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Executive Summaries

Relationships Between Consumer Sentiment Towards Marketing and Consumer Lifestyles

Rob Lawson, Sarah Todd & Christo Boshoff

While consumer confidence measures help managers assess the likelihood of consumer spending rising or falling, consumer sentiment measures are more attitudinal in nature and help marketing managers better understand areas of dissatisfaction or satisfaction with marketing practices. Results from this study suggest that, rather than just looking at demographic variables associated with the satisfied and dissatisfied, a richer understanding can be obtained by looking at how feelings towards marketing fit within the consumer's wider lifestyle. Perhaps not surprisingly, the most prosperous and socially satisfied segments are found to be the most positive towards all aspects of marketing. The implication is therefore that marketers must be prepared to manage varying levels of support over time as economic and social conditions change. Additionally, the question is raised as to how well marketers are serving particular segments of our society. Despite their relative size, groups with lower resources are considerably less likely to be targeted by marketing strategies. If the dissatisfaction with marketing expressed by some of these lifestyle segments is the consequence of providing these segments with sub-optimal products and services because of a lack of direct attention to their needs, strategies designed to serve the requirements of the Success Driven Extroverts or Educated Liberals are not going to help the satisfaction levels expressed by the Pragmatic Strugglers.

A History of Network and Channels Thinking in Marketing in the 20th Century

Ian Wilkinson

Competition today is increasingly being portrayed as competition among business networks rather than individual firms. Firms specialise in performing some activities and depend on others for other activities, including suppliers, distributors, service providers, customers, and those providing complementary products. For management the key issues are what activities it is going to do itself and what it is going to rely on others to do i.e., the make or buy decision, and how it is going

to develop and manage its relations with other firms on whom it depends for various products and services. For governments the issue is how to assist in the development of internationally competitive business networks that will contribute to the economic development of the nation and that will provide people with desired goods and services in an effective and efficient manner.

These issues are not new and, in one form or another, have been the subject of much research and theory development over the years in marketing and allied disciplines. This article reviews the development of thinking related to these issues since the beginning of the 20th Century, focusing attention on five fundamental questions or explananda. It identifies the main economic principles that affect the specialization of firms in different activities and the emergence of marketing intermediaries. It also shows how various constraints, especially the problem of managing relations between firms, affect the structure of business networks and marketing channels that develop over time. This understanding provides a basis for management and policy makers' decisions regarding participation in and regulation of business networks and will assist them in analyzing the advantages and disadvantages of various network and relationship strategies that are currently in vogue, such as outsourcing, relationship marketing, partnering, supply chain management, network organization. It also reveals the limits of our understanding and the problems and issues we must address in the future.

Brand Extensions: Prestige Brand Effects

Ashley Lye, P. Venkateswarlu & Jo Barrett

Brand extensions provide an approach to leveraging existing consumer perceptions of brands to a new product category, thus reducing the risk and cost of entering that new category. This approach is not risk-free, as previous research has revealed a need for consumers to link the original and extension category and the influence of dilution effects of the extended brand. Parallel research has revealed that the extendibility of brands varies between prestige and functional brands as consumers 'store' brand information differently for different brand types.

This research brings together the measures of brand extension based on Aaker & Keller (1990) and the effects of brand type (Park et al., 1991) to show that the Aaker & Keller brand extension model hides important differences between prestige and functional brands that will influence the success of brand extensions.

Perceived quality is more important for functional brand extensions than for prestige brands. Consumers assume quality for prestige brands and they rely on other factors to assess the extension. Many managers rely on the prestige quality perceptions to support the extension and do not proactively manage the other extension factors.

The differences in dilution effects between prestige and functional brands raise interesting questions about the extendibility of brands and the negative effect of extensions. Unfortunately the data set precludes further analysis in this area.

Overall, brand managers of prestige brands should take care in selecting product categories when desiring to extend their brand to new categories. The assumption that their perceived quality is the key to extension success is challenged by this research, which indicates that other factors are more influential than prestige in brand extensions.

New Year's Eve Consumption Plans: Consumers' Consumption Priorities on the Eve of 2000

Simone Pettigrew, Maria M. Ryan & Madeleine Ogilvie

The study reported in this article examined consumers' consumption plans for New Year's Eve 1999. The objective was to explore the ways in which consumers celebrate special occasions. The sample comprised 126 consumers, most of whom were Australian. Respondents provided accounts of their plans for New Year's Eve 1999, including their thoughts and feelings relating to these plans.

By far the most frequently mentioned aspect of respondents' accounts of their planned celebrations was the consumption of alcohol, most notably champagne. Also of significance was the consumption of foods that were considered special in some way. The other dominant category of discussion was the importance of both specific and general others at this time, with almost all respondents emphasising the importance of being with special others. Discussions of the physical aspects of the evening, such as respondents' accounts where they were going to be and with whom, exhibited a tendency to a narrow definition of in-groups that primarily included family

members and/or close friends. The consumption of food and drink appeared instrumental in facilitating these interactions with specific others. By comparison, respondents' thoughts included much larger and loosely defined in-groups that in some cases included all of humanity. In particular, many respondents made reference to the under-privileged, demonstrating that they were psychologically linked with others all over the world at this time.

The management implications of this study include (1) the heightened importance of alcohol and food during celebrations; (2) the need to better understand the roles of males and females in both the purchase and consumption of alcohol at times of celebration; and (3) the relevance of special occasions for the timing of fund-raising efforts by charities and other non-profit organisations.

The Association Between Daily Weather and Daily Shopping Patterns

Andrew G. Parsons

Retail management is well versed in the implications of seasonal weather changes and the need to alter stock and merchandising accordingly. What are not so clear are the implications of daily weather fluctuations and the variations in shopping behaviour that may affiliate with those changes. This study examines the association between local, daily weather, as measured by standard, publicly available indicators, and a traditional KPI (key performance indicator) for shopping centres – pedestrian count. Controlling for marketing factors such as advertising, promotions, and merchandising, a linear regression model is constructed that uses weather variables (humidity, rainfall, sunshine hours, and temperature) along with variables that have an impact but cannot be manipulated by management, such as day-of-the-week and statutory holidays, to assess the association with the dependent variable of pedestrian count. Results show that daily patterns of weather can be directly associated with daily patterns of shopper numbers. The study then proposes both physical deterrents / inducements and the psychology-based argument of mood-affected behaviour as alternative explanations for the existence of this relationship. Understanding the nature of the association between weather patterns and shopping behaviour allows management to put in place both contingency-based practices and long-term strategies to take advantage of, or reduce the impact of, weather-induced variations in shopper numbers.

Relationships Between Consumer Sentiment Towards Marketing and Consumer Lifestyles

Rob Lawson, Sarah Todd & Christo Boshoff

Abstract

Gaski and Eztel's (1986) index of consumer sentiment towards marketing was included together with conventional AIO (activities, interests and opinions) measures in a major survey of consumer lifestyles in New Zealand. Analysis of the AIO material produced a seven segment solution which clearly distinguished consumers on the basis of their value orientations and levels of resources (Todd, Lawson & Faris 1996). All four indices (i.e., Product, Price, Advertising, Retail) comprising the overall consumer sentiment measure were significantly associated with the lifestyle segments. Overall, those consumers who are experiencing better standards of living in material terms are much more positive in their sentiments towards marketing activities in society.

Keywords: consumer sentiment, lifestyles, New Zealand

1. Introduction

The concept of consumer sentiment refers to the general feelings that consumers have for marketing and the market place. As such it is applicable for analysing macromarketing problems concerned with evaluating and tracking the performance of marketing managers at a societal level. As it is an indicator of the way consumers feel about the market place, its importance has tended to surface at times of depression or uncertainty when it has become clear to policymakers and managers alike that it is important to understand more about overall levels of satisfaction and optimism in the market place.

For the policymaker, tracking consumer sentiment can give early warnings about market conduct and performance, while for the marketing manager, consumer sentiment may be useful both to assess the general mood of the market and also as a background against which to benchmark satisfaction information from one's own customers.

Previous work on the results of consumer sentiment surveys has focused in two areas. Firstly, there has been work on the overall movement of the indices of favourability towards marketing over time, and secondly, there has been research into the contribution of some demographic variables towards explaining variations in individual levels of sentiment. Though significant relationships have been found with a number of demographic variables, the associations have not been strong or consistent. Clearly, changes in consumer sentiment over time will not occur uniformly across the population and we would expect some parts of the population to be more favourably disposed to marketing activities than others. To date there are no clear identifiers that help describe these vari-

ations. This paper seeks to address this issue of variation in consumer sentiment across the population by investigating how consumer sentiment varies across psychographic or lifestyle segments as opposed to the demographic characteristics of respondents.

The rationale for this investigation is the same as that made many times over the last thirty years regarding the relatively poor performance of demographic characteristics as predictors of consumer behaviour and the need to investigate other relationships in order to improve our understanding (e.g. Plummer 1974, Wells 1975, Cierpicki and Riquier 1997, Foxall 1997). The case has been made for looking at a series of attitudinal, behavioural and motivational variables in preference to demographics in order to obtain both better predictions and improved explanation of differences. Since lifestyle segments are based on attitudinal and value responses to a wide range of issues, one would hope that they would not just show stronger correlations to aspects of consumer sentiment but that they can also offer some insight or explanation as to why consumer sentiment may vary across individuals.

2. Background

General measures of consumer sentiment and attitudes to the market place have been of interest to marketing academics since the immediate post-war years. Early attempts to look at the area focused on consumer confidence (e.g. Katona 1963), and were designed to assess how disposed consumers were towards major spending over forthcoming periods from a few months to more than a year. These indices have now been run over many years and are used by forecasters as one indicator

of economic health. For example, in New Zealand, Morgan Research and Westpac Trust both compete with such indices as information for their clients.

The 1970's saw the development of a new focus with attempts to measure specifically how consumers felt about marketing. A transition is apparent in the type of work undertaken by organisations such as Michigan University and the Yankelovich organisation that developed more complex monitors of attitudes that included feelings about specific institutions in the market place (Gaski & Etzel, 1986). Three researchers (Barksdale & Darden 1972, Barksdale, Darden and Perrault 1976, and Barksdale and Perrault 1980) developed and applied measures aimed specifically at assessing sentiment towards marketing activities. The rationale underlying these changes was the increasing level of public criticism in America regarding some aspects of marketing practice. Heightened awareness of consumer issues, particularly since the late 1950s (when most national consumer organisations were founded), resulted in persistent criticism of some marketing activities. Some scholars, such as Drucker, had reinforced marketing's obligations by defining the existence of consumerism as the shame of marketing (in Kotler 1972).

The measures developed in the 1970's employed a series of five global questions covering different areas of marketing activity. In order to more effectively and reliably track how well marketers were doing with the general public, Gaski and Etzel proposed a new multi-item measure to assess consumer sentiment in 1986. They constructed a multidimensional measure based around the four elements of the marketing mix. Initially, seven items were included for each element of the mix and these were reduced to five after reliability analysis.

Indices were generated for each element of the mix by summing the scores across the five items and an overall index of sentiment towards marketing was obtained based on a sum of the four components weighted by consumers' perceived importance of each element (vis a classical multi-attribute model). (See the appendix for the full list of items in the scale).

Since its publication, there have been a number of attempts to assess and monitor consumer sentiment but these have tended to be ad hoc rather than systematically applied over time. Perhaps the most significant development in the recent literature is the work by Fornell (1992) and Fornell et al (1996) proposing a series of national consumer satisfaction indices. This approach moves away from the Gaski and Etzel method, which looks at the gestalt or overall feelings and uses a series of general questions towards a process of aggregating satisfaction responses from a sample of companies drawn from different areas of the economy.

Obviously the Fornell approach contains more detail but it is problematic to administer without major support and raises questions about how sentiment measures from different sectors of the economy are aggregated. As a practical and easily

administered instrument, the Gaski and Etzel measure remains the most well developed approach to consumer sentiment identified in the literature and certainly the one which has been subject to the most rigorous testing for reliability and validity. As well as the original study, the measure has been successfully tested in both South Africa and New Zealand (Boshoff and du Plessis 1992 and 1995, Boshoff and Powell 1996).

Attempts to explain variations in consumer sentiment have focused on a few demographic variables and, though some significant associations have been found, these do not explain much variation, nor do they seem to be consistent from time to time. For example, Gaski and Etzel found that men were more critical than women on the overall index but no other studies have found this association. Boshoff and du Plessis, however, did find women to be more critical than men on the product index of their first South African survey, and on the price index in their second South African survey.

Perhaps the most consistent association between any aspect of consumer sentiment and any demographic variable is that of increasing antipathy towards advertising with age. This link has been identified on at least three occasions in South Africa and New Zealand. However, to further illustrate the variations in demographics that have been found, advertising was positively associated with education in both the South African studies but negatively related in New Zealand. Whether this is the result of differences in values between the two countries, differences in advertising content or approach, or a function of different overall levels of education, is not clear.

Some of the most significant differences in South Africa have been based around language, particularly between the English and Afrikaans speaking communities. Differences have been found across all but the advertising index, with Afrikaans most unhappy about retailing/distribution and pricing, while English speakers are less favourable towards the product dimension. Ready explanations for these associations are not available but they do serve to emphasise the potential for culturally based variations.

One variable that has produced no consistent or highly significant association with any aspect of sentiment is income level. It is surprising that income effects have not been identified with either the price or the product indices. If disposable income were low at an individual level, it would be reasonable to expect higher levels of dissatisfaction with price. Likewise, low income levels may constrain the product choices that are available and restrict consumers in the quality of the goods and services that they may be able to purchase.

Summarising the work done using Gaski and Etzel's scale, it is possible to say that it seems to be a reliable measure with discriminant validity between the component dimensions, but there are few consistent associations which explain any of the variation in responses encountered in different aspects of sentiment towards marketing.

Furthermore, the quoted R^2 values in the regressions used to establish those relationships show that they explain between about 8% and 15% of the variance in the indices. The lack of association with demographic variables suggests a need to examine other personal variables that could explain differences in sentiment towards marketing.

It is therefore the intention of this study to build on previous work undertaken by looking at the association between consumers' lifestyles and variation in responses to the consumer sentiment index. Lifestyles segments, through their underlying motivational dimensions, are proposed to further our knowledge of why people view marketing in society in a particular way. Underlying this proposal are the results of a previous lifestyle study (Lawson et al. 1990), which had shown differing levels of satisfaction in terms of whether or not consumers' aspirations were being met. Variations in materialism and resources amongst the segments suggested that we should identify differences in sentiment indices.

3. Methodology

The opportunity arose to incorporate the Gaski and Ezzel scale into a study of consumer lifestyles in New Zealand. This study was carried out by the Marketing Department at the University of Otago. The approach to the survey is through conventional AIO (activities, interests and opinions) domains established in the 1970's. The whole survey contains over 500 questions and the Gaski and Ezzel scale fits logically amongst the other opinion questions that deal with the market place.

A postal survey was administered to a random sample of 10,500 New Zealanders using a commercially acquired database. A reminder was issued ten days after the first posting and a number of prizes including kitchen appliances and video cassettes were offered as incentives for people to reply. In addition, for each completed survey returned, \$1 was donated to a charity selected by the respondent from the list of three provided. A total of 3773 usable responses were obtained. Lifestyle segments were generated using the K-means cluster procedure available on SPSS for Windows. The consumer sentiment scale was checked for reliability and validity using Cronbach alphas and factor analysis techniques. Variations in sentiment for the different aspects of the Gaski and Ezzel scale are examined by contrasting the highest and lowest quartiles using comparisons of frequencies and stepwise logistic regression.

4. Results

4.1 Lifestyle Segments

Table 1 presents a short summary of the lifestyle segments generated from the analysis of the AIO material. Further information on the segments is given in the discussion of the results and a fuller description and analysis can be found in Todd et al (1996).

3.2 Sentiment Indices

3.2.1 Reliability Analysis

The first phase of the statistical analysis involved assessment of the internal reliability of the measuring instrument. Cronbach alpha coefficients were calculated for each of the four indices and, following Gaski and Ezzel, the two of the seven items with the lowest item-to-total correlations were removed in each instance. All four alphas fell between the range of 0.73 and 0.78, as shown in Table 2, indicating an acceptable level of internal consistency.

3.2.2 Confirmatory Factor Analysis

The model to measure consumer sentiment was tested against the data by a confirmatory factor analysis using LISREL for Windows. The basic model produced an RMSEA of 0.08, a GFI of 0.88 and an AGFI of 0.85. Since good goodness of fit statistics are difficult to obtain with large samples, these may be regarded as quite acceptable.

Furthermore, investigation of the modification indices suggested that substantial improvements could be gained by freeing up error covariances between some of the variables without adding or deleting any paths between the observed and latent variables. The most important of these was to link two variables contributing to the advertising index, namely "I enjoy most advertising" and "Most advertising is very annoying". Given the strong inverse semantic relationship between these two variables, we can be more relaxed about freeing up the covariance between these variables (Mulaik 1997). Addition of this one modification reduced the RMSEA to 0.07 and improved the GFI and AGFI to 0.92 and 0.89 respectively. All these statistics are regarded as showing an acceptable fit of the model to the data and confirm that it is reasonable to pursue further analysis using the sentiment indices.

3.2.3 Index construction and scores

The four indices are constructed by summing the scores over the five questions for each of the marketing mix elements. Thus each of the four indices has a range from -50 to +50. The overall marketing index is a weighted sum of the four individual components and has a possible range from -200 to +200.

It is obviously difficult to compare all these results, especially those from the different countries, but it is clearly evident that the response in this study is very much more positive towards marketing than any of the previous studies (see Table 3). This includes the results from the only other related study conducted in New Zealand, which was undertaken eight months earlier in the same year. There is an approximate three points movement in the product index, and almost a nine point movement in the price index.

Results regarding advertising are almost the same and there is a small fall in the distribution index. It is difficult to explain

Table 1:
New Zealand consumer lifestyle segments

Active "Family Values" People 15.5%	Large families (3+ children) Well-educated Middle income	Family and community focus Traditional principles Positive outlook
Conservative Quiet Lifers 13.5%	Retired/widowed, 50+ years of age Low education, income Small town NZ	Reflective and nostalgic Conservative views Homebodies
Educated Liberals 9.7%	Highly educated, high income Females Unmarried	Progressive and egalitarian Socially concerned Enjoy variety and diversity
Accepting Mid-Lifers 17.1%	Married, dependent children 30-44years Males of NZ/UK descent	Observe rather than partake Accepting of status quo Content
Success-Driven Extroverts 16.4%	Well-educated, high income 20-39 year old males Married	Value free enterprise Self-oriented Actively ambitious
Pragmatic Strugglers 14.7%	Unmarried, dependent children Females under 35years Low income, education	Family survival focus Politically conservative Determined
Social Strivers 13.0%	High number from ethnic minorities 45+ years Low income, Education	Feel life is a struggle Conformist Outer directed

Table 2:
Comparative reliability analysis

	Gaski & Etzel	Boshoff & du Plessis	Boshoff & du Plessis	Boshoff & Powell	This Study (NZ)
Index	1986 (US)*	1990 (SA)	1993 (SA)	3/1995 (SA)	
Product	0.82	0.85	0.83	0.81	0.73
Price	0.77	0.72	0.70	0.79	0.78
Advertising	0.76	0.79	0.80	0.73	0.74
Retail	0.78	0.76	0.78	0.77	0.75

* US=United States of America, SA-South Africa and NZ=New Zealand

Table 3:
Comparative index score

	Gaski & Etzel	Boshoff & du Plessis	Boshoff & du Plessis	Boshoff & Powell	This Study (NZ)
Index	1986 (US)*	1990 (SA)	1993 (SA)	3/1995 (SA)	
Product	n/a	-2.72	-9.94	-1.52	+1.59
Price	n/a	-8.47	-24.37	-8.24	+0.58
Advertising	n/a	-6.43	+0.61	+1.42	+1.79
Retail	n/a	+1.36	-0.42	+10.84	+8.32
Overall marketing index	-14.85	-16.26	-34.13	+2.50	+12.71

* US=United States of America, SA=South Africa and NZ=New Zealand

the change in the product index but seasonal factors and exchange rates may help in understanding the other shifts. The survey for this current study was administered at the beginning of the pre-Christmas shopping spree. Crowded shops at this time could make the retail index fall, while competition for custom and associated sales which accompany some of the Christmas retail promotions may have had a beneficial effect on the price index. The period up to Christmas also saw a rise in the strength of the New Zealand dollar against all major foreign currencies, including that of the USA, Australia and Britain. Prices of many imported items such as toys and clothing, together with summer travel costs, fell as a consequence.

3.2.4 Consumer sentiment & Lifestyle segments

Examination of the distribution of the sentiment indices showed that only the overall marketing index had anything approaching a normal distribution (even here there was some degree of negative kurtosis). Each of the four component indices tended to follow bi- or tri-modal patterns. For example, the product index showed three clear modes between -20 and -10, -3 to +4 and +10 to +20. Alternatively, the distribution index showed two modes between -8 and 0, and +15 to +20. Due to the lack of clear central tendency in these distributions, it was decided that conventional analysis of variance and regression were perhaps not the most appropriate methods of analysis.

Instead, it was decided to focus the analysis on the consumers at each end of the sentiment index and seek to explain who were the favourably and unfavourably disposed people within the sample, as opposed to the respondents in the middle range of each index. Consequently, comparisons have been

effected between the top and bottom 25% of respondents on each index. This approach can also be argued from a point of practical relevance, since in most consumer research more is learned by examining the extremes, and direct contrasts between those groups are more likely to uncover discriminating variables and different response elasticities.

Analysis has been done in two ways. Initially, the frequency distributions are given for both sentiment groups (favourable and unfavourable percentages) for each index by lifestyle segment. (see Table 4 for details of the percentage of each segment expressing both favourable and unfavourable sentiment towards the different indices). Subsequently, the results of a stepwise logistic regression are given where membership of the favourable and unfavourable groups is explained in terms of the lifestyle groups and demographic variables. This analysis gives a direct contrast of the explanatory power of the different variables. The regression results presented include only those demographic variables that had a significant relationship with any of the indices. For this reason, both education and ethnic grouping (the closest variable in the survey to language as used by Boshoff and du Plessis 1990, 1993) which have been identified in some previous studies as significant are not referred to in the discussion, whilst associations with marital status and income are found for the first time in any research.

3.3 Product index

As shown in Table 4, four of the lifestyle groups are favourable towards the product index, while three are weighted towards the unfavourable. The extreme positions in the two groups are taken by the Pragmatic Strugglers and the Success Driven Extroverts. Both the Success Driven Extroverts and

Table 4:
Index responses by lifestyle segment

Segment index	Active Families	Conserv. Q-Lifers	Educated Liberals	Accepting M-Lifers	Success Extrovert	Pragmatic Struggles	Social Strivers
Product							
Fav.%	21.7	5.0	11.9	16.9	36.6	2.8	5.2
Unfav.% (n=1728)	8.0	15.8	8.0	11.3	4.0	36.5	16.5
Price							
Fav.%	21.1	5.0	11.8	17.3	34.8	2.8	7.2
Unfav.% (n=1343)	8.3	13.7	10.7	15.6	6.8	31.0	14.0
Retail							
Fav.%	20.3	11.2	9.6	13.7	22.1	9.3	13.8
Unfav.% (n=1898)	8.5	10.3	11.6	17.0	17.6	26.5	8.6
Advertising							
Fav.%	16.5	4.1	7.7	18.4	37.8	8.1	7.3
Unfav.% (n=1657)	9.9	19.0	14.9	10.2	5.4	23.9	16.7
Overall							
Fav.%	21.9	2.8	11.9	16.5	39.6	1.5	5.9
Unfav.% (n=1157)	5.7	16.5	9.9	13.7	4.7	34.0	15.5

the Active “Family Values” people are heavy acquirers of new products. In the case of the former, they like to purchase all sorts of personal and family items, while the latter focus on the home. Both are fairly affluent groups and therefore satisfaction with product dimensions may be due to purchasing better quality alternatives than do some of the other segments. The Educated Liberals are also an affluent group but appear more critical of products purchased.

The logistic regression analysis (see Table 5 for details) shows that three variables were included in the equation as well as the constant. The method employed was the Wald forward stepwise which selects variables according to the size of the Wald statistic (i.e. the ratio of the unstandardised logit coefficient to its standard error). Hence the lifestyle segments are

selected as the most important of the variables in explaining consumer sentiment, followed by age and marital status.

The base categories for the categorical variables are the Social Strivers for the lifestyle segments and divorced/separated people for marital status. A positive coefficient shows that the variable makes it more likely to classify a case in the positive sentiment group and a negative coefficient makes it more likely to classify into the negative sentiment group. Hence Conservative Quiet Lifers and Pragmatic Strugglers predict to the negative group – as would be expected from the percentages given in Table 4. All other lifestyle segments, age and the four marital status groups also predict to the positive group.

This model correctly predicts almost 80% of cases to the correct groups and the Nagelkerke R^2 is 0.50. The Nagelkerke

R square is an adjustment of Cox and Snell designed to vary between 0 and 1 and is thus more analogous to the R square in a conventional regression, while Cox and Snell is argued to underestimate higher levels of explanation in a regression. Though not directly comparable because previous studies have completed conventional multiple regression on the whole range of the index, this level of explanation is far high-

er than anything previously published and neither age nor marital status have been linked with the product index in previous studies.

(ii) Price index

Regarding price, from Table 4 it is evident that we have two segments weighted towards the favourable end, namely the

Table 5:
Logistic regression results for the product index

Variables in the Equation	Step first included	Wald	B	Sig
Lifestyle Segments	1	427.3		.00
Active Family Values		75.8	2.07	.00
Conservative Quiet Lifers		2.5	-.41	.89
Educated Liberals		49.5	1.74	.00
Accepting Mid-lifers		55.4	1.73	.00
Success Driven Extroverts		183.7	3.68	.00
Pragmatic Strugglers		14.2	-1.05	.00
Age	2	54.8	.22	.00
Marital Strugglers	3	12.3		.02
Single		8.1	.72	.01
Married		5.5	.47	.02
Living with Partner		6.5	.64	.01
Widowed		6.7	.91	.01
Constant	0	72.6	-2.71	.00
Variables not in the Equation		Wald	B	Sig
Gender		2.0		.15
Income		0.04		.85
R Square	Cox and Snell		.37	
	Nagelkerke		.50	
% correctly classified	79.4			

Success Driven Extroverts and Active “Family Values” People. On the other hand, three are unfavourable, while two are almost split evenly. Again, it is the four most affluent groups that show most favour and the Pragmatic Strugglers (the lowest income group) showing the highest dissatisfaction. The Conservative Quiet Lifers, the oldest group, may see changing prices as a disturbing feature. While their absolute

income level is low, members of this group are debt-free when compared to the other two low income groups (i.e. the Pragmatic Strugglers and Social Strivers).

The logistic regression results for the price index are detailed in Table 6, with the only two variables included in the equation being the lifestyle segments and age. The variance explained is lower than the product index $R^2 = .37$ and the

Table 6:
Logistic regression results for the price index

Variables in the Equation	Step first included	Wald	B	Sig
Lifestyle Segments	1	264.3		.00
Active Family Values		40.1	1.55	.00
Conservative Quiet Lifers		3.3	-.51	.07
Educated Liberals		12.4	.88	.00
Accepting Mid-lifers		12.2	.80	.00
Success Driven Extroverts		94.2	2.42	.00
Pragmatic Strugglers		27.0	-1.64	.00
Age	2	20.1	.11	.00
Constant	0	30.1	2.71	.00
Variables not in the Equation		Wald	B	Sig
Marital Status		1.7		.79
Single		0.0		.97
Married		1.8		.24
Living with Partner		0.7		.39
Widowed		0.4		.54
Gender		3.3		.07
Income		0.4		.52
R Square	Cox and Snell		.35	
	Nagelkerke		.37	
% correctly classified	72.4			

percentage correctly classified is lower at 72.4%. The regression emphasises how the Conservative Quiet Lifers and the Pragmatic Strugglers are associated with the unfavourable sentiment group, while the positive relationship with age is another new finding in this survey. One factor that might explain the age relationship with the price index is the level discretionary of income, which is thought to increase with

age. As mortgages and other loans are paid off and the costs of bringing up a family recede, more discretionary income is usually available and this could lead to a more positive view of prices within the market place.

(iii) Advertising index

Again looking at Table 4, it appears that the most critical

Table 7:
Logistic regression results for the advertising index

Variables in the Equation	Step first included	Wald	B	Sig
Lifestyle Segments	1	287.5		.00
Active Family Values		32.1	1.23	.00
Conservative Quiet Lifers		7.1	-.66	.01
Educated Liberals		0.01	-.02	.94
Accepting Mid-Lifers		43.7	1.43	.00
Success Driven Extroverts		117.9	2.60	.00
Pragmatic Strugglers		4.0	-.43	.05
Gender	2	22.3	-.59	.00
Income	3	8.1	.07	.00
Constant	0	17.2	-.74	.00
Variables not in the Equation		Wald	B	Sig
Marital Status		3.4		.49
Single		.65		.42
Married		.36		.55
Living with Partner		1.0		.31
Widowed		0.2		.67
Age		0.6		.46
R Square	Cox and Snell		.26	
	Nagelkerke		.34	
% correctly classified	73.3			

group regarding advertising is the Pragmatic Strugglers, closely followed by the Conservative Quiet Lifers. The relatively high number of Pragmatic Strugglers in the unfavourable group is in line with their feelings towards the other elements of marketing, while the Conservative Quiet Lifers expressed dissatisfaction with issues such as advertising standards in other parts of the questionnaire. Additionally,

this older group will have memories of the early years of public broadcasting services which were advertising-free. With age having been found previously to have some association with increased antipathy towards advertising, finding the number of Conservative Quiet Lifers in the unfavourable group is not surprising, but it is interesting to note that the Pragmatic Strugglers is a much younger group.

Table 8:
Logistic regression results for the retail index

Variables in the Equation	Step first included	Wald	B	Sig
Lifestyle Segments	1	118.1		.00
Active Family Values		4.1	.42	.04
Conservative Quiet Lifers		13.2	-.78	.00
Educated Liberals		4.0	-.43	.05
Accepting Mid-lifers		7.3	-.53	.01
Success Driven Extroverts		1.2	.22	.27
Pragmatic Strugglers		43.0	-1.30	.00
Age	2	51.3	.15	.00
Income	3	26.7	-.11	.00
Constant	0	0.11	0.6	.74
Variables not in the Equation		Wald	B	Sig
Marital Status		1.6		.81
Single		0.03		.85
Married		1.1		.31
Living with Partner		1.1		.30
Widowed		0.01		.93
Gender		3.2		.07
R Square	Cox and Snell		.12	
	Nagelkerke		.16	
% correctly classified	63.4			

Social Strivers are also critical of advertising, which is surprising in some ways given the materialistic nature of this group. Also less favourable towards advertising appear to be the Educated Liberals. This result reaffirms previous findings showing a negative relationship between liking of advertising and level of education in New Zealand, but the logistic regression results (shown in Table 7) are non-significant for this group.

Overall, this group is the most socially aware and critical.

The Success Driven Extroverts are, overwhelmingly, the most favourable towards advertising. This is consistent with their general free enterprise philosophy. Accepting Mid-Lifers are also a favourable group. They have a high rate of television consumption and, with 20 minutes in every television hour in New Zealand given to advertising, this would be difficult if

Table 9:
Logistic regression results for the overall marketing index

Variables in the Equation	Step first included	Wald	B	Sig
Lifestyle Segments	1	287.5		.00
Active Family Values		57.1	2.23	.00
Conservative Quiet Lifers		10.1	-1.13	.00
Educated Liberals		18.4	1.22	.00
Accepting Mid-lifers		24.9	1.35	.00
Success Driven Extroverts		122.8	3.39	.00
Pragmatic Strugglers		23.7	-2.15	.00
Age	2	31.5	.18	.00
Gender	3	10.2	-.54	.00
Constant	0	38.2	-1.75	.00
Variables not in the Equation		Wald	B	Sig
Marital Status		1.9		.76
Single		0.1		.81
Married		0.0		.95
Living with Partner		0.5		.49
Widowed		0.6		.43
Age		1.0		.32
R Square	Cox and Snell		.40	
	Nagelkerke		.53	
% correctly classified	78.5			

one didn't enjoy advertising. The other pro-advertising group is the Active "Family Values" People who, despite a strong spiritual foundation underlying many of their values, are still pro-commercial.

Again, as displayed in Table 7, the lifestyle segments are included in the logistic regression as the most important variable, along with gender and income. The Conservative Quiet Lifers and the Pragmatic Strugglers segments are again the most negative. Also included in the equation are gender and income. Females are more critical of advertising than males, while there is a small but significant positive effect from income. As noted above, this relationship with gender has been identified with the overall, product and price indices previously, but not with advertising. The relationship with income is a new finding but the direction is as one would expect.

(iv) Retail index

The distribution or retail index shows some noticeable differences compared to the other three indices, as displayed in Table 4. Firstly, four of the segments show little relationship with this index, including the Success Driven Extroverts. This variation is surprising but may be explained by other findings to be discussed later.

The only unfavourable group on this occasion is the Pragmatic Strugglers. As with the other three, they make the highest contribution to the negative response towards this index. The two most positive groups are the Active "Family Values" People and the Social Strivers. The position of the latter is difficult to understand but the former is consistent with their responses toward other elements of the marketing mix. One feature that may be relevant to the Active "Family Values" People is that they tend to live outside of the main centres of population, in rural areas or small towns. Other work with rural consumers (Larsen 1996) has suggested that rural consumers may be inhibited about complaining about service because of the personal nature of the relationships between buyer and seller. It may be that Active "Family Values" People do perceive better retail service because they have more of a close, personal relationship when compared with their more urban counterparts.

As shown in Table 8, this index has both the lowest level of explanation and the lowest R^2 of all the indices. Three variables (lifestyles, age and income) are included in the equation but the constant is not significant in this case. Only the Active "Family Values" group has a positive significant coefficient and the non-significant result for the Success Driven Extroverts confirms the frequencies in the previous table. Age has a positive association with the index and income a negative one. Neither relationship has been identified in previous studies.

(v) Marketing index

The results of the overall index (see Table 4) emphasise the

trends identified with the individual indices. Two groups stand out as being very positive towards marketing, namely the Success Driven Extroverts and the Active "Family Values" People. Conversely, three groups appear more negative, the Conservative Quiet Lifers, Pragmatic Strugglers and Social Strivers.

As displayed in Table 9, the regression analysis for the overall index has the highest R^2 value at .53 and the second highest percentage of cases correctly classified. Again the lifestyle segments are included as the most important variable, ahead of age and gender. Age shows a positive relationship with the overall index in the same way that it has with all the mix indices except advertising. As with the advertising index, females are shown to be associated with the negative sentiment group.

Discussion

Findings from this study show quite clearly the number of satisfied and dissatisfied consumers varies considerably across the lifestyle segments and how the lifestyle segments are much more influential in predicting the favourable and unfavourable sentiment groups than are demographic variables. Consequently, this discussion will focus on the segments and why this might be the case, but first the findings relating to the demographic variables will be briefly summarised and discussed.

On first sight, these seem quite different to most of those from previous studies but care must be taken with comparisons because the regression methodologies are different. For example, if we consider age, previous studies have found a negative relationship with advertising and no relationships with other indices. We have no relationship with advertising and a positive relationship with all other indices. Considering the difference in methods, the findings may not be incompatible with previous work.

The relationship between gender and the overall index is the reverse of Gaski and Etzel's original study, while the negative female link with advertising is new. Lower female sentiment has been discovered with other indices previously, and apart from Gaski and Etzel's result, there is a consistent pattern that, wherever a significant relationship is found with gender, females are always more critical of marketing. The links with income have not been previously identified, but they are not illogical and do tend to be the weakest of all the significant relationships. Again, it is not impossible that analysis of previous studies using the regression method employed in this paper may have thrown up these same associations. The relationship between marital status and the product index is more difficult to explain, except that it may be masking a resource or income relationship. The base group of divorced and separated people is the only one associated with the negative sentiment people and this group is usually more socially and economically deprived. However, income did not become

significant in the equation when marital status was removed.

Turning to the lifestyle segments, the only group that contributes a significant above average proportion to every one of the individual sentiment indices is the Active "Family Values" People. They are a well-educated, affluent group with traditional principles. With a positive outlook on life generally, they are optimistic about their future and that of New Zealand. This group is a prosperous segment comprising members who are active consumers, especially for items that contribute to the home and family. Arguably they are enjoying a very good quality of life and they have the second highest proportion of people in the overall favourable sentiment group, comprising 21.9% of that group compared to being only 15.5% of the overall population.

The Conservative Quiet Lifers are an older group, with low education levels, low income and a nostalgic, backward looking orientation. Despite the low income levels, this segment is largely debt free and seems to enjoy a comfortable existence. For the overall index, this segment contributes the second highest number to the unfavourably disposed group and very few to the positive group. Across the four individual indices, the Conservative Quiet Lifers are most positive towards the retail index. This variation may again reflect the arguments made earlier about the small town focus of the Active "Family Values" People. This group also tends to live outside the main centres and the more personal small town and rural dynamic may explain why the sentiments on the retail index follow a different line to the other ones.

The Educated Liberals are a prosperous group with strong social concerns in many areas. Consistent with this, they are more likely to express criticism about advertising but conversely they are positive on the product index. They are discriminating consumers who favour high quality products and thus the positive orientation on this index is not surprising. On the other two dimensions they show no significant variation from the average and so, on the overall index, the product and advertising dimensions cancel each other out.

Accepting Mid-Lifers contribute slightly more to the overall favourable group than the unfavourable one, with most of this variation arising from the advertising index, where they supply the second highest number of people. This trend is consistent with the profile of this segment who seem largely contented with the status quo and who prefer to observe rather than participate. It is also worth noting that this segment, which is the largest identified in the segmentation analysis, contributes a smaller percentage to both the favourable and unfavourable groups than would be expected from its size. The fact that more of its members lie in the middle sentiment section also fits with the profile of its members.

By a considerable margin, the most positive segment towards marketing is the Success Driven Extroverts. This is a highly educated, male dominated and successful segment which

strongly favours free enterprise and individual achievement. This segment contributes the highest percentage to the favourable groups in all four sub-indices and the only expression of any unfavourableness with marketing is the larger proportion expressing some dissatisfaction with the retail index. This is not an easy discrepancy to explain but it is consistent with other characteristics of this segment. For example, the Success Driven Extroverts express higher levels of brand loyalty than most other segments but lower levels of store loyalty. They are also the converse of the Active "Family Values" segment and the Conservative Quiet Lifers in that they are strongly concentrated in the main urban centres where store choice is larger and retailers are less likely to develop personal relationships with many of their customers.

The most negative segment of all towards marketing is that of the Pragmatic Strugglers. Comprising 14.7% of the population, they contribute 34% of the group with unfavourable sentiments towards marketing. They form the highest percentages in the unfavourable groups of all four marketing mix indices and they almost fail to register at all in the positive product and price groups. The most logical explanation for this is their low level of economic resources. This segment has very low income levels, and a high proportion of single parent families. Their outlook on life is not all pessimistic but it is clear that they cannot consume heavily and, from the number of overlockers that they possess, it seems that they have adopted a number of self-help strategies like making clothes for the family. However, it is clear that their quality of life is lower than other segments in the study and so is their dissatisfaction with marketing. Price issues will be a major concern for this segment and, if they are only able to afford lower priced products, it may be expected that they also experience some problems with product quality.

The Social Strivers is another low income, low education group who feel that life is a struggle. As with other low resource groups, the Social Strivers are more orientated towards negative perceptions of marketing and again this shows through most clearly with the price and product indices. The retail index is the one exception to this pattern of unfavourability and it is difficult to offer any convincing explanation for this feature. One possibility that has been suggested relates to the fact that this segment has a higher representation of ethnic minorities. Many of these people will have their own more specialised, and possibly more personalised, retail contacts. Like the Accepting Mid-Lifers, the Social Strivers are, overall, slightly underrepresented in terms of their contribution to the composition of the two groups with distinct feelings about marketing. Taken overall, the Social Strivers are the least critical of the three low income groups, which is compatible with their more conformist and materialistic nature.

Conclusions

It is apparent that there are clear relationships between the

lifestyle segments and their dispositions towards different aspects of marketing. The amount of resources enjoyed by the segments seems to be particularly associated with the price and product indices, with low income groups being distinctly less favourable. Positive sentiments are strongest amongst those groups not only with high levels of resources but also with more of a commercial orientation, a factor which distinguishes the Educated Liberals from the Success Driven Extroverts and the Active "Family Values" People. Both the advertising index and the retail index provoke different patterns of responses from the other two and may be related to principles and segment characteristics other than resources. These may be part of a generally more critical attitude towards society, as with advertising and the Educated Liberals, or they may be features of location and market place experiences as has been suggested with the Active "Family Values" People, the Conservative Quiet Lifers and the Social Strivers.

Up to this point, the analysis has been restricted but the process of isolating those consumers with definite views towards marketing, favourable or unfavourable, has served to emphasise that lifestyle segments offer a lot of potential for investigating variations in sentiment towards marketing. What is strongly implied from the associations described in this paper is a relationship between quality of life and sentiment towards marketing. The prosperous and socially satisfied segments are, quite understandably, the people who give marketing activity the most favourable assessment.

The consequences of such conclusions are significant. Firstly, they mean that marketers must be prepared to manage varying levels of support over time as economic and social conditions change. As an example, in retrospect it is possible to see the increased criticism of marketing in the 1970s referred to by Barksdale et al. against the background of oil shocks, increased economic uncertainty and rising unemployment. Secondly, the results call into account how well marketers are serving particular segments of our society. The lifestyle segmentations conducted at Otago have been accepted as the industry standard in New Zealand. It is quite clear from our dealings with businesses using these segment profiles that only very occasionally are companies with some special interest at all concerned with the Conservative Quiet Lifers, the Pragmatic Strugglers or the Social Strivers. Despite the fact that these groups together comprise 40% of the population, there is a real unwillingness to consider any of these groups as prime target markets because of their more limited resources. Even companies from sectors that realistically embrace the whole population, such as food, finance and media, have all expressed this attitude.

It may well be that the dissatisfaction with marketing expressed by some of these lifestyle segments is the consequence of providing these segments with sub-optimal products and services because of a lack of direct attention to their

needs. Targeting strategies designed to serve the requirements of the Success Driven Extroverts or Educated Liberals are not going to help the satisfaction levels expressed by the Pragmatic Strugglers.

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Appendix

Gaski and Eztel Scale of Consumer Sentiment

28 items relating to the four elements of the marketing mix are assessed with five point scales labelled from "strongly agree" to "strongly disagree". Four importance scales are rated on a five point scale from "extremely important" to "not at all important".

Product and Product Quality

The quality of most products I buy today is as good as can be expected

- I am satisfied with most products that I buy
- Most products I buy wear out too quickly
- Products are not as well made as they used to be
- Too many products that I buy are defective in some way
- The companies that make the products I buy don't care enough about how well they perform
- The quality of products that I buy has consistently improved over the years

Price

- Most products I buy are overpriced
- Businesses could charge lower prices and still be profitable
- Most prices are reasonable considering the high price of doing business

- Competition between companies keeps prices reasonable
- Companies are unjustified in charging the prices they charge
- Most prices are fair
- In general, I am satisfied with the prices I pay

Advertising

- Most advertising provides consumers with essential information
- Most advertising is very annoying
- Most advertising makes false claims
- If advertising was eliminated consumers would be better off
- I enjoy most advertisements
- Advertising should be more closely regulated
- Most advertising is intended to deceive rather than inform customers

Retailing/Selling

- Most retail stores serve their customers well
- Because of the way retailers treat me, most of my shopping is unpleasant
- I find most retail sales people to be very helpful
- Most retail stores provide an adequate selection of merchandise
- In general, most middlemen make excessive profits
- When I need assistance in a store, I am usually not able to get it
- Most retailers provide adequate service

Importance scales

- How important to you is the quality of most products available to buy
- How important to you are the prices you must pay to purchase most products
- How important to you is most of the advertising you read, see and hear
- How important to you are the selling conditions at most of the stores at which you buy products

Biographies

Rob Lawson is Professor of Marketing at the University of Otago where he has worked since 1987. Previously he worked at the University of Sheffield (UK) Rob's special area of interest is in consumer behaviour and he has been a principal

researcher of three major consumer lifestyles projects in New Zealand. Separately, he is also has an ongoing involvement with research in behavioural pricing.

Sarah Todd is a Senior Lecturer in the Department of Marketing at the University of Otago. Sarah also specialises in consumer behaviour and has been the other principle researcher with Professor Lawson in the last two lifestyles projects. Sarah's other principal research programme is involved with analysing the consumer behaviour of children.

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A History of Network and Channels Thinking in Marketing in the 20th Century

Ian Wilkinson

Abstract

The development of research explaining the structure and operations of interfirm relations and networks in marketing channels and business markets is described. The focus is on the main contributors and research themes that have underpinned the development of marketing thought in this area since the beginning of the 20th century. I show how ideas have been borrowed from other disciplines such as economics and the behavioral sciences to inform research and develop marketing theory, and how different but overlapping research traditions emerged in North America, Europe and Australasia. A broad picture is painted of the intellectual history regarding the subject of interfirm networks, rather than a detailed exposition of particular theories or contributions. This is followed by a state of knowledge assessment in terms of five fundamental explananda identified at the outset of the article. I conclude by discussing some of the main research issues challenging researchers in the 21st century.

Keywords: History of thought; marketing channels; distribution; business networks; inter-firm relations; marketing theory

“The further backward you can look, the farther forward you are likely to see” Winston Churchill

1. Introduction

The study of interfirm relations and networks can be traced to early civilizations, as people tried to understand the emergence of various institutional arrangements associated with the buying and selling of products and services, including the emergence of markets, retail and wholesale institutions, international trading systems and the like (e.g. Dixon 1982, 1984, 1991). The purpose of this article is to put into perspective the study of one aspect of marketing by tracing its historical development in the twentieth century. The timing is appropriate: as we commence the 21st century we can reflect back on the 20th and see what we have learned.

I take a broad view of the field of interfirm relations and networks. It is meant to include theories or concepts developed to help explain why systems of interrelated firms and other organizations arise to carry out production and marketing work. In the marketing discipline this includes the study of: marketing and distribution channels in domestic and international markets; supply chains; business to business markets and the nature and role of relations between buyers and sellers; and institutional studies of intermediaries such as retailers and wholesalers. Each of these areas draws heavily on research from other disciplines including economics, geography, sociology, politics, psychology, social psychology and law.

2. Why Study History?

There are many reasons for studying history. As the Winston Churchill quote at the beginning of this article suggests, history can teach us about the future. In terms of our understanding of business networks this means that insights into current problems and issues can be found by examining earlier work. In his article for the 60th anniversary issue of the *Journal of Marketing* George Day summarised the role of the study of history this way:

“Histories serve many functions. They reveal our origins, celebrate our successes, and remind us of our debts to our intellectual ancestors. A history also helps interpret the past by identifying the reasons for important transitions.” (p 14)

The history of thought to be described reveals the way our ideas have developed over the last century and reveals something of the sociology of science and knowledge development. It shows how earlier scholars sometimes addressed issues that could only later be taken up and developed, as methodologies improved and complementary areas of theorizing emerged permitting a fuller realization of the earlier ideas. We see how the practice of science is influenced by the timing of the introduction of ideas, the nature of the environment of ideas and theories into which a new theory or insight is borne. History matters in the sense that theory development is path dependent: the emergence of particular scholars and

ideas at particular times and places shape future research and theory development. We will see the way economic ideas dominated early theory development and how this gave way to the introduction of theories from other social sciences as they developed – beginning in particular with the work of Wroe Alderson and his colleagues. Later, the empirical revolution shaped the way research on the behavioral dimensions of interfirm relations developed. Lastly, we see how the way a question is initially framed and the initial focus of interest can entrain a particular path of development – as in the focus on power and conflict in the study of behavioral dimensions of interfirm relations.

A final reason for studying the history of thought is that many scholars today do not have the time or inclination to delve into history to discover and read the original formulation of concepts and theories. This can lead to an unfortunately narrow and biased view of the nature and sources of ideas. It can lead to misunderstandings and misinterpretations of the original concepts and even to mistakes that could have been avoided had earlier contributions been better understood. One example of this is work on the economic principles underlying the existence of channel intermediaries and the nature and role of diseconomies of scale that led to a misrepresentation of earlier economic principles (see section on economic principles and network structure).

3. Scope and Organisation

This article goes some way to providing a broader historical backdrop to the study of channels and business networks. Having said this, it should be noted that there is a vast and growing literature in this area and it is impossible in one article to do justice to all the various contributions. But this is not my purpose. The purpose here is to describe the broader intellectual pathways that have led us to where we are today, or what may be described as “Big History” (Christian 1991). It is not meant to be a complete history of the development of marketing thought like the work of Robert Bartels (1962) but one focused on a particular aspect of marketing theory. The history described necessarily reflects a personal view of the important events, concepts and people that have shaped our thinking, based on my own research and teaching in the area in Australia, Europe and the USA. It is thus a Western view of intellectual development in the area based on publications in English. Some of the people and concepts are well known and accepted, others less well known, even though their ideas, I contend, underpin more familiar theories and approaches. I am sure some will feel that important sub-themes and people are left out or not given sufficient prominence in the history described and that others (such as my own efforts!) are over-represented. This is perhaps inevitable in a subject as broad as this covering such a long period.

The article is organized as follows. First, the fundamental research questions concerning business networks are discussed. The history of thinking and research in the area is

then described in terms of various evolving and interconnected streams of research, beginning with the work of early economic and social theorists in the first half of the twentieth century. From then on the history is organized, for convenience, primarily by decade but it is linked also to key contributions and transition points in thinking and research.

In terms of number of publications most research in the area has taken place in America, but in this review I include sections on European and Australasian contributions. This is done for the following reasons. First, important contributions and different approaches have emerged elsewhere which have not been fully represented in American publications. Second, by considering the work going on in other parts of the world we gain a better appreciation of how ideas develop in part in response to local contexts and opportunities. Of course, the focus on Australasian and European contributions also reflects my own interest and involvement in this area of research. Finally, because this article is being published in the *Australasian Marketing Journal*, it is appropriate to summarise the development of research in this part of the world.

After describing the patterns of development of ideas I return to the fundamental research questions and consider how far we have progressed. This leads on to a final section in which some potential areas for future research are discussed.

4. The Explananda

Marketing channels or business networks refer to the interdependent systems of organisations and relations that are involved in carrying out all the production and marketing activities involved in creating and delivering value in the form of products and services to intermediate and final customers - what is now coming to be referred to as value chains, systems or networks. There are at least five fundamental research questions concerning the structure and operation of such networks:

- Why are networks structured the way they are? This includes the reasons for particular types of organizations existing at different times and places, the reasons for activities being divided up among them and the nature of the relations or connections among them.
- To what extent and how are the activities of different organizations in a network coordinated, managed and controlled?
- How and why does the structure and coordination of a network change over time, i.e. how does it develop and evolve?
- How do we identify and create optimal or better performing networks?
- How do (and should) individual organizations in a network deal with their relations with others in the network?

5. The Founding Fathers and Mothers: 1900 – 1950s

The beginning of systematic theories of the structure and coordination of business networks in the 20th Century may be traced to the early institutional economists who contributed some of the basic concepts and principles that have become the foundation for later research. I have selected three that I believe have been particularly influential i.e. John Commons, Joseph Schumpeter and Ronald Coase¹.

John Commons, combined ideas from law, economics and psychology in his 1934 book *Institutional Economics*, which was further developed in *The Economics of Collective Action* published in 1950 after his death. Commons focused attention on transactions as the basic unit of analysis and on the processes involved. He identified three different types of transactions: a) bargaining transactions, involving the transfer of property rights; b) managerial transactions between superior and subordinates; and c) rationing transactions, involving primarily government distribution of burdens (e.g. taxes) and benefits (e.g. budgets) among people. He showed how collective economic organization, i.e. economic institutions, arises and evolves to manage the inherent conflicts of interests among individuals and how collective organization is in control of individual action in that it both constrains and enables it. This basic idea is to find its expression again in the 1980s and 1990s in discussions of network strategy and the concept of network position. He also distinguished between strategic transactions that alter the nature of agreements and shape subsequent routine transactions.

His work made important contributions to the conceptualiza-

tion of market exchange and to the role of behavioral and economic dimensions. His process oriented and dynamic theory of collective organization influenced Wroe Alderson's conceptualization of market transactions and organized behavior systems (see below) as well as more recent attempts to model the dynamics of organization and network structures².

Joseph Schumpeter (1939, 1947) also focused on processes underlying industrial organization and its evolution. He showed how the struggle for survival among different types of organizations and networks, competing to serve the needs of society, shape the evolution of industrial structure. According to Schumpeter, institutional change stems from a process of innovative competition, rather than the more limited concept of price competition. Organizations and business networks adapt to changing conditions and new technologies in their attempts to carve out a place for themselves in the business system. His ideas provide the basis for many concepts commonly used in marketing such as differential advantage, innovative competition and value delivery systems and influenced more recent attempts to develop computer-based models of industrial organization (e.g. Nelson and Winter, 1982; Arthur et al 1997).

The third major figure of this time is Ronald Coase (1937) who introduced the concept of transaction costs, which eventually led to the award of a Nobel Prize in Economics. His work represents a further development in the conceptualization of exchange and in particular the costs of reaching agreements as well as coordinating, controlling and implementing

Table 1:
Founding economic principles

Contributor:	Contribution
Marshall 1898,1919	Scale efficiencies, marketing and distance
Shove 1930	Expansion and distance
Robinson, 1931	Economies of specialization
Florence 1933	Types of scale, principles of multiples, bulk transactions, massed reserves
Stigler 1946, 1951	Pooled uncertainty, division of labor and market size
Hall 1949	Principle of minimized total transactions
Boulding 1953	Non proportional change
Penrose 1959	Differential growth of the firm

them. Coase addressed the issue of why firms exist instead of a system of market transactions linking individual economic actors. Being an economist he begins with the premise that “first there were markets” and then seeks to understand why firms exist. In marketing we tend to put the problem around the other way. We start with a firm and seek to explain why it delegates or outsources various activities rather than doing them itself. It is the same problem. Coase’s work has been developed significantly in more recent times by Oliver Williamson in ways that have had a profound influence on marketing theories of business networks as well as economic theory generally as will be discussed in a later section.

6. Economic Principles and Network Structure

In addition to these more general concepts regarding the structure and coordination of business networks, various economic principles were being developed in the first half of the 20th century that contributed to our understanding of intermediaries and network structure. The main ones are listed in Table 1.

Marshall in his *Principles of Economics* (1889) and *Industry and Trade* (1919) considered some of the efficiencies that arise from large-scale production, and how the efficiencies of intermediaries, such as wholesalers and retailers, arise because they perform marketing activities on a larger scale. Also, the problem of finding more efficient ways of marketing at a distance was seen as a major concern, an issue that was to become an important focus of attention in marketing in the study of distribution systems.

Shove (1930) extended the analysis of distance and costs and showed how geographic distance and the associated increases in transport costs per unit sold limited the market reach of a firm. The result was that firms were constrained as to the efficiencies they could gain in production and other tasks. This concept was later extended to include psychological distance resulting in increased communication costs per unit sold as more “distant” customers need to be identified and attracted (e.g. Alderson, 1957; Hallen and Wiedersheim-Paul 1979).

Robinson (1931) provided a more systematic account of the role of economies of specialization and scale effects in shaping the pattern of specialization among firms. He showed how external economies arise from relying on other firms to perform certain activities because of the scale efficiencies they can gain that are not available to the firms using their services.

Sergeant Florence (1933) further developed the principles underlying scale economies, noting that many different types of scales exist, including plant, establishment, enterprise, and transaction. Different scales and sources of efficiencies are associated with the performance of different kinds of activity. He identified three important principles: the principle of multiples, bulk transactions and massed reserves. The principle of multiples refers to the lumpiness of factor inputs, such

as machines, land and workers, that operate most efficiently at different scales that do not necessarily coincide. As a firm expands it is better able to match the scales of different operations and minimize slack or over use through the principle of the highest common factor. The principle of bulk transactions concerns the efficiencies arising from larger scale transactions, such as larger scale purchases, shipments, communication, and negotiations, through the use of specialized inputs, fuller use of fixed inputs and set up costs, including transport links, rail cars, trucks, drivers, sales personnel and credit arrangements. Efficiencies here also result from engineering and design principles, which mean that some dimensions of activities and resource inputs increase at a faster rate than others e.g. area versus volume. The principle of massed reserves shows how inventory costs as a percent of total costs decrease with increased sales because fluctuations in demand are more likely to cancel each other out as there are more customers. This principle is the same in essence as that of pooled uncertainty proposed by Stigler (1946) and concerns the gains from spreading or pooling of uncertain events over a larger set. It is the principle that underlies insurance and sampling theory.

Lady Margaret Hall (1949), in her study of distribution, introduced the principle of minimized total transactions, that is directly linked to the existence of marketing intermediaries. She showed how the introduction of retailers and wholesalers reduces the total number of transactions required to link a number of sellers to a number of buyers. This principle has been generalized to all types of marketing activities including communication, transport, payment and contract negotiations and results in the familiar diagrams used in marketing textbooks to demonstrate the efficiency of intermediaries.

The economies of specialization are only potential economies, as Florence noted. This means that activities have to be undertaken at appropriate scales but other required activities and the size of the firm limit the firm’s ability simultaneously achieve all types of efficiencies. These constraints were clarified by Stigler (1951) in his well known paper: “The division of labor is limited by the size of the market.” In this he examines average cost curves for different types of activities of a firm and showed how increasing cost activities constrain the ability of a firm to achieve savings in other activities. Stigler did not provide many examples of increasing cost activities, as his focus was more on production activities. But marketing (as well as management) activities are examples of increasing cost activities, as Shove had already pointed out, and they include increasing transport and communication costs necessary to reach more physically and psychologically distant customers. Increasing costs per unit sold occurs even though the costs per unit transported or communicated are falling. This distinction between the scale of an activity and that of the firm has caused some confusion in marketing as increasing cost activities have been presented as inefficiencies leading to diseconomies of scale. These

Table 2:
Early marketing network theorists 1920s to 1950s

Name	Contribution
Macklin 1921	Efficient marketing
Breyer 1924, 1949	Channel and channel group costing
Reilly 1931	Retail gravitation
Twentieth Century Fund 1939	Distribution cost
McGarry 1951	Contactual function
Vaile, Grether and Cox 1952	Collecting, sorting and dispersing, flows
Duddy and Revzan 1953	Holistic-institutional approach
Aspinwall 1956	Color of goods and distribution systems
Cox and Goodman 1956	Philadelphia housebuilding study

“inefficiencies,” it is sometimes argued, cause firms to spin-off such functions to smaller more efficient specialists (e.g. Mallen 1973). The correct interpretation is that, as firms undertake more transport and communication activities they become more efficient due to the various types of scale economies described. But the increasing distance to markets leads to average costs per unit sold eventually rising. If it was just a matter of remaining “small” to be efficient in performing these activities a firm could duplicate a number of small departments or establishments itself. But the “smaller” specialist is actually operating at a larger scale, or rather scope, for particular activities by combining the work of several firms – just like any specialist³.

The focus on different types of activities and variations in the efficient scales of operation for them led Boulding (1953) to propose a general theory of growth that he termed the principle of non proportional change. The different parts of a system do not grow at the same rate as the growth of the overall system, resulting in tensions among the efficient operation of different parts. A similar principle is reflected in Penrose’s (1959) theory of the growth of the firm, which has become an important foundation for the theory of economic organization. The conflict among efficient scales of operation for different activities can be handled in part by the outsourcing activities to specialists that perform similar activities on behalf of a number of firms and gain efficiencies through the aforementioned economic principles. As a result of this division of labor between firms external economies are gained and an

economic explanation for network structure is provided in terms of cost efficiencies.

7. Early Marketing Theorists

So far the contributions described have been from economists, but there were important contributions made by marketing scholars in the first half of the 20th century in describing and explaining the structure of channel networks. Some of the main contributors are listed in Table 2.

Early descriptions of marketing institutions and their functions – the so-called institutional and functional approaches to marketing were largely a-theoretical enumerations and classifications. But there were some notable exceptions.

An early pioneer was Macklin who in 1921 published a book on *Efficient Marketing for Agriculture* that includes discussions of the rationale underlying the structure of marketing systems in terms of interrelated systems of local organizations federated into one or more central organizations⁴. He stressed the importance of the working relations between farmers and local middlemen and between different levels of middlemen in bringing about successful and efficient marketing. His work can be seen as the forerunner of work on marketing and economic development and the way the development of marketing institutions linked local markets into larger scale markets that permitted the process of economic specialization and innovation to be supported. This is accomplished by providing outlets for the resulting products and services as

well as incentives to develop and innovate because of the different types of products and services made available through these linked markets (e.g. Moyer and Hollander, 1968; Slater 1968). Macklin also discussed marketing activities in terms of assembling, grading, standardizing and distributing, which are forerunners of the collecting, sorting and dispersing concepts developed later by Vaile, Grether and Cox and Alderson, as discussed below.

Another early pioneer was Ralph Breyer (1924) who, in an early text *The Marketing Institution* incorporated ideas from psychology and social psychology and tried to develop a holistic view of marketing. He introduced the idea of marketing flows, portraying marketing structures in terms of the flow of electric current through networks of wires when connections are made. A long serving faculty member at the Wharton School at the University of Pennsylvania, his main contribution was in terms of providing a systems oriented approach to depicting, conceptualizing and quantifying channels in order to aid channel control and improve efficiency. He distinguished business unit channels, enterprise channels, business type channels and channel groups in terms of the level of aggregation of the business actor involved, which helped clarify analysis. He also attempted to develop a more systematic analysis of channel costs (Breyer 1949).

Reilly (1931) examined some of the factors governing the spatial structure of channel networks in his theory of retail gravitation. He drew on central place theory from economic geography and showed how intermediate-trading communities developed between larger towns according to empirical attraction rules. This was the forerunner of later work on market areas and spatial patterns of trade and marketing.

A major study of distribution was conducted by Stewart, Dewhurst and Field (1939) entitled *Does Distribution Cost Too Much?* They attempted a systematic evaluation of the costs of distribution in the US, "under great difficulties at a time when statistics were scarce and when intellectual concepts concerning distribution were confused and uncertain" (Cox et al 1965, p 7). Their study was not equaled until 1965 when Cox and his colleagues produced their study (see below).

In the late 40s and 50s there was increasing dissatisfaction with the state of theorizing in marketing, which was first articulated by Alderson and Cox in their 1948 article in the *Journal of Marketing*. They proposed various ways in which marketing theory could be advanced, including making use of ideas from institutional economics, geography and other behavioral sciences. This set the scene for many of the developments that took place in the next decade or so centered to a large extent on the work of Wroe Alderson and his colleagues at Wharton⁵. The contributions of Alderson are considered in the next section. For the remainder of this section I review important contributions by marketing scholars emerging in the 1950s.

McGarry (1951) offered a classification of generic marketing functions, which went beyond the more descriptive accounts. In particular, he proposed a contactual function, by which firms develop and maintain webs of relations with other firms that lead to system flexibility and adaptability. He also noted that the initiative in organizing interfirm networks could come from various locations, including both producer and consumer ends of the channel. This was one of the first attempts to depict channel structure as complex adaptive networks co-produced by the organizations involved and not necessarily dictated by one organization or channel captain. McVey (1960) further emphasized the point that channel networks were not necessarily under the control of one type of organization and that organizations often face very limited choices in "designing" the channels for their products or services. Their work, along with Alderson's contributions discussed in the next section, herald the beginning of a greater focus of attention on issues of channel management and control – issues that were to become an increasing focus of attention towards the end of the 1960s.

A neglected but important classic was a book published in 1952 by Vaile, Grether and Cox entitled *Marketing in the American Economy*. This combined the thinking of many scholars to develop a framework for analyzing the marketing system of a society, including the complex structure of linked institutions making up production and distribution systems. The book begins with a chapter on the "complexities of breakfast," that shows the complex systems of organizations and transactions involved in bringing together the assortment of goods and services required to enjoy breakfast in an American household of the time. The work of marketing was characterized in terms of collecting, sorting and dispersing and marketing flows, and some of the principles governing the emergence of intermediaries and other forms of marketing organization were described. The spatial structure of channel networks as well as the division of work among different types of organizations was considered.

Duddy and Revzan (1953) proposed an alternative conceptualization of the marketing system. Their holistic-institutional approach is an early attempt to incorporate system theory notions into the analysis of marketing structures. Unfortunately, their work tends to be overlooked by later scholars because the term institution became associated with the more narrow and sterile approach of describing types of marketing organizations and their functions – the Institutional School. Also, their theoretical contribution was buried in an appendix to an otherwise more traditional marketing textbook of its time, which did not help its promotion. Systems theory ideas and functionalism in the deeper sociological sense were to find expression in the work of Wroe Alderson and later scholars.

The first comprehensive in-depth study of a business network was undertaken in the 1950s (Cox and Goodman, 1956). Its

aim was to map out and analyse the patterns of transactions and organizations involved in supplying the goods and services needed for building a house in Philadelphia. A massive amount of data was collected tracing the origins of the materials back through multiple transactions and organizations to the original sources of supply, such as to the timber in a forest or to the minerals in a mine. Only a small taste of the output was provided in the article. The type of data gathered would be capable now of a much more thorough and sophisticated analysis, given the advances that have been made since in the computer analysis of network data. It is unlikely that such a study will ever be carried out again and it is a pity that the data gathered appears to be no longer in existence.

In the same year that the Philadelphia housebuilding study was published, Leo Aspinwall (1956) proposed a systematic means of classifying goods in terms of factors affecting the most appropriate and economical means of promoting and distributing them. He identified five important attributes i.e. replacement rate, gross margin, adjustment (services to tailoring a product to the specific needs of customers), time of consumption (durability) and searching time. These were combined into a general scale he described in terms of a color scale. The mix of direct and broadcast distribution appropriate depended on the placement of products on this color scale. The attributes affect the demand for various types of marketing activities and, therefore, the potential efficiencies to be gained from specialization. The characteristics of goods could change over time as they became better known and developed and thus distribution and promotion systems change. Aspinwall's approach was the forerunner of more sophisticated analytical models to be developed later.

Finally, contributions were made to the economic analysis of channel structure. Balderston (1958) presented a model showing the interaction between the economies of specialization

and the process of competition. He showed how an intermediary setting up between a set of sellers and buyers reduces system costs by reducing the number of number of transactions but it is a monopolist that can charge high prices and earn supernormal profits, which attracts in more intermediaries who introduce competition and bring about price reductions. But additional intermediaries divide the market in some way that limits the economies of reduced transaction and drives up the overall costs in the system. There is a limit to the number of intermediaries that can be supported, depending on the nature of price competition and the costs of entry. By making various simplifying assumptions, formulae for the maximum number of intermediaries can be determined. He developed his model further in the form of a computer simulation of the marketing channel for the lumber industry (Balderston and Hoggatt 1962).

8. Wroe Alderson

Wroe Alderson's work is singled out for more extensive review because it represents a watershed in the development of marketing thinking and in particular about the structure and operations of channel networks and marketing institutions. His ideas were developed and refined over the years through the work he did for his consulting company, Alderson and Sessions, as well as through his research and teaching at the Wharton Business School. Many of his ideas were first proposed in his consulting firm's journal *Cost and Profit Outlook*. Alderson's perspective is that of a participant in the marketing process (usually the seller), rather than an outside observer. He saw the role of theory as helping to improve practice. This contrasts with earlier writing, such as Vaile Grether and Cox (1952). which is more descriptive in character and adopts more the perspective of an outside observer.

Some of Alderson's major conceptual contributions are listed

Table 3:
Aldersonian network principles

Function Concepts	Transactions and transvections Sorts and transformations Discrepancy of assortments Sorting: allocation, accumulation, sorting out, assorting Routine and fully negotiated transactions Postponement Vs speculation
Structure Concepts	Organized behavior systems Operation and power structure Cooperation and competition Monostasy and systasy Dynamics & the proliferation of opportunity Power principle

in Table 3. Alderson is a functionalist, not in the narrow sense of describing types of marketing functions, but in a deeper sociological sense. He developed an intellectual framework for integrating our understanding of the marketing system as a socio-economic system. He sought to understand the nature of work and the functional prerequisites of a marketing system and the way in which marketing organizations arise to carry out this work. This understanding, he argues, is the basis for making such systems work better.

Alderson distinguishes between the function and structure of a system, Function refers to the work, behaviour or activities to be performed by the marketing system and structure refers to the types of organizations and linkages among them that arise to do this work. In terms of functions, the primary unit of analysis is the transaction, drawing on the work of John Commons⁶, and the work of marketing is accomplished through systems of transactions (transvections) linked in series and parallel. The work involved in bringing about transactions and transvections is conceptualised in terms of various kinds sorting processes, i.e. allocating, accumulating, sorting out and assorting, to overcome the discrepancies of assortments between sellers and buyers. The discrepancies of assortments include those of time, place, form, ownership and value, that separate producers and consumers⁷ and, in a macro sense, separate the conglomerations of resources found in nature from the meaningful assortments of goods and services demanded by a society.

Transactions and transformations alternate in marketing systems as decisions and negotiations among buyers and sellers about the sorting of goods gives way to actual transformations in time, space and form. While these concepts of work can be applied to all kinds of marketing activities, Alderson's focus is primarily on physical distribution activities and the distinction between marketing and production activities becomes fuzzy.

Efficiencies are sought in carrying out marketing activities and this drives the structure of the marketing system. These efficiencies are to be found in the performance of transformation activities as a result of specialization, scale economies and reduced contacts but also in the negotiation of transactions. The latter is reflected in his distinction between fully negotiated and routine transactions, which links to the concept of transaction costs. Efficiencies are also to be found in terms of the optimal number of sorts and transformations i.e. in the number of levels and types of intermediaries in the distribution network, which determine the "shortest," i.e. least costly route to market.

Alderson (1950) introduced the principle of postponement as a way of seeking efficiencies in the carrying out of marketing tasks. Postponement means locating more of the sorting and matching processes closer (in time and distance) to the final customer, where the character of demand may be better understood and more closely matched. The opposite of post-

ponement is speculation, which involves undertaking sorting activities at earlier stages in the network in order to get the advantages of centralized, large-scale operations.

The work of marketing is carried out within and between various types of organisations that are termed organized behavior systems (OBS). The main types of OBS are the primary systems of firms and households, as well as channel systems, which he regarded as more loosely coupled. OBS involve both economic and behavioural dimension and have operating, control and communication subsystems by which work is planned and carried out and members of the system are rewarded. Various economic and behavioral principles are used to understand the way OBS come into existence and specialize in particular assortments of activities within the overall marketing process. Cooperative as well as competitive processes are highlighted as people and firms seek to cooperate to gain rewards they otherwise could not but, at the same time, seek their independence from the will of others and evaluate opportunities in terms of their selfish needs. This tension between independent and collective action is reflected in his notions of monostasy (standing alone) and systasy (standing together).

The dynamic nature of marketing structures and the problems confronting participants in marketing systems is emphasized through concepts such as the search for differential advantage, the proliferation of opportunity, and his power principle that says that firms should act so as to maximize their ability to act. Firms seek out competitive niches in the overall system that allows them to specialize in particular assortments of activities that match the requirements of others better than alternatives and which sustain the organization. In this way the structure and operations of the business networks comprising the marketing system are continually made and remade.

9. 1960s: The Economic Structure of Distribution Channels

From Alderson's time a number of contributions start to emerge in America concerning the nature of the economic structure of channels and business networks and the problems confronting the managers of firms. Many of the most important contributions discussed below were brought together in Mallen's (1967) edited collection of readings *The Marketing Channel*.

Studies of distribution systems around this time took a more macro view of the structure of distribution, the most notable being Cox, Goodman and Fischandler (1965) *Distribution in a High Level Economy*. This built on the pioneering study by Stewart et al (1939) and used US census data to show the complex patterns of trade flows in the economy and brought together various economic principles to help explain it. The book used the concept of marketing flows, including flows of products and services, information, risk and title to describe

the marketing activities taking place through distribution networks. The analysis of the structure of trade flows was taken up later in the 1970s and 80s by Layton (1981a, 1981b, 1984).

Bert McCammon (1963) contributed to our understanding of network change and evolution, drawing on the earlier work of Schumpeter and Coase. He brought together research and concepts from various behavioral sciences to examine the processes of change taking place in channel systems. In addition, in a major synthesis of the literature, McCammon and Little (1965), used a systems theory framework to bring together economic theories of channel structure with research on the political and social dimensions of channel behavior, including an extensive bibliography of research up to that time. They highlighted the problems as well as the opportunities of channel coordination and management and the lack of well-developed theories in these areas.

Baligh and Richartz (1967), in their book *Vertical Market Structures*, further extended Balderston's (1958) economic analysis of channel structure to include more kinds of marketing activities. They also added the opportunity for additional types of intermediaries to enter the network between the first level intermediaries and the original buyers and sellers. The economies of specialization from reduced transactions and scale economies together with the price competition resulting from the entry of competing intermediaries results in the development of multiple levels of intermediaries, resembling the patterns observed in actual distribution networks. Much later Zusman and Etgar (1981) showed how the interaction between specialization and competition can result in cyclical patterns of change in structure as changes in the number of intermediaries at one level in the network alter the economies of specialization at other levels and hence the number of intermediaries that can be supported.

Bucklin (1960, 1965, 1966) provided a major step forward in the economic analysis of business networks. He focused on the main types of functions carried out in a channel of distribution and considered the costs of performing these functions with different patterns of specialization among organizations in the channel. The overall costs depended on scale economies and interaction effects among activities, including tradeoffs for example between inventory and transport modes, as well as on the additional activities that must be carried out when specialist intermediaries are introduced. For example, extra levels of transactions, intermediate stocks and transportation arise to link different levels in the channel network. He distinguishes between the normative channel in which costs are minimized and the extant channel, which is the one in operation. Because of the problems of taking into account all the cost functions and interactions, and because these change as a result of technological and market changes, there is always likely to be a gap between the extant and normative channel structure. His model brought together in a clear manner many of the factors shaping the structure of channels.

He also developed the notions of postponement and speculation, first advanced by Alderson, showing how the tradeoffs involved can be represented in simple cost curves (Bucklin 1965). His general approach to analyzing channel structure strongly influenced the analysis of physical distribution systems, where costs and activities are easier to identify, but the application to non physical flows remained underdeveloped until the 1980s when a number of analytical models were proposed, as discussed in a later section.

In Bucklin (1972) he further developed his ideas and explored issues related to the productivity of distribution systems that few in marketing have taken up (for an exception see Ingene, 1985). However, in addition to his work in marketing, important studies of productivity in distribution were undertaken by applied economists in the USA and UK (e.g. Hall et al, 1962; George 1966, Ward 1973).

Another development in the 1960s were computer models of channel systems developed to study the dynamics of the interaction among activities and how this affected performance. Forrester's (1961) models of industrial dynamics and Balderston and Hoggat (1962) models of market processes were the forerunner of later logistics models developed by Bowersox (1972) and his colleagues and eventually to the evolutionary models of network structure emerging in the 1990s (Wilkinson 1990, Easton et al 1997).

10. Institutional Studies

A stream of research focused on the characteristics and evolution of distribution systems and institutions. Some early theories of the patterns of change taking place were advanced in terms of the Wheel of Retailing and Accordion Theory (Hollander 1960, 1966) and attempts were made to understand how environmental factors shaped the pattern of development of distribution networks and how distribution changed as economic development took place (e.g. Moyer and Hollander 1968, Wadinambiaratchi 1965). Descriptive and comparative studies of distribution systems and institutions in different cultures were undertaken (e.g. Bartels, 1963; Boddewyn and Hollander, 1972; Cundiff, 1965; and Revzan 1961). Some general frameworks were proposed for organizing the various types of factors shaping the nature and evolution of channel institutions and marketing systems and this led to the development of a number of comparative marketing systems studies. But the contributions were largely descriptive without any substantive theory building or testing.

A more theoretically based approach is to be found in a series of studies and models of the structure and operations of marketing and distribution systems in La Paz, Bolivia, developed by researchers at Michigan State University (e.g. Slater 1968). These were undertaken with the aim of understanding how changes in distribution systems could contribute to economic development. The ideas were taken up later by Layton (1985) to analyze the role of distribution linkages in

regional economic development in Indonesia.

Before leaving the 1960s it is worth mentioning the publication of a small volume by Lewis 1968. which attempted to integrate the literature on marketing channels in terms the functions, evolution, management and theory of channels.

11. The 1970s: The Behavioral Dimensions of Channels:

As noted already, the issue of channel control began to gain increasing interest towards the end of the 1960s. This was partly a result of Alderson's writings and to researchers starting to draw more on ideas from other behavioral disciplines but also stemmed from the changing realities of distribution, such as the struggle for channel control between manufacturers and large scale retailers (e.g. Craig and Gabler 1940), the conflicts occurring at the time in franchised distribution systems such as the automobile industry (e.g. McCammon and Little 1965) and what Chandler referred to as the emergence of the visible hand controlling the operation of vertical marketing systems (Chandler, 1977)

McGarry's (1951) work on the contactual function highlighted the role of relations and contacts among organizations. McCammon (1963) and McCammon and Little (1965) drew upon behavioral theories and research to show how the non-economic relations among organizations shaped exchange relations and institutional change and raised issues about the nature of channel management and coordination. Mallen (1967) book or readings includes a section on vertical relations including vertical price and power relationships. The latter includes extracts from Palamountain's (1955) study of the politics of distribution, Galbraith's (1956) theory of countervailing power, as well as Mallen's (1963) own article on conflict and cooperation in channels. Other articles that appeared about the same time were by Stern (1967) on channel control and Sturdivant and Granbois (1968) on channel interactions.

Assael (1967, 1968) and his colleagues carried out an important set of industry case studies on conflict in channels, focusing on the role of trade associations in conflict resolution. But it was Louis Stern's (1969) book *Distribution Channels: Behavioral Dimensions*, that galvanized research on the behavioral dimensions. While researchers such as Alderson had described some of the behavioral processes within and between firms in marketing channels, Stern and his collaborators focused our attention clearly, for the first time, on some of the key dimensions involved and identified directions for research⁸. This directly or indirectly inspired a new generation of marketing academics to focus on these behavioral dimensions.

Stern's book took a social systems perspective on channel networks and focused on the roles and relations among firms in terms of role theory, power, conflict and communication. The book included original articles summarizing the literature related to each of these dimension and applying it to the inter-

organization context. In addition, it included a number of important articles describing relevant theories and studies of inter-organization relations from disciplines such as sociology, social psychology and politics, including work by Palamountain (1955); Ridgeway (1957); Kreisberg (1955); and Wittreich (1962). The original articles were the foundation for several doctoral theses at Ohio State University, which later became among the first empirical studies of inter-firm relations reported in the marketing literature. Elsewhere, other empirical studies of behavioral dimensions began as will be described in subsequent sections.

Stern's book opened up a vast new literature to inform our theories of interfirm relations in channel networks, going beyond the predominantly applied economics frameworks then dominating marketing theories. It also heralded the beginning of an era of empirical research to test the theories and hypotheses arising from applying this literature to channel networks. The concepts and theories employed had obvious relevance to the study of interfirm relations. Theories of roles, power, conflict and communication may have had their origins in other contexts, such as interpersonal, intraorganization and community relations but were equally applicable to the inter-firm context and were a fruitful source of new ideas.

What was less directly transferable were the measurements and research methodologies used in other contexts. Marketing had to set about developing its own measures of these dimensions and the causes and consequences of them. This gave rise to a series of papers in the marketing literature in which researchers developed and refined concepts and theories as well as measures of constructs. The initial focus was on the concepts of power and conflict and a review by Gaski (1984) reported 25 empirical studies of power and conflict carried out in the 1970s⁹. While a focus on power-dependence and conflict dominated research, other dimensions that were to assume more prominence in the future began to be studied, such as satisfaction (Lusch, 1977; Wilkinson 1979), performance effects (e.g. Pearson and Monoky 1973) super-ordinate goals (Hunger and Stern 1976) and network characteristics (Wilkinson 1976).

Channels research was more problematic than, say, consumer research, in that organizations were not easily represented in the classroom by students. Instead, researchers had to seek the cooperation of people working in actual organizations to carry out their studies. This led to a number of problems concerning accessing respondents as well as concerns about the reliability and validity of measures and results. The problems encountered included: the absence of established measurement scales; the general state of development of measurement theory and scale development in the marketing discipline at the time; the often low response rates; the problem of drawing inferences from samples drawn from specific industry contexts; and the problem of who to interview. Nevertheless, important strides were taken in getting the subject interfirm

relations firmly on the research agenda and progress was made in the development of measures as researchers learned from earlier studies and borrowed items and scales.

Towards the end of the 1970s, the first attempts were made to develop general conceptual models of interfirm relations by Robicheaux and El-Ansary (1976) and Cadotte and Stern (1979) and the first marketing channels textbooks appeared by Mallen (1974) and Walters 1977. followed by the first edition of Stern and El-Ansary's text in 1982. A review of the literature also appeared (Gattorna, 1978) and the American Marketing Association published the first annotated bibliography (Michman et al 1976).

The focus of research in these years was limited in several ways, as became clearer later. The dominance of power and conflict studies was such that research was not considered successful unless conflict and power was found to be present. This led to a focus on those industries and relations where conflict and power plays are more likely, as in the car industry and franchisor-franchisee relations. The studies were also in the main restricted to survey type studies, often by mail, with perhaps some exploratory interviews preceding the development of the research instrument. The studies usually relied on single informants, focused on only one partner in the relationship and on relations at one level in the channel network. Case studies, experiments, simulations or observational studies were far less common (for exceptions see Dwyer, 1980; Hunger and Stern, 1976; Stern et al 1973).

12. 1980s: The Second Wave of Behavioural Studies

After the initial studies a new generation of researchers added to the pool of academics researching in the area. These were often the doctoral students of the first wave of researchers who had now secured an academic post and were working on additional studies. Researchers from the USA as well the European based Industrial Marketing and Purchasing Group (IMP) and researchers in Australasia, began to develop their own research agendas. These developments are described in this and the next two sections.

Developments occurred in research methodology and in the dimensions of relations being studied. At the beginning of the decade an important study was reported by Phillips (1981) that tackled the problem of multiple informants in interfirm relations research. He showed that the perceptions of a relationship varied across different informants in an organization. This was seen as threatening the validity of much of the work that had been done, leading to further discussion in the literature (e.g. John and Reve 1982). Researchers started to ask questions such as: Which informant's perspective was correct? How do you combine the perspectives of different informants? It affected the conduct of subsequent studies in that attempts were made to use multiple informants or at least to justify why the informant used was the most knowledgeable or appropriate.

This issue also demonstrated another aspect of interorganization relations - that they are multiplex, involving personal as well as business relations and interactions between many people in the organizations involved, including buying and sales personnel, technical people and management. This suggests that there is not necessarily one "real" relationship to be discovered, imperfectly, through the eyes of different informants, so much as many realities that shape interactions within the relationship and within the participant organizations. An underlying core relationship character, that is reflected to some extent in each type of cross organization interaction may exist but it is difficult to measure as it involves using multiple informants from both sides of the relationship. Anderson and Narus (1990) presented a method for incorporating the perceptions of a such a mix of informants into the development of a core relationship measure, but most researchers continued to use single key informants due to time and cost considerations. Also, for smaller firms or business units, there often was only one appropriate informant.

Measurement methodologies became more sophisticated, as did the methods for estimating connections between theoretical constructs - the era of structural equation modeling began. Marketing researchers started to catch up with and even contribute to advances in measurement theory, scale development and causal modeling. As a result, multi-item scales with acceptable psychometric properties were developed for a number of dimensions of interfirm relations that could be used by researchers.

In terms of theory, researchers started to explore additional dimensions of interfirm relations, integrated them into more comprehensive models of relationships (e.g. Anderson and Narus 1984) and sought insight from developments taking place in other disciplines. A senior academic at a conference once described a stage in the development of consumer behavior theory as the "theory of the month club" in which new theories or explanatory concepts were regularly introduced into the literature. In channel network research a similar pattern emerged which we could characterize as the "dimension a month club." The number of dimensions studied expanded (see Table 4) from the dominant focus on power-dependence and conflict to include satisfaction, cooperation, trust, commitment, continuity, reciprocity, communication, formalization, centralization, closeness-distance, opportunism, performance, comparison level with alternatives (Cl_{alt}) etc.

The dimensions of power and conflict were refined to distinguish more clearly between the sources and uses of power (e.g. Frazier and Sommers, 1986; Gaski and Nevin 1985), the consequences of power use for the target and user (Anand and Stern, 1985; Kale 1986) and conflict management processes (e.g. Schul et al 1983)¹⁰. The 1980s also saw the birth of specialized journals devoted to channel and business networks such as the *Journal of Marketing Channels* and the

Journal of Business to Business Marketing

More systematic conceptualizations and studies of the dimensions of relationship environments appeared (e.g. Achrol et al 1983), which allowed the effect of environmental conditions to be incorporated into relationship models (e.g. Achrol and Stern, 1988; Dwyer and Oh 1987). This research was also relevant to the study and comparison of inter-firm relations in diverse contexts, such as international relations (e.g. Anderson and Coughlan 1987), Just-in-Time relations (e.g. Frazier and Summers 1984) and relations in developing countries (e.g. Frazier et al, 1989; Kale 1986).

13. Transaction Costs and Economic Theory

Economic theory regained prominence with the focus on Oliver Williamson (1975) work on transaction costs and the nature and costs of interorganization governance. John's (1984) research on opportunism was among the first to develop measures and tests of some of his key concepts. Williamson's ideas quickly became part of mainstream research in the channels area as well as in organization behavior studies generally. Many studies were conducted operationalizing and testing models based on Williamson's theories, and linking them to other dimensions of relations (see Rindfleisch and Heide 1997 for a review). In addition, forms of relationships were proposed as additional governance modes to the market-hierarchy dichotomy used by Williamson (e.g. Arndt, 1989; Thorelli 1986). Principle-Agent theory (see Bergen et al 1992 for a review) was used to further develop theories of interfirm relations, as well as theories concerning relational contracting from law, i.e. McNiel (1980) and McCauley (1963). were incorporated into the models and studies, which added yet more dimensions and issues to research.

A broader integration of the dimensions of relations involved linking the behavioral and economic dimensions. Stern and Reve (1980) proposed a political economy framework comprising an internal and external channel polity and economy that interacted in various ways. This gave rise to various testable propositions about the factors driving channel structure and operations. Dixon and Wilkinson (1986) also integrated the behavioural and economic dimensions of channels into a common economic framework. Behavioural variables such as power, trust and conflict were interpreted in terms of coordination activities and tasks that incurred (transaction) costs, and that are subject to the same efficiencies of specialization as other activities. Governance structures and specialist intermediaries result from attempts to gain coordinating efficiencies and tradeoffs occur among the efficiencies of performing coordination versus other types of activities. These tradeoffs underlie channel structure and the kinds of specialist institutions that emerge.

Most empirical studies of inter-firm relations were cross sectional nature and adopted an essentially comparative static

approach to studying relationship structure and performance. But attention began to focus also on the dynamics of relations, how they developed over time and the nature of the problems and issues at each stage. In part this came from attempts to deal with the management issues involved in relations i.e. how firms attempt to use the results of the interorganization relations studies to bring about desired change. Existing relationships are the product of previous histories of interaction between the participants and with others, and one way of seeing how better or worse performing relations came to be that way is to examine how relations develop. Hopefully, this focus would provide some insight as to how managers could intervene in relations to promote beneficial change. Two papers proposed stage models of the development of relations and identified the driving forces behind them i.e. Ford (1980) based on studies being conducted by the IMP group, (discussed in the next section) and Dwyer Schur and Oh 1987. based more on an analysis of theories of relationship development.

A separate but related stream of research on channel networks developing during this period is that reflected in the development of analytical models of channel structures and interactions, which was reported mainly in the journals *Marketing Science* and *Management Science*. This research is more economics based and has its origins in the early models proposed by people like Balderston (1958); Bucklin (1966); and Baligh and Richartz (1967) discussed previously. Models were developed to represent and solve various problems associated with the design and management of channel networks. These included issues such as: downstream vertical integration (McGuire and Staelin 1983); intermediary equilibrium structures (Etgar and Zusman, 1981; Zusman and Etgar 1981); implicit understandings (Shugan 1985); and channel member conjectures and profits (Jeuland and Shugan 1988). No attempt is made here to review developments in this area in more detail.

Lastly, institutional studies of the structure and performance of business networks and relations in different cultural and economic contexts were undertaken, in part building on earlier work by Slater and his colleagues (e.g. Ortiz-Buonofina 1987)

14. Non-American Research Traditions

During the 1970s and beyond important developments in network research and theorising were taking place in Europe and elsewhere. In this section I outline the development of the Industrial Marketing and Purchasing Group (IMP) and their research. In the following I describe research developments in Australasia.

15. The IMP Group in Europe

The founding fathers of thought in Europe were reading the channels literature but their orientations were different in terms of the business context they confronted, the base literature they drew on, their less direct focus on managerial implications, and in terms of the methodologies they employed.

In the early 1970s the original IMP group of researchers were young academics based in Sweden, UK, Germany, France and Italy, who had a common interest in the study of industrial marketing. They were dissatisfied with the dominant marketing paradigm of the time, which focused on consumer goods and adopted a stimulus response, arms-length approach to the customer with the seller as the active party. The business context in Europe they faced was not dominated by fast-moving consumer goods but more by business to business marketing, often across international borders and among organizations and countries with a long history. In these markets the business buyer is active as well as the seller, the customer is not an anonymous mass market but often a limited number of known organizations, and technology development and its management play a more important role. Further, business was often conducted in the context of longstanding relations among buyers and sellers.

The literature informing the thinking of the IMP group and associated colleagues, particularly in Sweden, was less focused on economics. The organization of university business departments in Sweden and other European countries were less rigidly divided into the functional areas of business than in the US and elsewhere, resulting in a more eclectic and wider reading and sourcing of ideas outside the traditional marketing domain. As a result researcher drew more readily on behavioral theories from sociology and organization theory such as the works of Aiken and Hage 1968. Burns and Stalker (1961); Dill (1958); Emery and Trist (1965); Hall (1972); March and Simon (1959); Thompson (1967) and Woodward (1965). In economics the ideas of Edith Penrose (1959) was influential as well as Richardson's (1972) ideas about the structure of industry. Their research tradition welcomed more descriptive in-depth case studies and longitudinal studies of industrial marketing and purchasing situations and important studies of this type were conducted that informed subsequent theorizing (e.g. Hakansson, Johanson and Wootz, 1976; Kinch, 1987; 1993 and Liljigren 1988). There was less pressure to work out the direct management implications of any research and this climate encouraged more long term descriptive studies and general theories to be developed.

The IMP group collaborated on a European wide study of buyer-seller relations in business markets (IMP1), in which both domestic and international relations were included. The study focused on important relations, as defined by the respondents, and interviews were conducted with informants from both sides of the relationship as far as possible, using researchers from the home country of an organisation. Lengthy in-depth personal interviews were conducted using mainly open ended questions, with no attempt to develop scales for particular dimensions of relations. Analysis of the results led to the refinement of the IMP approach to marketing and to a number of books and papers describing various aspects of buyer-seller relations (e.g. Ford, 1990; Hallen et al,

1991; Hakansson, 1982; Turnbull and Cunningham, 1981; Turnbull and Valla 1986).

An interaction approach was proposed that stressed the role and importance of often long term exchange relations between organizations as the dominant form of business (Hakansson 1982). These relations were built up over time through the economic and social/personal interaction episodes taking place among the organizations and people from each side. This resulted in substantial investments in relations, including adaptations in resources, activities and actor bonds between the organizations that created value in the relationship for both parties. Over time, the interactions taking place in a particular environmental context gave rise to a relationship atmosphere involving various interacting dimensions including power-dependence, conflict-cooperation, closeness-distance and mutual expectations, which shaped future interactions. The technology of production and use affected the kinds of interactions taking place and who was involved, in addition to the effect of other characteristics of the organizations, people and cultures involved.

Additional studies were carried out examining particular aspects of relations and interaction behaviour. These included work on the development of technology in relations (e.g. Hakansson 1989), international relations (Rosson and Ford 1982) purchasing (e.g. Hallen 1982), networks (e.g. Johanson and Mattsson 1988) and the nature and development of patterns of interaction in relationships (Liljigren 1988).

The focus of IMP research was on the role and value of relations to the parties involved, which contrasted with the more adversarial focus and concern about the dangers of excessive dependence, conflict and opportunism characterizing much debate in the channels and strategy literature in America. In a sense the IMP group focused attention on the benefits arising from what might be described as "healthy" relations in which value and assets were created through mutual adjustment and cooperation. In contrast, much of the channels literature focused on "sick" relations in which potential problems and conflicts had to be avoided, power resources developed and employed, transaction specific assets protected, transaction costs minimized and conflict managed (Johanson and Mattsson, 1987; and Hunt, 1995; Young and Wilkinson 1989).

The first IMP conference took place in 1984 and this became an annual event drawing researchers with like-minded interests from around the world. Further developments of the IMP groups ideas were reflected in various books and articles describing a number of studies of buyer seller relations in various international and domestic contexts (e.g. Axelsson and Easton, 1992; Ford, 1997; Johanson and Mattsson 1988, Turnbull et al 1996). The actors, activities, resources model of interorganization relations became more carefully articulated and extended (e.g. Hakansson and Snehota 1995). The dyadic interaction focus developed into a network focus, in which connections between relations became a central issue in addi-

tion to the structure and dynamics of the business network as a whole (e.g. Anderson et al 1994). This led to studies and theories of the way networks develop and evolve and the role played by individual relations (e.g. Lundgren 1995).

An important milestone was the second collaborative research study (IMP2), which began in the late 1980s. This had both a case study and survey component. The aim of the case studies was to explore the development of a variety of business networks using a common protocol that covered the characteristics of a focal relation and others connected to it. These cases were included in a book by Hakansson and Snehota (1995) that weaves them into a broader conceptual framework and they were also used as part of an article outlining the theoretical framework (Anderson et al 1994). The empirical survey was in part based on the IMP1 study but was far more structured and included questions about connected relations, giving it a more network focus. Items were included that were designed to measure particular dimensions of relationship atmosphere as well as the functions and types of connections between relations. Again the focus was on domestic and international buyer-seller relations for industrial products, that involved a supplier selling, via some kind of intermediary organization, to an "important" customer organization. As far as possible, all firms in this triad were interviewed and asked about their relations with each of the other firms. In addition, they were asked about connected relations such as the customer's customers, the supplier's suppliers and the like. This study involved cooperation in carrying out the interviews in different countries and people from other countries that were not involved in the original study joined the group, including the USA, Japan, Holland and Australia. Not all countries in the end were able to undertake the research but a substantial data base was eventually gathered covering a number of European and Asian countries. This data base has been used to study various issues related to the nature of relations and the nature and importance of connected relations (e.g. Blankenberg-Holm et al 1996, 1999) and further work is underway to refine the measures of dimensions of relationship atmosphere, to examine cross cultural measurement issues and to further develop and test various models of relationship and network behavior and performance.

The IMP group has contributed significantly to the development of theories and evidence concerning the nature and development of interfirm relations and networks in business markets, as well as to the development of methodologies for studying such phenomena. The theories emanating from this group and associated researchers have drawn widely on developments taking place in sociology, business, history and politics (e.g. Araujo and Easton, 1996). Their ideas have gradually spread, been reported in mainstream American journals and been incorporated in textbooks and commentaries on business marketing (e.g. Achrol and Kotler, 1999; Anderson and Narus, 1998).

The methodological contributions have been mainly in the refinement and justification of more qualitatively focused research methods. Case studies and historical reconstructions of events and processes have dominated much research, rather than survey based methodologies, including the use of archival material. Easton (1995) has articulated the philosophical underpinnings of the IMP approach.

As already noted, the management implications of relationship and network research have been more central to the American research tradition. The IMP perspective has been, until recently, more concerned with developing rich pictures of relations and networks and developing frameworks for understanding them. The connection to management practice is looser, with the implicit assumption that better understanding will lead to better management behavior. As a review of papers presented at IMP conferences concluded, "only very few papers analyze performance impacts" (Gemunden 1997 p 12). But in the 1990s a greater focus on the management and performance implications of their research began and this is reflected in the publication of texts for management courses and a more explicit examination of the strategic issues arising for firms participating in complex networks of relations (e.g. Ford et al 1998).

15. Australasian based Relations and Network Studies

A number of early studies of power, conflict and satisfaction in interfirm relations were conducted in Australia, with several of them included in Gaski's (1984) review. Several studies were conducted by Wilkinson (see Gaski's 1984 review paper), as well as others by Guilhaus (1978, 1979, 1980a, 1980b)¹¹ and Glaser and Halliday (1984). Other research foci include: studies of the macro structure and development of trade in an economy carried out by Layton (1981a, 1981b, 1984), building earlier work of Cox Goodman and Fischandler (1965); and Layton's (1985) work on the role of distribution linkages in economic development, building on Slater's (1968) early work in Latin America.

The empirical studies of interfirm relations were broadened into the Interfirm Relations Research Project, that was designed to develop a comprehensive data base of interfirm relations from a variety of industry, cultural and interfirm contexts (Wilkinson and Young, 1989; Young and Wilkinson 1997). Standardized questionnaires for buyers and sellers were developed covering a variety of relationship dimensions that were refined over successive waves of data gathering and used multiple informants. The research led to the development of a dancing metaphor for characterizing interfirm relations, emphasizing the interactive processes in a relationship, which complemented the structural bonds orientation implied by the commonly used marriage metaphor (Wilkinson and Young 1994).

Another research theme emerging in Australia in the 1980s was an interest in the dynamics and evolution of network

structures and their environments. This work was stimulated in part by Fred Emery, the renowned systems theorist (e.g. Emery and Trist 1965) joining for a time the marketing faculty at the University of New South Wales. Drawing on emerging concepts in systems theory, including dissipative structures and process models of structural evolution, theories of the environment and channel network evolution were developed (e.g. Glaser, 1985; Wilkinson 1990). This led to later work on modelling the evolution of networks (e.g. Easton et al 1987; Wilkinson et al 1999).

Interest in the study of interfirm relations and networks in Australasia gradually increased. In the early 1990s a collaborative relationship was established with the IMP Group, which led to the use of IMP2 research instruments to develop a database of interfirm relations and networks involving Asian firms, and the hosting of an IMPOZ conference and doctoral consortium in 1997. Another development was the hosting of the first International Colloquium on Relationship Marketing by Monash University in 1993, drawing contributors from America, Europe, Scandinavia as well as Australasia, with the papers published in a special issue of the *Asia-Australia Marketing Journal* in 1994¹². In general, research on channel and business networks and relationships became a regular theme at the annual Australian & New Zealand Marketing Academy conferences and in 1998 a second International Relationship Marketing Colloquium was held at the University of Auckland in New Zealand in 1998 and an IMPOZ workshop was held in early 2001.

Several types of research areas have emerged out of this growing interest in the study of relations and networks in marketing. Here I can only mention a few. One example is the work by Brodie and Coviello (e.g. Brodie et al, 1997; Coviello et al 1997) and their colleagues in developing an instrument to measure the extent to which firms use transactional versus relational approaches to marketing. Four types of approaches to marketing are measured, i.e., transaction, database, interaction and network marketing, and they have assembled a collaborative group of researchers around the world to collect data about the marketing approaches of firms in different cultural and industrial contexts. Other examples of work in the area include: studies of the role of interfirm and interpersonal networks in the development and internationalization of firms and industries (e.g. Coviello and Munro, 1997; Coviello and Martin, 1999; Welch et al, 1996, 1998; Wilkinson et al 2000); and studies of marketing relationships and networks in various international and domestic settings (e.g. Ahmed, Patterson and Styles, 1999; Mavondo and Rodrigo, 2001; Sharma and Patterson 2000).

16. 1990s - Relations, Networks and Methods

In the 1990s there has been a greater coming together of the various research traditions. The emergence of relationship marketing in industrial and consumer markets, the linking of

services marketing to the study of relations and networks, and the greater emphases on cooperative as opposed to adversarial relations has resulted in an explosion of interest in the area of relations and networks.

In terms of research output Table 4 shows the growth in number of network related studies published in the *Journal of Marketing* and *Journal of Marketing Research* since the 1970s. Issues related to the more cooperative aspects of channel and network relations have gained more prominence in the 1990s. Trust, communication, commitment and value have become focal dimensions in attempts to understand how cooperative, longer term relations emerge, their benefits and the way they can be managed (e.g. Anderson, 1995; Gesykens et al, 1998, 1999; Hakansson and Snehota, 1995; Kalwani and Narayandas, 1995; Morgan and Hunt, 1994; Webster 1992¹³). More comprehensive models of interfirm relations have been proposed and tested involving several dimensions of relations (e.g. see Iacobucci and Hibbard 1998 for a review) and typologies of relations based on the mix of cooperative and competitive elements have been empirically developed (Cannon 1999, Young and Wilkinson 1997). Meta-analyses have been conducted of empirical studies of relation dimensions such as trust and satisfaction (e.g. Geyskens et al 1998, 1999, Iacobucci and Hibbard 1998), as well as more general reviews of research on particular dimensions (e.g. Bergen et al, 1992; Dahlstrom and Dwyer 1993a 1993b; Frazier and Antia, 1995; Rindfleisch and Heide 1997). These overviews of the literature point to gaps, contradictory findings and deficiencies that call for additional research.

Researchers in the 1990s began focusing more attention on network dimensions, as opposed to dyadic relations in isolation (e.g. Alajoutsijarvi et al, 1999; Anderson et al, 1994; Achrol, 1997; Achrol and Kotler, 1999; Hakansson and Snehota, 1995; Iacobucci 1996). Studies were conducted concerning the connections between relations (e.g. Blankenberg-Holm et al 1996, 1999), relationship portfolios (e.g. Turnbull et al 1996, Olsen and Ellram 1997), network evolution (Lundgren 1995, Easton et al 1997), network development and facilitation (Welch et al 1996, 1998), the creation of value (e.g. Anderson et al, 1994; Ghosh and John, 1999; Wilson and Jantrania 1996) and firms' network competence (Ritter 1999).

Increased research interest has been shown in the nature and role of relations and networks in non-western, particularly Asian, cultures where such features are assumed to play a prominent role in business (e.g. *Journal of Marketing Channels* 1994, Ambler et al 1999) These studies have suggested additional dimensions of relations, such as obligatory contracting, guanxi and face, and contributed to the development and refinement of existing concepts (e.g. Johnson et al 1993). Studies of channels and networks in less developed countries have also revealed how these structures are linked to economic development (e.g. Olsen and Granzin

Table 4:

The Development of research on interfirm relations in channel and business networks in the Journal of Marketing and Journal of Marketing Research 1970-1999

1970s	1980s	1990s
Number of Articles in Journal of Marketing		
21	19	38
Number of Articles in Journal of Marketing Research		
17 ^a	23	24
Topic Areas and examples of articles in each area ^b		
Wholesaling & Retailing Changes – (e.g. Davidson 1970) – Trade Areas (e.g. Bucklin 1971) – Franchising, channels for services, industrial distribution (e.g. Hunt 1972)	<i>1. Network Structure and Participants</i>	– Institutional arrangements (Carson et al 1999)
– Functional Spinoff (e.g. Mallen 1973)	<i>2. Economic Determinants of structure</i> – Transaction costs (Dwyer and Oh 1988) – Political Economy Framework (e.g. Stern and Reve 1980)	– Transaction Cost (e.g. Rindfleisch and Heide 1997) – Governance, Agency Theory (e.g. Bergen et al 1992)
– Power- Dependence: Bases and Sources of Power, Dependence (e.g. El-Ansary & Stern 1972) – Influence Tactics, Negotiation Behavior (Etgar 1978) – Conflict (e.g. Rosenberg & Stern 1970)	<i>3. Interfirm relations</i> – Power- Dependence: Relinquishing Control Formalization, centralization (e.g. Lusch and Brown 1982) – Exercised and Unexercised Power, Influence Strategies, Negotiation Behavior (e.g. Gaski & Nevin 1985) – Conflict (e.g. Brown and Day 1981) – Opportunism (e.g. John 1984) – Clalt (Anderson and Narus 1984) – Satisfaction (e.g. Ruerkert & Churchill 1984) – Interorganization exchange behavior and relations (e.g. Johnston and Bonoma 1981) – Communication (e.g. Anderson and Narus 1984)	– Power-Dependence inter-dependence Formalization, centralization (e.g. Anderson and Narus 1990) – Exercise of Power, Influence Strategies, Negotiation, punitive action (e.g. Frazier and Rody 1991) – Conflict (e.g. Dant and Schul 1992) – Satisfaction, Fairness (e.g. Anderson and Narus 1990) – Relational Norms, Internal Political Economies (e.g. Heide and John 1992) – Communication, referral behavior, information asymmetry (e.g. Mohr et al 1996) – Cooperation (e.g. Webster 1992) – Trust (e.g. Moorman et al 1993)

		<ul style="list-style-type: none"> – Pledges, commitment (e.g. Anderson and Weitz 1992) – Long-term relations, Switching behavior (e.g. Ganesan 1994) – Adaptation (e.g. Hallen et al 1991) – Forms of links: EDI Links, JIT, Licensing, contractual relations, Co-marketing, joint promotion, alliances (e.g. Heide and John 1990)
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	<i>4. Network Dynamics, Change and Evolution</i>	
<ul style="list-style-type: none"> – Distribution Dynamics (e.g. Haines et al 1971) – Simulation/modelling (e.g. Bowersox et al 1972) 	<ul style="list-style-type: none"> – Distribution Dynamics (e.g. Lambkin and Day 1989) – Relationship development (e.g. Dwyer Schurr and Oh 1987, 	<ul style="list-style-type: none"> – Channel evolution (e.g. Achrol 1991)

	<i>5. Network Strategy, Design and Management</i>	
<ul style="list-style-type: none"> – Channel Control, Authority, Leadership (e.g. Little 1970) – Channel Management & Planning (e.g. Moyer & Whitmore 1976) 	<ul style="list-style-type: none"> – Resource Allocation, portfolio analysis (e.g. Dickson 1983) 	<ul style="list-style-type: none"> – Network positioning (e.g. Anderson et al 1994) – Complexity (Achrol 1991) – Design and Management (e.g. Purohit and Staelin 1994) – Intensity (e.g. Frazier and Lasser 1996)

	<i>6. Network Performance and Impacts</i>	
<ul style="list-style-type: none"> – Performance, efficiency, productivity (e.g. Steiner 1977) – socio-economic consequences (e.g. Hunt 1972) 	<ul style="list-style-type: none"> – Performance Efficiency (Stern and Reve 1980) 	<ul style="list-style-type: none"> – Performance, Efficiency (e.g. Noordeweier et al 1990) – Value (e.g. Ghosh and John 1999)

	<i>7. Network Environment</i>	
	<ul style="list-style-type: none"> – Environment Uncertainty, Munificence (e.g. Achrol et al 1983) – International contexts (Frazier et al 1989) 	<ul style="list-style-type: none"> – Environment Turbulence (e.g. Achrol 1991) – Networks (e.g. Anderson et al 1994) – International contexts (e.g. Johnson et al 1993)

	<i>8. Methodology</i>	
	<ul style="list-style-type: none"> – Key informants (Phillips 1981) – Reliability and Validity (e.g. Ruekert and Churchill 1984) 	<ul style="list-style-type: none"> – Network Analysis (e.g. Iacobucci and Hopkins 1992)

Notes: ^aThe Journal of Marketing Research Articles 1970s include Research Notes and Communications, including four comments and reply articles relating to empirical studies of channel relations

^bThe example article cited is generally the first published during the period. Some articles are cited more than once because they cover more than one topic area.

1990). Such studies link back to earlier work by Slater and others and have important policy implications for government and multilateral agencies. Lastly, historical studies reveal the pattern of forces producing existing network structures and the impact of different historical, cultural and economic circumstances (e.g. Keep et al 1998).

Lastly, new technologies have been used in the study of business networks that allow issues not previously addressed to be focused on. These include network analysis methods (Iacobucci 1992, 1996) and new ways of explaining and modeling the evolution of business and channel networks as complex self-organizing adaptive systems (Easton et al, 1997; Wilkinson et al 1999). These methods are likely to take on greater importance in the next millenium as awareness of these methods spreads and easier to use computer programs are developed.

Lastly, additional analytical models of aspects of channel networks have been proposed, focusing on issues including: price competition (Choi 1991); channel power relations (Messinger and Narasimhan 1995); channel coordination and pull promotions (Gerstner 1995); channel management (Lee and Staelin 1997); and manufacturer allowances (Kim and Staelin 1999).

17. Where are we now?

At the start of this review I posed five fundamental questions we seek answers to in order to understand the nature, structure, operations and management of business networks or channel systems. Let us now reconsider them in the light of the foregoing review.

Why are networks structured the way they are?

Tremendous progress has been made in understanding the forces driving network structure. The various principles underlying the economies of specialization among and within firms have been identified as well as the inherent tradeoffs among them. We have moved from simplistic descriptive accounts of specialist organizations and their functions to deeper principles that underly the efficiencies of organizations specializing in activities of different scales and scopes. Williamson (1981) has termed these types of efficiencies aggregation economies and there are many ways in which activities can be aggregated to gain efficiencies. The include: aggregating the same activity at a point in time (economies of scale) or over time (learning curves); aggregating activities with common inputs (economies of scope); aggregating complementary activities (administrative efficiencies); aggregating transactions at a point in time (bulk transactions) or over time (long term relations); and aggregating risks and uncertainty at a point in time (pooled risk, massed reserves) or over time (futures markets, adaptive strategy and the learning organisation).

These economic principles extend beyond a narrow conceptu-

alization of marketing channels and networks as beginning "after production" and linking production to consumption, but relate to the entire value production system and to the way it can be divided up into various intermediate assortments of activities, operating both in series and parallel, to gain various efficiencies. We can, in principle, unpack a given network structure and identify the efficiencies underlying the division of tasks, and activity assortments involved within and between firms. In this way we are able to unravel the mysteries of extant networks in terms of the economies of specialization and aggregation. The principles apply equally to the management and coordination tasks as well as to production and distribution tasks (see Dixon and Wilkinson (1986) for a fuller explanation), which leads us into the second fundamental question.

How are business networks and channel systems coordinated, controlled and managed?

Coordination and management activities are often treated differently to other production, marketing and distribution activities. They refer to the so-called behavioral dimensions of channels and networks and are analyzed more in terms of psychological, political, social and sociological dimensions rather than economic principles. However the rebirth of transaction cost economics under the primary leadership of Oliver Williamson has brought the behavioral dimensions closer to the other dimensions. We can now interpret management and coordination tasks in terms of economic principles of efficiencies of specialization and aggregation. Governance structures are specialized institutional arrangements that arise depending on the scope and scale efficiencies arising. Long terms contracts, employment contracts, relational or obligational contracting, the development of trust and idiosyncratic or relationship specific assets are only possible if transactions among those involved are aggregated over a wider range or scope of activities (e.g. in employment or franchise contracts) and/or over time (i.e. the frequency of transactions and duration of a relations). The efficiencies of elaborate governance mechanisms also depend on the extent of the coordination tasks involved i.e. their scale and scope. Some transactions are more routine, immediate and homogeneous, as in commodity trade, FMCGs and low involvement items, whereas other are more complex and time consuming. The latter include situations where uncertainty levels are higher, there are hidden or credence attributes that can only be detected after purchase and use or not even then, when purchase cycles and investment commitments involve lengthy time periods and the environment is more dynamic and uncertain (e.g. high technology markets).

In principle this understanding permits us to analyze existing network structures and governance systems in terms of their efficiency and effectiveness.

An existing network structure may be understood in terms of the tradeoffs within and between the efficiencies of alternative

operating and governance structures. In principle we can identify the most efficient division of tasks at a point in time and over time for carrying out a set of production, marketing and distribution tasks, including taking into account the various tradeoffs involved. Logistics and physical distribution systems analysis have produced models to do this. But an efficient operating system cannot be considered in isolation from its governance structure, the two are different aspects of the one system. What may be the most efficient governance system may conflict with the most efficient operating systems and so tradeoffs at this level occur. Some of the marketing science type analytical models, starting with the earlier work of Balderston, Baligh and Richardtz, attempt to develop simplified models of networks that show the interplay of the economic principles underlying network structures. How such tradeoffs actually occur, what channel systems actually arise from those that are possible, how efficient and effective they are, and whether we can control their development is the subject of the remaining fundamental questions.

But, before we move on to consider what we have learned about the answers to these other questions, it should be noted that the efficiency of a networks structure, including its governance structure is not static. Over time firms learn about each other and their broader environment. Actor bonds develop which act as forms of governance mechanisms, or at least affect the efficiency and possibility of alternative governance mechanisms.

How and why does the structure of networks change over time?

While we may be able to, in principle, unpack an existing network in terms of the efficiency and effectiveness of its operating and governance structure and the tradeoffs involved, this does not explain how a given channel structure came to be and how it will change over time. Economic theory and most models and theories of business networks have focused on comparative static analysis. The focus is on the nature of economic equilibria and the factors affecting such equilibria. Generally, it is assumed that in the long term, under competitive conditions, an efficient equilibrium structure will somehow emerge and, if conditions change leading to another equilibrium, the network will move to that equilibrium in the long run. The trouble is we do not know how long the long run is, whether a network will ever get to such an equilibrium and how many possible equilibria there are.

We are only recently beginning to make headway in this area of analysis of networks. Previous attempts to deal with the processes of change and development were largely descriptive accounts of patterns of change and general accounts of innovation and diffusion processes. We were unable to model the dynamics and evolution of business networks except under very simplified conditions. The most significant attempts are those conducted early on by Balderston, followed by those of Forrester and Bowersox. But recent

developments in the science of complexity and the ability to model the behavior of complex adaptive systems using agent based computer programming techniques open up new ways of developing our ideas. I take this issue up in the section of future research areas.

How do we Identify and Create Optimal or Better Performing Networks?

Our ability to control and manage the development of networks is limited although the marketing literature has tended to assume away the problem. Assumptions of the existence of a channel or network leader or captain that is capable of directing the operations and structure of a network allow us to develop normative models of networks based on our understanding of the forces underlying network structure and efficiency. But networks are not usually like this, they are more loosely coordinated and directed systems in which various members are trying to exercise control over others and are at the same time subject to the influence of others. In this situation the outcomes are complex and may not easily or even in principle be traced to the actions of individual network members (March 1996). As already noted, we are only now beginning to develop models to try to understand the dynamics and evolutionary processes involved and how they could be influenced. Hence I must conclude that at present we are not capable of designing optimally performing network systems, except in simple static situations.

How Should Firms Operate in Business Networks?

The understanding of networks as complex adaptive systems undermines any simple notions of channel and network management. Many studies have been done to model and measure aspects of the interfirm coordination and control process and these provide management with insight as to how to manage these activities. These studies have shown us the way different factors impact on firms' power, dependence and control, and how this power may be used and with what effect. We know a lot about the sources of conflict and how different strategies impact on conflict and its management. More recently research has shown how trust and commitment develop in relations, how this affects attitudes and performance, and the value of longer-term relations. But I believe it is fair to say that theories of channel and network management up to now have focused mainly on the situation of a powerful actor trying to get others to do what it wishes and dealing with the conflicts that arise. There is far less treatment of the less powerful actor and how they should respond to the actions of a powerful actor, yet for all power wielders there must be power subjects. The view of networks I see we are heading to is more complex - one in which no one network member is in charge, controlling and directing the network (Wilkinson and Young, forthcoming). Instead, power in a network is more diffused and firms are as much the subjects of influence as they are the influencees. A self-organizing process is at work in which individual firms sense, learn, respond and adapt to

their positions in a network. They only have limited knowledge of the actions of others and the consequences of their own actions. Firms act both individually as well as in collaboration with other organizations in their network, including suppliers, distributors, customers, complementors and competitors. We may continue to search for magic bullets or new means of controlling the self-organising processes in networks to our advantage, but developments in complexity science show us that this is futile. It may be necessary to continue to believe in such magic bullets and to continue to search for them because this contributes to a healthy self-organizing process. But it is rather like searching for the mythical butterfly in South America that chaos theorists talk about, whose wing flapping caused tornadoes to move in North America, and then trying to control its wing flapping! I return to these issues in the final section on future research directions.

18. Conclusions and Future Research Directions

I have outlined in broad terms some of the main streams of research leading to the current state of thinking and research regarding interfirm relations and networks. We now have a substantial literature and body of research. While much remains to be done we have moved far from the earlier descriptive or prescriptive writing with little underlying theory. We have developed both the economic dimensions of channel and network structure as well as the behavioral dimensions and made attempts to integrate them. We have developed and tested sophisticated measures of many aspects of channel and network structures, operations and environments. We have proposed and tested complex path models among the dimensions of relationships and their performance and have begun to accommodate network level factors into our theories and research. The dynamics and evolution of channels and networks has begun to be more systematically studied and modeled drawing on developments in complexity science. In short we have come a long way.

The history reveals something about the way research develops as an intellectual, professional and social process. Thus we see the echoes of ideas first developed in the early part of the century appear in much later research and the way they are further developed as new tools and theories become available. One example is the development of analytical and evolutionary models in the 80s and 90s that represent more sophisticated and advanced forms of the models proposed in the 1950s and 60s by Balderston, Baligh, Bucklin and Richartz. A second example is the way research on behavioral dimension starting in the 1970s echoes some of the concepts and issues proposed much earlier by Commons and Coase.

Third, the sociology of science is revealed in the way ideas and approaches are developed and championed in particular regions and groups, such as the work of Alderson and the Wharton School in the 1950s and 60s, the group centered around Stern at Ohio State and later at Northwestern, the

development of the IMP group and of the researchers in Australia based at the University of New South Wales. We can see how common interests, cultures, stages in the academic life cycle, as well as location/isolation shape the development of academic agendas. We can see the way the environment and intellectual traditions of different cultures shape the kinds of problems and issues focused on and the methods used – compare the IMP group to the North American research tradition. And we can notice the gradual diffusion of ideas from different groups through the academic community, leading to cooperative research, joint publications and conferences.

Gradually, marketing researchers have carved out distinctive niches for themselves in the study of channel and business networks. They have borrowed heavily from other disciplines in developing and refining their theories, models and methods. Economics dominated at first but as the behavioral disciplines matured, marketing increasingly drew on them and on the field of organization studies generally. But economic theories were not ignored and, as they developed, they have been incorporated into marketing theories, such as the work of Oliver Williamson.

This is as it should be, given the multi-dimensional nature of the area of study. But marketing scholars have made substantial contributions of their own in understanding the character and formation of business relations and networks and to the development of research methodology. This has provided a basis for developing normative theories of how firms should try to cope with the problems of managing their relations with other network members and has shown the limits of an individual firm's ability to do so.

19. Future Research Directions

As already noted, a number of articles in the 1990s have reviewed developments in theory and research in this area and suggested areas for further work. I will not attempt a detailed accounting here but will point to a few areas I believe will become important research areas in the next millennium based on the literature review described.

19.1 Interactions among Relationship Dimensions.

The primary focus to date has been on identifying the causal sequence of effects among relationship dimensions¹⁴. One challenge is to incorporate feedback effects into the models, not just unidirectional causation. This presents methodological challenges and calls for dynamic models and time series analyses. An alternative approach proposed by Young and Wilkinson (1997) is to see relationships and networks gravitating to some form of balance among the various objectives, beliefs, attitudes and behavior taking place, analogous to the way people seek a balance among the various cognitions and responses making up their personality. Consonance, or balance, means that the various dimensions are mutually consistent and reproduce each other over time – a form of dynamic equilibrium or attractor for the relationship or

network. This does not imply that the beliefs, attitudes and behavior are the same for each relationship participant, just that they complement each other. Dissonance implies a lack of balance and tension which drives changes until consonance results. This view calls for a different research approach to causal modeling. We need to identify the types of attractors that can arise for relationships and networks, to examine their characteristics and performance implications and the paths leading to them.

19.2 Connected Relations.

Much research has focused on dyadic relations in isolation or in terms of general environmental characteristics. But networks comprise connected relations. The nature and impacts of connected relations on a focal relation or firm have begun to be analyzed (e.g. Anderson et al, 1994; Wilkinson and Easton 1997) and studies have shown the significant effects of connected relations (e.g. Blankenburg-Holm, et al 1996, 1999). Additional research focusing on this issue is called for as we focus on the network as the unit of analysis.

19.3 Network Analysis.

Iacobucci (1992, 1996) introduced network analysis methods into channel analysis but researchers have made limited use of them to date. Research in other disciplines has shown how such methods lead to the identification of important network dimensions shaping network member behavior and performance (e.g. Burt and Janicik 1996). These include the impact of role and position on behavior and performance, the impact of the characteristics of connected firms on a focal firm, as well as the existence and impact of subgroups and cliques in the network. This calls for gathering data on networks of interconnected firms and relations rather than samples of independent dyadic relations.

19.4 Simulation and Modeling of Complexity.

Advances in computer simulation and modeling techniques offer opportunities to build models to study the dynamics and evolution of business networks in ways that were previously impossible. As Langton 1996, one of the pioneers of these new types of models, summarized the underlying rationale: "it extends the empirical database upon which the theory of the discipline is built beyond the often highly accidental set of entities that nature happened to leave around for us to study."(p iv). Business networks are complex adaptive systems in which order emerges in a bottom up self-organizing way, through the micro interactions taking place (e.g. Arthur et al 1997, Easton et al 1997, Wilkinson et al 2001). The study of such systems, or what is termed complexity, is being increasingly recognized as a new and important focus for research. For example, a recent issue of the journal *Organization Science* (Anderson, P. 1999) was devoted to an examination its potential role in the study of organizations. In addition, the methods are being taken up by business as they

seek improved ways of understanding and controlling the complex business networks of which they are a part (e.g. Axelrod and Cohen, 1999; Ernst and Young, 1998; Roy 1998).

Opportunities exist for researchers to study the dynamics and evolution of business and channel networks by employing these theories and techniques. Some of the existing analytical models of channel structure and operations could be made dynamic and further explored by means of this approach. Early attempts to do this were limited by the resources and programs available (e.g. Balderston and Hoggatt, 196; Bowersox et al 1972).

Modeling channels and business networks as complex adaptive, self-organizing systems focuses attention on the management problems of firms operating in such systems (e.g. Achrol 1991, 1997, Hakansson and Ford, forthcoming, Wilkinson and Young, forthcoming). While firms may attempt to organize and direct the networks of which they are apart, no firm controls the network as a whole. Firms are as much subject to the control of others as they are in control of them. This means that the outcomes of a firm's actions are uncertain in a fundamental way, as they depend on the behavior and reactions of others over whom they limited if any control. In this situation network management is not simply a matter of controlling and directing the behavior of other network members, it is more about participating, responding and learning about the problems and opportunities that emerge (Axelrod and Cohen 1999). There is a need to develop better theories about how firms do and should behave in such complex adaptive networks in order to co-produce better individual and network performance.

In conclusion, it seems clear that the road ahead is not simply a normal science type of tidying up process. To be sure, some issues concerning the nature and operations of channel and business networks are of this kind. But there are also opportunities to break new ground by exploring truly dynamic network level theories and methodologies that will broaden our horizons and challenge existing notions of channel and network management.

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Biography

Ian Wilkinson is Professor of Marketing at the University of New South Wales. Prior to returning to UNSW in 2001 he was the Foundation Professor of Marketing at the University of Western Sydney. He was educated in the UK and Australia and was awarded the first PhD in Marketing at UNSW in 1973. He has held academic posts at various American, European as well as Australian universities including: University of Bath, University of California at Berkeley, University of Cincinnati, Lancaster University, Stockholm School of Economics, Temple University and the University of International Business and Economics, Beijing. He has published three books and over 100 research papers and he is a member of the editorial review board of a number of international journals. The focus of his research and teaching is in the areas of interfirm relations and networks, international marketing, marketing theory and marketing dynamics.

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Endnotes

¹I do not include a discussion of theory of imperfect competition developed by Edwin Chamberlin and Joan Robinson even though this is in many ways the foundation for modern marketing theory. This is because the theory does not directly deal with business network structure and operations

²For a review of Commons' contributions to management theory see Van De Ven (1993)

³For a fuller discussion see Dixon and Wilkinson (1986).

⁴I am indebted to Don Dixon for calling my attention to the importance of Macklin's contribution.

⁵Another important group of researchers was developing among academics teaching marketing in the far western states of the USA. (e.g. Duncan 1958) including researchers such as Balderston, Grether and Revzan.

⁶As indicated, for example, in Alderson 1957 and Alderson and Cox (1948)

⁷These ideas were in part developed with McGuiness (1964).

⁸Bucklin (1970) was another book of original articles exploring the behavioral dimension of channels.

⁹This included Porter's (1974) study of retailer power based on economic statistics

¹⁰Wilson and Moller (1988) identified 44 constructs used in the study of business relationships

¹¹This research was based on that conducted by Lusch (1976a, 1976b) in the USA and involved nationwide studies of the petroleum and automobile retailing. Unfortunately they never got published in journals easily accessible to a wider audience.

¹²The journal has since been renamed the Australasian Marketing Journal and become the official journal of the Australia New Zealand Marketing Academy.

¹³The review by Webster of business marketing was interesting in that it did not mention any of the IMP studies. This reflected the continuing divide between American and European researchers, despite greater interaction and collaboration.

¹⁴One area that is already gaining much research attention is the nature and role of electronic commerce and its impact on relations between firms and with final customers. This new context for interaction will undoubtedly shape the nature and development of relations but it should be possible to identify key contextual dimensions that underlie its impact, rather than to propose new explanatory variables. For example the speed, extent and character of interaction is not the same as face to face communication or telephone or other written forms and these affect who can communicate with whom and the way relations develop.

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Brand Extensions: Prestige Brand Effects

Ashley Lye, P. Venkateswarlu & Jo Barrett

Abstract

Competition and consumer brand attitudes make introducing a new brand risky and very expensive, increasing the attractiveness of brand extensions. Brand extension research has established that original brand quality perceptions, product category fit, consumer perceptions of the product category complementarity and substitutability, plus the transferability of design and manufacturing capability significantly influence extension attitude formation. However, these studies fail to differentiate between brand types and have aggregated out category effects. Using a national survey we show that brand type (prestige, functional) and extension category are important variables in consumer brand extension attitude formation. Perceived quality influences functional brands more than prestige brands as prestige brand attitudes assume quality. Functional brands experience less dilution than prestige brands, implying less risk and greater expandability than argued by previous authors.

Keywords: Prestige brands, brand extension, category extension

1. Introduction

Establishing a new brand name in international markets can require investing over \$100 million (Myers-Levy Louie and Curren, 1994; Pitta and Katsanis, 1995), placing it beyond the capability of many companies. This cost, combined with the struggle to differentiate products, avoid price competition and broaden the market base of a company's products has escalated the value of established brands and driven businesses to consider the potential to leverage their brand equity to new products and product categories. Leveraging brands through brand extensions accounts for "as many as 95% of all new consumer product introductions" (Lane and Jacobson, 1995, p. 63).

The two most common approaches to leveraging brand equity are line extension and brand extension. Line extension is the use of an established brand for a new offering in the same product category. The line extension differs from the original product in relatively minor ways, such as flavor, size, composition and price. Brand extension is the stretch of the established brand to a different product category. (Aaker and Keller, 1990; Reddy and Holak, 1994; Taubler, 1981). The consumers' potential response to the brand name extension is important to the company's extension decision. Variations in that response that may influence the acceptance of the extension are important in applying the overall concept of brand extensions to the specific context of an organisation's decision making.

Brand extension research has increased significantly since

Aaker and Keller's (1990) article on factors influencing consumers' brand extension attitude formation. Numerous replications have tested the significance of Aaker and Keller's variables and over time a pattern has emerged (Barrett et al., 1999).

The effect of tangible and abstract brand attributes on brand extension attitudes has been researched in parallel with the Aaker & Keller model and replications; yet, the two extension concepts have not been integrated. Park et al. (1989, 1991) showed that respondents recalled symbolic (abstract) brands differently to functional brands for brand extensions. Consumers evaluated functional brand extensions on the perceived functional features in the extended category, using perceived cues to form extension attitudes. For abstract brands consumers evaluated the 'concept consistency' of the extension in relation to the original brand. This difference in evaluation process resulted in differing influences of variables on the extension evaluation.

In business terminology, if prestige and functional brands are evaluated differently by consumers, it may be necessary to 'adjust' Aaker & Keller's findings for different business situations. This is particularly important for companies seeking to extend brands across product categories as the brand type may influence the acceptance of the brand in that extended category.

The purpose of this paper is to examine the influence of the type of brand, that is prestige and functional brands, on brand extension attitude formation. We suggest that consumers

respond differently to brand extensions based on their perception of the original brand name. This implies that our attitudes to the extension of prestige and functional brands differs for the same original and extended product categories. For brand type we have adopted Park, Milberg and Lawson's (1991) concept of prestige and functional brands, as follows:

"A function-oriented brand concept is understood primarily in terms of brand-unique aspects that are related to product performance, while a prestige-oriented brand concept is understood primarily in terms of consumers' expression of self-concepts or images." Park, Milberg and Lawson (1991)

2. Literature Review

The ultimate value of a brand is found in the collective mind of consumers, that is, the equity of a brand name is driven by the "... cluster of attributes and associations that consumers connect to the brand name." (Biel, 1993, p. 71). Brand equity is based upon brand associations that exist in consumer memory, which can be influenced by a firm's marketing and, more specifically, their brand strategy (Aaker & Keller, 1989). Thus, if different brands are stored in memory in different ways, this will affect how the brand is perceived when a brand extension is offered.

The primary focus of this paper is to empirically examine the effect of brand type on brand extensions and differences in dilution effects. For completeness we have included other relevant brand extension articles in our review to provide a broader perspective of the extant literature.

2.1 Brand Extension

Aaker & Keller's Brand Extension Model

Aaker and Keller (1990) proposed and tested a model of consumer brand extension attitude formation incorporating the attitude to the original brand, the 'fit' between the original and extension product, and the perceived difficulty of making the extension product (see Appendix 1). They found that perceptions of the quality of the original brand and the product category fit were major influencers of attitudes towards the extended brand. Sunde and Brodie (1993), Nijssen and Hartman (1994), Roux (1995), Bottomley and Doyle (1996) and Barrett, Lye and Venkateswarlu (1999) have replicated this study. The general conclusions of the replications were: consumers' attitudes toward brand extensions are driven primarily by the perceived quality of the parent brand, the perceived fit between the two product categories and by interaction of quality and fit (Barrett Lye and Venkateswarlu, 1999; Bottomley and Doyle, 1996).

An assumption common to virtually all research is that evaluation of an extension is a joint function of how much the brand is liked in its original category (brand effect) and the similarity between the original and extension categories (Boush et al., 1987; Broniarczyk and Alba, 1994). However,

little attention has been paid to other associations specific to the brand itself (Broniarczyk and Alba, 1994). More recent research posits that consumers base extension evaluation on the relevance of parent brand association in the extension category (Kirmani et al., 1999; Park et al., 1991). Evaluation of brand extension is not a simple matter of similarity-mediated effect transfer but that consumers assess the ability of the extension to satisfy their needs and such assessments are driven primarily by the specific associations of the brand (Broniarczyk and Alba, 1994).

2.2.1 Brand Type

Consumer judgements of fit between the original brand and the extension can be based on a variety of dimensions (Broniarczyk and Alba, 1994). Research has defined such dimensions in terms of the prominent attributes shared by the extension and original brand. Attribute associations range from concrete (e.g., involving tangible product characteristics) to abstract (e.g., involving intangible image aspects of the product) (Broniarczyk and Alba, 1994; Park, et al., 1991). Park, et al. (1989) classify these attribute associations as either feature-based (functional) or concept-based (prestige). The complexity of brand extension evaluation was further revealed by Park and Srinivasan (1994) who found that both attribute (functionality) and non-attribute (abstract) model components influence extensions.

Park, Lawson and Milberg (1989) proposed that differentiation between prestige and functional brands is based on different memory structures for feature-based and concept-based brand names. They showed that consumers 'store' prestige (abstract-oriented) and functional (feature-oriented) brands differently and these differences influence the consumers' perception of extended products. Prestige concepts appear more accessible (salient) than functional concepts and are not dependent upon functional comparisons of common characteristics for extension attitude formation, thus making them more extendable within product classes sharing prestige concepts.

Park, Milberg and Lawson (1991) demonstrated that evaluations of brand extensions depend on perceived fit between the extension product and the existing brand and, further, that this fit is a function of both product feature similarity (similar to fit variables considered by Aaker and Keller) and brand concept consistency. They propose that product feature similarity, by itself does not adequately predict or explain brand extension evaluations. Using a two-brand sample, they demonstrated that functional and prestige brands are evaluated differently and that concept consistency may have greater effect on the prestige brands.

The different effects of prestige and functional brand types was supported by Roux (1995), who, in an Aaker and Keller-style study of luxury brand extensions, found conceptual fit and brand quality are the main predictors of perceived exten-

sion quality. They found that “when subjects judge extension perceived quality for luxury goods, they react on a more abstract level, i.e. on the image-related level. On the other hand, when they evaluate a mass market product, they are on a concrete/product-related level” (p. 1975).

Van Riel et al (2001) applied Aaker & Keller’s brand extension model to product and service brands, finding “there are significant differences between the mechanisms consumers use to evaluate extensions of service and nonservice brands” (p. 225). They conclude that aggregating responses ‘is not allowed’, adding credibility to the importance of variations across brand types and the danger of pooling responses.

In summary, brand extension attitude formation has been empirically tested from a number of perspectives, yielding a variety of results that form a mosaic of factors positively and negatively influencing the extendibility of the brand. Brand type (prestige, functional) influences how brand extensions are perceived and this has been related to consumers method of “storing” brand images. In this study we bring together the concepts of prestige and functional brands, quality and Aaker and Keller’s (1990) brand extension attitude formation model to provide an empirical foundation which is generalizable beyond the student samples found in most brand extension research.

Aaker and Keller’s original study (plus all replication studies) did not control for perceived fit, so that it included both product feature similarity and brand concept consistency. The question therefore is whether their model holds for both functional and prestige brands. Further, even if the model is validated, are there any differences in the model due to brand type effect?

We argue that Aaker and Keller’s model (1990) hides important differences between brand types that influence the extendibility of brands. Thus it is important to determine if there is a statistically significant difference between prestige and functional brands using their model. The ‘image-related’ aspects of prestige brands were not included in Aaker and Keller’s model, thus the prestige model should explain less of consumer perceptions of brand extensions, resulting in the following hypothesis:

H_{1a}: Brand type (prestige, functional) influences consumer evaluation of brand extensions. The brand extension attitude formation model will provide less explanatory power for prestige brands than functional brands.

Aaker and Keller (1990) found that quality is an influential predictor of extension attitude. High quality perceptions are normally associated with prestige brands, however we propose the counter-intuitive argument that quality is less important for extension attitude formation in prestige brands. Our argument is based on the assumption that quality is ‘a given’ for prestige brands and the super-ordinate (Park et al., 1991) aspects are more influential in prestige brand extension attitude formation. Thus, in measuring the effect of quality on

brand extensions:

H_{1b}: Quality is a more important predictor variable for functional brands than prestige brands.

The positive image and self-concept associated with prestige brands will be transferred to the brand extension, resulting in a more positive attitude to prestige brand extensions. The higher quality perception for the original prestige brand will result in more favorable evaluation of the extension (Nakamoto, MacInnes and Jung, 1993). Although this point may appear obvious, existing research has not been designed to validate this difference. Thus:

H_{1c}: Prestige brand extensions will be evaluated more favorably than functional brands.

2.2.2 Product Category

The aggregation effect of combining different brands into a single response category for statistical analysis, as used by Aaker and Keller (1990), was questioned by Broniarczyk and Alba (1994). In a study specifically excluding prestige brands they found “that extensions from each of the five product categories were not equally liked” (p. 219), indicating product category effects. These results were supported by Viswanathan and Childers (1999), who found variations between brands in the same product and extension categories.

Brand extension differs from line extension in that it crosses product categories (Aaker & Keller, 1990). However, by aggregating the responses to test the extension model Aaker and Keller (1990) and subsequent replications failed to examine the effect of the extension category itself on brand extension attitude formation.

We propose that the product category will influence attitudes to extensions and that product category will interact with brand type to influence attitudes to extensions. Drawing on the research indicating that the relevancy of the extension category influences attitude formation (Farquhar and Herr, 1993; Nakamoto MacInnes and Jung, 1993), we propose:

H₂: Extension category will interact with brand type to influence extension attitude formation.

Note that this hypothesis is not directional. Our purpose is to validate the statistical significance of the product category effect that is absent from previous extension research. The factors influencing the effects of product category and brand type and their directional influence are beyond the scope of this study.

3. Dilution

The negative influence of brand extension on the original product category, or on the overall brand, is known as brand dilution. Although dilution is acknowledged as an extension risk, there are few empirical studies of dilution effects. Aaker (1990) proposed brand dilution is “*The UGLY*” which

damages the brand name through undesirable associations, weakening existing associations and the detrimental effect of inferior quality. Berthon, Helbert and Pitt (1999) echo this, stating "brand extension, a rational strategy if well conceived and pursued with restraint, can all too easily degenerate into brand dilution" (p. 57). However, neither of these propositions was supported by empirical research.

In contrast to these warnings, Dacin and Smith (1994), in their study of brand portfolios, found that the number of products affiliated with a brand does not automatically harm the brand and may even strengthen it. Their findings were not consistent with the findings of Loken and John (1993) who looked at the effect of single and multiple inconsistent cues associated with brand extensions. They found that unsuccessful brand extensions could dilute brand names by diminishing the favorable attribute beliefs consumers have learned to associate with the family brand name. However, they unexpectedly found a lack of dilution effects for quality beliefs. This may be the result of using generic brands (e.g. brand A) in primarily functional product categories (shampoo, facial tissues).

The effect of category dominance on brand dilution was studied by Leong and Ang (1997), who found that "*for the less dominant brand, greater dilution was observed when the extension was unsuccessful than successful. In contrast, for the master brand there was no difference in dilution for extension success and failure*" (p. 384). Thus, category dominance influences dilution.

The negative effects associated with the brand extension can be managed using a sub-branding strategy that combines the parent brand name with an individual brand name to form a new composite name. However, without a sub-branding strategy, prestige brands may face problems when stretching downward (Kirmani Sood and Bridges, 1999). These results are consistent with Park and Jun (1996) who found that the negative effects of brand extensions can be reduced by composite branding of the extended product, that is, combining complementary brands to transfer attributes of both to the extension thus reducing dilution effects on each parent brand.

Functional brands are evaluated on their performance or product characteristics and have lower quality perceptions than prestige brands. Thus, in evaluating extensions the characteristics of the extended product will have a greater effect for functional than prestige brands and brand quality dilution will therefore be lower. The self-concept associated with prestige brands increases the extension risk for the consumer, as they may not accept the extension category for the prestige brand, creating more variability in extension evaluation attitudes. Thus:

H₃: The dilution of the quality perceptions for extensions will be greater for prestige than for functional brands.

The greater dilution effect from brand extensions of prestige than functional brands indicates that although prestige brands can be extended further, there are trade-offs in terms of the

credibility of the brand as an extended product.

4. Methodology

This research used a mail questionnaire sent to 1,000 people from a systematic sample of every 2400th New Zealand resident, eighteen years and older, drawn from the 1996 New Zealand electoral rolls. This approach differs significantly from the previous student samples that dominate brand extension research. Respondents were 319 New Zealand residents; analysis of which revealed minimal variation from the 'average' citizen as represented by the 1996 New Zealand National Summary Census statistics. The respondents were slightly more educated (18% held university degrees), earned slightly higher average incomes and included 53% females.

The original brands were selected based on: (1) Aaker and Keller's criteria for parent brand selection; (2) identifying paired brands from the same product category, the two brands maintaining distinct prestige and functional brand association; and, (3) not capable of eliciting immaterial responses (Riezebos, 1993). The selection of brands familiar to respondents allows a credible respondent response; thus selection is location specific. The initial Aaker & Keller replications used similar brands, except where country differences necessitated a substitute. Later replications included different brands to improve the generalisability of the results. The selection of prestige (concept) and functional (concrete, usage) brands implies a distinction between the brands in the minds of the respondent, as revealed by previous research (Park et al., 1989, 1991; Roux, 1995). Thus brands should be pilot tested to ensure they are categorised correctly by respondents and brands not eliciting clear category responses eliminated from the study. For comparison, a summary of the brands used in prior extension research is included (Appendix 2) at the end of this paper.

Informal focus groups were used for initial testing of the recognition of potential brands and their allocation into the two brand types. This was followed by a pilot test of 67 students and business professionals, using a draft questionnaire, to test the conformity of the potential brands to the three criteria (above) and respondent's ability to clearly distinguish between prestige and functional brands. Respondents were also asked to comment on their perceptions of the brands and these responses were content analysed to ensure consistency with the brand image captured by the scale responses. This screening process resulted in the elimination of several brands and the retention of three prestige and three functional brands that were clear to all respondents and satisfied the entire set of criteria: Rolex and Swatch watches; Dom Perignon and Marque Vue sparkling wine; and, Harley Davidson and Vespa motorcycles. These brands were selected to include variations in the quality of the products and extensions to provide a robust test of the generalizability of the results. The pretested brands were confirmed using the original brand quality perceptions in the main survey.

Eight brand extensions for each of the two brand types were selected to evaluate extension attitude formation to different product categories, while remaining hypothetical to avoid associations with existing branded products. The only information available to respondents was the hypothetical combination of a known brand name and product category.

In order to reduce respondent fatigue two questionnaires were created, each containing eight hypothetical extensions and three brands. The prestige and functional brands were split between the two questionnaires (Rolex, Dom Perignon & Vespa; Swatch, Marque Vue & Harley Davidson) with both prestige and functional brands in each survey instrument. The initial mailing was followed ten days later by a reminder letter and replacement questionnaire to all non-respondents. The response rate for the two versions of the questionnaire were 37% and 36%.

The survey methodology was based on the Total Design Methodology (Dillman, 1978), which has been developed to maximise the probability of response. The method is based on the idea that the decision to respond to a questionnaire (survey) is based on an overall, subjective evaluation of the study elements visible to the prospective respondent. Dillman identified three key elements necessary to increase survey response rates: minimise the perceived costs of responding for the subject, maximise the rewards for doing so, and establish trust that those rewards will be delivered. The TDM was developed and 'tested' over the course of 50 mail surveys and 30 telephone surveys.

The Aaker and Keller (1990) model variables were used in this study. The dependent variable was ATTITUDE, the attitude towards the extension, operationalized as the average of QUALEXT, the perceived quality of the extension, and TRY, the likelihood of trying the extension.

The independent measures were QUALITY, the perceived overall quality of the original brand; SUBSTITUTE, the substitutability of the original and extension product; TRANSFER, the transferability of the manufacturing skills and resources between the products; and, DIFFICULT, the difficulty in manufacturing the extension product, all measured on a 7-point scale.

To ensure consistency with previous analysis, two regression models were analysed, namely the 'main effect' and 'full effects' models. The main effects model included QUALITY, TRANSFER, COMPLEMENT, SUBSTITUTE, and DIFFICULT independent variables with ATTITUDE as the dependent variable. The full effects model included these plus the interaction terms QUALITY * TRANSFER, QUALITY * COMPLEMENT, and QUALITY * SUBSTITUTE. Following Bottomley & Doyle (1996) and van Riel (2001), the Lance (1988) 'residual centering' regression approach was used to address the multicollinearity between the main and interaction effects when calculating the full effects model.

The beta coefficients of the interaction effects were similar to previous studies and relatively small, ranging from -0.01 to 0.08. The increase in explained variation due to the interaction terms was very little (almost zero for Sunde & Brodie (restated), 1% for Bottomley & Doyle and 3% for this study). Negligible contribution of the interaction factors to the variance, together with small values of beta coefficients lead to the same conclusion as Bottomley & Doyle (1996), that the influence of the brand's perceived quality is enhanced when the two product categories fit together, but this effect is secondary to the main effects in determining consumers' overall attitude towards the brand extension. Thus, customer evaluation of brand extensions appears to be primarily driven by the main effects and we use the main effects model for interpreting study results.

Initially the Aaker and Keller (1990) model was used, regressing QUALITY, SUBSTITUTE, TRANSFER and DIFFICULT against ATTITUDE, the dependent variable. The prestige and functional models were compared using indicator variables (Chatterjees and Price, 1977) to address the first hypothesis. The regression models for prestige and functional brand types were compared using a partial F test that introduces a 'brand type' indicator variable to the model. This test, also known as a Chow test, indicates if the models are different and the level of significance. The individual regression coefficients were compared using a Z-test.

The regression results were used to answer hypotheses 1a, 1b and 1c, while hypothesis 2 was addressed utilizing ANOVA analysis. Hypothesis 3 was addressed by creating an index measuring the percentage change in perceived quality between the original and extended category.

5. Results and Discussion

The differences in respondents' perception of the original brand names selected to represent prestige and functional brand types in this study are clearly shown in the mean QUALITY responses (prestige 6.2 ~ 6.5; functional 3.7 ~ 4.7; see Table 3, "quality" variable). Thus, those brand names representing prestige brands were perceived to be of higher quality than those selected to represent functional brands, confirming the original prestige and functional brand selections identified by the focus groups and pilot test.

Three separate models, the aggregate data, functional brand responses and prestige brand responses, were regressed against ATTITUDE (Table 1). Regression results confirm previous research regarding the significance of the independent variables using the Aaker and Keller (1990) model, that is QUALITY, TRANSFER, COMPLEMENT and SUBSTITUTE are significant while DIFFICULT is not. All three models yield the same significant variables, yet this result hides an important difference between the models.

The difference in the R^2 values were tested using indicator variables (Chatterjees and Price, 1977) which reveal that the

Table 1:
Regression results

	Main Effects Model Standardised betas (β)		
	Pooled Data	Functional	Prestige
Quality	0.37*	0.39*	0.24*
Transfer	0.25*	0.17*	0.33*
Complement	0.34*	0.36*	0.34*
Substitute	0.19*	0.19*	0.21*
Difficult	0.00	-0.02	0.02
Adjusted R ²	0.47	0.49	0.41
Sample size	2130	1052	1076

* Significant at 5% level

Table 2:
Extension categories

Extension Category	Brand Type Adjusted R ² values		
	Prestige	Functional	Difference
Pocket Watches	0.34	0.47	0.13
Wallets	0.52	0.51	-0.01
Jetkisks	0.33	0.47	0.14
Still Wine	0.44	0.74	0.30
Orange Juice	0.30	0.65	0.35
Chocolate Truffles	0.53	0.60	0.07
Bicycles	0.33	0.42	0.09
Cars	0.56	0.47	-0.09

Table 3:
Quality and extension quality – Mean scores

Extension	Brand	Attitude	Functional			Prestige		
			Quality	Qext	ΔQ	Quality	Qext	ΔQ
Chocolate Truffles	Marque Vue/ Dom Perignon	3.3	3.7	3.5	3.5%	6.2	4.9	21.9%
		4.5						
Still Wine	Marque Vue/ Dom Perignon	3.3	3.7	3.3	9.5%	6.2	4.7	23.8%
		4.3						
Orange Juice	Marque Vue/ Dom Perignon	3.2	3.7	3.2	13.5%	6.2	4.1	34.0%
		3.7						
Pocket Watch	Swatch/ Rolex	3.3	4.6	3.9	16.4%	6.5	5.8	11.0%
		4.5						
Wallet	Swatch/ Rolex	3.5	4.6	3.8	17.0%	6.5	4.8	25.6%
		4.1						
Jetski	Swatch/ Rolex	2.9	4.6	3.6	21.9%	6.5	4.3	34.2%
		3.4						
Bicycle	Vespa/ Harley Davidson	3.2	4.7	3.6	24.9%	6.2	4.3	30.9%
		3.7						
Car	Vespa Harley Davidson	2.9	4.7	3.2	30.9%	6.2	4.0	36.2%
		3.5						
Overall					18.7%			27.0%

Qext = Perceived quality of the extended product.

ΔQ = Change in quality perceptions.

prestige and functional models are statistically different (1% level). The Beta Coefficients of QUALITY, TRANSFER, COMPLEMENT and SUBSTITUTE were also tested and proved to be statistically different (1% level) for the two models. The two models provide different explanatory power, with the functional model yielding a higher R^2 than prestige brands, confirming differences in the attitude formation process. The functional brand model provides greater explanatory power with an adjusted R^2 of 0.49 versus 0.41 for prestige brands, supporting H1a.

These results support the proposition that the brand extension attitude formation model provides less explanatory power for prestige brands than functional brands. We expect a different effect from original to extended brand perceptions for the two brand types based on the memory structure concepts for

different types of brands proposed by Park et al (1989). The

lower explained variance for the prestige brands is consistent with their abstract memory concepts which imply additional variables are required to explain the attitude formation process for the extended brand.

The disaggregated level analysis (Table 2) reinforces the fact that the brand type does influence attitude formation. The explained variation is higher for functional brands than for prestige brands. However, the difference in R^2 between prestige and functional extension evaluations is small for wallets and chocolate truffles extensions, but larger for the orange juice and still wine extensions.

As expected, the quality perception of the extension varies across brand types (e.g.: Swatch pocket watch mean score of 3.9 versus 5.8 for Rolex). The brand extension attitude formation regression results for quality ($\beta = 0.39$ for functional; 0.24 for prestige; significant at 5% level) reveal that func-

tional brands are influenced more than prestige brands by the quality variable. To isolate the effect of quality we regressed QUALITY against ATTITUDE for prestige and functional brand types (functional brands, $\beta = 0.47$, Adjusted $R^2 = 0.26$; Prestige brands, $\beta = 0.26$, Adjusted $R^2 = 0.07$). These results confirm that quality is more influential for functional brand types than for prestige, supporting H1b. Quality explains a very small amount of the variation in extension attitude formation of prestige brands. For functional brands, both quality and extension similarity (fit) are important, whereas for prestige brands, extension similarity is more influential with quality being assumed.

Prestige brand extensions are hypothesized to be evaluated more favorably than functional brands. In all instances, the prestige brand extension (ATTITUDE = 3.4 ~ 4.5) is reported to have higher attitude scores than the functional brand (ATTITUDE = 2.9 ~ 3.4), providing support for H1c (see Table 3).

ANOVA analysis (see Table 4) of attitude scores indicates that there are significant differences ($F = 130.14$, Signif. = 0.000) between functional and prestige brand types in consumer attitude formation towards extensions, providing additional strong support for H1c. We note that although we found statistical support for this hypothesis we hesitate to generalize the results without further testing across a wider range of similar and irrelevant extension categories.

The influence of product category is clearly shown in the ANOVA results (Table 4), which reveal the significant effect ($F = 9.39$, Signif. = 0.000) of product category on consumer extension attitude formation. The interaction between product category and brand type is significant ($F = 2.76$, Signif. = 0.007), indicating that the evaluation margin between prestige and functional brands depends on the extension category. For example, the difference between extension evaluations is small for jetskis and orange juice extensions, but larger for the pocket watch extension (see Table 3, "QEXT" variable). These results provide strong support for H2.

To examine the dilution effect of the brand extension on quality perceptions, we calculated the percentage change in the perceived quality of the brand between the original and

extended brands. These varied from 5.3 to 30.9% for functional brands and 11.0 to 36.2% for prestige brands (Table 3). The dilution effect of brand extensions is apparent, with all brands experiencing dilution in quality perceptions for the extended product. Prestige brand dilution averaged 27% compared to 18.7% for functional brands, over the same product extensions. This result provides support for H3, that prestige brands will experience greater dilution effects than functional brands. This again supports our main assertion that brand type influences extension attitudes.

The difference in brand dilution becomes apparent when the data in Table 3 is graphically represented.

Figure 1 clearly reveals that extension perceptions vary by extension category between prestige and functional brands. The variability of the prestige perceptions against the rank ordered functional perceptions indicates that these groups of brands behave differently when they are extended.

Of particular note is the minimal brand dilution effect reported for Rolex pocket watches (11% versus 22~36% for the remainder). Pocket watches are functionally similar to watches, yet the Swatch (functional) and Rolex brand both experienced decreased mean scores of 0.7 (16% versus 11%). By contrast, wallets are an accessory item used in conjunction with watches. The dilution effect is much larger for the prestige brand (Rolex, 25.6%) than for the functional brand (Swatch, 17%). This supports our earlier assertion that extension similarity is more influential for prestige brands. This may further suggest that transferability of the superordinate concept (Park et al., 1991) is easier when both product categories are similar, that is, there is a high carry-over of the prestige brand image. Also, the different results for prestige brand extensions to pocket watches and wallets may indicate a 'zone of tolerance' for prestige brand extension prior to substantial dilution effects occurring. This would appear to raise questions about the 'greater latitude' to extend prestige brands in Park et al's (1991) conclusions.

Functional brands experience less dilution effect, implying less risk and greater extendibility than argued by Park et al (1991). Prestige brands exhibit greater variability in perceived quality of the extension, indicating greater risk associated

Table 4:
Anova Results

	F value	Signif
Brand Type	130.1	0.000
Extension Category	9.4	0.000
Brand Type* Extension Category	2.8	0.007

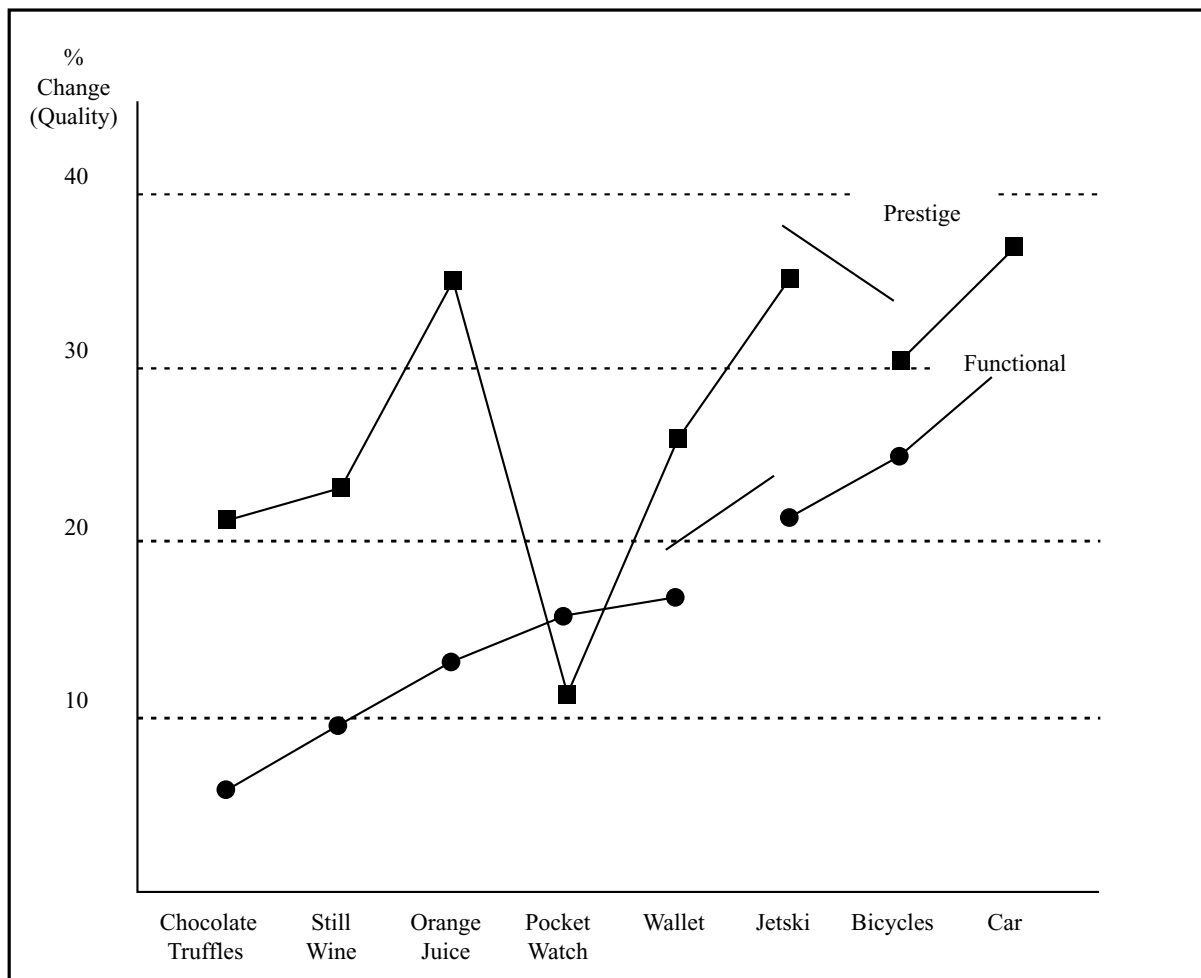


Figure 1: Dilution effects

with prestige brand extensions. Unfortunately, our data set did not allow us to perform further analysis on these issues.

It is interesting to note the sequence of brand extensions in Table 3, which is ranked on the percentage change in quality perception for functional brands, is ordered by brand name. This may indicate that there are specific brand effects with functional brand names, but not with prestige brand names, that affects the perception of the extension. The survey data in this study is insufficient to pursue this observation.

6. Summary and Implications

This paper has used a data set drawn from a national survey to empirically test a variety of divergent concepts developed to explain consumers' perception of brand extensions. The results indicate that the original Aaker and Keller model is

still valid and robust for both functional and prestige brand types. However, our results reveal that the application of this model to aggregated data hides significant differences between prestige and functional brands and on an individual extension category level. The complexity of the brand extension process and the associated risk was not revealed by the original Aaker and Keller research.

The results of our analysis indicate that brand type is an important factor for brand extension attitude formation models. We support the finding that quality and fit variables are significant factors in attitude formation, however these factors play different roles for different brand types. We found that the prestige brand model provides lower explainability than for functional brands, supporting Park et al.'s (1989) concept of differences in the perception formation process

and the concept of prestige brands being evaluated on an "abstract array of cues". Functional brands experience less dilution effect than prestige brands, implying less risk and greater extendibility than argued by Park et al. (1991).

Overall, prestige brand extensions are perceived to be of higher quality than functional brands, but this is tempered by the greater risk (dispersion) in extended prestige brands and the substantial dilution in the perception of the brand quality in the extended product. We acknowledge and support the finding that quality is a key variable in extension attitude evaluation, but find that it has limitations in explaining the variability of extension attitudes for prestige brands.

There is a danger in generalising the results of brand extension analysis without considering the effect of the specific extension categories. Extension category also interacts with the brand type to influence the consumers' perception of the extended product. This supports the idea that there are limits to what consumers find acceptable for brand extensions across categories. Although authors have speculated on the limits of brand extendibility across categories, specific category distance research is yet to be published. We suggest that brand extendibility research requires a design to test the acceptability and boundaries of extension of brand perceptions, for prestige and functional brands and at an individual brand analysis level.

7. Managerial Implications

There are some interesting business implications arising from this research. Foremost is the need to differentiate between prestige and functional brands when evaluating the feasibility of extensions. Recent research identified quality and similarity between original and extension categories as two factors that influence the consumers' formation of attitudes towards extensions, however there are significant differences in how these factors influence the prestige and functional models.

Functional brands rely on functional characteristics and performance to evaluate extensions (Park et al., 1991). We showed that the effect of quality on the functional extension is greater than for prestige brands. This means that for functional brands the quality perception of the existing brand is quite influential on the quality perception of the extension. For prestige brands, quality is assumed and consumers rely on other factors when evaluating extensions. Prestige brand owners, however, tend to rely on their brand's quality image when extending the brand, whereas the consumer assumes quality and evaluates the extension based on other factors, such as fit, brand image and brand consistency. Therefore there is risk in the brand owner relying solely on quality perceptions when extending prestige brands.

We question previous research conclusions regarding greater prestige brand extendibility, as this issue has not been adequately addressed in research to date. Our research reveals higher dilution risk associated with prestige brand extensions

and indicates brand specific dilution effects in functional brands. Therefore we advise business people to be cautious regarding brand extendibility and test their specific brand prior to embarking on brand extension strategies.

8. Limitations & Future Research

In our study we selected brands for each brand type through focus groups and a pilot test and these were validated by the quality perceptions for the original brand across the national survey responses. Our results validate the need to control for brand type in extension research, however we hesitate to generalise from this initial research until it is confirmed in additional studies utilising a broader measure to validate prestige and functional brand allocations.

Aaker & Keller's model used single response items for measuring consumer attitudes. We recommend the adoption of multi-item scales to validate the operationalisation of the variables and provide a clearer understanding of the variables being studied. This recommendation also includes using multiple measures of brand type to provide more robustness to the separation of brands into prestige and functional brands. There is adequate empirical evidence that brand type is important, however future research should improve on brand type categorisation to eliminate the potential for misleading results.

The dilution effect of brand extensions has been measured by asking questions about the original brand and about the overall 'family' brand. A multi-item composite measure of brand dilution that considers the original brand, the overall family brand and the difference in the original and extended brand would provide a more robust measure of dilution. We also recommend research into the linkage between specific functional brands and dilution effects, a result we found but were unable to pursue with our data set.

We did not provide price information to respondents, however we recognise that respondents may utilise explicit or implicit price information as part of their extension evaluations. Our study, in replicating and extending Aaker & Keller's original work, did not include or control for price information as it affected the extension attitude. The inclusion of price may have yielded a clearer understanding of brand extension attitude formation and provided more explanatory power, however it was beyond the scope of this study as it was originally conceived.

Brand extension attitude has been measured using a single exposure to brand and extension information and recording the subject's response. Exposure to additional extension information in pictorial or narrative form, or providing similar information over multiple exposures may affect the respondents' brand extension perceptions. Further, the frequency and composition of extended brand advertising may influence brand extension evaluations. These variations in extension evaluation may provide additional insight into consumers' extension attitudes.

Appendix 2

Brands Used in Brand Extension Research

(Aaker & Keller (1990) Model and Replications)							
Aaker & Keller (1990) US		Sunde & Brodie (1993) NZ		Bottomley & Doyle (1996) UK		van Riel, Lemmick & Ouwersloot (2001) Netherlands	
Brand	Product	Brand	Product	Brand	Product	Brand	Product
McDonalds	Fast Food	McDonalds	Fast Food	McDonalds	Fast Food	Blue Band	Margarine
Heineken	Beer	Steinlager	Beer	Stella Artins	Beer	Omo	Washing Powder
Vuarnet	Sunglasses	Reebok	Sports Shoe	Reebok	Sports Shoe	ABN AMRO	Bank
Hagen Dazs	Icecream	New American	Icecream	Hagen Dazs	Icecream	Golden Tulip	Hotel
Vidal Sassoon	Shampoo	Finesse	Shampoo	Vidal Sassoon	Shampoo	NS	National Railway
Crest	Toothpaste	Twinings	Tea	Crest	Toothpaste	Van Gend en Loos	Road Transportation
Other Related Brand Extension Research							
Park, Lawson & Milberg (1989)		Park, Milberg & Lawson (1991)		USRoux (1995) France		This Study	
Brand	Product	Brand	Brand	Brand	Product	Brand	Product
	<i>Prestige Brand</i>	<i>Study 1: 33 Brands</i>		Vitton	Leather Accessories	Rolux	Watch
Rolux	Watch	11 Functional (Feature-based)		Hermès	Leather Accessories	Swatch	Watch
		11 Usage (Feature-based)		Rolux	Watch	Dom Perignon	Champagne
	<i>Functional Brand</i>	11 Symbolic (Concept-based)		Cartier	Watch	Marque Vue	Wine
Timex	Watch	<i>Study 2: 3 Brands</i>		Ungaro	Fashion	Harley Davidson	Motorcycle
		Sony, Coleman, Gucci		Dior	Fashion	Vespa	Motor Scooter

Future models of brand extension perception formation should also include additional factors that have not been included in this research, including existing brand knowledge, previous use experience (positive or negative), ownership, dominant product/market conditions, and market competition level for the product. We recommend that future studies include price perceptions as part of the original and extension brand perceptions.

In conducting this research we came to an understanding that there are at least three levels of brand extension research that require analysis: general models across all brands; differences between groups of brands (prestige/functional, service/non-service); and, variations at an individual brand level. To date, research has focussed on aggregated data across all brands, with some initial work on groups of brands. Future research should explore brand groupings and extend this research to the individual brand level, identifying variations that will influence the application of these findings at an individual company level. Once we have improved understanding at the

individual brand level, we will gain additional insight into brand types.

The fundamental purpose of this paper is to examine the necessity to control for prestige and functional brand differences in extension research. Our results confirm that the extension models for prestige and functional brands are statistically different and should not be combined. These results have added a new dimension to the brand extension literature, providing a critical level of detail which differentiates between brand perception attitude formation processes in different contexts and integrates the concepts of risk and dilution into the brand extension literature.

Appendix 1

Aaker & Keller's (1990) Brand Extension Evaluation Model

In Aaker & Keller's (1990) brand extension model the factors influencing the success of the extension were the:

"... attitude toward the original brand", labeled QUALITY (p. 29);

“ ... fit between the original and extension product classes” (p. 29); and, the

“ ... perceived difficulty of making the extension”, labeled as DIFFICULTY.

The three dimensions of ‘fit’ were:

COMPLEMENT - “...the extent to which consumers view two product classes as complements” (p. 30);

SUBSTITUTE - “...the extent to which consumers view two product classes as substitutes” (p. 30); and,

TRANSFER - “... how consumers view relationships (design or making) in product manufacture” (p. 30).

The dependent variable was “... attitude toward the extension, operationalised by the average of the perceived quality of the extension and the likelihood of trying the extension measures” (p. 34).

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New Year's Eve Consumption Plans: Consumers' Consumption Priorities on the Eve of 2000

Simone Pettigrew, Maria M. Ryan & Madeleine Ogilvie

Abstract

The celebrations that occurred on New Year's Eve 1999 provided an opportunity to collect data to generate insight into the ways in which consumers behave during symbolic occasions, particularly in relation to the consumption rituals that are planned and enacted. The sample for this study comprised 126 consumers, most of whom were Australian. Respondents provided accounts of their plans for New Year's Eve, including their thoughts and feelings relating to these plans. The processes of inclusion and exclusion were found to take on heightened importance for the occasion, manifesting in the greater physical demarcation experienced between in-groups and out-groups. This trend, however, was counteracted by the lowering of cognitive boundaries between groups as evidenced by the tendency for many respondents to cast their thoughts to the under-privileged. The findings have implications for the ways in which marketers promote their products at special times, and provide insights relevant to not-for-profit organisations.

Keywords: Consumption plans; celebrations; in-groups

1. Introduction

The media attention received by New Year's Eve 1999 (NYE99) demonstrated beyond doubt that it was a highly symbolic event for many millions of people around the world. From a consumer research perspective, this occasion presented a once-in-a-lifetime opportunity to explore the feelings and emotions that were experienced at such a unique time of celebration and excitement. Of particular relevance to this article is that it was an opportunity to examine the consumption behaviours that were planned for a significant event in order to obtain an understanding of individuals' consumption priorities at such a time. There is a need within the consumer behaviour literature to better understand the consumption implications of special events and their implications for marketers.

Individuals engage in consumption rituals to mark important transitions and to consolidate their links to the social world (Tetrault and Kleine, 1990; Treise, Wolburg, and Otnes, 1999). New Year's Eve (NYE) is traditionally a time of ritual enactment around the world (Rook, 1985; Santino, 1994). The study reported in this article found that NYE99 constituted a trigger for consumers to construct detailed consumption plans in their efforts to commemorate the event and facilitate satisfying social interactions during the evening. These consumption plans involved the use of particular products during highly symbolic consumption rituals. NYE99 thus provided the opportunity to generate insight into the ways in which

consumption is used to celebrate socially significant occasions.

Respondents were asked to take a few minutes on the morning of 31st December 1999 to write down their thoughts and feelings about NYE99 and to outline their planned activities for the evening. Numerous themes emerged from the data that was obtained through this exercise in guided introspection (Wallendorf and Brucks, 1993). The two most frequently and extensively discussed topics were the roles of alcohol and food consumption in marking the event and the importance of the physical and cognitive presence of others during celebrations. While the content of this article is confined to these two dominant themes, another commonly mentioned topic was the use of television to access the visual elements of the NYE99 spectacle as it occurred across the globe, especially the displaying of fireworks. The tendencies to reminisce over the past and speculate on the future were also apparent in many respondents' discussions of NYE99.

1.1 New Year's Eve

The consumer behaviour literature provides some insights into the ways in which consumers celebrate highly symbolic occasions. Events that occur on an annual basis, such as Christmas (Belk and Bryce, 1993), Thanksgiving (Wallendorf and Arnould, 1991), Halloween (Belk, 1990) and the Gay and Lesbian Mardi Gras (Kates and Belk 2001; Ritson, 1999), have received some attention. In addition, the act of gift-

giving on important occasions has been examined (Otnes, Lowrey, and Kim 1993). Such analyses have emphasised the role of individuals in creating and communicating meaning through their celebratory behaviours. Individual-level meanings appear to integrate with societal-level meanings to enable consumers to express both their personal values and their affiliations with other culture members. For example, Wallendorf and Arnould (1991) found that American families celebrating Thanksgiving Day through the preparation and consumption of traditional foods personalised their experiences by using recipes that were different in some way to those of other families, yet the resulting meals typically remained true to the general Thanksgiving tradition. NYE has received only limited attention in the consumer behaviour literature, such as Rook's (1985) reference to the ritualistic nature of this particular celebration.

In the anthropological literature, the behaviours involved with celebrations have received significantly greater attention than within consumer behaviour. Numerous festivals, carnivals, celebrations, and social events have been studied, ranging from rituals to consolidate tribal identity (Nowak 2000) to gatherings designed to express resistance against modern consumer culture and its social and ecological implications (Lewis and Dowsey-Magog, 1993; St John, 1997). These analyses have emphasised the use of such events to permit the relaxing of social norms (Lavenda, Lauer, Norwood et al., 1984; Mintz, 1997; Schnell, 1997), to heighten community bonding and promote conflict resolution (Sutton-Smith and Kelly-Byrne, 1984; Tong, 1996), and to communicate differences from specific or general others (Manning, 1984). Once again NYE does not receive great attention, although where mentioned it is described as being a ritualised event that invokes particular behaviours amongst peoples around the world (Santino, 1994).

NYE99 differed from the recurrent celebrations that have been studied in the past in that although NYE occurs each year, this particular NYE was perceived to be a once-in-a-lifetime occurrence. It was celebrated as a transition occasion that simultaneously measured a relatively small time increment (a year) and a much longer period of time (a century or millennium). It was therefore simultaneously a recurring event and a unique event, presenting an opportunity to explore a highly unusual phenomenon that had distinct consumption implications. Specifically, there was the opportunity to explore people's consumption behaviours during unique circumstances and to examine existing consumption theories in terms of their ability to explicate the outcomes.

In addition to the duality evident in the move to both a new year and a new century/millennium, another dichotomy existed in that NYE99 generated anticipation at two levels. These encompassed positive feelings associated with being alive at such an historic time and negative feelings relating to the possible negative outcomes of the Y2K bug. Consumer reac-

tion to the event was a particular point of interest in the popular press, with some anticipating unparalleled excitement and celebration (Mitchell and Rutherford, 1999) and others forecasting caution and reserve as people prepared for the unknown (Came and McClelland, 1999).

2. Methodology

A grounded approach was employed in this study of consumers' plans for NYE99. Grounded research entails the gathering and analysis of data prior to focused reading in the research area (Glaser and Strauss, 1967; Goulding, 1998). The objective is to provide a new perspective on specific forms of human behaviour that has relevance to those engaging in the behaviours (Annells, 1996; Glaser, 1992). This approach ensures that prior research is adapted to new findings, rather than the reverse (Hirschman and Thompson, 1997). Also, by commencing with the phenomenon or behaviour rather than extant theories, there is less chance that the research outcomes will be theoretically removed from the issues of relevance to those being studied (Thompson, 1997).

A grounded approach was found to be most useful in this study due to: (1) the lack of literature concerning consumption behaviours during such an event and (2) the desire to explore the intended consumer behaviours associated with NYE99 from the perspectives of those engaged in these behaviours. The survey form was distributed to respondents prior to a formal search of the literature relating to consumption behaviours during special events, with the literature consulted once the dominant themes had been identified in the data. A comparison was then made with the findings of previous studies, enabling the identification of similarities and differences between the emergent themes and the results of prior research. It was not the intention to generate a substantive grounded theory (as described by Glaser and Strauss, 1967), but to employ a grounded approach in a more general sense to enable a fresh perspective on the phenomenon of interest. This use of grounded methods is consistent with the ways in which they have been adopted to date in consumer research (e.g., DeLorme and Reid, 1999; Rust, 1993).

Guided introspection in the form of sentence-completion was selected as the method of data collection, primarily due to its ability to access respondents at a time as close as possible to the event without interfering with the event itself. While NYE99 was not technically the eve of a new century nor a new millennium, it was widely understood to be so amongst peoples all around the world (Teresi, 1997; Wilson, 2000). To explore consumers' feelings about this event, respondents were asked to complete the sentence "*Tonight is the turn of the Century and I...*" on the morning of December 31st 1999. Several areas of possible discussion were suggested, such as any relevant purchases that had been made, planned activities for the evening, and thoughts about the event itself. The request was distributed directly to 120 people in late December 1999, and the method of distribution was a combi-

nation of e-mail messages and personal delivery. Of these 120 requests 80 survey forms were returned, representing an overall response rate of 66%. An additional 46 respondents (37% of the final total) were recruited via a snowballing technique. This involved asking respondents to pass the survey form on to other potential respondents, which they did either physically or by email.

Most respondents took the opportunity to express themselves in some detail, with the average length of response being approximately one-and-a-half pages. In a small number of cases (n=12, 9.5%) only a paragraph or so was provided, usually containing a brief outline of the evening's planned activities. Each returned survey form was independently coded by each member of the research team, followed by extensive discussion to establish the similarities and differences evident in respondents' accounts. Upon obtaining a consensus concerning the appropriate codes for various incidences in the data, the returned survey forms were re-coded

and the resulting set of codes was listed on an Excel spreadsheet. The codes were then amalgamated into themes that reflected those areas of discussion that were dominant in the data. On a separate spreadsheet for each major theme, relevant extracts and the respondents' demographic profiles were entered to assist analysis. The process of analysis was iterative, with the raw data and the theme spreadsheets consulted frequently during the generation of a comprehensive interpretation of the NYE99 phenomenon.

2.1 Sample

Although a representative sample was not sought, attempts were made to obtain respondents from a range of gender, age, and income categories. The final sample comprised of 126 consumers, whom 79 were female and 47 were male. The occupation categories of the respondents were skewed towards white-collar workers, which was expected given that this type of research tends to result in higher response levels

Table 1:
Age, Nationality, and Occupation Profiles of Respondents

		n	%
Age	Under 20	4	3.2
	20-29	33	26.2
	30-39	36	28.6
	40-49	33	26.2
	50-59	14	11.1
	60-69	4	3.2
	70-79	2	1.5
		<u>126</u>	<u>100%</u>
Nationality	Australian	104	82.5
	Britain	7	5.5
	USA	5	4.0
	Singapore	3	2.4
	Thailand	2	1.6
	Malaysia	1	0.8
	New Zealand	1	0.8
	Italy	1	0.8
	Germany	1	0.8
	Greece	1	0.8
			<u>126</u>
Occupation	White collar	82	65.1
	Blue collar	12	9.5
	Unemployed	3	2.4
	Student	12	9.5
	Retired	4	3.2
	Home duties	7	5.5
	Unknown	6	4.8
			<u>126</u>

from those with higher levels of education (Couper and Stinson, 1999). In terms of age, 29% of the sample members were younger than 30 years, 55% were between the ages of 30 and 50, and 16% were over the age of 50. Most respondents were Australian, with the remaining respondents coming from Asia, Britain, the USA, New Zealand, and Europe. Table 1 provides the breakdown of the sample according to age, nationality, and occupation.

3. Findings

By far the most frequently mentioned aspect of respondents' accounts of their planned NYE99 celebrations was the consumption of alcohol, most notably champagne. Also of significance was the consumption of foods that were considered special in some way. The other dominant category of discussion was the importance of both specific and general others at this time. Alcohol was mentioned by 72% of respondents, food by 48% of respondents, and almost all respondents discussed the importance of being with special others. Behind these discussions of alcohol, food, and the role of others in NYE99 celebrations lay two different senses of "us" and "them", with consumption used as a technique of inclusion and exclusion to ensure a satisfactory NYE99 experience. The sociological distinction between in-groups and out-groups thus provides an instructive framework with which to understand the ways respondents intended to celebrate NYE99, and in particular the role of consumption in their plans.

In-groups are comprised of closely-knit individuals who use terms such as "us" and "we" to describe themselves (Bierstedt, 1974). Group membership is important to individuals (Turner, 1987), and being part of an in-group offers an individual a sense of comfort and security (Triandis, 1990). There is a sense of identification and association that unites in-group members (Dressler, 1969), and in-group members engage in inclusion and exclusion techniques to establish and maintain group composition (Adler and Adler, 1995). Out-groups are by definition comprised of anyone not in the in-group, i.e., those with whom there is no sense of belonging (Himes, 1968). The very cohesion that characterises in-groups can result in feelings of hostility towards those belonging to out-groups (Horton and Hunt, 1980; Levinson, 1970). Recent studies in a range of fields have demonstrated that members of out-groups are frequently the subjects of negative bias and stereotyping activities (Coats and Smith, 1999; Harasty, 1997; Reskin, 2000; Vanbeselaere, 2000). According to psychologists, the conflict that can occur between members of in-groups and out-groups may be a reflection of the internal tension between individuals' conscious and unconscious selves (Bales, 1970). While hostility has been identified as a general tendency, it is not a necessary characteristic of the demarcation between the two types of groups (Merton, 1968), and there can instead be merely a "less positive" attitude towards out-group members (Pittam and Gallois, 1996).

Individuals can be members of multiple in-groups, and can

associate themselves more strongly with particular groups at particular times (Dressler, 1969). As Bierstedt (1974, p. 298) notes, "*An in-group may be as small as a family and as large as the world.*" An in-group can therefore resemble either a primary group, such as a group of friends, or a secondary group, such as a community (Cooley, Angell, and Carr, 1960). In-group membership is not static, but fluid and dynamic (Horton and Hunt, 1980), and is highly context-bound (Bierstedt, 1974). This variable nature of in-groups was readily apparent in respondents' accounts of their plans for NYE99. The variability, however, was highly polarised. Discussions of physical aspects of the evening, such as respondents' accounts where they were going to be and with whom, exhibited a tendency to a narrow definition of in-groups that primarily included family members and/or close friends. The consumption of food and drink appeared instrumental in facilitating these interactions with specific others. By comparison, respondents' thoughts included much larger and loosely defined in-groups that in some cases included all of humanity. In-groups were thus more likely to resemble primary groups in terms of the physical experience of NYE99 and secondary groups in terms of cognitive experiences of this event (Cooley et al., 1960).

This process of exercising exclusionary practises in their physical celebrations and broadening their sense of inclusion to humankind in general in their psychological experiences of the occasion is informative of the role of in-groups and out-groups at such a time. The discussion to follow outlines the heightened relevance of in-groups and out-groups on the eve of 2000. Of particular interest is the ways in which group membership was manifest in planned drinking and eating behaviours and the choices made about with whom to share these consumption experiences.

3.1 The Role of Others in NYE99 Celebrations

Belk, Wallendorf, and Sherry (1989) note that people are prone to defining some occasions as sacred and others as profane, with sacred objects, places, and times considered important means of expressing values. Many respondents felt that NYE99 was a significant historical event, and as such held sacred status. Being with others was considered by respondents to be a vital part of the NYE99 celebration process, an outcome that is consistent with previous studies that have found social interaction to take on greater importance during special events and celebrations (Celsi, Rose, and Leigh, 1993; Wallendorf and Arnould, 1991). Many respondents expressed their desire to engage in meaningful interactions with specific others in order to heighten their NYE99 experience. In particular, there was the wish to be physically close to those in their most immediate in-groups:

We decided as a group to boycott the outward public parties...We did not want to be in a large crowd...I think the main thing is to spend the night with your good friends (M, 20s, Australia).

I have had very firm ideals about how I would share this evening for a long time. I started thinking about it last New Year. It was very important to me that I spent this New Year as the one leading into 2000 with my family (F, 30s, Australia).

(I am celebrating with all my children and grandchildren at home. Enjoying good company - the best - family! (F, 60s, Australia).

Most respondents expressed a preference for spending the midnight countdown with family or close friends in private and intimate surroundings, as opposed to large pre-organised functions. This preference was reflected in media coverage noting the world-wide failure of many hospitality businesses, such as hotels and restaurants, to attain the volume of reservations that had been expected (Eaton, 1999; Poniewozik, 1999). Approximately 56% (n=71) of respondents indicated that they planned to spend the NYE99 countdown in either their home or the home of a friend or family member. Others were spending the evening in more public locations, such as picnic grounds, but also chose to limit their get-togethers to close friends and family. It seemed important to these respondents that the evening be spent with those who are considered important in their lives, effectively excluding those who were not members of their immediate in-groups:

Usually I don't really treat New Year's Eve as such a big deal, but this year I wanted to share it with people I really liked/cared about. So I didn't want to go out to the country where I wouldn't get to see many of my friends or to some massive rave/club where I wouldn't know most people (F, 30s, Australia).

A narrowing of in-groups was thus evident in the sense that those who may have been viewed as suitable companions on a normal NYE were not considered appropriate for NYE99. This appeared to be the case for two major reasons. In the first instance, the sacred nature of the event meant that there was a perceived need to experience it emotionally as well as physically. It was felt by many respondents to be more appropriate for only very special others to be present at such a time of heightened excitement and sentimentality. By being with familiar others, many felt it would be possible to achieve a greater level of intimacy and interaction than could be experienced with acquaintances or colleagues. In essence, being in the presence of family and close friends appeared to afford respondents a sense of emotional security:

Family, kids, good food, a group of people that is manageable in terms of talking, relaxing, cementing relationships. Because relationships are more important than the superficial carry on (M, 30s, Australia).

It is an opportunity to congregate with people of like interests and who gather for comfort and company (F, 60s, UK).

The second apparent reason for the tendency to define in-groups more narrowly was heightened concerns for physical welfare. Security and safety issues were predominant among

the explanations offered by respondents for their preferences for private environments in which to celebrate NYE99. Some felt their physical security could be threatened by large crowds, dangerous road conditions, and wild behaviour, with many believing it was safer to stay at home or celebrate in a familiar environment:

I am expecting more trouble this New Year's Eve with party goers going over the top. For this reason we are being careful where we go (M, 40s, Australia).

I am aware that many people will be sillier than usual, so I have no desire to be on the roads (F, 40s, Australia).

These concerns for safety reflect the tendency to expect hostility from out-group members. In this situation where in-groups were defined so narrowly, an individual's out-groups were correspondingly expanded providing greater potential for feelings of "us" versus "them" and the associated concerns regarding potential conflict.

The nature of the NYE99 event caused some people to reflect on the state of the world and their place within it. While the physical presence of special others was perceived as critical to their enjoyment of NYE99 by almost all respondents, there was also evident a cognitive presence of unknown others. The narrowing of in-groups that appeared to apply to the physical experience of the event was thus associated to some degree with the broadening of in-groups in respondents' cognitive experiences. This broadening occurred on a global scale, with humanity in general included in some respondents' reflections on the significance of this particular NYE. Twenty-one percent (n=26) of respondents specifically expressed concern for the welfare of others, with many comments suggesting a feeling of "We're all in it together". By acknowledging the plights of others and recognising the links between all people, individuals' in-groups were widened to incorporate all or large sections of humanity. Some wrote of their concerns for unborn generations, and others expressed feelings of sadness and sympathy for those who face hardship and anguish in the forms of poverty and war. Environmental issues were raised, as were social inequities and the perceived ineptitude of the world's politicians. Female respondents appeared to be especially prone to dwelling on global problems:

My only sadness is that the world is not in good shape and I wish I could in some small way help to alleviate some of the pain and suffering - especially for all children who live in the many countries at war (F, 60s, UK).

Socially things are a mess. Unemployment, crime and murders are down, but the high profile, disturbing mass killings are on the rise. We are all scared. Horrible civil wars across the globe, Kosovo and Sierre Leone especially, were extremely disturbing (F, 27, USA).

A distinct aspect of these discussions was a sense of resignation, with little hope expressed for the discovery of resolutions to current world problems:

Looking to the future I am concerned for my children and my children's children. I don't think that the planet can sustain a population of 9 billion. I think we care too little for our environment, we use too many resources, waste too much and pollute too much. I think my children will have to make big adaptations to cope with the demands of other countries for more equity, and for more access to resources; and even to cope with the changing climate (M, 50, Australia).

My concerns relate to the widening gap between rich and poor not just in Australia but globally, and I cannot see any political or social will at this point in time to correct this (F, 49, Australia).

I believe come 12.00 tonight, the world will continue to celebrate, war-torn countries will still be at war, poor people will still be poor and births and deaths will occur as per usual. A shame though that this night can't wake up the horrors of the world today and make them stop (F, 28, Australia).

This sense of futility was reflected in very little discussion of ways in which such problems could be addressed. In particular, respondents could see no avenue for improving the state of the world through their own actions. Such feelings of powerlessness relating to large-scale social problems have been noted elsewhere (Pieters, Bijmolt, van Raaij, and de Kruijk, 1998), and have implications for the design and implementation of interventions that seek to stimulate socially-aware behaviours among consumers. It appears that specific behaviours and their consequences may need to be outlined to provide individuals with the impetus and motivation to engage in the many small actions required to effect significant change.

3.2 Food and Alcohol Consumption

Both foods and beverages are highly symbolic elements in cultures around the world (Belk and Paun, 1995; Dichter, 1964; Douglas and Isherwood, 1979; Levy, 1986). They are recognised as systems of inclusion and exclusion and as a means of achieving social integration and communicating social status (Friedman, 1994; Heath, 1987). They operate as facilitators of social interaction (Barr, 1995; Wallendorf, 1993), and anthropologists and psychologists have documented their frequent use at times of celebration (Dichter, 1964; Douglas, 1987). Rook (1985) has described foods and beverages as artifacts that can facilitate rituals, such as those surrounding festivals and ceremonies. While the use of food and alcohol to demarcate social groups and to celebrate special occasions has been readily acknowledged, there has been less discussion of the ways in which the consumption of these products is illustrative of altered senses of "us" at a particular point in time.

Respondents' accounts of their planned activities for NYE99 demonstrated a desire to use alcohol and food consumption to communicate and celebrate closeness to specific others, with mentions of alcohol being especially prevalent. It appeared

that the communal ingestion of alcohol was a more effective form of in-group bonding in this context than other forms of consumption. Respondents to this study frequently expressed the opinion that the significance of NYE99 made alcohol an important and desirable part of the evening's proceedings, and for many, alcohol in particular appeared to be the defining element of their plans:

The only thing I have purchased for tonight is my beer because without it the night won't be the same (M, 18, Australia).

We couldn't let the night go by without drinking champagne. At midnight there will be champagne corks popping (F, 41, Australia).

The meaning imbued in alcohol facilitated its use as an effective event marker, to the extent that it was frequently considered a necessary component of NYE99 celebrations. Through their purchases of alcohol, respondents felt that they had prepared appropriately for the evening. They were able to employ the symbolism invested in alcohol to enable them to partake in the preparation and consumption rituals that were not only culturally fitting, but required for the occasion. Alcohol thus provided a point of direction for respondents' consumption activities both prior to and during the event. Importantly, alcohol (as well as food) enhanced in-group interaction by facilitating bonding and providing a symbol of togetherness and communal celebration:

I am very happy to get dragged along with the hype and celebrate with gourmet food, cocktails, and good wine and champagne, and of course good friends (F, 30s, Australia).

While the high representation of references to alcohol amongst respondents' accounts of their plans for NYE99 is not surprising given the acknowledged role of alcohol in celebrations in the literature, what was unexpected was the higher proportion of females (83%) who mentioned alcohol compared to males (66%) ($\chi^2=4.327$, $p<0.05$). Alcohol is typically symbolically associated with masculinity (Barr, 1995; Heath, 1987; Levy, 1986), and this is especially the case in Australia (Fiske, Hodge, and Turner, 1987). The Australian Bureau of Statistics (ABS 1990, 1995) has established that males, particularly young males, are on average much heavier drinkers of alcohol than are females. Given the emphasis in the literature on the masculine connotations of alcohol and the significant differences in alcohol consumption rates between Australian males and females cited by the ABS, the greater tendency for female respondents to discuss alcohol in their plans for NYE99 requires interpretation. A possible explanation is that those females in a relationship appeared more often than not to take on the role of "organiser" for the in-groups they had selected for their NYE99 celebrations. This is consistent with the findings of other studies where females have reverted to more traditional nurturing roles during the preparation and enactment of celebrations (Wallendorf and

Arnould, 1991). In the present study, females were instrumental in deciding how the evening would be spent and in purchasing the supplies necessary to facilitate the chosen activities. In this role they often physically selected and paid for the alcohol that was to be consumed. This greater involvement with the act of purchasing alcohol may have heightened their awareness of its role in the evening's activities.

Despite female respondents mentioning alcohol more frequently, it was males who were more likely to communicate the intention to consume large amounts of alcohol over the course of the evening. Specifically, younger males (18 to 30 years of age) anticipated heavy drinking episodes, with some expressing the view that this was a once-in-a-lifetime event that warranted excessive drinking behaviours:

An event of this sort of magnitude crossed with a pub is a simple equation for a big night on the drink. It was always going to be. We will never be accused of being "light social drinkers" so I am very comfortable with the fact that tonight will be nothing short of a giant pissup (M, 20s, Australia).

I fully intend on being completely obliterated on drink and drugs (M, 20s, Australia).

This tendency for younger males to engage in heavier consumption than other groups is consistent with the results of previous studies (ABS, 1990, 1995; Gough and Edwards, 1998), and was also associated with the preference of younger males to be in large groups during their NYE99 festivities. The relative anonymity provided by the larger groups permitted behaviours that would be less appropriate when in the company of members of more narrowly defined in-groups. While some younger females also expressed the intention to ingest large amounts of alcohol, this was more rare than among young male respondents and reflected their tendency to celebrate NYE99 in smaller groups. Both younger and older female respondents typically reported planning moderate alcohol consumption throughout their NYE99 celebrations. In the following quote, the respondent discusses the importance of her family in-group in her decision to engage in only moderate levels of alcohol consumption:

I'll get pleasantly happy. It's not a night to write myself off. I want to be able to tell my children about it in the years to come (F, 30s, Australia).

Older male respondents also tended to report different drinking intentions for the evening than younger males. Male respondents over the age of 30 rarely mentioned the intention to drink large amounts of alcohol, and those who indicated that they intended spending the evening with their children were much less likely to discuss alcohol at all. Instead, the "visual" elements of the event took on greater importance, with frequent mentions of enjoying fireworks displays with their families and watching the television coverage of NYE99 as it occurred around the world.

4. Conclusions

Belk et al. (1989) suggest that people can derive both a sense of joy and a sense of stability from participating in forms of sacred consumption that provide meaning to themselves and to others. This study identified the particular aspects of NYE99 that respondents found meaningful and the forms of consumption they employed to assist them in deriving meaning from the event. Primarily, the product categories of alcohol and food dominated respondents' accounts of their celebration plans, with the sharing of these products with in-group members serving to facilitate the process of social bonding that was of fundamental importance on this occasion. Through their consumption of particular forms of alcohol and food and their interaction with favoured others, respondents hoped to imbue their celebrations with the appropriate degree of "specialness" that would facilitate both enjoyment during the evening and happy memories in the future. This involved the "inclusive" use of alcohol and food and the selection of "exclusive" celebration environments that facilitated the barring of general or specific others who were not considered appropriate people with whom to interact on this occasion.

The findings of this study also suggest that small gatherings of family members and friends may have been more attractive to many people than large-scale celebrations. In such environments people felt safe to engage in the consumption rituals surrounding alcohol and food ingestion that have come to be so representative of important celebrations. Also of interest was the tendency for many respondents to take a broad view of the world and their place in it, with some taking the opportunity to discuss their concerns for the under-privileged members of humanity. A desire to be physically close to important others was thus accompanied by a feeling of emotional association with humanity in general, demonstrating the different in-groups to whom people related during the event. This finding is worthy of further investigation to (1) explore the implications of other events for in-group definition and (2) investigate the implications of such feelings of global concern for the timing of fund-raising efforts by charities and other non-profit organisations. In terms of the former, the heavy reliance in this study on Australian respondents and those employed in white-collar occupations suggests the possibility that those belonging to other cultures and employment categories may demonstrate different levels of in-group cohesiveness. In terms of the latter, the tendency for respondents to experience a sense of futility and powerlessness regarding their ability to influence major world problems suggests that very specific behavioural directions may be required to provide individuals with the impetus to make the changes necessary to reduce the impact of these problems.

A further implication of these findings is the need to better understand the roles of males and females in both the purchase and consumption of alcohol at times of celebration. The greater tendency for females to discuss alcohol as an important part of their NYE99 celebrations indicates that they

may be particularly sensitive to alcohol-related communications at such times. Further research could explore the roles females play in the selection and purchasing of alcohol for consumption during socially-significant events. Finally, the difficulties experienced by restaurateurs and managers of other party venues in achieving capacity on NYE99 suggests that marketers may not always be aware of the desires of consumers at times of symbolic significance. Further research into consumers' celebratory behaviours during special occasions is needed to obtain a better understanding of the range of behaviours that can be expected and the motivations that cause consumers to behave as they do at such times.

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Research Notes

The Association Between Daily Weather and Daily Shopping Patterns

Andrew G. Parsons

Abstract

This study examines the relationship between daily weather and daily shopping patterns. The weather construct is operationalised using data from the National Institute of Water and Atmospheric Research, whilst the shopping data is a shopper count from a major shopping centre. Results from a multiple regression analysis suggest that the most tangible weather variables (rainfall and temperature) provide cues for shopping decisions. Possible linkages between weather, mood, and behaviour are discussed as an alternative to the physical deterrents / inducements explanation of this association.

Keywords: Shopping behaviour; weather

1. Introduction

The research question addressed is “*does the daily weather affect daily shopping levels?*” This question is of importance because of the impact on planning and resource management (e.g., in planning supplies and in determining environment-specific promotional tactics).

There is a large amount of anecdotal suggestion in the industry as to the impact of weather on shopping (e.g., Hartnett, 1998; Pasqualina, 1998; Cawthorne, 1998a, 1999a, 1999b), but this anecdotal evidence is largely seasonal effects based. These seasonal effects can manifest in two ways - product-based influence (e.g., sunscreen sales in summer, heaters in winter) or associated weather-based influence (it is colder in Winter, so therefore if cold does influence shopping, the effect will be stronger in Winter). Cawthorne (1998a) points out that weather often determines the starting and ending points of a merchandising season, as well as mid-season peaks, and can not only shift a season but make it longer or shorter, whilst Fox (1993) notes that weather affects overall volume or store traffic. Meteorological variables have been linked to a diverse range of human behaviours (e.g., Robbins et al, 1972; Banziger and Owens, 1978; Sherrets 1979; Cunningham, 1979; Jorgenson, 1981a; Sanders and Brizzolara, 1982; Howarth and Hoffman, 1984; Albert et al, 1991; Cohn, 1993). Researchers have also hypothesised that mood state mediates the relationship between weather and behaviour (e.g., Bell and Baron, 1976a; 1976b; 1977; Cunningham, 1979; Schneider et al, 1980; Bell, 1981; Persinger and Levesque, 1983; Howarth and Hoffman, 1984). There is also the suggestion that beliefs about weather, in addition to actual weather, can affect behaviour (Rind, 1996).

There is, however, no empirical evidence in Marketing that directly assesses the association between daily weather patterns and daily shopping patterns. The aim of this research is to provide such evidence. This research looks particularly at shopping malls (enclosed centres) and the impact of weather on pedestrian traffic, but should fundamentally be applicable to any destination-type retail activity. Shopping malls have two main key performance indicators – shopper count and turnover, making them very conscious of any factor impacting on their ability to attract customers.

The following section details the research approach taken to study the existence and nature of any association. Results of the study are then presented, followed by conclusions about the existence and nature of any association, with a discussion of the implications for management. The paper concludes with some suggestions for further research in this area and a proposed explanation of the relationship using the approach of competing hypotheses (Armstrong et al, 2001).

2. Research Approach

The purpose of this research was to conduct an empirical investigation of the existence and type of association between weather patterns and shopping patterns. Thus the proposition made was:

Proposition

Daily variations in shopping patterns will be associated with daily variations in weather patterns.

The construct of weather was operationalised as being measured by a combination of:

- maximum temperature in degrees Celsius
- rainfall in millimetres
- sunshine in hours (or proportions of)
- relative humidity as a percentage.

The scales used (e.g., degrees Celsius, mm, etc.) are those employed by the National Institute of Water and Atmospheric Research (N.I.W.A.), in New Zealand, which supplied the weather data for this research, and are the same as those used by the Meteorological Service of New Zealand to provide daily weather forecasts and reports through the popular media (e.g., television news, radio, newspapers). The variables used to measure the weather construct correspond not only to those used extensively in mass-media weather information, which consumers would likely be familiar with, and would use to determine shopping behaviour (Pasqualina, 1998), but also to the variables most commonly found in the literature to affect the human psyche in some manner which may relate to shopping behaviour (e.g., Goldstein, 1972; Persinger, 1975; Sanders and Brizzolara, 1982; Brandstatter et al, 1988).

Shopping patterns were defined for the purposes of this research as the daily shopper count for the shopping destination.

Therefore, under the operationalisation given, the proposition stated above suggests that daily variations in the number of shoppers (at a shopping destination) will be associated with daily variations in temperature, rainfall, sunshine and relative humidity.

The data sets used for this research were supplied by the organisations responsible for collecting such data in the normal course of their respective businesses, and as such were taken to be both reliable and valid. Face validity, however, is easily shown for both. The weather data set has measurements that correspond with expected seasonal levels, whilst the shopping data set has weekly cycles, with dramatic changes on holidays, both of which are to be expected.

The weather data set was provided by N.I.W.A. and is the daily climatological record from Station B75152_1529 Thames 2, which covers the primary catchment area for the shopping destination. The period covered is first September 1995 through 29 February 1996.

The shopping data set is the daily pedestrian traffic (shopper) count for Goldfields Shopping Centre in (Thames, a town in the North Island of New Zealand), and covers the same period as the weather data set. The first seven Sundays in the data set were non-opening days, and three other days were public holidays during which the shopping centre was also closed, so $n = 172$.

Multiple linear regression was used to analyse the data, with the daily pedestrian traffic count as the dependent variable, and the measures of the weather construct as the independent

variables. A constant was also included, representing the level of shoppers regardless of weather.

In addition, it was clear from examination of the shopper data that there was a discernible weekly pattern to daily shopping levels, with levels increasing as the week progressed, through to a peak on Fridays, and a reduction over the weekend to the base point on Mondays. Therefore, dummy variables for day-of-the-week were added. Furthermore, it was also clear through examination of apparent outliers and the days surrounding these data points, that public holidays had an effect on shopper levels, and thus a dummy variable for holiday was also introduced.

The model employed for analysis was therefore;

$$y = \alpha + \beta_1 x_1 + \beta_2 x_2 + \dots + \beta_{12} x_{12} + \mathcal{E} \text{ where;}$$

y = daily pedestrian traffic count

α = constant

x_1 = dummy variable (day-of-the-week)

x_8 = dummy variable (holiday)

$x_{9..12}$ = rainfall, temperature, humidity, and sunshine

Note that inclusion of all the dummy variables over-parameterises the model and so day-of-the-week 'Monday' (x_1), which has the lowest mean traffic count, was taken as the base for the dummy variables and omitted (Jobson, 1991, p316). There was no need for a more general model allowing slope shifters since, as would be expected, weather was found to not be correlated with day-of-the-week, nor with holiday.

Collinearity, leverage, and influence diagnostics were run with the multiple regression model, using the Linear Regression procedure in SPSS for Windows, Version 6.0. To assess variable selection for inclusion in the final model, comparison of the adjusted R^2 measure was used. Adjusted R^2 is preferable over R^2 as it has the property that it does not necessarily increase as additional variables are included. A maximum adjusted R^2 criterion is also equivalent to a minimum mean square error criterion, and can also be expressed as an equivalent to the criterion based on the partial F-statistic with critical value $F = 1$, (Jobson, 1991, p267) and is therefore a model selection criterion that has broad appeal.

3. Results

Existence of an Association

The best fitting model in terms of the adjusted R^2 was found by omitting 'humidity' (x_{11}) and 'sunshine' (x_{12}) from equation 1. This gave the goodness of fit results shown in Table 1. Examination of collinearity diagnostics revealed that tolerance levels were high with variance inflation factors low, suggesting little collinearity of concern. There were, however, two eigenvalues which could be considered small - number 9 (0.094, Condition Index 5.79) and number 10 (0.015,

Condition Index 14.67). The first of these corresponded to the day-of-the-week dummy variables, with variance proportions ranging between 52% to 58%, with the other variables less than 6%. This collinearity is to be expected, and the dependency is obviously not affecting the coefficients of the other variables. The second eigenvalue corresponded to the maximum temperature variable (93% variance) and the constant (96% variance). This is unexpected, but with the other variables' variance proportions not exceeding 2%, it is not considered a problem.

With regard to leverage and influence diagnostics, the Cook's D, Leverage, Dffit, and Dfbetas' were all found to be within acceptable bounds.

Thus, the model was found to fit reasonably well, with no collinearity, leverage or influence concerns. With respect to the aim of this study, there is evidence therefore to suggest that an association between daily weather and daily shopping patterns exists. The specific nature of this association is discussed next.

4. Nature of the Association

The specific b coefficients and their significance levels are given in Table 2. Dealing with the variables that are not of direct interest first, it can be clearly seen that; there is a weekly pattern whereby traffic will normally rise to a peak on Fridays, dropping back over the weekend to a point where on Sundays the count is actually negative (recall that Monday, with the lowest mean traffic was the variable omitted to allow parameterisation of the model).

Holidays have a huge impact on shopping patterns, increasing the traffic level to over 100% of the base level (the constant).

The variables of interest to this research, however, are the two remaining measures of the 'weather' construct. It can be seen from Table 2 that as rainfall increases, traffic decreases. Effectively, for each millimetre of rainfall, the shopping

centre loses approximately 43 shoppers. Given that the observed rainfall had a maximum of 40.5 mm for the period, this equates to a potential loss of up to 1759 shoppers, which is between 7% of the total shopper count on a holiday Friday, the maximum shopper count day possible, and over 18% on a regular Sunday, the lowest shopper count day possible.

Similarly, Table 2 shows that as the maximum temperature increases, the traffic decreases. Effectively, for each additional degree Celsius, the shopping centre loses approximately 87 shoppers. This is only for a temperature range of 12.6 through 28.5 degrees Celsius, as these were the minimum and maximum temperatures observed for the period. This equates to a maximum potential loss of 2480 shoppers on a hot day (between 10% of the total shopper count on a holiday Friday, and 26% on a regular Sunday).

As mentioned above, the other two 'weather' measures, relative humidity and sunshine hours, failed to meet the inclusion levels of 0.05 significance and 0.10 significance. Thus neither of these two measures have any significant effect on the decision to go shopping or not. This was unexpected, as a number of the previous studies had highlighted the impact of these specific measures upon behavioural intention (e.g., Cunningham, 1979; Persinger and Levesque, 1983; Howarth and Hoffman, 1984), however, it was expected to the extent that the nature of the association with shopping levels was considered implausible.

5. Limitations

As with any observation-based research there are inherent limitations. First, the assumption was made that daily shopper count reflected the number of people who were actually shopping, whereas there are likely to have been other visitors to the shopping centre such as tradespeople, delivery people and the like. This is likely to have been a systematic daily error, and most likely a small actual number, not impacting on the relationships identified. Second, there is the generic argument

Table 1:
Multiple Regression Goodness of Fit Results

Multiple R	0.78
R ²	0.60
Adjusted R ²	0.58
Standard Error	2046.38
F	27.35
Significance	0.000

Table 2:
Multiple Regression *b*-coefficients, *t* and Significance Results

Variable	<i>b</i>	<i>t</i>	Significance
Rainfall (mm)	-43.42	-1.71	0.09
Maximum Temperature (deg., C)	-87.42	-2.09	0.04
Tuesday (dummy variable)	1067.33	1.82	0.07
Wednesday (dummy variable)	1118.48	1.88	0.06
Thursday (dummy variable)	1588.75	2.73	0.01
Friday (dummy variable)	3459.29	5.92	0.00
Saturday (dummy variable)	2073.86	3.55	0.00
Sunday (dummy variable)	-482.45	-0.76	0.45
Holiday (dummy variable)	10397.58	12.87	0.00
(constant)	9991.62	10.38	0.00

against any observation, that unobservable reasons for behaviour are influencing the results. The most likely influence on shopping patterns in this situation are any marketing mix changes such as promotions or advertising. During the period analysed there were no major fluctuations in marketing mix – e.g., major retailers had consistent advertising or promotions (such as a regular weekly newspaper insert) or had none. There were no changes in the retail mix at the centre, and there were no major centre promotional activities.

6. Conclusions and Discussion

It is obvious from the analysis that holiday periods and ‘day-of-the-week’ have significant impact on shopping patterns. When the relative scales employed for rainfall and maximum temperature are considered however, it becomes clear that daily ‘weather’ variables can also have a very significant impact upon daily shopping levels.

So, why might there exist such a relationship that is not seasonal-effect based? Physical factors acting as deterrents or inducements to shopping may provide the answer. In Thames, N.Z. we have seen that as rainfall increases shopper count decreases. In Sydney, Australia, where temperatures can far exceed those common to Thames, shoppers flock to malls during hot and humid weather to take advantage of the air-conditioning. Edmonton, Canada, home of the world’s largest mall, sees people relishing the warmth during the winter

months of snow and sub-zero temperatures. Understanding the impact of various weather types particular to their market will allow the mall and retailers to actively promote the benefits of the centre in response to and anticipation of the weather. With inducements, (e.g. air-conditioning in summer) promotions can emphasise these. With deterrents, the knowledgeable manager can be aware that a particular type of weather can turn customers off from shopping, and counter it, e.g., valet parking for open car parks commonly subject to wet weather.

Armstrong et al. (2001) suggests however that a single hypothesis lacks objectivity relative to the use of competing (non-related) hypotheses. In this light, an alternative proposal to explain the relationship is offered, consistent with the framework of this research.

Studies in the psychological literature have examined in depth the relationship between mood or emotional states and weather (e.g., Reese, 1942; Goldstein, 1972; Persinger, 1975; Sanders and Brizzolara, 1982; Brandstatter et al, 1988; Pawlik and Buse, 1994), establishing an accepted link between weather variables such as temperature, humidity, sunshine hours, precipitation, barometric pressure, and wind velocity, and mood or emotional states. Jorgenson (1981a; 1981b) has suggested that this linkage may actually be a perceived causal relationship attributed by the individual, and has shown that

individuals tend to believe others are more affected by the weather than themselves, but concludes that one way or the other, weather variables do impact mood or emotional state, a conclusion further supported by the anecdotal evidence of Cawthorne (1998b). Jorgenson (1981a) also suggests that the adherence level to superstitions about weather has a positive relationship with the impact weather variables have upon emotional states.

Belk (1975) suggested that a consumer's emotion or mood is considered a situational variable which affects his or her propensity to buy, with Donovan and Rossiter (1982) extending this to amount of time spent in the store and willingness to return. Mooradian (1996) found linkages with a number of shopping motives reflecting mood management strategies. Furthermore, Swinyard (1993; 1994) found that mood had an important influence on the shopping intentions of customers, with subjects who were in good moods evaluating positive experiences even better, and those in bad moods accentuating any negative experiences. This mood-congruence is well founded in the psychology literature (e.g., Mayer et al, 1992; Sinclair et al, 1994) and has been supported in the retail literature (Gardner, 1985; Gardner and Hill, 1988; Groenland and Schoormans, 1994; Babin and Darden, 1996), forming the basis for much of the development of emotion in marketing (Bagozzi et al, 1999) and particularly in advertising (Holbrook and O'Shaughnessy, 1984; Aaker et al, 1986; Friestad and Thorson, 1986; Hawkins et al, 1989).

Sherman and Smith (1986) and Sherman et al (1997) suggested further relationships, showing positive associations between mood and measures of store image, number of products bought, and spending levels above what consumers had planned, whilst Babin and Darden (1996) find that mood has an even greater impact upon satisfaction with the retailer. Finally, it is likely that mood will have a greater effect when the shopping experience is personally relevant to consumers (Petty and Cacioppo, 1983; Swinyard, 1993).

A combination of the existing literature and the results of this study would suggest that some weather variables (such as rainfall and temperature in the case of Thames) may affect the initial decision of whether to shop or not, whilst others (such as humidity and sunshine hours) may affect the mood of the consumer once they are in the store or shopping centre, and consequently, their in-store behaviour.

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Book Reviews

Secrets of Customer Relationship Management: It's All About How You Make Them Feel

McGraw-Hill, USA

James G. Barnes (2001)

This book is another in a line of many recent books that focus on the concept of relationship marketing. The study and practice of relationship marketing has gathered pace in the last twenty years to an extent where it has become an integral part of most business degrees and there are many executive courses that also focus on the topic. There can be few business managers – especially marketing ones – who are not only familiar with the term ‘relationship marketing’ but also understand its many components. In this respect this book is not tackling new subject matter but trying to provide a deeper understanding of a relatively accepted concept.

The book succeeds in many ways; particularly by elevating the idea of relationship marketing to a higher level and bringing in other related topics, such as branding. However, this book also frustrates the reader in many areas too. The highlights and disappointments of the book are detailed below.

It is clear from the outset and throughout the book that the author wants us to appreciate that the term relationship marketing is limited. On page 298 the author states: *“I believe very strongly that the implementation of relationship marketing cannot be left to the marketing department...it's not about marketing; it's a philosophy dealing with how we treat customers, how we serve them, how we create value for them”*. The title of the book reflects this belief and although most chapters have a strong marketing flavour, such as the branding and customer satisfaction chapters, the book maintains a general managerial approach throughout.

In fact this book is positioned as a book for senior management as the author continually asserts that a relationship approach is a philosophy that must permeate throughout the whole organisation rather than a functional approach. Furthermore, this philosophy must start with the CEO (or equivalent) and work its way down. A relationship approach which is only advocated by functional teams or by a few senior management will struggle – particularly where senior management delegate the responsibility of implementation to middle managers without senior management taking ownership of this orientation. This, it seems, is good advice although maybe similar to advice given in many fields in trying to achieve organisational-wide implementation of systems or projects.

I have enjoyed Jim Barnes’ work for many years and he has considerable credibility in this field. He has much consulting experience within the area and his academic work has always taken a much broader look at relationships than many other authors who tend to look at specific aspects of relationships such as trust and commitment without viewing the totality of the relationship approach. This experience comes through in many chapters and the highlights of the book clearly relate to some of Barnes’ consulting work. In particular his work on closeness of relationships and the emotive side of relationships (in which Barnes borrows much from the social psychologists) is excellent. In fact the theme of the book is about creating relationships that have an attitudinal or emotive aspect rather than just a behavioral one.

Other highlights include chapter three which looks at customer satisfaction as an antecedent to relationships. In this chapter the author slowly breaks down the components of satisfaction from the core product (the most basic driver of satisfaction) to the most advanced driver of satisfaction the emotive aspects of customer satisfaction – ‘how we make customers feel’. This chapter is compelling and gives managers a framework in which to think about the different elements of their product and service offering. This chapter also brings in other useful concepts from services marketing theory, such as the Zone of Tolerance, which seem relevant at this point.

I also very much enjoyed the branding chapter. I was a little unsure as to how this chapter fitted into this book when I first glanced through the structure of the book. However the chapter is executed well and essentially gets the message across that branding is all about developing stronger relationships with customers and this must be the ultimate goal of branding. The author convinces me that relationships and branding are inextricably linked, but that branding is a means to an end, and that end is strong customer relationships.

The Internet chapter is also sound although distinct from the rest of the book in that the author starts to fall into a management consulting mode and provides us with *‘ten ways that a company can contribute to developing genuine customer relationships online’* (page 241). These 10 top tips include *‘delivering great service’* and *‘understanding the online customer’*

which are more suited to a MSN web page than this book – they lack depth and you feel this chapter may not be the author's main area of expertise.

The book finishes very strongly where the final chapter discusses the opportunity for competitive advantage from relationships and broadens the concept of relationships to include relationships with employees, suppliers etc. and investigates ways of creating a relationship philosophy throughout the organisation. In fact I would have liked to have seen much more on building relationships with employees and the service profit chain; which analyses the link between employee satisfaction and customer satisfaction (it is only mentioned briefly in parts).

Overall I have more positive things to say about the book than negative. There are, however, a number of negative aspects of the book that will irk its target audience of senior managers. The main one I believe is the repetitive nature of the book - many statements are repeated over and over again, to a point where it becomes frustrating and the reader wonders whether they are reading a previous chapter. Clearly the author is trying to get important points over (good examples are the importance of emotion, seeing value from the customers point of view and price being unimportant) but by stating them many times they lose their impact and you start to wonder if the author is trying to convince himself rather than us.

Similarly, some themes are elaborated on far too much. For example chapters 7 and 9 which focus on learning how small businesses develop relationships and how to identify relationships at risk respectively, cover 40 pages of this 300 page book - yet these chapters add very little and could have been summarized in a few pages. For example the chapter on "What small firms can teach us about relationships" talks for three pages about the threats to survival for small businesses – yet this really has nothing to do with the theme of the book and could be removed. In essence I believe this book could have easily been 200 pages. Overall, less would have been more in this case, particularly when you consider the readers are busy senior managers.

Another problem with the book is that it sits uncomfortably between a book written by an armchair philosopher, similar to one written by relationship marketing guru Christian Grönroos, and a consultant's guide to relationships. The author espouses many views about managing and developing relationships such as the ideas about what relationships aren't and spurious relationships, that we would expect from a

professor of marketing. At the same time he provides us with some tools for implementing a relationship approach such as the five levels of customer satisfaction (pages 66-73) and measuring how we create value (pages 108-110). The author writes "It should be obvious that the view of customer relationships that has been presented in this book represents a management philosophy rather than a set of tools to be applied" (page 281) he does not really achieve either. There is not the depth of thought that makes the reader sit up and think "I never thought of relationships like that", or enough application tools and conceptual frameworks that would assist a senior manager in doing a better job of implementing their relationship ideas. For example, the author often talks about customer satisfaction, customer value, and relationships but what is the connection between these concepts? A framework would help us understand these linkages better. In summary, this book would have benefited from one approach or another (or two books?).

Personally, however, my greatest dissatisfaction with the book is the name "Secrets of Customer Relationship Management". Barnes' work in the past has been praised by managers and academics alike because it is pragmatic – he removes the hype from the relationship approach and brings it down to the fundamentals. For this book to be called "the secrets of..." is a crime. This is exacerbated by the fact that on page 3 he states that: "[there is] nothing new here...small firms have been practicing "relationship marketing" for centuries". Which leaves the reader asking then what exactly are the secrets? As the book progresses it is clear that there are no real secrets as much of it examines past work from services marketing, social psychology, and economics without any really new ideas. The author often talks about fulfilling promises as a key to success in business - he clearly should have followed his own advice here. We can only guess that someone from the publishing company convinced the author that it would sell more with this title.

Overall would I recommend this book to senior managers (it is certainly not pitched or appropriate to academics or executive classes)? Yes, but I would probably advocate delegating the full version to a subordinate and ask them to write you an executive summary which you could digest in an hour or so. This may be enough to learn the 'secrets' within this book.

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Principles of Internet Marketing

South-Western College Publishing/Nelson Thomson Learning

Ward Hanson (2000)

Of all the books written on the internet (and such texts have provided one of the few profitable areas of internet marketing over the past few years), Ward Hanson's *Principles of Internet Marketing* is a beacon of authority. From the preface onwards, the reader is reassured that here is an author with unique academic and practical experience of a wide range of internet marketing situations. Since 1996, Professor Hanson has been advising the evolving Californian internet business community and has been teaching internet marketing to his MBA classes at Stanford Graduate School of Business – and it shows; readers' questions are anticipated and common assumptions are queried and tested.

Principles of Internet Marketing is divided into three sections: a framework for internet marketing; online marketing themes; and implementation and organisation - with each section having a number of chapters on discrete topics (e.g. the online community, personalisation, pricing, etc.). Each chapter is introduced with an example and a 'roadmap', and finishes with an extensive endnotes section which provides links to books, academic papers, trade publications or web-site material (although examples are almost exclusively US-centred).

The main thrust of the text is on the marketing implications of the internet. However, there is enough technical detail provided to explain why a topic is important or how a technology works. For example, rather than simply restating terms such as Metcalfe's law, Hanson gives a thoughtful critique of its implications and exceptions. Hanson has a broad interest in technology as well as marketing, and his breadth of knowledge shows in the examples he uses and his thoughtful discussion of the issues that online media bring to marketing. The text reassures the reader with its strong research basis and at the same time it provides information about industry standards and buzz-words. Terms are explained clearly. It is also entertaining and easy to read, with high proof-reading and production standards. The research emphasis of this book means that it was a long time in the making (the Preface was signed-off in June 1999 and some comments refer to companies' plans for 1999) – this makes a few of the examples seem a little outdated. However, although first written over two years ago, Hanson's focus on key issues (pricing, brand building, customer support, etc), gives the text continuing relevance.

Evidence to support the assertions that are made is well-integrated – mostly this information is from strategy texts, published surveys, Stanford MBA projects, and case examples; there is less evidence on consumer behaviour (for example, illustrations of changes and constancies in consumer behaviour in online environments could be more comprehensively covered). Examples are illustrated by tables, charts and pictures, and there is a useful glossary. Although there is a plentiful use of examples, this book is much less case driven and has a greater emphasis on generalisable empirical evidence than the standard marketing textbook. Features that could be improved include the index, which is somewhat lacking in detail; for example you cannot search by author – so if a student is introduced to the work of Blattberg and Deighton or Hoffman and Novak they won't easily be able to locate the discussion around the research of these authors.

The core of the text builds on Hanson's experience of looking at web strategies and their outcome and integrates this with traditional marketing concerns (e.g. the cost-quality trade-off, consumer behaviour around search versus experience goods, or how to calculate customer lifetime value). There are also quite a lot of useful "how to..." tips based again on published research evidence (e.g. how to achieve higher advertising clickthrough rates), plus suggestions for developing an internet marketing plan and a discussion of the strategic legal issues of online marketing.

Hanson is at his best in: (a) making findings from key academic research projects on internet marketing accessible to the reader (e.g. the work on pricing and bundling by Bakos and Brynjolfsson or the non-intuitive findings from Reeves and Nash on how users relate to, and interact with, computers); (b) helping the reader to understand how the internet fits into the traditional principles of marketing (new product development, customer segmentation, pricing decisions, channel choice, etc.).

Overall, the main thrust of *Principles of Internet Marketing* is not so much that the internet is a disruptive technology which changes marketing for both firms and consumers, rather it is focused more on how the internet can add value to (or deduct value from) existing marketing strategies. This is not a conventional textbook: there are no uncritical and prescriptive

lists, there are also no notes for teachers, and no CD with Powerpoint slides. But marketing academics will find a rich source of material here to stimulate discussion. The book is ideal as both an introductory text for marketing students, or as a supplementary book for an MBA audience. It will also appeal to those marketing managers who look to academics for robust frameworks, theory and insights. Compared to the

many more recent texts on internet marketing, this book still leads the field.

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Strategic Advertising Management

Oxford University Press, New York

Larry Percy, John Rossiter, & Richard Elliott (2001)

This review discusses Percy, Rossiter and Elliott's textbook *Strategic Advertising Management*. It comments first on the characteristics of the text before discussing its strengths and weaknesses.

Structure and Content of the Text

Designed for advanced students of marketing communications or advertising, this text is well-written and the chapters are thoughtfully structured. I particularly liked the strong decision-oriented framework the authors used as this helps students at all levels focus on the specific questions they need to address and how they might evaluate the options available.

The text comprises four sections, which move from a general overview of advertising and promotion through to a more specific consideration of various tactical issues. I found Section 1 of the text, the overview, rather disjointed. The first chapter, in particular, covers a diverse range of topics, from the meaning of advertising, through advertising on the Internet, to the social effects of advertising.

However, from Section 2, which explores planning, the text evolves clearly and introduces topics that are helpfully cross-referenced to subsequent chapters. This section begins by exploring a communication response sequence, and the behaviours that relate to this, before turning to examine the role of advertising within a wider marketing framework. The structure of this section is much stronger, and it provides a solid foundation on which to build. The logical movement from more general issues to detailed discussion of their constituent parts promotes understanding and leads students into a topic gradually, without first overwhelming them with detail.

Section 3, entitled "*Laying the Foundation*" pulls out key topics from the preceding section and explores their relevance and importance in detail. Decisions discussed in this section include identification of target audiences, consumer decision-making, positioning, and message and media strategies. Again, this section evolves clearly and provides a logical framework that would appeal to students. Like Section 2, this section also draws heavily on Rossiter and Percy's earlier work, and develops further several tools discussed in their

1987 and 1997 texts. The current book links together much of the first two authors' previous publications and provides an accessible synthesis of the advertising theories they have developed and advocated for some time.

Section 4 becomes even more specific and explores the practical applications of the frameworks and tools outlined previously. Beginning by exploring how consumers process messages, the section then considers creative and promotion tactics before concluding with a discussion of how various promotion elements can be integrated. The structure follows that of earlier sections, reinforcing the approach advocated by the authors and assisting students to trace themes from more conceptual discussions through to applied practical considerations.

Although I found Section 1's content and structure somewhat erratic, the remaining sections had a sound structure that focussed readers' attention on management decisions and how these might be addressed. From an educator's point of view, this structure would easily translate into lectures that move from wider theoretical issues to the specific decisions that followed on from these. From a student's point of view, the text is clearly written, and provides helpful summaries and cross-referencing that reinforce the approach adopted.

Strengths and Weaknesses of the Text

For followers of the approach that Rossiter and Percy, in particular, have developed over the last 20 years, this text will be a great asset as it clearly documents their key theories, and how these have developed over time. As such, it extends and updates their earlier texts and provides a useful synthesis of their work. All three authors have impressive research records and the text draws heavily on their previous work. This is both a strength, since it helps establish an authoritative tone, yet also a weakness, since it tends to confine the research discussed to rather specific endeavours in a field that includes a much wider range of perspectives.

The text pays little attention to alternative approaches to advertising and promotion, some of which have now gained wide currency. For example, Ehrenberg's "Awareness-Trial-Reinforcement- (Nudging)" model is mentioned only briefly,

as are the views of Jones on advertising's effects. While the authors are perfectly entitled to advocate their preferred approach to these decisions, educators who wish to adopt a more wide-ranging perspective may find the text's content a little narrow.

Given that the text will be set for specialist papers that examine marketing communications in detail, I would have liked the authors to discuss a broader range of views so the text reflected the diversity of approaches that exist. Chapter 2 outlines many of these approaches, however, subsequent sections do not draw strongly on these frameworks, thus readers are left with summaries of alternative approaches, but little idea of how these might be applied.

A more eclectic approach would also explicitly require students to evaluate competing ideas and theories, and the evidence on which these are based. The danger of adopting a more prescriptive stance is that students view it as a recipe for success and uncritically rely on it. This is not to say that reliance on Percy, Rossiter and Elliott's prescription is ill-founded, but such reliance should occur after a thoughtful analysis of alternative approaches. Although, as noted, some reference is made to alternative approaches, the discussion of these is very brief – perhaps too brief to stimulate the skills in critical thinking that advanced students in marketing communications should be encouraged to develop.

Later sections of the text make good use of examples to illustrate the arguments advanced, particularly the chapters dealing with specific creative topics, which contain several thoughtful and very helpful illustrations of key ideas. However, the early chapters have fewer examples, and some mini-cases or specific examples could help to make the theoretical concepts more accessible. For example, an evaluation of an advertisement using the different approaches summarised in Chapter 2 could help clarify the differences between these perspectives.

I would also have liked to see stronger reference made to the empirical studies in advertising and promotion that have emerged. For example, Danaher's work in audience behaviour merits more detailed attention, as do Jones' arguments about frequency and media scheduling, and Lodish's response to Jones' claims. Similarly, no reference is made to Ehrenberg, Hammond and Goodhardt's work on price-related discounts, or to Gupta's decomposition of the promotion sales spike.

These suggestions may seem rather pedantic, as all texts need

to define limits, for the sake of both authors and readers. Perhaps one means of addressing this concern would be to provide more detailed references at the end of each chapter. While some chapters do contain several references, a number have comparatively few suggestions for extended or additional reading. Although some authors are listed in the Index, there is no overall bibliography and, from the point of view of students, further details of source material would provide helpful starting points for assignments requiring research beyond the text.

Each chapter is linked to at least one case available from a database held on the Institute for Practitioners in Advertising website. However, according to the information I received, the cases are not freely accessible and cost £20 to obtain, adding considerably to the overall cost of the text. Although web-based examples can be quickly and easily updated, thus maintaining the currency of the text without the need for revised editions, these examples must be available at no or little additional cost if they are to assist academics or their students.

Each chapter also concludes with a series of short review questions. For the most part, these are quite descriptive questions, checking recall of key concepts but not promoting deeper analysis of these or competing ideas. I would have liked to see questions that prompted more debate, and that could be used as the basis of class exercises or discussions. It is possible that the cases suggested for each chapter would have served such a purpose, but if the information I received is correct, I think the cost may deter some educators from subscribing to these.

Overall, this text is well-written and generally well-structured. Its format is clear and logical and it is likely to appeal both to educators and students since it offers a clearly developed prescriptive approach to advertising and promotion decisions. However, paradoxically, the strong emphasis on the framework provided is both the key strength and yet a weakness of this text. Educators and students looking for answers will be well satisfied with what this text offers them; however, educators looking to raise questions and stimulate debate may wish that the text incorporated a wider range of perspectives.

Janet Hoek
Massey University

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)

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.

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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

amj has adopted the format of the *International Journal of Research in Marketing* (IJRM). 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, email 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.

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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.

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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 emailed copy is acceptable. Author/s should also supply a short biography and ³/₄ 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.

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- Follow *International Journal of Research in Marketing* style, reference & format guidelines.
- Include any figures, photos and graphics as good quality originals.

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