Santos, B., and Peffers, K., 1998. Competitor and vendor influence on the adoption of innovative applications of electronic commerce. *Information and Management* 34, 175-184.
- Drew, S., 2003. Strategic uses of e-commerce by SMEs in the East of England. *European Management Journal* 21 (1), 79-88.
- European Commission, 1998. *An Introduction to Electronic Commerce*, European Commission, Brussels.
- Fillis, I., Johannson, U., and Wagner, B., 2004. Factors impacting on e-business adoption and development in the smaller firm. *International Journal of Entrepreneurial Behaviour and Research* 10 (3), 178 -191.
- Fink, D., and Kazakoff, K., 1997. Getting IT right. *Australian Accountant* 67 (10), 50-52
- Frank, M., 1997. The realities of web-based EC. *Strategy and Leadership* May/June, 31-32.
- Gray, B.J., Matear, S., Boshoff, C., Matheson, P.K., 1998a. Developing a better model of market orientation. *European Journal of Marketing* 32 (9), 884-903.
- Gray, B.J., Matheson, P.K., Matear, S., Deans, K.R., 1998b. *Improving Marketing Performance*, Marketing Performance Centre, University of Otago, Dunedin.
- Gray, B., Matear, S., Deans, K., Garrett, T., Buisson, D., Bell, J., Matheson, P., Cowley, G., Osborne, P., and Reeves, P., 1999. *Improving Service Sector Competitiveness*, Marketing Performance Centre Report, University of Otago, Dunedin.
- Gray, B.J., Matear, S., and Matheson, P.K., 2000. Improving the performance of hospitality firms. *International Journal of Contemporary Hospitality Management* 12 (3), 149-155.
- Hair, J.F., Anderson, R.E., Tatham, R., and Black, W.C., 1998. *Multivariate Data Analysis*, 5th Ed., Prentice Hall, New Jersey.
- Hamill, J., and Gregory, K., 1997. Internet marketing in the internationalisation of small and medium-sized enterprises. *Journal of Marketing Management* 13 (1-3), 9-28.
- Han, J.K., Kim, N., Srivastava, R.K., 1998. Market orientation and organizational performance: Is innovation a missing link? *Journal of Marketing* 62, 30-45.
- Iacovou, C., Benbasat, I., and Dexter, A., 1995. Electronic data interchange and small organisations: Adoption and impact of technology. *MIS Quarterly* 19 (4), 465-485.
- Jeffcoate, J., Chappell, C., and Feindt, S. 2002. Best practice in SME adoption of e-commerce. *Benchmarking: An International Journal* 9 (2), 122-32.
- Kalakota, R., and Robinson, M., 2001. *E-Business 2.0: Road-map for Success*, Addison-Wesley, Harlow.
- Keogh, W., Jack, S.L., Bower, J., Crabtree, E., 1998. Small, technology-based firms in the UK oil and gas industry: Innovation and internationalisation strategies. *International Small Business Journal* 17 (1), 57-68.
- Kettinger, J., 1994. National infrastructure diffusion and the U.S. information super highway. *Information and Management* 27 (6), 357-369.

- Kohli, A., and Jaworski, B., 1990. Market orientation: The construct, research propositions and managerial implications. *Journal of Marketing* 54 (April), 1-18.
- Lawson, R., Alcock, C., Cooper, J., Burgess, L., 2003. Factors affecting adoption of electronic commerce technologies by SMEs: An Australian Study. *Journal of Small Business and Enterprise Development* 10 (3), 265-76.
- Lovelock, C., Vandermerwe, S., and Lewis, B. 1999. *Services Marketing: A European Perspective*, Prentice-Hall, Europe.
- Maguire, C., Terziovski, M., and Samson, D. 2001. Reshaping the organisation based on e-commerce strategy. *Foundation for Sustainable Economic Development*. Available at <http://www.fsed.org/researchprojects/project2a.html>. Accessed 5th March 2004.
- Majumdar, S.K., and Venkataraman, S. 1993. New technology adoption in US telecommunications: the role of competitive pressures and firm-level inducements. *Research Policy* 22, 521-536.
- Manross, G. and Rice, R. 1986. Don't hang up: organisational diffusion of the intelligent telephone. *Information and Management* 10, 161-175.
- McCole, P., and Ramsey, E. 2004. Internet-enabled technology in knowledge intensive business services: a Northern Ireland, Republic of Ireland and New Zealand comparison. *Marketing Intelligence and Planning* 22 (7), 767-779.
- McCole, P., Morrow, T., Ponsonby, S., and Kelly, B., 2001. The potential training impact of technology on SME's in Northern Ireland. *Journal of European Industrial Training* 25 (2-4), 90-97.
- Miles, I., Kastrinos, N., Flanagan, K., Bildebeek, R., Den Hertog, P., Huntink, W., and Bouman, M., 1994. *Knowledge Intensive Business Services: Their Roles as Users, Carriers and Sources of Innovation*, Prest Publications, Manchester.
- Ministry of Economic Development, 2003. *SMEs in New Zealand: Structure and Dynamics*, Ministry for Economic Development, New Zealand.
- Morrison, D.G., 1969. On the interpretation of discriminant analysis. *Journal of Marketing Research* 6 (May), 156-163.
- Narver, J.C., and Slater, S.F., 1990. The effect of a market orientation on business profitability. *Journal of Marketing* 54, 20-35.
- Patterson, P.G., 2004. A study of perceptions regarding service firm's attitudes towards exporting. *Australasian Marketing Journal* 12 (2), 19-38.
- Pennings, J., and Harianto, F., 1992. The diffusion of technological innovation in the commercial banking industry. *Strategic Management Journal* 13 (1), 29-46.
- Peterson, R.A., Balasubramanian, S., and Bronnenberg, B.J., 1997. Exploring the implications of the Internet for consumer marketing. *Journal of the Academy of Marketing Science* 25 (4), 329-346.
- Porter, M., 2001. Strategy and the internet. *Harvard Business Review* 79 (3), 63-78.
- Preissl, B., 2003. E-business in service industries: Usage patterns and service gaps. Discussion Paper No: 373, German Institute for Economic Research. Available at: <http://www.diw.de/deutsch/produkte/publikationen/diskussionspapiere/docs/papers/dp373.pdf>. Accessed 10th August 2004.
- Quelch, J.A., and Klein, L.R., 1996. The internet and international marketing. *Sloan Management Review* 37 (3), 60-75
- Ramsey, E., Ibbotson, P., Bell, J., and Gray, B., 2003. E-opportunities of service-sector SMEs: An Irish cross-border study. *Journal of Small Business and Enterprise Development* 10 (1), 250-264.
- Ramsey, E., Ibbotson, P., Bell, J., and Gray, B., 2004. A projectives perspective of international 'e' services. *Qualitative Market Research: An International Journal* 7 (1), 34-47.
- Reedy, J., Schullo, S., and Zimmerman, K., 2000. *Electronic Marketing: Integrating Electronic Resources into the Marketing Process*, Harcourt College Publishers, Orlando, FL.
- Robertson, T. and Gatignon, H., 1986. Competitive effects on technology diffusion. *Journal of Marketing* 50, 1-12.
- Rogers, E.M., 1983. *Diffusion of Innovations*, The Free Press, New York.
- Rogers, E.M., 1995. *Diffusion of Innovation Theory*, The Free Press, New York.

- Sadowski, B., Maitland, C., and van Dongen, J. 2002. Strategic use of the Internet by small- and medium-sized companies: an exploratory study. *Information Economics and Policy* 14 (1), 75-93.
- Simpson, M., and Docherty, A.J., 2004. E-commerce adoption support and advice for UK SMEs. *Journal of Small Business and Enterprise Development* 11 (3), 315-328.
- Smyth, M., and Ibbotson, P.G., 2001. Internet connectivity in Ireland. Available at: <http://www.bankofireland.co.uk>. Accessed October 2004.
- Takac, P., and Singh, C., 1992. Banking technology: improving its potential through better management. *Management Decision* 30 (5), 17-20.
- Tan, M., 1998. Creating the digital economy: Perspectives from Singapore. *Electronic Commerce in the Information Society. Proceedings from the 11th International Bled Electronic Commerce Conference, Bled, Slovenia, 8th – 10th June.*
- Tornatsky, L.G., and Fleischer, M., 1990. *The Processes of Technological Innovation*, Lexington, MA.
- Turban, L.E., Lee, J., King, D., and Chung, H.M., 2000. *Foundation of EC: EC a Managerial Perspective*, Prentice Hall, New Jersey.
- Van Egeren, V., O'Connor, S., 1998. Drivers of market orientation and performance in service firms. *Journal of Services Marketing* 12 (1), 39-58.
- Venkatraman, N. 1994. IT-enabled business transformation: from automation to business scope redefinition. *Sloan Management Review* 35 (Winter), 73-87.
- Watson, R., Berton, P., Pitt, L., and Zinklan, G., 2000. *EC: The Strategic Perspective*, Dryden Press, New York.
- Zampetakis, H., 2000. Online auctions have all the equipment you need. *The Australian Financial Review* September 5, 29.

### **Biographies**

**Patrick McCole** received his PhD from the University of Ulster in 2001. After working in Dublin City University for one year he moved to New Zealand in 2003 to take up a position as Senior Lecturer at the University of Otago in Dunedin. His main research interests include wired and wireless commerce, complaint behaviour and e-services. His publications have appeared in national and international journals as well as various conference proceedings.

**Elaine Ramsey** is a lecturer in e-marketing at the University of Ulster. Her main research interests relate to internet-based business developments among knowledge-based SMEs.

### **Correspondence address**

Dr Patrick McCole, Senior Lecturer, University of Otago, Department of Marketing, Dunedin, New Zealand, Telephone: +64 (0) 3 4798162 Facsimile: 00 64 (0) 3 4798172 Email: [pmccole@business.otago.ac.nz](mailto:pmccole@business.otago.ac.nz)

## 'Introducing Mr. Kau Kau': Using 'Prepared Role' to Facilitate Student Learning in International Marketing

Glenn Pearce

---

### Abstract

Prepared Role is a form of dramatic convention whereby another lecturer, student or guest, is introduced into classroom drama to play an accurate and authentic role (Neelands, 1998). This paper documents the case of a PhD student performing in the Prepared Role as a visiting overseas official, addressing and interacting with university marketing students in their role as Australian marketing executives interested in exporting products and services to Papua New Guinea. Interpretive research, in the form of an open-ended response examined the contribution of Prepared Role in terms of student perceptions of learning within a drama-based marketing unit at an Australian University. Findings indicate that Prepared Role was beneficial to student learning in the context of international marketing.

*Keywords: Educational drama, Adult learning, Student perceptions of learning, International marketing*

---

### 1. Introduction

In this paper, educational drama is defined and some theories underpinning and justifying the use of educational drama conventions are discussed. A case study is presented on the use of one drama convention (Prepared Role) in a drama-based university subject and findings from an open-ended question task are examined. Finally, lecturer reflections on the use of Prepared Role as a means of facilitating student learning in marketing and conclusions about the study are offered.

The educational context on which this paper is based is that a university marketing subject - New Frontiers in Marketing (hereafter referred to as 'New Frontiers') - was re-engineered and conducted using educational drama as the major pedagogical tool. The main motivation for using drama-based teaching was to provide final-year students with an alternative and memorable student-centred learning experience.

There were two other reasons for designing a marketing subject that was entirely drama-based. First, there is a substantial literature on drama-in-education, much of it claiming the centrality of drama in learning and curriculum development (see for example Ackroyd, 1998; Bolton, 1984; Cabral, 1998; Hamilton, 1992; Innes et al, 2001; McLeod, 1989; O'Farrell, 1994;

Smigiel, 1996, 1997; Winston, 1998). Second, the feasibility and possible benefits of using educational drama to enhance university students' learning about aspects of business were little researched.

The search for answers to these issues was also inspired by the apparent success of using drama for teaching management curricula at university by the author. A wide range of business students had evaluated such learning experiences as extremely positive. These drama-inspired teaching innovations had been recognised by nomination for an Australian university teaching award (Anonymous, 1998).

'New Frontiers' is a final year elective subject in an undergraduate Marketing degree offered at an Australian university. Typically, the subject attracts enrolments of up to thirty-five students. The learning outcomes stated in the subject outline are that students will: 1. Be more aware of major contemporary marketing issues and the impact they are having in business; 2. Have a greater appreciation of the role research plays in marketing; 3. Be better informed about a contemporary marketing issues topic; 4. Have acquired skills as autonomous learners and reflective practitioners; 5. Possess advanced communication competencies; 6. Have researched and written an article aimed at a popular marketing journal; 7.

Be better equipped to think on their feet and debate issues; and 8. Be aware of the role, use and relevance of educational drama in learning about marketing. Learning outcomes 1, 3, 4, 5, and 8 relate directly to the incorporation of educational drama strategies into the subject.

The subject familiarises senior marketing students with emerging contemporary issues in marketing. Examples of contemporary marketing issues covered include: new and emerging markets; new technology such as “e-commerce”; and ethical issues faced by marketers.

In participating in drama-based learning, students in 'New Frontiers' did not practice conventional role play (see Van Ments, 1989). Rather, all students participated in improvisational classroom drama activities, so as to experience "as if it were" reality. People are said to learn from drama by identification: “we think and imagine from the centre of events through identification with not thinking about the situation” (Johnson and O'Neill, 1990, p.149). Students in 'New Frontiers' are immersed in role, thereby experiencing and identifying with marketing issues and situations.

According to Heathcote (1977) Educational Drama is: “anything which involves persons in active role-taking situations in which attitudes, not characters, are the chief concerns” (p.43). Further definitions of educational drama emphasise improvisation to enact and reflect upon human experience (McCaslin, 1996; Davis and Behm, 1978, cited in Woodson, 1999).

One example of the relevance of drama and theatre to the field of marketing is theatre's use as a metaphor. For instance, in the context of creating and maintaining satisfied customers in service situations such as restaurants, hotels and doctors' surgeries, a service exchange has been likened to a theatrical performance incorporating three dramaturgical components: one, 'impression management' (believability of the 'show' offered to service customers); two, 'setting' (physical surroundings of the service environment); and three, 'personal front' (appearance and behaviour of on-stage service providers) (Grove and Fisk, 1983; Grove, Fisk and John, 2000). Grove and Fisk (1983) assert that each of these components of 'service performance' convey symbolic meaning that can have a profound influence on customer satisfaction.

The field of educational drama is eclectic in that it has a number of theoretical underpinnings from the field of education, including: humanism (Rogers, 1983);

constructivism (Bruner, 1966); social learning (Cornford, 1999; Saunders, 1999; and experiential learning (Dewey, 1963; Kolb, 1984; Boud, 1996).

Compared to other educational approaches, experience-based learning (such as educational drama) as advocated by Dewey (1963) is characterised by: (1) involvement of the whole person - feelings, senses and the intellect; (2) recognition and use of a learner's life experiences in order to create personal meaning and relevance of new learning; and (3) continued reflection on prior experiences so as to build and transform deeper understanding (Andresen, Boud and Cohen, 2000).

The experiential learning model (Kolb, 1984) informs the notion of learning through drama. Kolb (1984) described a cycle comprising four stages: concrete experience; observation and reflection; formation of abstract conceptions and generalisations; and the testing of implications. Prepared Role served as a concrete experience on which students could reflect and experience emotion. Recent experiential learning models recognise the centrality of emotion (feelings) in learning (Boud, 1996). Learning through drama in the form of Prepared Role was considered to be a useful way of invoking student emotions.

Along with experiential learning, the notion of drama as pedagogy is informed by contributions from drama activists such as Bertolt Brecht (1960-1962; Willett, 1978) and Augusto Boal (1979). Both theorised about the pedagogical role of theatre that relates directly to the practices of educational drama (Lacey and Woolland, 1992).

Brecht advocated audience involvement, empowered theatre and “pleasurable learning”. Boal (1979) in his *Theatre of the Oppressed* also sought to remove the divide between actor and spectator by creating "spect-actors" and developed the notion of *Metaxis* - a state of mind in which actors find themselves when they are emotionally absorbed in a role yet aware of performing in that role. In using Prepared Role it was hoped that *metaxis* would occur in students.

Moreover, active participation in Prepared Role and the associated physical activity and movement involved, indicate that learning from educational drama may occur through embodiment of learning. In his explanation of embodied learning, Wright (1998) referred to Howard Gardner's recognition of seven “multiple intelligences”, one of which is “bodily kinaesthetic” or “bodily intelligence” (Wright, 1998, p.88). Wright (1998)

claimed that embodied learning, through the aforementioned intelligence, is produced by the physical exercises, games and improvisations of educational drama conventions.

“Drama conventions” are defined as: “indicators of the way in which time, space and presence can interact and be imaginatively shaped to create different kinds of meanings in theatre” (Neelands, 1998, p.4). Neelands (1998) suggests the drama convention of Prepared Role, whereby a guest in-role enters the classroom, has cultural connections in the notion of 'strangers', meeting eccentric people in the community and being exposed to other cultures. From a learning point of view, Neelands (1998) claims Prepared Role: acts as a strong visual aid, provides its own dramatic tension and focus, makes immediate affective and cognitive demands on students, and "shifts emphasis onto a weighing of human relationships" (p.45).

A major task in incorporating Prepared Role into 'New Frontiers' was identifying someone authentic, willing and unknown to students to act as a visiting trade official representing an 'emerging market'. Having found suitable 'talent', the next challenge involved researching actual trade opportunities between Australia and the target country.

Despite the challenges involved in using Prepared Role, students who had previously experienced the drama convention had responded enthusiastically and indicated in reflective comments that it was valuable for their learning. Based on this positive response, exploratory research was implemented to investigate student perceptions of the convention's value in learning.

Prepared Role is one of approximately twenty drama conventions incorporated into the drama-based subject. The following section describes how Prepared Role was used in 'New Frontiers'.

## **2. Case study**

Trade Development Director, Mr. Kau Kau and the emerging market of Papua New Guinea (PNG)

The main learning objective of Prepared Role was for students to appreciate issues involved in investigating and responding to business opportunities in emerging international markets.

Students were informed that the first dramatic frame involved them attending an imaginary cocktail party in the Sydney offices of Austrade - an Australian

government trade development organisation. The second frame involved attending an Austrade seminar hosted by an international visitor from Papua New Guinea - Mr Lau Kau Kau.

The lecturer randomly allocated marketing executive roles to students, which corresponded to existing import needs for Papua New Guinea. Marketing roles were assigned for companies with products in various categories including: heavy machinery, fruit, education, security systems, and pharmaceuticals.

Students engaged in the pre seminar cocktail party by introducing themselves in-role to other delegates and unearthing things about other delegates, including their motivation in attending.

When the international visitor arrived, the lecturer, also in role as Austrade official - Mr Clifford Shelby-Jones - invited delegates to take their seats and introduced Mr. Lau Kau Kau, representing the Papua New Guinea Trade Development Board. A PhD student, who is a Papua New Guinea national, played Mr Kau Kau. The pretence for the drama was that Mr. Kau Kau was in Australia to educate business about the emerging Papua New Guinea market and answer questions relating to trade with his country. In order to heighten dramatic tension, delegates were told that Mr. Kau Kau was on a tight schedule and could not spend much time with the group.

During the seminar Mr Kau Kau explained Papua New Guinea geography and population spread, purchasing behaviour, physical distribution issues, media habits and opportunities in product categories corresponding to the product marketing roles assigned to students. After a twenty-minute presentation, Mr. Kau Kau invited questions. All students responded in role by asking a question of the overseas guest.

Presentation and question time lasted approximately sixty-five minutes. At the end of dramatic activity and a short debriefing, students wrote reflective comments under the following headings: What happened? What did I learn from the drama? What emotions did I experience in role? How did the drama work on/affect me?; and What is it about drama that distinguishes it from other educational experiences at university?

## **3. Methodology**

Research was undertaken to explore student perceptions concerning the use of Prepared Role in 'New Frontiers' and their learning. Research objectives were: (1) What

impressions did the actor, featured in Prepared Role for the topic of emerging markets, have on students? (2) What benefits does Prepared Role offer students? (3) What effects did students experience in role? (4) What did students learn from Prepared Role? (5) How did students learn from Prepared Role? (6) Was there anything unique or distinctive about the use of Prepared Role, and if so, what was it?

Qualitative research was implemented in the form of an open-ended question (McDaniel and Gates, 1996) whereby students offered impressions of Prepared Role (Appendix A).

Being interpretive research, the role, perspective and background of the researcher must be acknowledged, as these factors would no doubt have a bearing on the researcher's 'lens'. The researcher is a marketing educator at an Australian university who has experimented and used educational drama over many years. 'New Frontiers' was re-engineered in 1999 by the researcher so as to be drama-based - entirely taught through drama. Students taking part in the research would be aware of the researcher's interest in adopting learning approaches designed to engage students in discovery learning. Students would also be aware that the lecturer has undertaken research into student perceptions of learning through drama, and that based on findings from this work, considers drama to be an appropriate learning methodology.

It is possible that because students were aware of the lecturer's advocacy of and interest in drama, this condition could have resulted in positive bias in student responses. One strategy used to minimise this potential source of bias was to make student participation in the research activity voluntary and stipulate that responses be anonymous. Prior to administering the data collection instrument, students were asked to be brutally honest and say what they really thought and felt about the Prepared Role activity. Another precaution against bias involved the lecturer removing himself from the room during data collection.

Carrying out the investigation involved administering the data collection instrument to students enrolled in 'New Frontiers' in Spring Semester, 2002. The open-ended response task was implemented in-class one week after the convention was conducted. The reason for the lag in collecting information was to give students adequate time for reflection. As students only became aware of evaluation shortly before data collection, no discussion

or collaboration occurred amongst students prior to the recording of responses.

Qualitative phenomenological information was collected from twenty-three submitted responses (Appendix B). Word processed transcriptions were made from student responses and cross sectional indexing (as explained by Mason, 1996) was undertaken. This process meant that transcribed information was analysed for emerging themes, affinity groupings of themes and insights relating to research questions. Student responses were summarised into a table and responses for each research question were transposed onto Post-It notes. These notes were arranged using an Affinity Diagram (see Brassard, 1989) to aggregate student responses into broader categories that are indicated in section 7 - 'Findings from the Research Study'. These broader categories have been given appropriate labels/names.

In order to maintain research participant anonymity in the presentation of these categories and associated quotations of students' responses, the twenty-three responses were labelled anonymously as K 1 through to K 23. For the purpose of brevity in this paper, single quotations have mainly been used to illustrate research findings from student responses. Quotations were selected on the basis of being representative of student comments contributing to the naming of themes.

#### **4. Findings from the Research Study**

##### **4.1 Mr Kau Kau's role**

Very few students in the class commented about Mr Kau Kau's role. Although the actor was unknown to the class, few students made a point of indicating that Mr Kau Kau was unfamiliar to them. Being unknown meant that the drama was made more realistic and that it was a refreshing change to have someone new in the classroom. Students also commented on how enthusiastic the character was and how Mr Kau Kau was authentic by addressing students in realistic roles and using information that was obviously not 'made-up'.

K5 ... the guest speaker Mr Kau Kau made it even more realistic because he was unknown to everybody in the class and he did an excellent job of pretending/acting. He played a major role in making it more real.

K6 ... I felt like he was really the role he was playing, simply because we didn't know who he really was beforehand...

## **4.2 Benefits**

Six major benefits were identified in the research: (1) Real Life Rehearsal; (2) Other Educational Benefits; (3) Different/Better than Lectures; (4) International Marketing Learning; (5) New/Heightened learning; and (6) A Change.

Students saw great value in using Prepared Role as rehearsal for real life. These responses indicated that the activity prepared them for their careers, enabled them to enact real life marketing situations provided them with marketing experience and made the drama seem more realistic.

K11 This drama is so realistic that, it would make me have an idea that these kinds of dramas will be present in the real thing.

K18 This activity allowed us to be involved in a simulation of a possible seminar situation. It allowed us to understand how seminars operate and their function...

Student responses indicated other educational benefits, particularly associated with cognitive functioning, arising from the drama such as: able to be used to teach other subjects; thought provoking; being able to focus student thinking; promoting active listening; and students being made aware of what other students in the class are thinking.

K22 ... It draws to your attention the way other students think and meant that you were getting more out of the activity than just listening to a lecture.

Students considered that Prepared Role was different/better than conventional lectures experienced at university on the grounds that it enhanced understanding, was a more interesting way of learning and involved more than just listening to a lecture.

K10 ... made the subject of new frontiers in marketing a different and better understanding form of learning compared to other teaching methods.

Some responses indicated that a major benefit from the drama-based activity was International Marketing Learning. Students were of the opinion that the drama provided insight into how to approach an international market and being in role enhanced learning in international marketing.

K15 ... helps us understand what things need to be prepared and examined before entering an overseas market.

Students nominated New or Heightened Learning as being a benefit of the drama-based exercise. The drama took student learning to a new level or introduced a new way of learning.

K21 This activity introduced me to learning new ways in regards to international marketing, economics and other marketing subjects...

Some students viewed Prepared Role as a refreshing change because it provided someone new in the classroom or offered a departure from normal classroom procedure experienced at university.

K16... I felt it was a change from what we usually do...

## **4.3 Role effects**

Students commented upon role effects associated with the use of Prepared Role. Student responses were aggregated into four categories: (1) Suspension of Disbelief/Immersion; (2) Questions and Inquisitiveness; (3) Thinking in Role; and (4) Listening and Concentrating.

In terms of Suspension of Disbelief, students referred to Prepared Role as contributing to belief in the role they were playing, suspension of disbelief and immersion or submersion in role.

K3 ... In suspending my disbelief and submersing myself in role as a marketer, I was able to take in what it would really be like in a conference and feel the vibe.

Responses identified Questions and Inquisitiveness as being associated with role effects. Being in role, students were not only encouraged to ask questions, but were stimulated to be inquisitive and ask questions that would reveal international marketing opportunities. Some of the questions asked related to marketing challenges faced by practitioners in the real world.

K10 ... By engaging in a role as a marketing manager in this particular activity, it made me be professional and ask questions that in the real world would be adopted by a marketing manager...

Students indicated that Active Listening was associated with being 'in role'. Prepared Role, in the format used, encouraged students to listen actively and constructively to the international speaker and listen to questions asked by other students. Students also indicated that being in role made them concentrate and pay attention to what was being said during the drama.

K19 Being in 'role' as an executive made me listen constructively and actively to the guest's presentation

Students were of the opinion that Prepared Role contributed to Thinking in Role. Being in role contributed to creative thinking, thinking fast and using existing knowledge.

K22 ... Being put in a role meant that I had to think outside what my normal thinking would have been and ask questions which are well thought out and will have a meaningful answer...

#### 4.4 What did students learn?

In terms of what students learned from Prepared Role, ten categories of responses were identified: (1) How International Marketing Differs to Domestic Marketing; (2) New Markets and Opportunities; (3) Exporting Issues and Considerations; (4) How International Marketing Works; (5) Cultural Appreciation; (6) International Marketing Planning; (7) Other Learning; (8) Customers; (9) How to ask questions and appreciate information; and (10) Risks and Pitfalls in International Marketing.

Student responses revealed that students learned about differences between international and domestic marketing in terms of such things as international perspectives, the international marketing of products and the different marketing intentions of companies marketing products in an international market.

K6 ... It also allowed me to see that different companies have different marketing intentions in terms of what they are looking for in PNG...

Responses indicated that students learned about new markets and opportunities in foreign markets. Specifically students learned about marketing opportunities, potential markets, issues concerning the launch of products into new markets and country specific issues such as those relating to PNG.

K13 ... The major learnings are numerous – firstly about a new country, the perspective to work at and consider it for international marketing...

It was revealed that students learned about exporting issues and considerations. Students obtained insights into matters relating to trade, arrived at questions in connection with export and encountered issues actually faced by exporters.

K9 I found this convention (drama activity) to be a good insight into trade and export markets, with a focus on PNG...

Responses illustrated that students learned about the mechanics of international marketing, including how to prepare for international market entry, becoming familiar with international marketing scenarios and the lives that international marketers lead.

K5 ... I have gained valuable input as to how life would be as a real marketer...

Some responses showed that students gained cross-cultural appreciation through Prepared Role. The drama provided insight into another culture (PNG), made students realise the need for cultural awareness and demonstrated that cultural differences exist between countries.

K19 ... The convention highlighted the need for exporting company's to be culturally aware...

Responses were obtained for each of the following themes: International Marketing Planning, which indicated the sorts of marketing decisions made by marketers; Other Learning, which constituted student revelations concerning the power of drama as both a learning tool and a way of engendering creativity; Customers, which taught students about decision makers, influencers and relationships in international marketing; How to Ask Questions and Appreciate Information, which indicated knowledge acquired by students in interviewing; and The Risks And Pitfalls Involved In International Marketing, which included students becoming aware of the things that can be overlooked and the risks associated with international trade.

#### 4.5 How did students learn?

Six categories were identified concerning how students learned from Prepared Role: (1) Questioning; (2) Thinking as Marketers; (3) Seeing Different Perspectives; (4) Engaging in Discovery Learning; (5) Integrating Knowledge; and (6) Listening to a Presenter.

One of the major ways students learned through Prepared Role was by compelling students to question the guest. The drama was such that students wanted to ask questions, questioned the presenter for insight into the potential of the products they represented, paid attention to developing meaningful questions and were provoked into asking questions about products represented by other students.

K1... as I raised a question, Mr Kau Kau could give me the answer immediately...

Students learned by putting themselves in a marketer's

shoes and by thinking as if they were real marketers. Eight responses indicated that students learned by doing such things as raising issues for export, submersing themselves in role, projecting themselves into a real life situation and interacting with the subject from the role of the exporter.

K21 ... This type of activity allowed me to interact with 'the subject' while also learning about the topic from the role of the exporter...

Students also learned by adopting different perspectives. The drama enabled students to draw attention to other people's thinking, share thoughts with others, feed off each other, get the entire class thinking about export and see different perspectives.

K22 ... It draws to your attention to the way other students think and meant that you were getting more out of the activity than just listening to a lecture.

Some responses indicated that students learned through Discovery. The drama enabled students to discover meaning for themselves, think outside their normal way of thinking and engage in self-learning.

K7 ... this type of self-learning through drama may one day be adapted into teaching other areas such as medicine or law.

Responses revealed that students learned by integrating knowledge from other subjects. Students 'drew on' or 'collated' knowledge from other (previous) subjects. By drawing on previous subjects, students were able to better ask questions of Mr Kau Kau.

K16 ... we were able to draw our knowledge from pretty much all the subjects we have taken throughout our degree to come up with questions and insights into a practical exercise.

Apart from learning through drama it was mentioned that students also learned through exposition - by listening to the guest's short, lecture-style presentation. This finding raises some doubts about the efficacy of reception learning compared to discovery learning and indicates that the presentation may have been more important in generating queries for the subsequent questioning of Mr Kau Kau than it was in presenting straight facts and information about PNG.

#### 4.6 What's unique about Prepared Role?

Four categories were identified in relation to student perceptions of the unique aspects of Prepared Role. Students saw Prepared Role as being: (1) Realistic; (2)

Interesting/Enjoyable; (3) Educational; and (4) A Way of Offering Students Variety.

Student responses indicated that Prepared Role was unique due to its realistic and practical nature. Students believed that the drama provided students with insights into what it feels like to be a 'real' marketer.

K6 It really made me feel like a marketer

Students considered another unique property of Prepared Role was that it was Interesting/Enjoyable. Students described the drama in such terms as being interesting, fun and intriguing.

K9 ... It was a very interesting activity...

Students revealed that Prepared Role was considered unique, due to its Educational nature. Students perceived the drama as being memorable, focussed and highly educational.

K10 ... The drama activity of "Introducing Mr Kau Kau" had a strong impact on my learning and understanding...

The fourth distinguishing dimension of Prepared Role was seen to be the variety the technique offered classrooms. Students liked the idea of having someone new in the classroom, as it provided a change to normal routine and procedure, even in one utilising regular drama activity. The change in classroom procedure can be linked to interest in the convention.

K15 ... Good change and interesting as we had someone new in...

#### 4.7 Criticism

Few students were critical of the Prepared Role activity. The major criticisms related more to how the drama was conducted rather than any real criticism of the convention itself. A minor criticism was that some students asked poor questions that either did not make sense or did not reflect much thought. The major criticism associated with the activity was that students were restricted to asking one question.

K17 ... it is quite difficult to really involve yourself when you have only one chance to ask a question. I know I would have liked the opportunity to ask more questions and extract more information.

Appendix C represents a mind map of findings from the study drawn with the aid of Inspiration software. At the centre of the diagram, the triadic relationship is represented with the guest actor, students experiencing

drama-based learning and the drama convention itself. Outer branches of the diagram show emergent categories extracted from student responses. Broken lines indicate important links between emergent categories on various branches. A hexagon shape encloses categories linked with at least one other category. One example of a relevant connection is 'inquisitiveness' under student role effects with 'questioning' under how students learned from Prepared Role. More links could have been depicted, particularly those connecting 'what was learned' with other categories, however these links have not been shown in order to reduce visual complexity.

### 5. Reflections Concerning Prepared Role

The following lecturer reflections are based on student diary entries, conversations with students and classroom observations. The material does not reflect actual student comments; instead, it represents insights gleaned from student feedback and observations of students participating in educational drama.

Prepared Role rates as one of the most enjoyable and educationally worthwhile activity offered in the drama-based subject. Meeting an authentic international visitor stimulated students and they enjoyed hearing about a neighbouring country, but invariably one that they know little about.

Despite having done a warm-up at the commencement of the drama session, the cocktail party scenario relaxed students, eased them into a drama mode and warmed students so as to suspend disbelief, improvise and engage with the guest.

Students remarked about the realism of the event and how convincing the actor was as a visiting trade official. The reality of the situation created a sense of occasion for the students and inspired them by drawing them into the drama. Being actively engaged in industry roles allowed students to think as if they were marketing executives.

The warmth, charm, gentle manner, sincerity, imposing physical presence, passion for his native land, and possibly above all, his infectious and welcoming smile exhibited by the actor playing Mr Kau Kau put students at ease and created a supportive learning environment.

Being forced to ask a marketing question from their assigned roles, encouraged students to draw on prior learning and arrive at what they considered a 'sensible question'. However, there appeared to be a tendency for some students to jump-in too early and ask a question so

as to take the pressure off for any further questioning. It seems that having asked their question, some students sat-back, content to listen to others.

### 6. Conclusion

Although unorthodox as a delivery method, Prepared Role is well grounded in terms of educational theory and offers considerable learning opportunities for students studying marketing and other business subjects. Prepared Role has the propensity to transform university classrooms into real-world business environments that students are likely to experience upon graduation. These imaginary environments, with their associated experiences and encounters, allow students to apply theory to practice in learning activity that can be referred to as 'rehearsal for life.'

Findings from the study offer useful insights into how drama engages students and benefits that can accrue from using drama in a marketing classroom. Prepared Role turned students into 'spect-actors' (Boal, 1979) who were able to influence theatrical performance by getting involved, asking questions from within role and reflecting on action. The physical demands on all students in the class to be active during the drama convention gives rise to the notion of embodied learning. Although students in the class could not be considered 'oppressed', students recognised benefits associated with the use of Prepared Role, including being more active and interesting than typically passive lecture formats. Students considered Prepared Role as a form of escapism, offering them variety and a chance to participate in learning that was fun and meaningful. Prepared Role promoted the Brechtian notion of "pleasurable learning" and provided a unique experience for engaging students in learning and involving their emotions, as advocated by Boud (1996). Perhaps these findings serve as a wake-up call for marketing educators, reminding them to investigate and consider more effective teaching and learning strategies.

In order for a drama such as Prepared Role to be successful, students must suspend disbelief, immerse in role (thereby experiencing metaxis) and enter a world of 'as if it were' reality. In other words, they must identify with role and imagine from the centre of the event, rather than simply observe a marketing case from the 'outside'. Unlike drama conventions such as Prepared Role, conventional case analysis, often associated with marketing education, tends to take an outside-in approach.

As can be seen from Appendix C, there are a number of connections between emergent categories. For instance, on one level, links exist between Role Effects and 1. How students learned, 2. Unique aspects of the drama convention and 3. Benefits of learning through the drama convention. On a second level, links exist between What was learned with 1. How students learned and 2. Benefits. On a third level, How learning took place has linkages with 1. Benefits and 2. Unique Aspects. On a fourth level, Unique aspects of the drama convention are related to Benefits associated with the drama convention.

Regarding the first level of connections, 'Listening in role' has a direct relationship with how students learned, in that students attended to and listened to the guest actor's presentation. Unlike the standard lecture, whereby the lecturer is familiar to students, Prepared Role stimulated student listening. Thinking in role led to students learning by thinking as if they were marketing executives. Thinking in dramatic role also led to the benefit of encouraging students to think and reflect in-class.

Second level connections indicate that students gained cultural insights by being exposed to different perspectives. Prepared Role would seem to be of value in placing students in the 'shoes' of other people in order to develop empathy and cultural sensitivity. Moreover, learning about international marketing content was perceived as both an outcome from and benefit of learning through Prepared Role.

Third level connections indicate that students learned by discovery, which provided a benefit in terms of new and heightened learning. Prepared Role seemed to take student understanding of marketing issues to a new level. In addition, Prepared Role was regarded as educationally unique because it drew upon prior knowledge accumulated by students. Therefore, drama in the form of Prepared Role seems to be a novel way of integrating prior learning.

At a fourth level of connections, compared to lectures, Prepared Role was perceived to be interesting and a way of providing students with variety. Therefore, Prepared Role may be useful when lecturers are seeking to capture the imaginations of their students and offer students something different. The realistic nature of Prepared Role also resulted in students gaining practical experience that might be useful when working in industry. Prepared Role allows students to practice knowledge, skills and attitudes that will be required in life beyond university.

The authenticity, enthusiasm, manner and knowledge of the actor playing Mr Kau Kau also contributed to the success of the exercise. The realism of the guest actor contributed to students feeling at ease with the drama and imagining that the event was real. In evaluating the effect of Prepared Role on student learning it is difficult to separate the personal characteristics of the actor with the influence of the drama convention. One wonders whether the session would have been equally successful using an alternative presenter. The availability and selection of 'actors' who are unknown to the student cohort, but importantly can carry out the role convincingly, represents a problem for educators seeking to adopt Prepared Role. Had the actor not been as skilled and charming as he was, students may have been more critical of how the drama unfolded.

In terms of criticisms concerning Prepared Role, students indicated frustration with only being allowed to ask a single question. There are two issues associated with students asking multiple questions. The first is that the guest actor may be under time pressure and therefore unavailable for an extended session. The second issue is that extending the convention could be criticised by some students for making the activity too long. As is the case with experiential learning activities, it can be difficult determining the optimum length of the session. Perhaps a solution to the problem of limiting the number of questions asked is to allow more time for questions and tell students that they can ask more than one question. It is unlikely that all students will ask multiple questions, but for those who do, removing the limit may result in students feeling less constrained. Regarding the problem of students asking inappropriate or poor questions, students may need to be reminded that they should formulate questions carefully before asking them. Even then, there is no guarantee that questions asked will be 'sensible'.

Class size may limit the appropriateness of drama-based learning through drama strategies such as Prepared Role. For instance, classes in excess of tutorial-size dimensions may be difficult for a 'lecturer' to control and monitor. Classes larger than say, forty students, would also place excessive demands on time available for role immersion and allowing every student to interact with a lead actor. Smaller group meetings or tutorials appear to be the most suitable contexts in which to use a drama strategy such as Prepared Role.

Critics of educational drama could argue that the increasing popularity of marketing courses and the

tendency of marketing to be taught via lecturing to large classes reduces the application of adult learning approaches involving smaller groups. Perhaps rather than class sizes, facilities and traditional formats determining pedagogy, facilitating student learning and embracing new and effective methods to achieve such learning should be given a higher priority.

Educational drama does not require academics to be actors or theatre directors, but they do need to have some understanding of dramatic form, be willing to experiment and be comfortable in transferring classroom power to students. If used effectively, Prepared Role has the potential to liberate lecturers from more traditional higher education classroom roles.

In terms of limitations, the research study could have been improved by incorporating multiple sources of evidence. Although student diary extracts relating to Prepared Role have also been collected, this data has not yet been analysed. Moreover, open-ended response devices such as the one used in the study, offer flexibility and generate rich data, but like all open-ended questions, can be problematic in terms of coding.

Concerning future research, data has also been collected from students undertaking 'New Frontiers', incorporating the Mr Kau Kau exercise, the following semester (Spring) at another of the university's campuses. Further and future qualitative analysis, incorporating QSR NVivo software, could identify critical issues and look for associations between student responses for students from two campuses.

Further research is warranted into alternative adoptions of Prepared Role within the unit described, as well as research into the use of Prepared Role, in contexts other than the one reported here. Both qualitative and quantitative research studies are invited into the contributions of drama to student learning.

## References

Ackroyd, J., 1998. Much ado about Shakespeare. *Nadie Journal* 22 (1), 33-37.

Andresen, L., Boud, D., Cohen, R., 2000. Experience-based learning. In: Foley, G. (Ed.), *Understanding Adult Education and Training*, 2nd Ed., Allen and Unwin, St Leonards, NSW, pp. 225-239.

Anonymous, 1998. The 1998 Australian Awards for University Teaching. Retrieved (24/03/2004) from: <http://www.ozuniawards.aust.com/html/program.html>.

Boal, A., 1979. *Theatre of the Oppressed*, Pluto Press, London.

Bolton, G., 1984. *Drama as Education*, Longman Group, Harlow, Essex.

Boud, D., 1996. The End of Teaching as We Know It. How can we assist people to learn what we don't know? *Australian Journal of Experiential Learning* 35, 66-74.

Brassard, M., 1989. *The Memory Jogger Plus*, GOAL/QPC, Methuen, MA.

Bruner, J. S., 1966. *Toward a Theory of Instruction*, Belknap Press, Cambridge, Massachusetts.

Cabral, B., 1998. Shells: Awareness of the environment through drama. *Nadie Journal* 22 (1), 27-31.

Cornford, I. R., 1999. Social Learning. In: Athanasou, J.A., (Ed.), *Adult Educational Psychology*. Social Science Press, Katoomba, NSW, pp. 73-96.

Dewey, J., 1963. *Experience and Education*, Collier, New York.

Grove, S., and Fisk, R., 1983. The dramaturgy of services exchange: An analytical framework for services marketing. In: Lovelock, C.H., (Ed.), *Services Marketing*, 2nd Ed. Prentice Hall, Englewood Cliffs, New Jersey, pp. 59-68.

Grove, S., Fisk, R., and John, J., 2000. Services as theatre: Guidelines and implications. In: Swartz, T., Iaccubuci, D., (Eds.), *Handbook of Services Marketing and Management*. Sage Publications, Thousand Oaks, pp. 21-35.

Hamilton, J., 1992. *Drama and Learning: A Critical Review*, Deakin University, Geelong.

Heathcote, D., 1977. Drama as challenge. In: Hodgson J. (Ed.), *The Uses of Drama*. Eyre Methuen, London, pp. 21-35.

Innes, M., Moss, T., and Smigiel, H., 2001. What do the children say? The importance of student voice. *Research in Drama Education* 6 (2), 207-221.

Johnson, L., O'Neill, C., 1990. *Collected Writings on Education and Drama/Dorothy Heathcote*, North University Press, Evanston, Illinois.

Kolb, D.A., 1984. *Experiential Learning: Experience as the Source of Learning and Development*, Prentice-Hall, Englewood Cliffs, New Jersey.

Lacey, S., Woolland, B., 1992. *Educational drama and*

radical theatre practice. *New Theatre Quarterly* 8 (8), 81-91.

Mason, J., 1996. *Qualitative Researching*, Sage Publications, London.

McDaniel, C., (Jr.), Gates, R., 1996. *Contemporary Marketing Research*, 3rd Ed., West Publishing, Minneapolis/St Paul.

McCaslin, N., 1996. *Creative Drama in the Classroom and Beyond*, 6th Ed., Longman Publishers, White Plains.

McLeod, J., (Ed.), 1989. *Drama is Real Pretending*, The Ministry of Education, Victoria.

Neelands, J., 1998. *Structuring Drama Work - A Handbook of Available Forms in Theatre and Drama*, Cambridge University Press, Cambridge.

O'Farrell, L., 1994. *Education and the Art of Drama*, Deakin University, Geelong.

Rogers, C., 1983. *Freedom To Learn for the 80's*, Charles E. Merrill Publishing Company, Columbus, Ohio.

Saunders, S., 1999. *Social psychology of adult learning*. In: Athanasou, J.A. (Ed.), *Adult Educational Psychology*. Social Science Press, Katoomba, NSW, pp. 25-71.

Smigiel, H., 1996. *The Place of Educational Drama in Vocational and Workplace Training*, (PhD Thesis), Tasmania, University of Tasmania.

Smigiel, H., 1997. *Coming to know: Naturalistic inquiry in the workplace*. *Research in Drama Education* 1 (1), 95-103.

Van Ments, M., 1989. *The Effective Use of Role Play*, Kogan Page, London.

Willett, J., 1978. (edited and translated from the German) *Brecht on Theatre: The Development of an Aesthetic*, Hill and Wang, New York.

Winston, J., 1998. *Should we follow Jack? A case study of reflective practitioner*, *Research into drama and moral education*. *Nadie Journal* 22 (1), 19-25.

Woodson, S.E., 1999. (Re) *Conceiving 'creative drama': An exploration and expansion of American metaphorical paradigms*. *Research in Drama Education* 4 (2), 201-214.

Wright, D., 1998. *Embodied learning: Approaching the experience of the body in drama education*. *Nadie Journal* 22 (2), 87-95.

## Appendix A

The Open-ended Response Task Administered to Students in 'New Frontiers'

### New frontiers in marketing research activity

#### Question

Think about the drama activity that has just been completed under the title of "Introducing Mr. Kau Kau". In the space below, tell us what this drama activity meant to you in terms of your learning in the subject.

## Appendix B

Sample Responses for Three Randomly Selected Student Responses

K7: The learning activity was successful in the fact that it got the whole class thinking about the exporting of an actual product to PNG and as a marketing subject this type of self learning through drama may one day be adapted into teaching other areas such as medicine or law. As a student I like this idea of "drama teaching" takes learning to a whole new level.

K8: It helped in obtaining an insight in what questions need answering when thinking about exporting a product to a new market overseas. And the huge amount of information for a company to obtain and understand about the foreign markets culture, political stability, demographics, and development to find the right opportunities in the market to have a successful product – important if having contacts in the international market. A lot of planning is needed, and is a huge risk, but if successful great opportunity and benefits. This drama activity illustrated the fact.

K9: I found this convention (drama activity) to be a good insight into trade and export markets, with a focus on PNG. Exporting is definitely a new frontier in marketing issue and as students we are not exposed to issues like this, until we leave university and enter the workforce. This activity was also a good insight into the culture and population etc of PNG. It was a very interesting activity, but at times the questions were not really thought about before asked or they did not make any sense. Mr Kau Kau however played the role with much enthusiasm and he was very good.

**Biography**

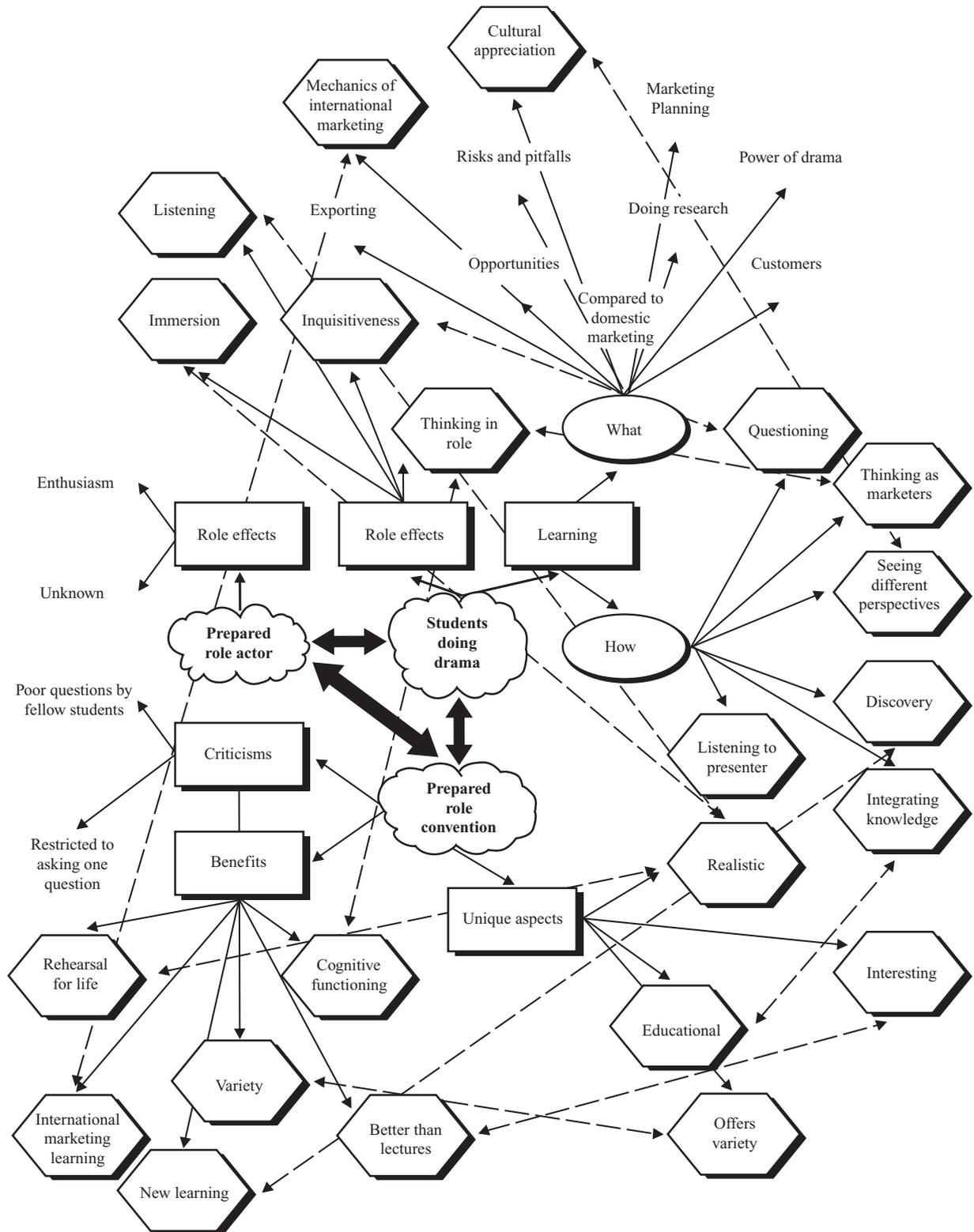
**Glenn Pearce** is a senior lecturer in Marketing at the University of Western Sydney, Australia. He recently completed the EdD degree at the University of Technology, Sydney and his thesis investigated the use of educational drama by university students in learning about marketing. He has authored articles published in the *Journal of Organisational Change, Assessment and Evaluation in Higher Education, Research in Drama*

*Education, Drama Australia Journal, The International Journal of Management Education, Acta Horticulturae* and the *Australian Journal of Experiential Learning*.

**Correspondence Address**

Glenn Pearce, Senior Lecturer in Marketing, University of Western Sydney, School of Marketing and International Business, Locked Bag 1797, Penrith South DC NSW, 1797 Australia. Telephone: +61 (2) 9852 4141, Email: [g.pearce@uws.edu.au](mailto:g.pearce@uws.edu.au)

Appendix C: A mind map of findings depicting relationships and emergent categories



## **Repositioning New Zealand Venison: From Commodity to Brand**

Michael B. Beverland

---

### **Abstract**

This case study examines the brand repositioning strategy of the New Zealand Game Industry Board's brand program 'Cervena'. Two lessons are derived from the case. Firstly, the program is an example of an organisation attempting to initiate a market orientation in a product oriented industry. Implementing a market orientation involves undertaking changes to key industry assumptions and developing supportive processes to reinforce market-oriented cultural values. Reinforcing these values will help ensure high quality market-oriented behaviours. Secondly, branding in B2B markets involves establishing a reputation with business buyers and an aspirational position with end consumers.

*Keywords: Market Orientation; Branding; Business-to-business*

---

### **1. Introduction**

Agriculture represents the last frontier for brand marketing. We have probably all heard, taught, or read that some products are 'intrinsic' commodities that simply cannot be differentiated in the marketplace. For these producers, commodity price cycles are accepted as a fact of life rather than the result of failing to build a brand. Value for these producers lies solely in price / quality trade-offs. Paradoxically these producers complain that continued quality improvements do not take pressure off prices. For New Zealand producers this approach resulted in a poor competitive position (Crocombe, Enright, and Porter 1991). This article examines the approach of one case; the New Zealand Game Industry Board's (NZGIB) attempt to reposition commodity venison in the US as a brand - 'Cervena'.

### **2. Industry Background**

While deer farming in other countries has struggled to develop "critical mass", the New Zealand industry consisted of 4,500 farmers running 2.1 million deer in 2004. The industry is governed by the NZGIB. The NZGIB is funded by a compulsory levy on all deer farmers, processors and exporters. The NZGIB oversees the industry, undertaking generic marketing campaigns

for New Zealand venison that complement the brand marketing activities of individual exporters.

Throughout the 1980s venison was sold as a commodity primarily in Germany, the world's largest venison market. This market was highly concentrated (with six key buyers), highly seasonal (Easter and October Festivities), and driven by older consumers motivated by low prices. Also, German buyers had a tradition of developing their own 'house blends' by mixing venison from different countries and were unreceptive to producer brand programs. Due to this competitive position, the NZGIB saw returns falling by 2.9 per cent per annum from 1985-1989 even as sales grew. The failure to provide a sustainable point of difference for New Zealand venison had dire results following the Chernobyl disaster. Since radioactive fallout affected the grazing areas of Russian and European deer the NZGIB had hoped to capitalise on their country of origin. However, the failure to build brand awareness for New Zealand venison resulted in a commodity price collapse for all venison.

### **3. Target Positioning**

In repositioning the NZGIB targeted up-market restaurants in the USA with an average cheque price

exceeding \$30US per person (excluding wine). The US market was chosen because of its affluence, its high quality restaurants, and a maturing food culture. Targeting restaurants was believed to be more appropriate given the Board's small marketing budget.

"If we had a trained chef using the product we could get twenty orders a night. For the same cost we could have worked through supermarkets targeting consumers who might only use it for special occasions." (MJ Loza, Current Chairman)

American consumers held negative perceptions of venison. Research conducted by the NZGIB identified that quality was the key concern for US consumers. Consumers thought venison may have "fallen off the back of a truck, was hunted, or was road kill." (MJ Loza current Chairman) The popularity of Walt Disney's 'Bambi' character also presented problems when it came to promotion because Americans associated deer with the young fawn in the Disney films.

Despite these problems the NZGIB identified a number of opportunities. Americans desired to eat red meat, but were concerned about the health implications of doing so. Research showed that American consumers needed to be persuaded that Cervena was different from the venison they 'knew.' Before they took the step of cooking an expensive product themselves they needed to have a positive 'venison experience' at a restaurant. Consumers were more willing to try venison if it was endorsed by a trusted restaurant or chef.

#### **4. The Cervena Program**

The NZGIB developed a generic branding program called 'Cervena' to complement the existing brands of their members and build equity for New Zealand venison. This brand was developed by designer Brian Richards who drew inspiration from historical guild societies and France's Appellation system of geographic labelling for wine.

"I became very interested in the guilds in London. They are very old societies that exist in order to ensure that you are buying the genuine article. The guild mark is their integrity agreement. I then looked at the wine industry in Europe where they have the *appellation*, and again those are integrity agreements."

The result was the Cervena appellation program, which stands for country of origin, farm raised venison, strict quality controls, meat from animals under three years

old, and from the best cuts. The NZGIB retained control of the program and franchised the brand to each of the exporters (there are seven in the program), as long as they met the program's criteria.

"The Cervena Council will say to the franchisees, 'tell us about your marketing program. They may say 'we like the look of items 1, 2, 4, and 8, and therefore we will match dollar for dollar with you, however item 3 which states '2 for 1 special promotion', looks too much like discounting, which is too predatory. Rather than expanding the market we fear that it might undermine our brand.'" (Andrew Duncan, CEO Duncan Venison)

The above quotation evidences that the program is run collaboratively with the franchisees. The NZGIB assists with promotional costs where they believe there will be a mutual benefit to both the company and the New Zealand game industry.

#### **5. Brand Features and Attributes**

The Cervena brand was built around a number of features. These are detailed below. Different features were emphasised to the four target audiences – trade buyers, restaurant staff, consumers, and influencers (food critics).

##### **5.1 Quality / Health**

Quality associations are a key part of brand equity (Aaker and Joachimsthaler 2000). For the NZGIB, quality investments were made to ensure the animal was raised in a stress free environment (to ensure meat tenderness), transported and processed correctly. These were developed as part of a program called 'Pasture to Plate', which recognises the need to take ownership throughout the entire value chain.

Cervena labelled venison has a number of key product attributes. The meat must come from deer no older than three years of age with a maximum fat content. The age limit results in standardised product delivery, both in terms of cut size and product performance. These characteristics were emphasised to business buyers and restaurant users. Also, due to these quality investments, Cervena venison is virtually fat free. As a result, consumer promotion focuses on venison as 'the new meat for the 90s' that one can consume without guilt.

##### **5.2 Versatility**

Traditionally wild venison is cooked for a long time in heavy wine based sauces in order to soften up the tough

meat, and moderate the 'gamey' favour. As a result the product was often perceived as a winter food.

"Most people thought it was tough, wouldn't taste very nice, was a winter or seasonal meat, had to be cooked for a long time, and had a strong 'gamey' taste. It was not perceived as a delicacy." (MJ Loza, current Chairman)

A key repositioning strategy of the Cervena program was to emphasise the product's versatility. Former Chairman Collier Isaacs recalled:

"In the USA we marketed the meat as low fat and tender. Everybody thought it was tough so we'd say it was tender. Everybody said it was strong flavoured, so we'd say that it had a mild taste. People thought we could only use it in winter, so we designed recipes that used venison in salads."

The quotation above identifies the attempt to overcome traditional perceptions of venison among consumers. Underpinning this was the investment in quality programs identified earlier.

Also, because Cervena labelled venison was virtually fat free, overcooking can ruin the meat, and reinforce the view that venison is tough to eat. As a result, the NZGIB deliberately targeted chefs in their marketing campaign. To target chefs, the NZGIB employed Chef Graeme Brown who was tasked with developing recipes that could be used throughout the year. As a result, the 'four seasons' campaign was developed, and targeted at chefs and wait-staff that emphasised the all-year round versatility of Cervena, with recipes ranging from salads in summer to hearty casseroles in winter. Graeme Brown continues to develop a range of educational material on the quality programs, how to prepare Cervena, and food safety, handling, and storage.

### **5.3 Adaptability**

Changing from a commodity to a brand business involves understanding buyers' needs as well as an augmented view of the total offer (Narver, Slater, and Tietje 1998).

"If you've got a good product like Cervena, and you don't pay attention to the add-ons, such as how well the serving staff are trained, the product delivery can 'break down' and damage your brand." (Former Chairman Richard Riddiford)

In order to support the product's positioning and encourage repeat users the NZGIB gives chefs as many

tools as they can to assist them. Realising that even the lowest ranked chef in a busy restaurant kitchen has little spare time to prepare meat, Cervena labelled venison is delivered ready to go, in pre-cut easy-to-use packs. Franchisees also adapt the product to the needs of individual restaurants, providing pre-marinated meat and specialty cuts for stir fry dishes, curries, and salads.

### **5.4 Commitment to Cuisine**

The Cervena program also added value to chefs because it received widespread coverage in the press. For the NZGIB, this was part of a deliberate push and pull strategy.

"That's why we developed a push-and-pull strategy. First you convince the chef why Cervena is different and why they should be calling it 'Cervena' and then you do some public relations at the consumer level to say 'hey Cervena is different,' and if you want to eat it then you should be asking for it restaurants." (Collier Isaacs, former Chairman)

Due to a limited advertising budget the NZGIB relied heavily on public relations activity. The NZGIB developed a network with key chefs to help promote the product. Because of the quality of the chef network the program had credibility with the food press: "It wasn't production driven it was very much a focus on cuisine so they were very receptive to that approach." (Richard Janes former Chairman)

### **5.5 Country of Origin**

The NZGIB markets Cervena around country of origin. This was driven by three factors: the inability to use animal imagery, positive consumer perception's of New Zealand, and the appellation strategy that emphasised New Zealand's clean environment and sought to build equity for the New Zealand venison industry. This is aimed at selling a desired, environmentally clean, natural image consistent with the desired positioning of the product. The advantages of the scenic portrayal were that it helped communicate the purity of the product.

### **6. Brand Marketing Programs**

Promotion is based on endorsements and word-of-mouth support. In the previous discussion, the attributes of adaptability and versatility were based on forming relationships with key buyers as part of a push strategy to ensure uptake in the channel. The NZGIB needed to complement this with a consumer awareness program to

pull consumers to restaurants. This strategy was based on leveraging the relationships with a network of chefs and high profile public relations opportunities.

### **6.1 The Chef Network**

Targeting lead buyers is important in the success of new product launches (Hultink, Hart, Robben, and Griffin 2000). The NZGIB identified the celebrity status that many of these chefs had with their target consumers, and believed that chef endorsements would help overcome consumer anxiety about venison. The NZGIB experienced significant buy-in from lead chefs. For example:

“We had a very big buy in from chefs. Charlie Palmer of Aureoles is individually a very very wealthy guy. I paid him a retainer of about \$20,000 a year, and I remember asking him in his restaurant why do you bother with Cervena. He said, it’s a fantastic product, it’s a great product.” (Richard Riddiford, former Chairman)

The result was a network of high profile chefs that helped promote the product within their restaurants, their publications, and their television shows. One benefit of this was that it encouraged further buy-in from other chefs because they responded to peer-endorsements of Cervena. Endorsements from chefs and influencers are promoted on the Cervena website, and the NZGIB reciprocates by providing links to each chef’s restaurant.

### **6.2 Promotions**

The NZGIB looked for targeted activities that had a low cost but high impact. For example:

“We were always looking for angles with which we could basically deliver cost effective visibility or have some impact. We had the New York Giants tasting the meat as part of their pre-season training program. They are so focused on the dietary aspect of their training and fitness, so when they ate the meat, it helped with the ‘healthy and lean’ image that we were after. We worked closely with a number of distributors who conducted their own promotion at wine and food events. We were very keen to tap into any ideas that they had and work with them on their own programs because they had a market presence that we just couldn’t duplicate.” (Richard Janes, former NZGIB Chairman)

Several programs were developed including the active targeting of specialist cuisine publications, a chef competition called ‘Cervena Plates’, co-promotional opportunities with the New Zealand wine industry, and as standard restaurant-based promotion such as table tents.

## **7. Outcomes**

The key objective of the Cervena program was to expand sales to the USA without decreasing value. Prior to Cervena’s launch in 1999, venison sales to the USA were \$NZ7.4 million and sales had hovered around \$NZ19.5 million since 2000 (Deer Notes 17th September 2004). The NZGIB’s own research in 1999 indicated that brand awareness of Cervena among targeted Chefs went from zero to 69 per cent in two years, whilst usage went from zero to 36 per cent. This was achieved on the back of a \$NZ15.8 million investment.

The program has not delivered as much as was hoped and the program is currently under review. The value of Cervena sales declined by 19 per cent in 2003 even though sales had remained steady at 1,000 tonnes (Deer Industry News, 2004). This result needs to be seen in light of plummeting commodity venison prices (from NZ\$10 / kilo in 2001 to NZ\$4.20 in 2004; Deer Industry News, 2004). There are several explanations for this underperformance. The industry is still short-term oriented and primarily judge success on the basis of increasing auction prices. Farmers vote on the amount of levy the NZGIB receives and what it is spent on. Following the belief that the Cervena program was benefiting a few producers the NZGIB ceased subsidising the program in 2001. The NZGIB was unable to counter claims that Cervena had not led to price increases because it did not have a separate price schedule for Cervena venison. The NZGIB was also unable to support its contention that the Cervena program raised the price of New Zealand venison per se. As a result, the Board and the seven franchisees were unable to leverage the early successes and were forced to close the New York office and rely solely on the Internet for customer support.

Buyers are also critical of the Cervena program, arguing the lack of stability and certainty in supply and prices is turning them away.

“The deer industry has been very bad at either under supplying or over supplying the market with the result that in the past you’ve had wild fluctuations in price. For example, two or three years ago [1999-2000] the scheduled farmers went from about NZ\$4 to NZ\$9 a kilo, which was totally unsustainable, and we did a lot of damage in the USA through that.” (Richard Riddiford, former Chairman)

This is a direct result of the inability of farmers to capture the value of long-term brand building efforts. For

farmers the value of the Cervena program can only be captured via increased short-term prices because they have no direct equity in the program. Inconsistency in supply and pricing leads to serious problems in the USA because restaurateurs operate on small margins and cannot absorb large price increases.

### **8. Key Lessons**

The Cervena case offers lessons for implementing a market orientation and building business-to-business brands. Recent research has examined the drivers of the successful implementation of market-oriented strategies (Kennedy, Goolsby, and Arnould 2003). This case adds to this research by identifying the importance of surfacing and changing previous values, and reinforcing market-oriented values for ongoing member support for such strategies. For example, the implementation of a market-oriented culture is believed to require an understanding that “there is no such thing as a commodity” (Narver et al. 1998, p. 243). We find support for this, but also identify that such understanding is not enough; rather market orientation requires constant reinforcement of these values throughout a planned change process, before they are taken for granted as new cultural assumptions.

In the Cervena case, the lack of bottom-up buy-in and supportive systems to ensure the widespread adoption and reinforcement of market-oriented values (e.g., customer orientation) led to the perpetuation of behaviours inconsistent with a market orientation (auction based pricing and variable supply), and eventually reduced support for the program. Therefore, the failure of members to fully adopt market-oriented values led to poor learning behavior (the perpetuation of past approaches) and lower quality market-oriented outcomes (cf: Baker and Sinkula 1999). The management of the change process associated with implementing a market orientation deserves further research. We suggest that a useful starting point for such research will be to draw on Lewin’s force field model of planned change as a useful framework for examining how firms unfreeze past assumptions (in the Cervena case – commodity positioning), move towards a new set of assumptions, and refreeze these assumptions (cf: Wilson 1992). Such research should also be conducted longitudinally, using multiple methods including observation, depth interviewing, secondary analysis, and quantitative surveys of employees using established cultural scales (e.g., O’Reilly III, Chatman, and Caldwell 1991).

In regards to building business-to-business brands (B2B) we also add to an emerging stream of literature (Bendixen, Bukasa, and Abratt 2004) by identifying the important synergies between attributes targeted at business buyers, and those targeted at consumers. Recent research identifying the potential for branding in B2B markets identifies the importance of ‘reputation’ and ‘quality’ for B2B brands among key buyers (Bendixen et al. 2004; Michell, King, and Reast 2001). This would suggest that branding is in an early stage in this context. The Cervena case provides an example of an attempt at brand building in business markets.

Critically the case identifies the need to take a network perspective of B2B branding, and examine the potential for brand positioning around the business marketing offer (Ford and Associates 2002; Webster 2000). For example, Webster (2000) proposes that brand value involves an understanding of network position - in particular the relationships among consumers and resellers. We provide evidence for this view by identifying the importance placed on both push and pull strategies. Importantly, the pull strategy at a consumer level was primarily to support the business buyer relationship with restaurants (we note that Intel provides a similar example albeit in a different context). The brand attributes emphasised to each market were also different. At the consumer end aspirational values focusing on health, purity and environmental imagery were emphasised. At the buyer end emphasis was on the business marketing offer - “advice, adaptation, product, service and logistics” (Ford and Associates 2002 p. 122).

Future research could examine whether these aspects of the offer are what contribute to perceptions of reputation and quality, which are critical to B2B brands (Bendixen et al. 2004; Michell et al. 2001). Such research should also identify the importance of building brand salience among different members of the business buying organisation (such as users, decision makers, and service staff) as the Cervena case identified the importance of empathising with each in order to build a brand relationship. Such an approach would take account of the different purchasing process in a B2B context (Webster and Keller 2004).

Also, network position is critical to business branding programs. A central tenet of the Industrial Marketing and Purchasing Group is that a firm’s market actions are constrained by that firm’s network position. The Cervena case illustrates this view by identifying how the inability to provide certainty around price and supply undermined

a promising brand repositioning program. In this case sellers were unable or unwilling to meet the needs of buyers, who required this certainty in order to operate effectively within their own network of customers. The failure to manage this network position was brought about by the inability to provide supportive policies for the brand (i.e., equity ownership in the Cervena program). This issue is one that is currently being addressed in a formal review of the Cervena program where one option is to move the program away from an appellation towards an actual brand program owned directly by those who use it.

### **Acknowledgements**

Data for this case was gained from interviews with relevant NZGIB members including former chairmen involved in the repositioning effort (Collier Isaacs, Richard Janes and Richard Riddiford), the current NZGIB Chairman (MJ Loza), the brand's designer (Brian Richards) and the major exporter of Cervena (Andrew Duncan). I also thank two anonymous reviewers and the editors for their constructive comments on an earlier draft.

### **References**

- Aaker, D.A., and Joachimsthaler, E., 2000. *Brand Leadership*, Simon & Schuster, Sydney.
- Baker, W.E., and Sinkula, J.M., 1999. Learning orientation, market orientation, and innovation: Integrating and extending models of organizational performance. *Journal of Market-Focused Management* 4 (3-4), 295-308.
- Bendixen, M., Bukasa, K.A., and Abratt, R., 2004. Brand equity in the business-to-business market. *Industrial Marketing Management* 33, 371-380.
- Crocombe, G.T., Enright, M.J., and Porter, M.E., 1991. *Upgrading New Zealand's Competitive Advantage*, Oxford University Press, Auckland.
- Deer Industry News (2004) March, Issue 8, [www.nzgib.org.nz/upload/notion/sectionimages/2098\\_DIN8.pdf](http://www.nzgib.org.nz/upload/notion/sectionimages/2098_DIN8.pdf). Accessed 23-9-04.
- Deer Notes 17th September 2004 Issue 41 [www.nzgib.org.nz/upload/notion/sectionimages/2144\\_Deer\\_Notes\\_41.pdf](http://www.nzgib.org.nz/upload/notion/sectionimages/2144_Deer_Notes_41.pdf). Accessed 23-9-04.
- Ford, D., and Associates, 2002. *The Business Marketing Course: Managing in Complex Networks*, John Wiley & Sons, Chichester.

Hultink, E.J., Hart, S., Robben, H.S.J., Griffin, A., 2000. Launch decisions and new product success: An empirical comparison of consumer and industrial products. *Journal of Product Innovation Management* 17, 5-23.

Kennedy, K.N., Goolsby, J.R., and Arnould, E.J., 2003. Implementing a customer orientation: Extension of theory and application. *Journal of Marketing* 67 (October), 67-81.

Michell, P., King, J., and Reast, J., 2001. Brand values related to industrial products. *Industrial Marketing Management* 30, 415-425.

Narver, J.C., Slater, S.F., and Tietje, B., 1998. Creating a market orientation. *Journal of Market-Focused Management* 2 (1), 241-255.

O'Reilly III, C.A., Chatman, J., and Caldwell, D.F., 1991. People and organizational culture: A profile comparison approach to assessing person-organization fit. *Academy of Management Journal* 34 (3), 487-516.

Webster, F., 2000. Understanding the relationships among brands, consumers, and resellers. *Journal of Academy of Marketing Science* 28(1), 17-23.

Webster, F., and Keller, K.L., 2004. A roadmap for branding in industrial markets. *Journal of Brand Management* 11(5), 388-402.

Wilson, D., 1992. *A Strategy of Change: Concepts and Controversies in The Management of Change*. Routledge, London.

### **Biography**

**Michael Beverland** is a Senior Lecturer in the Department of Management at the University of Melbourne. He received his doctorate from the University of South Australia. He has published articles in *Australasian Marketing Journal*, *Business Horizons*, *European Journal of Marketing*, *Industrial Marketing Management*, *Journal of Management Studies*, *Journal of Marketing Management*, *Journal of Personal Selling and Sales Management*, and the *Journal of Product Innovation Management*. Michael's research interests include authenticity, customer desired value change, luxury branding, and brand evolution.

### **Correspondence Address**

Michael Beverland, Department of Management, University of Melbourne, Alan Gilbert Building, 161 Barry St, Parkville, Victoria 3010, Australia. Email: [mbb@unimelb.edu.au](mailto:mbb@unimelb.edu.au). Telephone: +61 (0) 3 8344 1933. Facsimile: +61 (0) 3 9349 1921.

## Advertising Cultures

Sage Publications: London

Sean Nixon (2004)

---

At the core of Sean Nixon's very engaging *Advertising Cultures* lies a straightforward proposition. Nixon proposes that, in order to understand advertising in particular, and commercial applications of creativity in what are increasingly termed the 'creative industries', there is a need to understand the workplace cultures of people engaged in creative advertising. Nixon does this through a tightly argued ethnographic study of creative workers in London advertising agencies, and the workplace cultures of these agencies. From this, he draws out a unique and very valuable series of observations about creativity, its relationship to gendered identities (particularly to masculinity), and the relationship between competitiveness and collaboration in highly competitive commercial workplaces.

Nixon's book addresses a very important gap in the advertising literature. It is not a 'how to do advertising' book, yet it seeks to provide a bridge between the growing literature from sociology and cultural studies about the rise of the creative industries – in which, as Nixon notes, advertising is often seen as an exemplar – and the everyday routines and practices of work in the advertising industry. At the same time, it also provides a cautionary tale to sociologists and cultural theorists about the dangers of over-generalising about the advertising industry, and making bold proclamations about its socio-economic significance that are not grounded in empirical work.

The book is structured into three parts. The first part may be the section which readers not well versed in recent theoretical debates in sociology or cultural studies may choose to skip, and start at Chapter 2. Chapter 1, titled 'Advertising and Commercial Culture', takes recent academic work on advertising to task for being overly prone to insert the industry into meta-commentaries on contemporary social and cultural change. Nixon critically appraises influential analyses by Scott Lash and John Urry (Lash and Urry 1994), Richard Scase and Howard Davis (Scase and Davis 2000), and Mike

Featherstone (1991), that seek to connect developments in advertising to broader theories of consumer society, postmodernism, or the network society. While Nixon finds much that is valuable and path-breaking in these accounts, he sees them as possessing two sets of problems. The first is a privileging of acts of consumption and the uses of commercial culture over the production of cultural forms, such as advertisements, in a commercial context. Second, Nixon is concerned about the tendency towards over-generalisation in such accounts, and a related tendency to extrapolate from particular developments within industries such as advertising to a wider story about transition from one social form (e.g. modernism or 'industrial society') to another (e.g. postmodernism or the 'network society'), often in spite of empirical evidence from the sector that provides contrary or contradictory information.

For those readers more interested in how creative work in advertising agencies actually takes place, the core arguments of the book are developed in Part 2. Chapter 2 discusses the rise of the 'creative person' as being central to the market identity of advertising agencies, discussing the rise of the 'creative revolution' in British advertising in the 1980s, led by companies such as Saatchi and Saatchi and Bartle Bogle Hegarty (BBH). It also discusses the ways in which the creative process was 're-imagined' in the 1990s, as an industry down-turn made it increasingly apparent that advertising agencies competed not only with each other, but with a much wider range of prospective 'purveyors of creativity' (p. 39) in the media sector, and indeed within the client corporations themselves.

Chapter 3 focuses upon the social and educational make-up of creative jobs and those who do them in advertising agencies. Drawing upon sociologist Pierre Bourdieu's work on the 'new professions' and their relationship to expanded access to higher education, Nixon finds that creative workers in advertising were more likely to have

come from lower middle class backgrounds, have grown up outside of London, and have been educated outside of the elite universities.

The question, therefore, of what one needs to know in order to work in creative advertising, and where such knowledge is acquired from, is central to Chapter 4 of *Advertising Cultures*. In this chapter, which may be the most significant chapter in the book, Nixon probes the relationship between, on the one hand, arguments that creative advertising requires professionalisation through appropriately accredited and credentialed teaching institutions, and, on the other, the view that true creativity can never emerge from such standardised teaching models, but instead requires practitioners to be deeply immersed in art and popular culture. In the latter understanding of creative advertising, its natural well-springs are not industry-accredited program, but rather art colleges and slightly 'roguish' academic fields such as cultural studies. At the heart of this debate, for Nixon, are two issues. The first is the extent to which 'true creativity' derives from detailed attention to established craft skills, or requires unique individuals who can think outside of established models. Second, it draws attention to the self-understanding of advertising creatives, and the extent to which they see themselves as primarily a part of the corporate world, or whether this is a necessary concession that they make in order to have the opportunity to realise a more creative, artistic and individualistic understanding of themselves and self-fulfilment.

Part 3 of *Advertising Cultures* focuses upon a more specific set of issues about creative advertising: its relationship to gendered identities, particularly to masculinity. Chapter 5, titled 'A Homosocial World? Masculinity, creativity and creative jobs', begins by observing an unusual paradox of the British advertising industry. The paradox is that, while women have a strong, although by no means dominant, presence in the marketing and business management sides of the advertising industry (account handlers, media buyers, media planners etc.), they are very poorly represented in creative jobs. Moreover, and in contrast to the marketing/business side, there are no signs of this changing over time. In one of the book's more intriguing moves, Nixon connects this to the romantic conception of the artist, and the associated idea that attributes associated with the creative artist have historically been set against not only dominant understandings of masculinity (e.g., the idea of being insecure and child-

like, rather than self-reliant and emotionally mature), but also to feminine identities. He quotes the executive creative director at one London agency as looking for a balance between 'hiring pretty feisty sassy women' and the need to keep young male creatives in a 'child-like state', implying that the presence of the former would threaten the latter, particularly what Nixon describes as 'the essential juvenility that was crucial to performing the roles of art director and copywriter' (p. 105).

Recognising that such an argument goes into contested territory in the advertising industry, Nixon uses Chapter 6 to explore in more depth the relationship between masculine identities and creative partnerships, looking at male-male, male-female and female-female partnerships between copywriters and art directors. In a particularly striking and funny part of the book, Nixon recounts articles in *Campaign*, the principal industry magazine in the UK, where creative partnerships between men in particular agencies are understood as being akin to marriage. He notes that not only do these articles stress the parallels between a successful creative partnership and a lasting marriage, and that creative partners tend to spend more time with each other than with their female partners, but that there is also a propensity among these men to be photographed as husband and wife in *Campaign* itself. While homosexuality is something of an 'out-of-bounds' topic for Nixon's interviewees, the extent to which publicly-staged cross-dressing and husband-wife metaphors recur in relation to these creative partnerships suggests, for Nixon, a far more nuanced and ambivalent relationship to masculinity among his interview subjects than they are prepared to acknowledge themselves. Drawing upon a considerably smaller sample, Nixon finds that female-female partnerships were characterised by a more open acknowledgement of bonds of intimacy, while male-female partnerships ran a gamut from complementarity to awkwardness.

Nixon's thesis is that the gendered nature of work and identities in creative advertising arises not simply from the people themselves, but from their broader workplace culture, and Chapter 7, titled 'Pleasure at Work: the gender ambivalences of work-based sociality', draws this out more specifically. He finds three recurring sets of issues in the workplace culture of creative workers in advertising agencies. The first concerns dress and general workplace 'look'. Noting the importance attached to looking differently to the 'suits' in the agency (e.g., no ties for male creatives), Nixon identifies the

complexities and cultural codes associated with looking more 'casual', and the centrality of male fashion and lifestyle magazines in setting the parameters around which such choices are made. Second, Nixon identifies the centrality of drinking (and, more obliquely, drugs) to industry sociality, and the extent to which this both defines the cultural geography of the sector (such as the need to be near Soho pubs), and the gendered nature of work, as women working in creative advertising continually express their reservations about the 'blookish culture of drinking' (p. 151) associated with the workplace culture. Finally, Nixon identifies ambivalence among male creatives about whether their workplace culture generates 'real work', defined in the first instance by manual labour, and whether the workplace culture is sustainable as one gets older.

*Advertising Cultures* concludes with a discussion of creativity, and 'claims about the new salience of creative people within what used to be called the media and cultural industries' (p. 161), that extends the discussion from the specifics of advertising toward creative work and the creative industries more generally. Nixon has argued that the 'valorisation of creativity' (p. 161) throughout the advertising industry since the 1980s has been linked to a series of structural changes in the workplace, such as hot-desking and open plan offices, that have both shaped and been shaped by wider cultural shifts in workplaces more generally, which have been linked to identifying the wellsprings of innovation and creativity for commercial application. This has in turn shaped the forms of self-identification of creative workers within advertising agencies, as their increasing centrality to the sector has animated a wider set of debates about 'newness', originality, craft skills, self-promotion, and self-identification with the worlds of art and popular culture as compared to commerce and industry. It is also linked, in Nixon's account, to 'ideas of romantic individualism and the whole baggage of gendered attributes that have historically accumulated to this model of the creative person' (p. 163).

The relevance and significance of *Advertising Cultures* to those involved with the creative dimensions of advertising and marketing communication can be readily grasped. In its fine-grained ethnographic work on creative workers in London advertising agencies, it provides both a useful antidote to over-generalised discussions of advertising that are found in many core texts in cultural studies and sociology, while generating

valuable insights into the workplace cultures of some of the world's most style-defining advertising agencies. What the book does particularly well is to connect these very particular stories to wider debates, without subsuming them within overly grand theories of epochal social and cultural change.

For those principally involved with marketing and marketing communication, and with the business side of advertising, the two key things which can be taken from *Advertising Cultures* involve the cultural contexts in which creativity and 'newness' are seen to emerge from, and the particularly gendered nature of creative advertising departments. In the first case, Nixon makes the important point about the need to identify and understand the domain-specific nature of creativity in advertising. Rather than seeing it as a 'quasi-mystical' force, or as a 'general human capacity' (p. 162), creativity in advertising will typically arise from an understanding of, and partial elaboration of, established forms of industry and professional practice. Rather than seeing this as exposing the debased nature of advertising in contrast to allegedly 'purer' art forms such as music, painting, performance etc., such expressions of originality as variations of established generic forms may well be the principal way in which creativity manifests itself across and beyond the creative industries. In the second case – gender, creativity and advertising – Nixon's analysis should give some pause to those who would structure the workplace culture of creative departments within advertising agencies around 'robust "laddish" forms of masculinity' (p. 165), and then wonder why these more 'arty' areas of the industry seem to be greater enclaves of male dominance than the more commercially-based areas.

## References

- Featherstone, M., 1991. *Postmodernism and Consumer Culture*. Sage: London.
- Lash, S. and Urry, J., 1994. *Economies of Signs and Space*. Sage: London.
- Scase, R. and Davis, H., 2000. *Managing Creativity: The Dynamics of Work and Organization*. Open University Press: Buckingham.

*Terry Flew*  
*Creative Industries Faculty*  
*Queensland University of Technology*

## Understanding the Consumer

Sage Publications: London

Isabelle Szmigin (2003)

---

A central premise of this book is that we have witnessed a fundamental change in consumer behaviour, but marketing theory and application have failed to keep pace with the change. It is argued that there have been only very limited attempts to understand individual consumers in terms of postmodern consumption. Instead, we continue to rely on aggregating consumers into broad typologies or target markets. Such criticisms are not just levelled at traditional marketing techniques, with the currently dominant relationship marketing paradigm also being accused of failing to understand and fully account for the consumer. While acknowledging that many products are now consumed for their sign value, rather than their functional attributes, Szmigin also contends that we must seek to better understand the use value sought, so that we can, in turn, understand consumers' responses to marketing. This requires a focus on innovation, and particularly consumer response to innovation. Innovation is seen not only as the key challenge in contemporary marketing but also central to economic growth. As with other so-called 'consumer centric' criticisms of marketing, our understanding of innovation is accused of being driven by the supplier rather than by attention to the needs and wants of consumers.

In line with the argument that conventional marketing has failed to keep pace with the postmodern consumer, a second theme that runs throughout the various chapters is that we should be looking to encourage better, or more appropriate, consumption, rather than more consumption. Consumers are becoming increasingly concerned about not only the range of consumption alternatives open to them, but the production of those alternatives. Szmigin draws from a number of different sources when exploring this issue and concludes by describing six key issues that marketing, and consumer behaviourists, must deal with if we are to progress the consumer-marketing relationship. Examples drawn from

the mass media which illustrate the supposed increase in cynicism and sophistication of today's consumers are used to demonstrate the need for marketing to play more than lip-service to understanding consumers, and to use that understanding in developing truly mutually beneficial relationships.

The text adopts a multidisciplinary perspective, one that is not unique to this book as the contribution of 'parent' disciplines such as sociology, anthropology and economics to understanding consumer behaviour has received increasing recognition in recent years. As such though, it takes more of an evaluative approach than do many other consumer behaviour texts, and is probably more suitable for students at the postgraduate level or those with a good basic understanding of not only core consumer behaviour concepts but also the wider context of marketing as a discipline.

The first chapter builds on the idea of a customer orientation in marketing and the need for that focus to be taken further than is currently done. It is suggested some of the blame for relationship marketing's strategic failure can be attributed to the continued view of consumers as passive in the marketing process. Such a suggestion reflects a number of calls recently for researchers to appreciate what relationship marketing means to the customer, rather than the work to date which has emphasised what producers can gain from adopting relationship marketing practices. This chapter draws heavily on practical examples which illustrate that the so-called customer orientation of a number of large companies is being paid little more than lip-service. In terms of consumer behaviour concepts, the emphasis in this chapter is on loyalty and risk reduction.

Chapter two looks at the role of the product and brand in contemporary consumption, noting that consumption is neither intrinsically good or evil, it simply is. This is in contrast to a number of books emerging from different

disciplines that explore the role of consumption and the idea of a consumer culture, which many have linked with materialism. The innovation, or re-invention, of various products and brands is discussed, together with the notion of brands having a cultural biography, whereby their meaning and value to consumers evolves over time.

The concept of product meaning is continued in chapter three, but from the perspective of how consumers assign meaning to products. The emphasis of this chapter fits with Szmigin's argument that marketing should stop treating consumers as passive and instead recognise that each of us responds to marketing practices in different ways that techniques such as market segmentation cannot always deal with. Consumer typologies and self-identity, as well as models of meaning-transfer, are the key consumer behaviour concepts discussed in this chapter.

The role of relationship marketing and the way in which consumers respond to those relationships is revisited in chapter four, with the suggestion made that the balance of power between suppliers and consumers is slowly changing, in part due to technological advances in communication.

Innovation was noted earlier as being key to future economic growth and chapters five, six and seven address the role of the consumer in the innovation process, and the need for marketers to better acknowledge that consumers are not just looking for innovation in terms of functional performance.

Chapter eight picks up on the second key theme of the broader role of consumption in everyday life and the seemingly opposed notions of conspicuous consumption and what Szmigin terms downshifting (also referred to in recent literature as voluntary simplicity or sustainable consumption). Although not explicitly discussed in such terms, this chapter does link back to the earlier discussion on self-identity but it is somewhat surprising

that the concept of materialism is not dealt with, as it would seem to fit well with the general direction of this chapter.

Chapter nine looks at the evolving role and interrelationship of production and consumption and draws heavily on Marxist analysis and writings from economics and other disciplines, reinforcing the need for marketing to look to a range of disciplines to understand the current consumer culture. Issues such as consumerism and ethics are also discussed in this chapter.

The final chapter offers some concluding comments and reiterates the need for marketing to take a holistic perspective of the consumer, while also outlining six key issues Szmigin believes marketing must address if we are to progress as a discipline.

Each chapter starts with a pertinent quote and relevant examples drawn from a range of media are inserted throughout to illustrate key points. The chapters themselves are reasonably short with detailed introductory and concluding sections which provide a good overview of both the chapter's contents and how it fits within the broader context. The variety of topics covered in the ten chapters, together with the text's organisation around a couple of strong themes, means there is the potential to use it as a sound framework and basis for class discussions. Overall, while some of the areas covered are not new, the emphasis on evaluating contemporary marketing thought and practice, while also focusing on better understanding consumer behaviour, offers a fresh approach.

*Sarah Todd*  
*Department of Marketing*  
*School of Business*  
*University of Otago*

## Cases in Marketing and Marketing Communication

Pearson Custom Publishing: Sydney

Charles Patti (2003)

### Introduction

As lecturers, one of our key roles is to facilitate learning amongst our students. Patti (2003, xi) states that case studies are a vehicle for promoting learning through increased levels of interactivity between students and subject matter. Further, case studies enable students to develop their critical thinking skills, allow them to analyse a wide range of information, and apply theories to specific situations in specific contexts. With the apparent increase in the use of the case study as a teaching tool the publication of this type of marketing text is timely and necessary.

### Structure and Content

This text comprises an introduction and 14 stand-alone cases. The introduction itself is an important section of the text as it presents the author's rationale for writing the text and also provides a useful model for students, instructing them in a generic method for the analysis and presentation of case studies. This is something that I have not seen in other case study texts and is a welcome inclusion as students typically have little experience in this method of learning.

The cases themselves are based on real companies with believable contexts/situations that graduates may have to contend with in the workplace. They vary in length from just over 1,000 words to almost 8,000 words and cover a variety of subject areas, settings and business sectors (Table 1). This variety in length may be useful to allow facilitators to select either a case that can be read relatively quickly in class (there are seven which are less than 2,000 words) or one that requires more time for students to digest (there are five between 2,000 and 4,000 words and two which are over 4,000 words in length).

A synopsis of each case is provided to assist the class facilitators in choosing an appropriate case to use and the cases themselves appear easy to read and understand.

Further, the number of cases provided fits well with current university programs as semesters are now typically between 12 and 14 weeks long. According to the publisher's website, detailed teaching and learning notes are available.

These case studies cover a typical marketing communication/promotion management course including topic areas such as:

- Introduction to marketing communication
- Integrated marketing program situation analysis
- Objectives for integrated marketing programs
- Creative and media planning strategies
- Monitoring, evaluation and control

### Conclusion

As the title implies, this text presents cases focused on marketing communication and this is indeed one of its strengths. There are other case compilations available in the marketplace, however, these tend to provide generalised marketing cases rather than focusing their content within this specific field of study. The coverage of this text, while not inclusive of every area necessary for students in their studies (a seemingly impossible task for a case study compilation), is quite wide-ranging. As such, this compilation is suitable for both undergraduate (in conjunction with a base theoretical text) and post-graduate marketing communication and promotion management programs.

*Michael Volkov*  
*Department of Marketing and Tourism*  
*Faculty of Business*  
*University of Southern Queensland*

Table 1: Description of Cases Provided (Source: Patti, 2003, iv-x)

Case Number	Subject	Setting
1	Marketing strategy and planning; including pricing, retailing, consumer behaviour and marketing communications	Oman with world-wide distribution
2	Role of marketing communication to overcome price competition; market research	Australia
3	Marketing communication objectives; measurement of marketing communication effects; message strategy	USA
4	Advertising agency evaluation and selection; relationship between advertising investment and product demand	Italy
5	Crisis communication	Major Asian city
6	Use of advertising and other forms of marketing communication to increase generic demand; niche marketing; distribution strategy; target market selection; positioning	USA
7	Business expansion strategy; customer relationship management; marketing communication and brand equity	Singapore
8	Consumer behaviour; market segmentation; product launch; channel management; marketing communication	Not specified
9	Advertising message selection; interpretation of advertising testing results	Not specified
10	Marketing communication audits, internal organization issues; use of call centres	Australia
11	Marketing planning and strategy; target market selection; marketing communication planning	USA with world-wide operation
12	New product launch, selection of advertising message strategy	USA
13	Crisis management and crisis communication; role of marketing communication	Australia
14	Use of advertising to generate brand preference in a commodity market	Australia

---

## Notes for Contributors

---

### Editorial Objectives

The *Australasian Marketing Journal* is an academic journal written for both scholars and practitioners. The objective of the *amj* is to publish articles that enrich the practice of marketing while simultaneously contributing to the advancement of the discipline. Therefore, manuscripts accepted for publication must be conceptually and theoretically sound, offer significant research findings and insights, and also suggest meaningful implications and recommendations for practitioners. Given *amj*'s diverse readership, preference is given to manuscripts that are generalisable across industries, nations and economies. Further, if the manuscript reports the findings of original research, the methodology and findings not only should be scientifically defensible but presented in a manner that readers with limited backgrounds in research methods and statistical analyses are not discouraged from reading the article.

Further explanation of the Editorial objectives is to be found on pages 5-6 of volume 9, Number 1, 2001 and also on the journal web-site ([www.marketing.unsw.edu.au/amj](http://www.marketing.unsw.edu.au/amj))

### General Principles

- It is our intention to publish well-written, readable articles with broad appeal and of international relevance.
  - Contributors are encouraged to focus on either conceptual or empirical work and to outline practical implications for marketing. Topics should always relate to some aspect of marketing.
- New and first-time authors are particularly encouraged.
- At *amj* we are keen to publish more good papers which emanate from the Asia-Pacific region, or focus on the region in a global context.

### Editorial Scope

It should be noted that research is not the only basis for an acceptable article. Case analyses, creative concepts and applications, book reviews, commentaries and other thought-provoking manuscripts will be considered. Particularly welcome are future-oriented manuscripts that offer visions of marketing in the twenty-first century and practical road maps for getting there.

### The Review Process

Each paper is reviewed by the editor and, if it is judged as

potentially suitable for this publication, it is then sent to two or three referees for double-blind peer-review. Based on their recommendations, the editor then decides whether the paper should be accepted as is, revised or rejected.

### Copyright

Articles submitted to the journal should be original contributions and should not be under consideration for any other publication at the same time. Authors submitting articles for publication warrant that the work is not an infringement of any existing **copyright** and will indemnify the publisher against any breach of such warranty. For ease of dissemination and to ensure proper policing of use, papers and contributions become the legal copyright of the publisher unless otherwise agreed. This extends to both hardcopy and electronic versions of the *amj*.

### Indexing

*amj* is indexed by: Public Affairs Information Service; ANBAR and Emerald Review.

### Manuscript Requirements

Three copies of the manuscript should be submitted in double or one-and-half line spacing with wide margins and numbered pages. **All authors** should be listed, with author details printed on a separate sheet. Authors should not be identified anywhere else in the article.

### Formatting of Manuscripts

As a guide, articles should be between 3,000 and 6,000 words in **length**. A title of not more than eight words should be provided. A brief **autobiographical note** should be supplied including full name, affiliation, e-mail address and full international contact details. Authors must supply an **abstract** of 100-150 words. Up to six keywords should be included which capture the principal topics covered by the article.

Where there is **methodology**, it should be clearly described under a separate heading. **Headings and sub-headings** must be short, clearly defined and numbered. **Endnotes** should be used **only if** absolutely **necessary** and must be identified in the text by consecutive numbers, enclosed in square brackets and listed at the end of the article.

**Figures, charts and diagrams** should be kept to a minimum. They must be black and white with minimum shading and

numbered consecutively, using Arabic numbers with a brief title and labelled axes. In the text, the position of the figure should be shown by typing on a separate line the words “*take in Figure 2*”. Good quality originals must be provided. Particular attention should be paid to the legibility and clarity of figures, charts and diagrams.

**Tables** must be numbered consecutively with roman numerals and a brief title. In the text, the position of the table should be shown by typing on a separate line the words “*take in Table 4*”. Tables should be carefully designed to communicate a clear and simple message. Numbers should be rounded to two significant figures.

**Photos and illustrations** must be supplied as good quality black and white original half tones with captions. Their position should be shown in the text by typing on a separate line the words “*take in Plate 2*”.

**References** to other publications must be in the following style *Smith (1992) reported that ...* or “*This problem has been studied previously (e.g. Smith et al., 1979)*”. The author should make sure that there is a strict one-to-one correspondence between the names and years in the text and those on the list. The list of references should appear at the end of the main text (after any appendices, but before tables and legends for figures). It should be double or one-and-half spaced and listed in alphabetical order by author’s name.

*References should appear as follows:*

**For books:** Kotler, P., Ang, S.H., Leong, S.M., Tan, C.T., 1996. *Marketing Management: An Asian Perspective*, Prentice-Hall, Singapore.

**For articles in collected volumes:** Douglas, S.P., Morrin, M.A., Craig, C.S., 1994. Cross-national consumer research traditions. In: Laurent, G., Lilien, G.L., Pras, B. (Eds.),

*Research Traditions in Marketing*. Kluwer Academic Publishers, Boston, MA, pp. 289-306.

**For articles in journals:** Brodie, R.J., Danaher, P.J., 2000. Building models for marketing decisions: Improving empirical procedures. *International Journal of Research in Marketing* 17 (2-3), 135-139.

**Note that journal titles should not be abbreviated.**

#### **Final Submission of the Article**

Once accepted for publication, the final version of the manuscript must be provided, accompanied by a 3.5” disk of the same version labelled with: disk format; author name(s); title of article; journal title; file name.

Alternatively, an e-mailed copy is acceptable. Author/s should also supply a short biography and <sup>3</sup>/<sub>4</sub> page executive summary outlining the implications for practitioners and/or public policy makers. This should not simply replicate the abstract. Implications should directly follow from the research and not be purely speculative.

The manuscript will be considered to be the definitive version of the article. The author must ensure that it is complete, grammatically correct and without spelling or typographical errors, and with a correct record of references.

In preparing the disk or e-mailed copy, please use Microsoft Word format. Page set-up should be in “A4” standard (not “Letter”). All tables must be inserted in “true” Microsoft Word format. No heading styles should be used. Figures provided electronically must be in tif, gif or pic file extensions. All figures and graphics must also be supplied as good quality originals.

Each article must be accompanied by a completed and signed **Journal Article Record Form**.

#### **Submission requirements**

Manuscript must be clean, good quality, hard copy and in triplicate.

- Include an abstract and keywords; brief biography of authors and a separate <sup>3</sup>/<sub>4</sub> page executive summary.
- Follow style, reference & format guidelines.
- Include any figures, photos and graphics as good quality originals.

Submissions should be sent to:

#### **The Editor**

Professor Paul Patterson or Professor Mark Uncles  
School of Marketing, University of New South Wales  
UNSW SYDNEY NSW 2052  
AUSTRALIA