

- 5 Editorial
Paul Patterson and Mark Uncles
- Papers
- 7 **Developing Effective Advertising Self-Regulation in Australia: Reflections on the Old and New Systems**
Debra Harker, Michael Harker, and Michael Volkov
- 20 **International Joint Ventures: A Political Economy Framework**
Lisa Hersch and Chris Styles
- 33 **Australian and Taiwanese Advertiser's Perceptions of Internet Marketing**
Tzu-wen Hsu, Jamie Murphy, and Sharon Purchase
- 46 **Consumer Self-monitoring, Materialism and Involvement in Fashion Clothing**
Aron O'Cass
- 61 **An Examination of the Effects of 'Country-of Design' and 'Country-of-Assembly' on Quality Perceptions and Purchase Intentions**
Chandrama Acharya and Greg Elliott
- Book Reviews
- 77 **Consumer Behaviour (2nd Edition)**, (Prentice Hall Australia) by Leon Schiffman, David Bednall, Elizabeth Cowley, Aron O'Cass, Judith Watson, and Leslie Kanuk (2001)
Robert East
- 81 **Services Marketing: An Asia-Pacific Perspective (2nd Edition)** (Prentice Hall Australia) by Christopher Lovelock, Paul G Patterson, and Rhett H Walker (2001)
Janet R McColl-Kennedy
- 83 **Value-Based Marketing**, (Wiley) by Peter Doyle (2000)
Chris Styles
- 85 Executive Summaries
- 88 Notes for Contributors

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Submissions, Subscriptions and Advertising

Notes for contributors can be found on page 88

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Editorial

As the new editors of the Australasian Marketing Journal (*amj*) we would like to use some precious journal space to share our views on three issues: (1) the positioning of *amj*, (2) where we see the journal heading, and (3) the review process.

The Positioning of *amj*

amj is a double-blind peer-reviewed journal written for both marketing scholars and practitioners. Now in Volume 9 Issue 1, the purpose of *amj* is to publish high quality articles that enrich the practice of marketing while at the same time contributing to the advancement of knowledge in our discipline. Hence manuscripts accepted for publication must be conceptually, theoretically and methodologically well founded and offer findings and insights that contribute to our body of knowledge, as well as offering meaningful implications for practitioners.

Our general goal is to publish well-written, readable articles with a broad appeal and of international relevance. While *amj* accepts articles from all parts of the world, the majority of submissions are from the Asia Pacific region. We are especially keen to publish articles that emanate from the region or focus on the region in a global context. The editorial review board reflects this positioning, being drawn from all parts of the globe, but with an emphasis on the Asia Pacific. Furthermore, preference will be given to articles that are generalisable across industries and nations.

Since December 2000, we are pleased to report a steady stream of quality manuscripts being received. This augurs well for the future of *amj*, as a quality journal needs a continuous stream of quality manuscripts. With senior academics of international repute in our ranks, as well as an emerging brigade of young researchers with excellent research skills, we are well placed to further develop *amj* as the major marketing journal in the region, and strengthen it on the world stage.

Future Directions of *amj*

Looking to the future, we do not believe that *amj* requires major changes in strategic direction or general journal layout. Rather, any changes are in the spirit of continuous improvement. We intend to maintain *amj* as a quality academic

marketing journal with broad appeal. This means we will continue to publish articles in core areas of marketing: consumer behaviour, marketing research, product management, distribution, marketing communications, strategy, international marketing, services, marketing education, etc. We also welcome submissions in new and emergent areas of marketing: e-business, customer relationship management, marketing metrics, knowledge management, cross-cultural studies, etc. This befits the broad interests of the readership and reflects the scope of our parent body, the Australian and New Zealand Marketing Academy (ANZMAC).

Perhaps the most notable change is our intent to encourage more submissions from countries in the Asia Pacific region, outside of Australia and New Zealand, to enhance the regional appeal of the journal. Consider for a moment that the phenomena we typically research are affected by the cultural context. Group decision-making (and implicit group considerations typical of eastern, collectivist cultures) has received much less attention than individual decision-making in western cultures. Yet over 70% of the world's population lives in collectivist cultures. Indeed most of our accepted theories and paradigms were developed in western contexts, and thus they are in need of testing for their generalisability. Being part of the Asia Pacific region, we are well placed to capitalise on this and test well-accepted theories and models in collectivist contexts.

Next we should point out that research is not the only basis for an acceptable article. We wish to encourage case analyses (featuring managerial implications and/or lessons from best or bad practice, rather than teaching cases), creative concepts and applications, book reviews, commentaries and other thought-provoking manuscripts. We feel it important that authors give due consideration to the managerial relevance of their theories and empirical findings. Accordingly each published article will be accompanied by up to a page of managerial implications and/or insights, plus guidance for public policy makers (where appropriate). This appears in a separate section at the back of the journal and, we hope, will be made available to practitioner and professional readers.

The next development concerns turnaround times for reviews.

We have set a goal of turning around manuscripts for new submissions in 6-8 weeks or less. Also, in all but the most exceptional circumstances, we will endeavour to give authors a definitive answer after no more than two rounds of reviews. This of course puts pressure on members of the editorial review board and occasional reviewers, but it is essential in our view if we are to provide the highest impact for quality articles. To achieve maximum impact on both the research community and practitioners, quality articles need to see the light of day as early as is practicable, rather than be held up by a needlessly inefficient and bureaucratic review process. So with the help of *amj*'s internationally recognised editorial review board, and our coterie of dedicated occasional reviewers, we aim to turn around manuscripts within this timeframe. The performance of board members will be monitored, and members may be dropped if chronically late. We believe prospective authors will value these initiatives.

Finally, given the increasingly digital world we live in, and the need to diffuse articles in *amj* far and wide, we intend having back issue of *amj* placed on the ANZMAC website some 6 months following an issue. Furthermore the ANZMAC executive is investigating whether and in what form we might move forward with an electronic journal.

The Review Process

Principally for the benefit of new researchers, we now turn our attention to the review process. Typically, each article is evaluated by two or three knowledgeable reviewers on five key dimensions: importance of the topic, soundness of the conceptual framework or theory, validity of the method (in the case of empirical papers), significance of the contribution, and general readability.

First, some topics are more important than others given the readership and positioning of the journal (see, for example, our comments above regarding research on group decision-making). Topics on the periphery of mainstream marketing, while not discouraged, may not be afforded the same priority as more mainstream ones. Questions reviewers are asked to assess include: how many *amj* readers would find the topic interesting? Are the key insights apparent (or have you hidden your light under a tree)? Do these insights provide a new way of looking at a phenomenon or provide deeper understanding?

If the topic is considered of value to the *amj* readership, then a sound conceptual framework is essential. How well justified is the framework? What is new or distinctive about it? What are the key assumptions? Answers to these questions need to be clearly articulated.

Analytical papers need to be technically correct. Issues of data collection, sampling, as well as validity and reliability, and appropriateness of analytic tools are the concerns uppermost in reviewers' minds. Reviewers will ask if these are techni-

cally correct. If not, are they correctable or are there fatal flaws?

Reviewers are asked to assess the general readability of the article and make suggestions for improvement. Don't underestimate this aspect since it is very easy to get offside with reviewers if your arguments, contributions, etc. are not clearly articulated. Or if your figures and tables are unclear and poorly presented. While *amj* reviewers have been asked to give constructive comments to assist the author/s, keep in mind reviewers are probably busier than most, and are giving of their time to assist in the review process. So consider the initial readers of your manuscript, and don't make them scratch their head trying to figure out what you are trying to say.

So what does all this mean for authors? Ask yourself:

- Why should anyone read my paper?
- What will they learn?
- Have I provided strong support and sound assumptions for my theoretical model or framework?
- What are the advantages of my approach or method over other work? (But don't over-claim and be aware of the limitations).
- Have I covered off all methodological and analytical issues?
- Is the paper clearly written to convey my central message? (Don't get sidetracked and include superfluous sections).
- Keep in mind who might review your paper.
- Is it an enjoyable paper to read? Have I motivated the reader to want to read on?

Conclusion

In summary we feel very positive about the journal. Yet we recognise there is scope for improvement. Accordingly our goal is straightforward — to work with the editorial team and the ANZMAC executive to attract and, constructively and expeditiously, evaluate the best research generated in the region.

Finally, we acknowledge the support that Monash University has given to the journal since its inception, and extend a special word of thanks to the previous editors, Frank Alpert and Lester Johnson. Pleasingly, they left *amj* in good shape, and provided a platform from which we can continue to grow the journal.

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Developing Effective Advertising Self-Regulation in Australia: Reflections on the Old and New Systems

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Abstract

The regulation of advertising is a controversial and difficult process. Over the past three decades, two attempts have been made in Australia to produce more acceptable ads. This paper reviews these systems using a macro framework for analysis which contextualises advertising in society. The systems have the fundamental process of handling complaints about advertising in common, however there are advantages and disadvantages of each and these are discussed. Important insights for the development of regulation of advertising are presented together with critical implications for the future of the industry.

Keywords: advertising, self-regulation

1. Introduction

Whilst Best (1997:p. 223) suggests that only ethical people can make ethical choices, many cynical observers of advertising in society would argue that advertisers are increasingly unethical in their attempts to reach their target markets. The activity has been described as pervasive (Drake, 1988), intrusive (Blakeney and Barnes, 1982) and, at times, pernicious. In the same vein, Mittal (1994) has suggested that the purveyors of the art have been known to be mischievous in their commercial role. Globally, we are told, developed and developing societies are bombarded by several hundred millions of different advertisements which are published and broadcast each year (Boddewyn, 1992). On the one hand, these figures are testament to the importance of this, the most visible, element of the marketing mix (Boddewyn, 1989:22), however they can also be viewed as further evidence that some members of society may need to be protected as some advertising can be harmful.

A small proportion of advertisements are offensive, false, misleading, unfair, or socially irresponsible, or they are perceived as such by the general public. So, when this is the case, a structure needs to be in place in order to provide protection to all parties. To complement their legal systems, developed countries have established programs of regulation which, in the main, are operated on a self-regulatory basis, where the industry is responsible for controlling the conduct of its own members. However, the recent breakdown in Australia of one of the world's longest established advertising self-regulatory systems, and the introduction of a new system, highlights the problems associated with providing effective

protection for society from unacceptable advertising (Media Council of Australia, 1996; Strickland, 1996).

The achievement of acceptable advertising through self-regulatory systems is a topic that has been debated spasmodically in leading marketing journals for over twenty years. The extant literature can be classified into two key streams, the first provides a significant, although somewhat descriptive, body of knowledge of advertising self-regulation (ASR) in general and examines, for example, how various schemes function around the world (Neelankavil and Stridsberg, 1980; Miracle and Nevett, 1987; Boddewyn, 1988, 1992). The second stream is more prescriptive and provides normative guides for regulators and advertisers to assist in developing effective ASR programs. Indeed, research studies have provided seven tests (Moyer and Banks, 1977), five activities (LaBarbera, 1980), five recommendations (Armstrong and Ozanne, 1983), six tasks (Boddewyn, 1985), and fifteen rules (Wiggs, 1992) as normative guides for advertisers in developing ASR programs.

Despite these research themes, little is known about how acceptable advertising can be defined and monitored. Thus, in the overall context of advertising regulation, this article has two objectives: first, to present and discuss the key variables associated with acceptable advertising. Second, to use these variables as a framework to analyse the way advertising is regulated in Australia — comparing the new administration to the old.

2. Regulation, Self-Regulation and Advertising

The parent body of literature for this research is social control (Streeck and Schmitter, 1985) and, in particular, regulatory

theory, incorporating collective action and group decision-making, in the context of advertising.

Regulation is used by government to support, or to obtain the collaboration or assistance of business, as well as to control it (Byrt, 1990). Indeed, there are few business activities in Australia that are not subject to government regulation, either directly or indirectly (Pincus and Withers, 1983). However, regulation can have a very broad meaning in everyday life and this is largely a result of its historical usage (Harris and Carman, 1984). Indeed, in their typology of regulatory response, Harris and Carman emphasise the fact that regulation is generic and very broad in scope and effect (1984, 43).

Regulation is primarily concerned with social control and, in the context of this article, specifically the interaction between authority and exchange (Harris and Carman, 1983). The authority of the state is used to protect those involved in the exchange process. The concept of exchange is at the heart of the marketing process and, when dealing with advertising in a society, those people who are often exposed to increasing amounts of advertising are often those least able to protect

themselves when that advertising oversteps the boundaries of acceptability. The item exchanged in advertising is information, and problems arise when misleading, deceptive or offensive information is communicated to the marketplace, in other words unacceptable advertising.

One of the most important, and current, challenges for both marketing and public policy researchers and practitioners is to ensure that the remedy chosen to avert, or correct, market failure is the best that can be designed (Carman and Harris, 1986). Thus, effective ASR frameworks are one such remedy for unacceptable advertising practices.

Whilst research in this area is problematic, scholars such as Wotruba (1997) have issued the challenge to researchers, suggesting that the literature on self-regulation in general has little empirical flavour, does not inform about the effectiveness of schemes, does not enlighten about what types of programs are more effective than others, under what conditions and for what interested stakeholders. Given this challenge, it is not surprising that there are cynics among researchers when discussing the merits or demerits of indus-

Table 1:
Unacceptable Advertisements

Breach	Guilty Party/Case	Reasoning	Country	Year
Deceptive	Federal Trade Commission v. Ruta Lee	The advertising of a stop smoking spray that does not work effectively,	United States of America	1995
False	Driscoll v. US Robotics	Advertising the speed at which their modems could download information faster from the Internet	United States of America	1997
Unfair	Federal Trade Commission v. RJR Tobacco Co.	Regarding the use of Joe Camel in advertisements as being unfair advertising as it is targeting minors	United States of America	1998
Offensive	Smiths Foods	Advertisement depicting camera-clicking	Asians Australia	1999
Socially Irresponsible	People s Truth/Heartbalm	A billboard advertisement promoting an adults-only Website failed to treat sex, sexuality and nudity with sensitivity to its relevant audience, particularly given its prominent outdoor location, which effectively placed it on general exhibition to the general public	Australia	2000
Misleading	Papa John s Pizza	A federal district court in Dallas ruled Papa John s Better ingredients. Better pizza slogan is deceptive and misleading advertising	United States of America	2000

Source: *FTC File Number 942 3058; Burstiner, 1997; Meillo, 1998; Advertising Standards Board Complaint Reference Number 69/98; Advertising Standards Bureau, 1999; Siebert, 2000).*

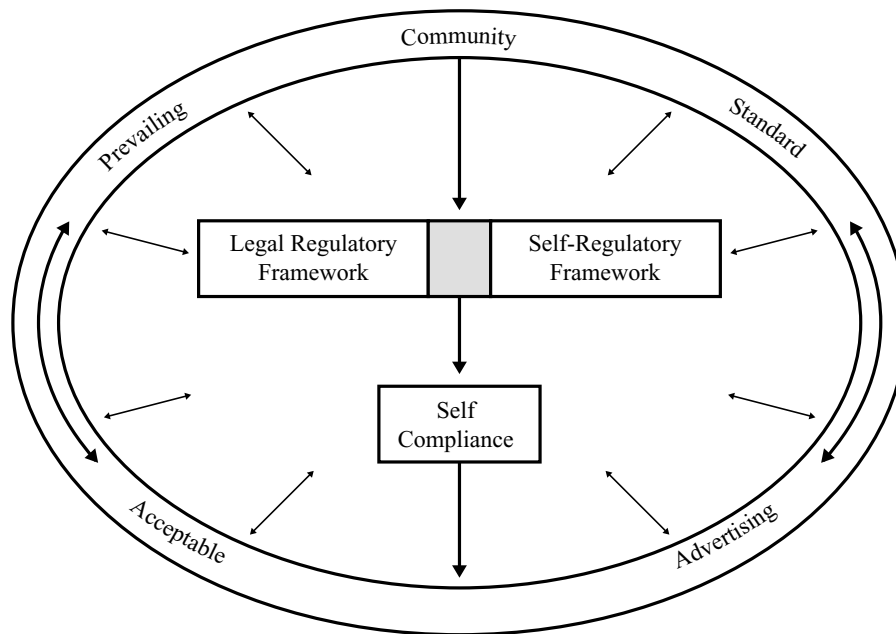


Figure 1: Acceptable advertising; a framework for analysis

Source: Harker, 1998

try self-regulation; indeed, some researchers have warned that self-regulation is like letting the lunatics run the asylum (Ducret, 1991).

Before the advent of self-regulation of any industry, a strong driving force must be apparent. A knee-jerk reaction from many industries when faced with the prospect of government regulation is to opt for self-regulation in an attempt to stave off what is seen as interference in the marketplace by government bodies.

In the advertising industry this is often the impetus needed to establish the foundations for self-regulation of an industry and, whilst the reasons might be purely enlightened self-interest, the positive outcome, when compared to a legal alternative, is a fast, cost-effective system, supported by the industry. However, where advertising industries opt for self-regulation of their members' conduct and behaviour, they pay the price of constant scrutiny by interested parties such as government bodies, consumer groups and social commentators. Many ASR schemes around the globe, including Australia, have evolved in this way.

Whilst ASR is an attractive option for advertisers, a pre-requisite to continued operation and, little direct government involvement, is the concept of collective action. Collective action has three main purposes (Harris and Carman, 1984:46);

first to realise economies of scale in production, second to internalise the benefits of productive actions and, finally, to change the balance of power between participants in the exchange process. However, when focusing on the marketing exchange process, and in particular the activity of advertising, unless the vast majority of advertisers are committed to, and involved in, the ASR scheme, continued self-regulation will be short-lived.

Gupta and Lad (1983) suggested that industry self-regulation will only take place if the firms in the industry, the advertisers, decide to cooperate with each other. Similarly, where the ASR scheme incorporates a national tripartite system (Boddewyn, 1992; Sinclair 1992) and the advertisers, agencies and media are involved in the process, cooperation will be significantly enhanced. This collective action, which grows out of the need to regulate, succeeds in spreading the decision-making responsibility across a group. Although group decision-making has received a number of criticisms over the years (wasting of time, evading individual responsibility, producing conformity and compromise [Ofner, 1959]), the benefits of quality and acceptance of group decisions still prevail (Jewell and Reitz, 1981).

3. Acceptable Advertising - The Key Variables

The literature in the area suggests a conceptual framework of

acceptable advertising, which can be applied to analyse the regulation of advertising in developed countries. The framework is shown at figure 1.

3.1 Acceptable Advertising

There is a relationship between the relative economic importance of annual advertising expenditure in an economy and the existence or absence of a self-regulatory body concerned with unacceptable advertising (Neelankavil and Stridsberg, 1980). In other words, the more money spent on the activity in a country, the greater the need for protection from unacceptable advertising. However whilst advertising contributes to a country's economy it must also satisfy the social norms that exist in that country, that is, the activity should be responsible and accountable, providing acceptable advertising to society.

Irrespective of whether they work within a legal or self-regulatory system, advertising regulators must still attempt to define acceptability. Defining any value-laden term such as acceptability is problematic, and this difficulty is exacerbated by the competing interests that enter into debates on advertising. That is, advertisers typically hold the view that, in a free society, they should be permitted to promote their products and services as they wish, provided they do not breach the privileges of free speech (i.e. their messages are not misleading, deceptive or defamatory). Advertising agencies concur with this view, since it allows them to exercise their creative craft freely. Consumers and certain interest groups (such as religious groups, churches, lobby groups) within the public domain believe such freedom needs boundaries. At the heart of any good advertising message is the concept of communication and, whilst the communication process has been studied at length in the marketing literature, the true purpose of any communication must not be overlooked; that is, to transfer meaning from source to receiver. The difficulty that advertisers face, however, is that meaning is subjective; it is internal to the receiver, rather than external (Shimp, 2000) and this has serious implications for those concerned with controlling unacceptable advertising.

Regulators attempt to deal with this issue by considering prevailing community standards, by ensuring complaints boards contain representatives from throughout the community, and by publicising their adjudications widely. These measures (discussed in more detail later) mean acceptability is defined by default as advertising that did not clearly fall foul of legal or self-regulatory standards. This approach is pragmatic, since regulators must take decisions, but it needs also to be recognised that these decisions are subjective. Table I provides some examples of recent unacceptable advertising from around the world. The examples include the reason for the breach of the code, typical recalcitrant advertisers and the precedential decision.

3.2 Prevailing Community Standards

Attempts to represent prevailing community standards in an

ASR system are usually achieved by involving the public in the complaint handling process, which should lead to increased effectiveness of the program (LaBarbera, 1980; Boddewyn, 1983; Armstrong and Ozanne, 1983; Moyer and Banks, 1977; Trade Practices Commission, 1988) and also provide a credible and transparent process which is open, frank and candid for all. Some programs also attempt to monitor trends in advertising and community standards as a means of better representing current standards in the community (Canadian Advertising Foundation, 1991).

Involvement from the public can be at two levels; as complainants and also as members of the complaint handling body. Most complaints in most countries originate from members of the public and, as ASR programs are established primarily to protect these people, this situation is healthy. However, there is concern about the growing number of complaints stemming from competitors and trade organisations in countries such as Canada (Boddewyn, 1992) and Australia (Harker, 1996).

There is no magic mix regarding the make-up of a complaint handling body and there is little in the literature to guide us as to what ratio works best. America, for example, does not have any outside participation on their National Advertising Division Committee, being entirely staffed by attorney advertising review specialists (Internet BBB Web Server, 1995) whilst, at the other end of the spectrum, the United Kingdom operates with two-thirds of its twelve-person board being completely independent (Boddewyn, 1992).

Whatever the mix, the public persons who are involved in determining complaints are generally not ordinary people but rather of the great and the good (Boddewyn, 1983:p. 83) and amateur, but often distinguished (Tunstall, 1983:p. 237). In essence the public members of a complaint handling body are better educated and better known people and, usually, members of the Establishment. However, one might question the appropriateness of such people to represent the prevailing community standards of a society.

3.3 The Legal Regulatory Framework

The fundamental determinant of a developed or developing country's ASR system is a sound legal regulatory framework which complements the self-regulatory structure (Miracle and Nevett, 1987:xxii). The legal regulatory framework in this instance refers to the laws and regulations in place to protect society from unacceptable advertising, and also to those bodies charged with implementing the laws and regulations.

The laws and regulations governing advertising practices obviously vary from country to country; however, there are certain areas of commonality that assist in improving the acceptability of advertising at the country level. While much legislation that deals with advertising relates to aspects of consumer protection or regulation of competition (Sverdrup and Sto, 1992), in most developed countries illegal advertis-

ing practices, encompassing unacceptable advertising, are governed by laws pertaining to marketing or broadcasting and many countries have umbrella legislation of this kind in place¹. Further, there has been a recent world-wide trend to outlaw tobacco advertising in many countries². Regulatory agencies or bodies which complement this legislation are apparent in Australia and these have not changed for many years³.

3.4 The Advertising Self-Regulatory Framework

There is an important overlap between a country's legal regulatory framework and its self-regulatory framework in relation to advertising. In order for the two frameworks to co-exist effectively many tasks and responsibilities can be delegated to each other, if the system is mature enough. For example, countries which have established a national tripartite system (Boddewyn, 1992; Sinclair, 1992) whereby the advertisers, agencies and media are involved in the process, the chances of industry compliance with decisions are greatly enhanced. In this system unacceptable advertising will not be published or broadcast by the various arms of the media. However, this aspect of the process was at the heart of Australia's demise as the Australian Competition and Consumer Commission (ACCC) found the collusive nature of the practice to be illegal.

Whilst many critics of advertising would argue that the advertisers opt for self-regulation as a protection against government intervention, it is this very situation that has assisted in

the evolution of the more effective ASR systems. For example, systems such as New Zealand and the UK that do not have the luxury of a tripartite system still achieve some success in ensuring that when a complaint about advertising is upheld, the advertiser complies with the ruling and removes or amends the ad. The new Advertising Standards Board (ASB) in Australia is facing an analogous situation as it has been established on a voluntary basis.

Thus, whilst Australia has a new ASR system in place, the legal regulatory framework has not changed for a number of years.

3.5 Industry Compliance

Achieving industry compliance in an ASR system is vitally important else the process will be accused of impotence. Compliance is usually achieved through sanctions such as prosecution under law, in the most extreme circumstances, and financial incentives to comply with rulings from charter bodies. Complaint handling bodies achieve varying levels of success in relation to encouraging industry compliance; for example, where the ASR system incorporates a national tripartite system (Boddewyn, 1992:9; Sinclair, 1992:3) and

¹For example, New Zealand's Fair Trading Act 1986, the UK's Broadcasting Act 1990, Australia's Broadcasting Services Act 1992, the UK's Fair Trading Act 1973 and Australia's Trade Practices Act 1974.

²Canada 1989, New Zealand 1990 and Australia 1992.

³For example the Australian Competition and Consumer Commission.

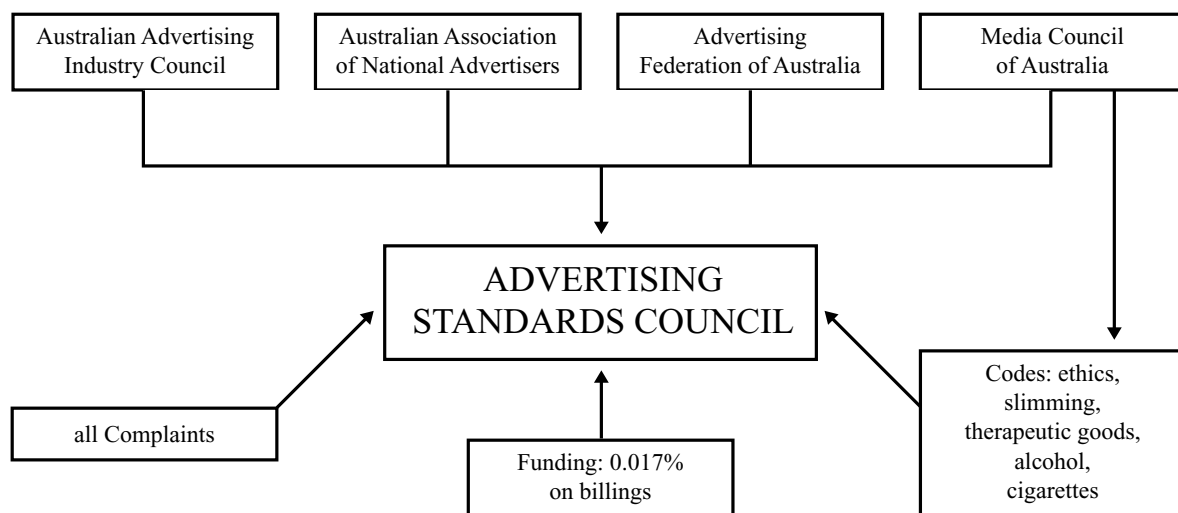


Figure 2: The Old — Prior to 1997: The structure of advertising self-regulation in Australia.

Source: Harker 1998

the advertisers, agencies and media are involved in the process, the chances of compliance are greatly enhanced as the complaint handling bodies are given teeth .

4. Australian ASR

Not only is the advertising industry in Australia controlled to some degree by law, it is also heavily self-regulated, having observed the disciplines of self-regulation for more than sixty years (Australian Advertising Industry Council, 1989). However, whilst two attempts have been made to formulate an effective complaints handling body, many of the other industry organisations have endured and also adhere to their own codes of conduct.

4.1 Australian Advertising Industry Council

The Australian Advertising Industry Council (AAIC) was established in 1978 as a tripartite organisation, incorporating the major arms of the advertising industry; the advertisers (Australian Association of National Advertisers), the advertising agencies (Advertising Federation of Australia) and the media (Media Council of Australia). The Council had three objectives:

1. to create a positive attitude to advertising among consumers and legislators;
2. to explain the role of advertising in the free enterprise system; and
3. to promote to consumers the benefits of advertising.

AAIC, 1986

4.2 The Australian Association of National Advertisers

The Australian Association of National Advertisers (AANA) was formed in 1928 when 12 advertisers met in order to discuss their common problems and ultimately resolved to work towards a voluntary code of ethics and improved media research. The prime objective of the AANA is to represent and protect the interests of advertisers and its membership includes almost all of the largest advertisers in Australia (AANA, 1993).

4.3 The Advertising Federation of Australia (AFA)

The Advertising Federation of Australia (AFA), established in 1975, is the industry association of advertising agencies and other advertising practitioners. Its members are responsible for the majority of national advertising expenditure in Australia (AFA, 1993).

Prior to 1997 there were two main players in Australian ASR; the Media Council of Australia (MCA) and the Advertising Standards Council (ASC). The MCA was formed in 1967 as an unincorporated voluntary association of virtually all mainstream commercial media (MCA 1994). The MCA brought together the various arms of media to ensure a uniform method of extending credit to advertising agencies, and to

implement a system for the regulation of advertising content published or broadcast by its members through development of five codes of advertising practice (MCA, 1994). The five codes being, the Advertising Code of Ethics, the Alcoholic Beverages Advertising Code, the Slimming Advertising Code, the Therapeutic Goods Advertising Code, and the Cigarette Advertising Code.

In 1974 the ASC was established by the MCA (the media), the AFA (the agencies), and the AANA (the advertisers) as a strictly independent and autonomous complaint handling body for the advertising industry (ASC, 1993).

5. The Catalyst for Change ...

During 1995 and 1996 a number of significant events took place in Australia that ultimately resulted in the industry being charged with producing a new system of ASR. First, the government agency and industry watchdog, the Australian Competition and Consumer Commission (ACCC), revoked the MCA's accreditation system for advertising agencies because the benefit to the public from the system was insufficient to outweigh the associated anti-competitive detriment. This was a key event in the unfolding demise of the ASR system in Australia, as the power of the media was crucial to the effectiveness of the system, without its support breach decisions determined by the ASC were unenforceable. Advertising agencies, once accredited to the MCA for pecuniary and business reasons, were no longer compelled to comply with the system of ASR. In March of 1996 the ACCC's decision was unsuccessfully appealed and effectively meant that the system of ASR in Australia had no means of enforcing decisions — advertisers, through the advertising agency mechanism, could not be compelled to withdraw offending advertisements. Next, in August of the same year the ACCC announced a review of advertising standards in Australia, encompassing both the codes of conduct and the complaint handling body, the ASC. Thirty days later the MCA declared its intention to disband at the end of 1996, leaving Australian society open to unacceptable advertising until a new ASR system was established (Harker, 1997).

The ACCC went ahead with its review despite the capitulation of the MCA and found that a material change of circumstance had occurred since 1988 in regard to five key areas (ACCC, 1997):

1. Outdated Codes: lack of responsiveness of the codes to changes in community needs;
2. Lack of Compliance: diminished powers to ensure compliance with the codes beyond 3 February 1997;
3. Lack of Administrative Control: administration of the codes;
4. Lack of Confidence: in the membership of the Advertising Standards Council; and
5. Lack of Commitment: of the Charter organisations, to the codes.

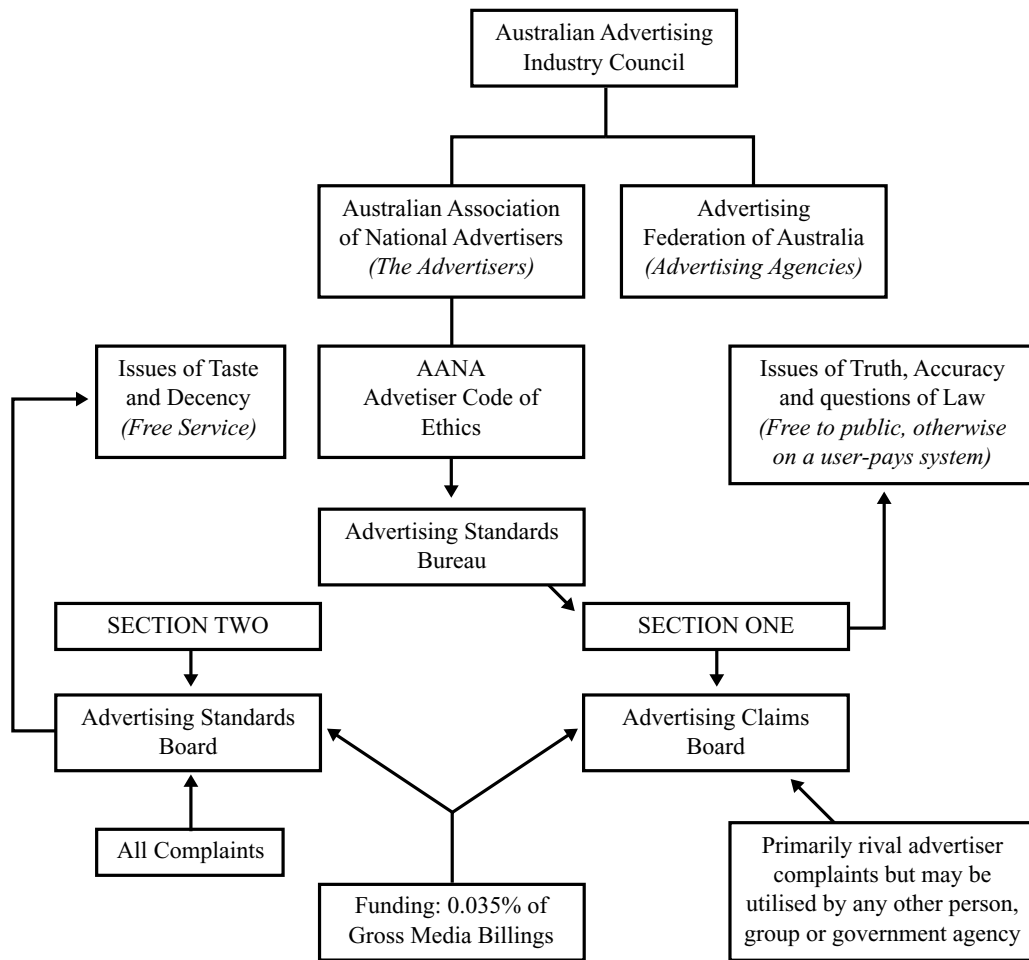


Figure 3: The New — 1997 onwards: The structure of advertising self-regulation in Australia.

Source: Developed from Baker, Graham, Harker and Harker 1998

The MCA and the ASC were the two major casualties of the collapse of the Australian ASR system in 1996. In 1997 the Australian government charged the Australian Association of National Advertisers with the responsibility of establishing a new system of ASR in Australia. The AANA launched the replacement ASR system in August 1997 and operations commenced at the end of that year. The AANA's system for ASR has three important parts:

1. The AANA Advertiser Code of Ethics;
2. The ASB a new body comprising 14 members of the public to maintain standards of taste and decency in advertising; and
3. The Advertising Claims Board (ACB) a new AANA dispute resolution process for rival advertiser complaints.

The new dual platform of ASB and ACB means that each board is responsible for applying different sections of the new AANA Advertiser Code of Ethics. It should be noted that, whilst many industry bodies abide by their own codes of ethics (i.e. the AFA⁴) or conduct, the focus here is on the codes specifically administered by the ASB and, before it, the ASC. The ASB deals with issues of taste and decency and the service is free to complainants. The ACB handles questions of truth, accuracy and questions of law on a user-pays basis. The system is funded by a levy of 0.035% surcharge on gross media billings, which is more than twice the previous levy.

6. Learning from Comparison

Comparing both systems using the concept of collective action, with its three purposes of realising economies of

scale, internalising the benefits of productive actions and changing the balance of power between participants in the exchange process (Harris and Carman, 1984), it is apparent that the ASC achieved more effective collective action than the ASB now does.

Without the national tripartite system in place during the ASC's reign, whereby advertisers were forced to remove unacceptable ads, the ASB struggles to achieve any real sense of collectivity amongst the industry. Economies of scale, apparent in a national tripartite system, are not achieved without the, now extinct, Media Council's input and the benefits of productive actions are similarly stifled as there is constant uncertainty amongst all parties in regard to the balance of power. Certainly Gupta and Lad's (1983) suggestion that industry self-regulation will only take place if the firms in the industry decide to cooperate with each other, is validated here in the case of the advertising industry in the 21st century in Australia. Since inception in 1998, the ASB has received prolonged and severe criticism from many commentators, including the advertising industry, and the very uncertainty of the compliance process has produced timidity from the complaint handling body, evidenced by the 5% uphold rate discussed earlier.

Prevailing community standards are usually achieved by involving the public in the complaint handling process; this involvement can be at two levels, as complainants and as members of the complaint determination board. As complainants, the public is now provided with a stand-alone panel set up with the sole purpose of determining complaints about taste and decency, traditionally the domain of the general public. This is a positive move. As is the fact that there are now nearly twice as many complaints overall, compared to the last year of the ASC's reign. More complaints means that the public awareness message is getting through to those concerned with unacceptable advertising.

Understanding the ASR process involves not only examining how the systems operate but also who is involved in the process. Both systems involve(d) the public in the complaint adjudication process which, arguably, leads to increased effectiveness of the program (LaBarbera, 1980; Boddewyn, 1983; Armstrong and Ozanne, 1983; Moyer and Banks, 1977; Trade Practices Commission, 1988), and provides a credible and transparent process which is open to all stakeholders. The old system operated with a 10:6 ratio of public:industry members on the Council, whilst the new system has 14 non-industry members.

Whereas the old ASC relied on ex-Supreme Court Judges, ex-Deputy Prime Ministers, ex-State Premiers, Lawyers, Doctors, sporting greats and the like, the new ASB adopts a slightly different recruitment policy with board members from the worlds of business, media, academe and sport. Specifically, the ASB draws on the services of the great and

the good (Boddewyn, 1983) such as prominent business-woman, Sara Henderson, media personalities, Mary Kostakidis, Margaret Pomeranz and Carmel Travers, sporting aficionados Roy Masters, John Konrads and Geoff Lawson, author Thomas Keneally, public servants John Brown and Wendy McCarthy, students Joanna Cohen and Kate Williams, and others who have worked in advertising and marketing research, such as Graham Cox and Brian Sweeney (ASB Annual Report, 1999).

The *legal regulatory framework* for advertising in Australia has changed little over the past three decades, with the Trade Practices Act and Broadcasting Services Act being the main pieces of legislation pertaining to this activity. The key difference between the two regimes, however, lies in the change-over from the Trades Practices Commission to the Australian Competition and Consumer Commission as the body concerned with monitoring the effectiveness of ASR. Whilst the ACCC were the catalyst that brought about the demise of the MCA and ASC in 1996, it is now closely monitoring the ASB.

In terms of the *ASR framework*, and in particular the complaint handling bodies, both systems operate(d) in a similar precedential manner but each has(had) a varying degree of effectiveness in this regard. Both systems require(d) a complaint to be in writing and this in itself is problematical for the illiterate, poorly educated and inarticulate members of society who, nevertheless, have a fundamental right to complain. Each of the systems then filter(s) the complaints to gauge if a prima facie case exists, or if the complaint is outside the jurisdiction of the body. However, whilst the ASC filtered out 50% of all complaints that were delivered to the secretariat, thus only allowing 50% to be heard at a Council meeting, the new administration endeavours to hear almost all of the complaints that are received by their secretariat (Fraser, 1999).

In both systems, once determination is(was) made, a formal written communication is(was) sent to advertisers, complainants and the media involved. However, under the old

⁴The AFA's Code of Ethics was first unveiled at the beginning of 1998, just after the collapse of the ASC and MCA. The Code has recently been re-written and launched again (Sinclair 2001).

⁵NB Whilst this table is concerned with the ASR systems and codes administered by the ASC and ASB, it should be noted that an industry-backed Alcohol Beverages Advertising Code and Complaints Management System was introduced in July 1998 by the liquor industry (Wooldridge 1998). This ABAC is not included in discussions in this paper as it is outside the control of the ASB, although the Bureau does forward suitable complaints onto the administrators of that code. Similarly, other industry bodies, such as the AFA, abide by their own codes of ethics or conduct and, likewise, these are not discussed here for the same reason.

Table 2:
Towards acceptable advertising self-regulation in Australia — the old and the new

	Advertising Standards Council	Advertising Standards Board	Advertising Complaints Board
<i>Representing Prevailing Community Standards</i>			
Complaint handling body — industry:non-industry members	6:10	0:14	Panel of 5 legal practitioners.
Public awareness campaigns	At industry discretion	At industry discretion	Not known yet
<i>Legal Regulatory Framework for Advertising</i>			
Laws, government agencies	Similar	Similar	Similar
<i>ASR Framework – Complaint Handling Body</i>			
Established	1974	1997	1998
Funding	0.017% billings	0.035% billings	User pays
Number of codes/guidelines administered	5	1 ⁵	1
Complaint procedure	Written	Written	Written
Number of complaints per year	1135 (96)	2,065 (99)	None
Appeals procedure	Yes	Yes	Yes
Dissemination of case summaries	Limited — parties to complaint	Limited — parties to complaint	Not known yet
Monitor ad trends	No	No	Not known yet
Monitor complaints	Yes	Yes	ASB
<i>Advertising Industry Compliance</i>			
Industry Compliance	Compulsory	Voluntary	Voluntary
National Tripartite System	Yes	No	No
Industry complaints considered	At ASC meeting	By ACB	Yes
<i>Sanctions</i>			
	Modification or withdrawal of ad. Else: loss of \$ privileges	Request for modification or withdrawal of ad.	Request for modification or withdrawal of ad.

regime, this part of the process was severely curtailed due to a lack of funds and the final situation saw only abbreviated summations of determinations being sent to the parties, which had a detrimental impact on precedent (Harker, 1998). The current situation in this regard has seen little improvement, with parties to a complaint receiving case summaries and rulings but dissemination of this vital information is not achieved in the wider population.

Another unfortunate feature of the old Australian system was the influence of rival advertisers on the complaints process. Whilst the majority of complaints made to the ASC were made by members of the public, an increasing number came from industry sources. When in operation, the ASC complaint handling system visibly strained under the weight of rival advertiser complaints; this segment accounted for less than 10% of complaints made to the Council (ASC Annual Reports, 1984-1996), yet often represented 25% of Council time spent in deliberation at meetings (Harker, 1996). This situation has also been documented in other countries, such as Canada (Boddewyn, 1992). The implications of this trend being that the system that segregates rival advertiser complaints, and perhaps opts for a user-pays system, will be more effective in generating only those rival advertiser complaints that are for serious consideration, rather than frivolous. Also such a system would allow appropriate time for consideration of complaints from other sources, such as the general public. This latter approach has been adopted by the new administration, the ASB and, to date, the Advertising Claims Board (for rival advertisers) has not been required to meet (Fraser, 1999).

Compliance by the advertising industry with rulings from the complaint handling body is a key component of any ASR system. It was suggested earlier that, where the ASR scheme incorporates a national tripartite system (Boddewyn, 1992, Sinclair, 1992) and the advertisers, agencies, and media are involved in the process, the chances of industry compliance with rulings are greatly enhanced as the complaint handling bodies are given teeth. When the ASC was in place, prior to 1997, the system achieved compulsory industry compliance with this method, whereas now the ASB must rely on the goodwill of recalcitrant advertisers to toe the line. Indeed, the new system has had its first real test of the voluntary nature of its compliance process and was found wanting. Outdoor advertising for Windsor-Smith shoes, depicting a man cradling a woman's face close to his groin (Mckenzie, 2000), caused public outcry in early 2000 with the National Women's Media Centre in Queensland calling on women to boycott sex with men who wore the brand of shoe (Mckenzie, 2000). The ASB upheld complaints about the advertisement but Windsor-Smith refused to remove the ad (Mckenzie, 2000). Indeed, an unintended consequence of a voluntary system of compliance, compared to a compulsory system, would perhaps be a lower rate of upheld complaints in the former system as the body may shy away from confronting the industry in this regard and

this is in fact what has occurred with the new system of ASR.

The ASC regularly achieved around a 25% uphold rate (ASC Annual Reports, 1984-1996), that is on an annual basis 25% of all complaints received were considered to have breached a code and were thus upheld. The ASB upheld 5% of complaints in both 1999 and 1998 (ASB Annual Reports, 1998, 1999). However, we are not comparing like with like here, as rival advertiser complaints are segregated in the new system but not in the old. It has already been documented that rival advertisers demand more time from complaint handling bodies (Harker, 1996), however they also submit better complaints in terms of detailing specific clauses of codes breached and providing extensive, detailed, litigious evidence (Harker, 2000).

7. General Conclusions

This article articulated two objectives: first, to present and discuss the key variables associated with acceptable advertising. Second, to use these variables as a framework to analyse the way advertising is regulated in Australia — by reflecting on the old and the new administrations.

Given the framework used in this paper, one should be able to now determine which system of ASR is better, the ASC or the ASB? However, as many researchers are fond of saying, it all depends. In the case of effective ASR in Australia, the perfect system would naturally have the best of both regimes. Both systems operate(d) in very similar legal frameworks and, without delving into the impact of the Internet on advertising and the legal ramifications, the comparison is complete. A particular problem for the ASC, however, was the issue of funding and the current arrangements are a significant improvement in this regard. However the key problem with the new system is the voluntary nature of compliance, which has severe implications for other areas of operations. For example, funding is also voluntary and this inevitably puts the regulators in the delicate situation of sometimes penalising the very advertisers that fund their operations, and this could affect the uphold rate of the ASB.

An extremely positive feature of the new ASR system is the segregation of rival advertisers from the complaint determination process. Not only are there no advertisers represented on the ASB complaint handling panel, but also they are no longer allowed to dominate proceedings with lengthy and technical submissions, at the expense of hearing complaints from other sections of the community. The new rival advertiser system (the Advertising Complaints Board) is operated on a user-pays basis and it is interesting to note that this panel has yet to be called upon to sit.

8. Recommendations for Further Research

From this analysis three key areas emerge for future researchers to study. The first area relates to the voluntary nature of industry compliance. Only time will tell if the ASB

can make a virtue out of this necessity and draw on the unwritten support of the various media bodies to assist the self-regulatory system evolve. Regulators must, however, learn from the Windsor-Smith example and seek (unwritten) commitment from the stakeholders in order to ensure industry compliance.

The second area relates to the issue of enlightened self-interest and is concerned with the fact that the advertisers are, to all intents and purposes, paying for and running the ASR system, so how can we be sure, as a society, that they are acting in our best interests and not their own? Or, worse still, will our system of ASR merely have as Ducret (1991) warns, the lunatics finally in charge of the asylum? Clearly the numbers of complaints made to the ASB and the outcomes reached will tell us much about the commitment of the players involved.

Finally, there is a need for future research into the representation of prevailing community standards as, generally, there appears to be little creativity amongst the ASR systems in operation around the world in this regard. However there is an opportunity to learn from those bodies that do go further than including members of the public onto the complaint handling body and accepting. Canada, for example, monitors trends in what people are complaining about and also the trends in advertising itself, highlighting new developments for the attention of its complaint handling body (Canadian Advertising Foundation, 1991).

9. Implications for the Advertising Industry and Regulators

Effective ASR is only as good as the demonstrated commitment to the system by the players involved. The key players of the advertisers and the regulators are currently faced with a simple proposition: improve the effectiveness of the scheme, else government will intervene. After more than twenty years of operations the ASC stumbled in its approach to ASR and the new ASB regime has been heavily criticised since inception. Current issues dogging the ASB include attacks on outdoor advertising and the portrayal of women in advertising. If the two players allow this situation to continue, presenting a divided front, and not uniting on these issues and addressing community concerns, then the current system of ASR is under threat. Unlike 1997, this time it is probable that the government will not call on yet another industry body to take up the reins of ASR in Australia, and far stricter controls will inevitably be put in place.

Enlightened self-interest can achieve positive outcomes, provided the players are truly enlightened and committed to an effective system of ASR that is fair and open. If such a system of ASR is achieved in Australia then government intervention will be staved off, however if the current criticisms of advertising continue then the regulators and industry players may be facing stricter controls. The choice is theirs.

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Biographies

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International Joint Ventures: A Political Economy Framework

Lisa Hersch & Chris Styles

Abstract

Although International Joint Ventures (IJVs) suffer from a relatively high failure rate, they represent an increasingly important aspect of international business. A major criticism of the IJV literature is that it lacks a comprehensive framework for understanding the formation and maintenance of IJV relationships. It is suggested that this is due to the reliance on transaction cost theory and resource dependence theory that alone are not able to fully explain IJV relationship formation and maintenance. Drawing upon research in the buyer-seller and channels literature, the authors apply relational exchange theory to highlight important relational variables that are likely to impact IJVs. The political economy framework is then used to develop an integrative framework of IJV relationships that include these key relational variables. Implications for managerial action and future research are discussed.

Keywords: international marketing, joint ventures, relationship marketing.

1. Introduction

Research in international joint ventures (IJVs) has been criticised for lacking a comprehensive theoretical framework and, as a result, little theory building has occurred that advances even a single, widely accepted view of the nature of the IJV relationship (Parkhe, 1993, p. 235). This is somewhat surprising given the increasing use of IJVs over the last few decades (Tiemessen et al., 1997) and their relatively high failure rate, estimated to be between 40 - 70% (Killing, 1983; Geringer and Hebert, 1991; Day, 1995). Furthermore, the globalisation of markets, host government requirements (particularly those of developing countries) and the increasing cost of technology and research are expected to further increase the use of IJVs (Killing, 1983; Collins and Doorley III, 1991).

Despite the extensive research undertaken to identify the characteristics of IJV partnerships (see Table 1), Barkema et al. (1997a) report that there has been limited research to identify the factors that underlie success and failure in (IJVs). One suggested avenue of inquiry is to focus on the formation and maintenance of the relationship between the partners (Beamish and Delios, 1997). Parkhe (1993) argues that it is necessary to develop an understanding of the crucial questions at the centre of IJV relationships, such as the core concepts of trust, reciprocity, opportunism and forbearance. This has largely been overlooked in the IJV literature, which has been dominated by transaction cost (Williamson, 1975) and resource dependence (Pfeffer and Salancik, 1978) perspectives. This is in contrast to theoretical developments in other areas of inter-firm partnerships such as buyer-seller (e.g.: Dwyer, Schurr and Oh, 1987; Morgan and Hunt, 1994; Wilson, 1995) and channel relationships (Heide, 1994; Nevin, 1995; Robicheaux and Coleman, 1994; Weitz and Jap, 1995), which have drawn upon relational exchange theory (Macneil, 1980) and frameworks such as the political economy frame-

work (Stern and Reve, 1980) to deepen our understanding of the variables and processes involved. There has also been an increasing use of concepts from relationship marketing in international marketing research (e.g., Sarkar, Cavusgil and Evrigen, 1997, Styles and Ambler, 1994; 2000).

This paper seeks to improve our understanding of IJVs by: 1) introducing relational exchange theory to identify the key variables necessary for successful IJV relationship formation and maintenance and; 2) using the political economy framework to integrate these relational concepts with concepts from the transaction cost and resource dependency approaches to demonstrate how the form (or governance) of the relationship influences the maintenance of IJV relationships. The result is a first step towards a more comprehensive framework of the formation and maintenance of IJV relationships than has previously been developed.

2. Theoretical Foundations

2.1 International Joint Ventures

As a form of strategic alliance, IJVs involve a long-term, cooperative arrangement between at least two partners established for the achievement of mutually beneficial exchange (Parkhe, 1993), that result in the establishment and management of a separate legal entity. Each partner makes both equity and non-equity contributions and actively participates to some extent in the management of the IJV (Geringer, 1988). Furthermore, IJVs are affected by cultural factors due to the different nationalities of the partners (Lu and Bjorkman, 1997).

Research in the area of IJVs has been somewhat fragmented. Gray and Yan (1997, p. 58) conclude that each study examines only a single aspect or relationship rather than providing a more comprehensive theory. Parkhe (1993) suggests that the areas that have received most attention include motives

for IJV formation, partner selection and characteristics, control and conflict and IJV stability and performance.

It has been suggested that IJV theory development has been limited by the research lenses employed to analyse IJVs (Parkhe, 1993, p. 229). Each theoretical perspective presents a different view of the form of inter-firm governance and the antecedent conditions (Heide, 1994). Transaction cost theory proposes that firms seek the most efficient form of governance to support their exchange relationships. The choice of governance mechanism is between market, hybrid, or hierarchy¹. Resource dependence theory, on the other hand, argues that firms are not self-sufficient. Therefore they seek long-term relationships to reduce uncertainty and enhance access to resources². Both transaction cost theory and resource dependence theory have been criticised because they do not explain the process of IJV formation (Hamel, 1991), nor do they suggest methods for maintaining the IJV once formed (Gomes-Casseres, 1989; Hill, Hwang and Kim, 1990).

In summary, while previous research has significantly advanced our understanding of IJVs, the reliance on the theoretical lenses being used has meant that the process of managing IJVs and the problems of interorganisational relationships have received little attention (Tiemessen, Lane, Crossan and Inkpen, 1997). Of note is a recent special issue of the Strategic Management Journal that began to address this

shortcoming, with articles on trust-based capital (Kale, Singh and Perlmutter, 2000), network formation (Doz, Olk and Ring, 2000) and relational embeddedness (Rowley, Behrens and Krackhardt, 2000). To further address these gaps, Ying (1996) suggests that research in IJVs should adopt a multi-perspective approach so as to recognise the dynamic process of IJV formation and management and the influence of not just economic, legal and political factors, but also social and cultural factors. Following this recommendation, we now introduce key concepts from relational exchange theory that has been applied to a range of business partnerships over the past decade.

2.2 Relational Exchange

The central theme of marketing is exchange (Bagozzi, 1975), conceptualised on a continuum from discrete transactions to relational exchanges (Macneil 1980). In discrete transactions

¹For a review of transaction cost theory in the IJV literature, see: Inkpen and Currall (1997); Kogut (1988a) Kogut (1988b); Li and Shenkar (1997); Lin, Yu and Seetoo (1997)

²For a review of resource dependence theory in the IJV literature, see: Baran, Pan and Kaynak (1996); Borys and Jemison (1989); Child, Yan and Lu (1997).

Table 1:
Research in IJVs

Area of Research	Studies
Motivation	Hladik, 1985; Tyebjee, 1988; Li and Shenkar, 1997; Lin, Yu and Seetoo, 1997; Luo and Chen, 1997
Control	Killing, 1982; Killing, 1983; Schaan, 1988; Kim, 1996; Child, Yan and Lu, 1997; Pan and Tse, 1997; Sohn and Paik, 1997
Ownership	Kobrin, 1988; Anand, Ainuddin and Makino, 1997; Child, Yan and Lu, 1997
Decision making	Lu and Bjorkman, 1997
Partner selection	Geringer, 1988; Geringer and Frayne, 1993; Williams and Lilley, 1993; Beamish, 1994
Conflict	Habib and Burnett, 1988; Shenkar and Zeira, 1992; Lin and Germain, 1998
Knowledge management	Inkpen, 1997
Learning	Lyles, 1988; Inkpen, 1997; Makino and Delios, 1997
Performance	Anderson, 1990; Geringer and Hebert, 1991; Inkpen, 1997
Culture	Swierczek, 1994; Meschi, 1997; Pan, 1997; Barkema and Vermeulen, 1997; Lin and Germain, 1998

there is minimal interaction and no future is anticipated. Relational exchange, however, transpires over time and must therefore be viewed in terms of its history and its future (Dwyer, Schurr and Oh, 1987). This concept of relational exchange is at the core of relationship marketing, defined as all marketing activities directed towards establishing, developing, and maintaining successful relational exchanges (Morgan and Hunt, 1994). This definition recognises that relationship marketing is concerned with the relational exchanges a firm has not only with the ultimate customer, but also other partners to a firm (Morgan and Hunt, 1994).

The IMP group has provided a rich body of work that has explored the nature of both dyadic relationships and networks. It has highlighted the importance of information exchange and the social elements of business (IMP Group, 1982). Business relationships result from interactions between parties doing business (Ford, 1990; Håkansson, 1982), and then provide the framework within which future interactions take place (Blankenburg, Ericksson and Johanson, 1996). Importantly, much of the research conducted by the IMP group has been in cross-cultural settings (originally across Europe). The view that business is social activity with economic outcomes is reflected in the growing literature on the social processes involved in forming and developing business relationships, and on what flows through these relationships (Ambler and Styles, 2000a; Ambler and Styles, 2000b).

These relational perspectives have contributed to our understanding of inter-firm partnerships in two important ways. First, by recognising relational exchange as an additional form of governance in an inter-firm partnership; second, by focusing on several key relationship maintenance variables. These include trust, commitment, cooperation, dependence, opportunism, power, conflict, norms, bonds and communication. However, while these perspectives have been applied in a range of relational settings, such as strategic alliances, buyer-seller relationships, marketing channels and business networks³, there has been limited application of these relational concepts to IJVs. We argue that relational variables, when incorporated into the political economy framework, have the potential to provide a richer and more comprehensive understanding of both the formation and maintenance of IJVs than currently exists. The political economy framework is an appropriate mechanism to bring these relational variables together as it emphasises both the structure (governance or formation) and the functioning (or maintenance) of the partnership, and demonstrates how the formation of the relationship influences the maintenance of the relationship.

2.3 Political Economy Framework

The political economy framework has been successfully used to analyse channel relationships and long-term inter-firm partnerships (e.g. Arndt, 1983; Robicheaux and Coleman, 1994; Stern and Reve, 1980). It has also been recommended for

developing an understanding of international business partnerships (Toyne, 1989).

The political economy framework consists of two major systems - the internal and the external political economies. The internal economy is of interest here given the focus on the dyadic relationship between partners within an IJV. The internal political economy has been defined as the internal structuring and functioning of the partnership (Stern and Reve, 1980). It consists of an economy and polity, both of which are divided into structure and process components. The processes are influenced by the structure of the economy and polity. The role of the framework is to chart out or classify partnership interaction, with a focus on the interaction between the economy and polity (see the four cells in Figure 1) (Stern and Reve, 1980). The focus on interaction encourages an understanding and an explanation of the internal structuring and functioning of inter-firm partnerships (Stern and Reve, 1980). The simultaneous analysis and focus on the interdependencies of economic, social and political forces makes the political economy approach particularly useful (Arndt, 1983; Toyne, 1989). Note that the unit of analysis in the internal political economy framework is the dyad as opposed to the single firm, enabling an understanding of the complete relationship between partners (Toyne, 1989).

3. Developing a Framework of the Internal Political Economy of IJVs

The internal economic structure of an IJV, that is its governance, determines the atmosphere of the relationship and therefore has the greatest influence on the nature of the other aspects of the relationship. Relationship atmosphere includes the social aspects of a business partnership that define the nature of interactions that take place (IMP Group, 1982). As such, the internal economic structure is a major driver of the internal economic processes, the socio-political structure and the socio-political processes. The overall framework is summarised in Figure 2.

3.1 The Internal Economic Structure of IJVs

Stern and Reve (1980) defined the economic structure of the inter-firm partnership in terms of the transactional form, based on transaction cost theory. By integrating relational exchange theory, this definition is broadened to include other forms of governance. Governance involves the formation and maintenance of long-term relationships, demonstrating how firms can structure and maintain an inter-firm relationship (Heide, 1994). As noted earlier, resource dependence theory establishes that partners form IJVs in response to uncertainty and dependence (Heide, 1994). According to transaction cost theory, IJVs are most likely to be governed by non-market forms of governance. Heide (1994), however, argues that a distinction should be made between unilateral (hierarchical) non-market governance and bilateral non-market governance. Relational exchange theory suggests that the partnership is

	Structure	Process
Internal Economy	Type of transactional form linking firms (Governance)	Nature of the decision mechanisms employed
Internal Polity	Pattern of power/dependence relations among firms	Dominant sentiments and behaviour between firms

Figure 1: The basic internal political economy

Source: (Stern and Reve, 1980)

	Structure	Process
Internal Economy	<p>INTERNAL ECONOMIC STRUCTURE <i>Form of governance of relationship between IJV partners.</i> Unilateral (Hierarchical) non-market governance - reliance on discrete exchange norms. Bilateral non-market governance — reliance on relational exchange norms.</p>	<p>INTERNAL ECONOMIC PROCESSES <i>Decision making mechanisms used in planning and adapting IJV.</i> Centralised decision mechanisms - one party has control of decision making and planning processes. Plans set out in the contract are binding. There are explicit mechanisms in the contract for making changes. Bargaining decision mechanisms - both parties are involved in decision making and planning procedures. Plans are subject to change through mutual adjustment</p>
Internal Polity	<p>INTERNAL SOCIO-POLITICAL STRUCTURE <i>Pattern of power/dependence relations between partners in an IJV.</i> Centralised power / high dependence - one party holds all the power in the relationship. The other party is highly dependent on the controlling party. Mixed power / mutual dependence - parties exercise power over different aspects of the relationship. Both parties are then interdependent since control is shared.</p>	<p>INTERNAL SOCIO-POLITICAL PROCESSES <i>Dominant sentiments and behaviours in an IJV.</i> Cooperation - minimal or maximal Conflict - functional or dysfunctional Conflict resolution - internal or external / constructive or destructive Opportunism - high or low Reliance on trust - high or low Reliance on commitment - high or low Reliance on relational norms - minimal or extensive Reliance on bonds - minimal or extensive Communication - inferior or superior Cultural sensitivity - relative importanc.</p>

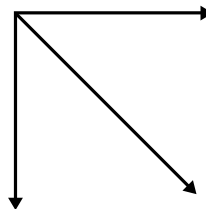


Figure 2: The internal political economy framework of IJVs

governed by exchange norms or relational exchange norms. Exchange norms, such as power and opportunism, are likely to be used in IJVs with unilateral non-market governance where reliance is placed heavily on the legal contract to guide the relationship.

Relational exchange norms ensure that the relationship between the partners is placed first before the individual partner serving as a restraint on opportunism (Heide, 1994, p. 74). Examples of relational exchange norms are role integrity, preservation of the relationship (Nevin, 1995), flexibility, information exchange and solidarity (Heide and John, 1992). Relational exchange norms are likely to be used in IJVs with bilateral non-market governance where more emphasis is placed on relationship factors to govern the relationship than contractual factors.

IJV governance is conceptualised along a continuum from unilateral governance at one extreme, to bilateral governance at the other extreme. It is proposed that the nature of governance in an IJV will influence the processes of the internal economy and due to the interaction between the economy and polity, will influence the structure and processes of the internal polity.

3.2 The Internal Economic Processes of IJVs

The economic processes, defined as the decision mechanisms, operate within the internal economic structure and are therefore a consequence of the form of governance. Stern and Reve (1980) suggested that there are three decision making mechanisms: impersonal/routine, centralised planning and bargaining. Centralised planning processes and bargaining result from non-market governance and are therefore applicable to IJVs. Centralised planning processes are common in unilaterally governed relationships because they involve only the party with control (Heide 1994). There are explicit mechanisms in the contract for making changes. IJVs with centralised planning processes have been labeled dominant parent IJVs (Killing, 1983). Bargaining is more common in bilaterally governed relationships, where both parties are involved (Heide, 1994), and are subject to change through mutual adjustments. These forms have been labeled shared management IJVs (Killing, 1983).

Based on the analysis of the internal economic structure and its processes, two distinct forms of IJV relationships are conceptualised. Unilaterally governed IJV relationships are characterised by central planning, proactive/unilaterally binding contingency plans, ex ante adjustments and explicit mechanisms for change (Heide, 1994). Bilaterally governed IJV relationships are characterised by bargaining decision mechanisms, proactive / joint planning, where the plans are subject to change through negotiated, mutual adjustments (Heide, 1994).

3.3 The Internal Socio-Political Structure of IJVs

Stern and Reve (1980) defined the internal political structure

as the pattern of power/dependence relations between firms. Dependence is an inherent consequence of partnerships formed for the achievement of mutually beneficial goals, such as IJVs (Mohr and Spekman, 1994). Power and influence are determined by a partner's relative dependence on valued resources (Anderson and Narus, 1990; Dwyer, Schurr and Oh, 1987). Bonoma (1976) suggests that power-dependence systems are related to governance. A unilateral power system exists where one party holds all the power. The greater the relative power of a partner in a relationship, the greater the relative dependence of the other partner (Fontenot and Wilson, 1997; Frazier, 1983), and the greater the likelihood of opportunistic behaviour (Dwyer, Schurr and Oh, 1987). This power-dependence relationship would be common in an IJV with unilateral governance. A mixed power system exists where different parties exercise control over different areas. Partners are mutually interdependent and thus opportunistic behaviour is limited. This power-dependence relationship would be common in an IJV with bilateral governance.

3.4 The Internal Socio-Political Processes of IJVs

Within the socio-political structure are the socio-political processes, defined as the dominant sentiments and behaviours which characterise the relationship (Stern and Reve, 1980), which are also influenced by the form of governance in an IJV. Two important dimensions are conflict and cooperation (Stern and Reve, 1980). Conflict may be functional (i.e., when partners resolve their disagreements amicably) or dysfunctional (Morgan and Hunt, 1994). It has been suggested that there is an inverse relationship between cooperation and conflict (Frazier, 1983), in which minimal cooperation leads to dysfunctional conflict (more likely in a unilaterally governed relationship) and maximal cooperation leads to functional conflict (more likely in a bilaterally governed relationship). In terms of conflict resolution, firms may turn to external mechanisms or they may resolve conflict internally (Ring and Van de Ven, 1992). The nature of the conflict resolution technique, either constructive or destructive (Mohr and Spekman, 1994) and internal or external (Ring and Van de Ven, 1992), is also linked to the governance of the relationship. Lin and Germain (1998, p. 190) found support for this, concluding that relative power significantly alters the landscape of the mechanisms by which IJV conflicts are resolved. Constructive conflict resolution techniques, such as joint problem solving and persuasion, are more likely to be used in bilaterally governed IJVs. Destructive conflict resolution techniques, such as domination, arbitration (external) or smoothing and avoiding issues, are more likely to be used in unilaterally governed IJVs.

Other factors which contribute to the nature of the dominant sentiments and behaviours of the IJV relationship include trust, commitment, (Morgan and Hunt, 1994), opportunism, communication (Robicheaux and Coleman, 1994), norms and bonds (Heide and John, 1992) and cultural sensitivity

(Barkema and Vermeulen, 1997; Lin, Yu and Seetoo, 1997). Whilst at least some level of commitment is essential in IJVs (due to the up-front contributions required), relationships which create opportunities for opportunistic behaviour, such as unilaterally governed IJVs, are more likely to be characterised by a limited reliance on trust and commitment. This is possible because of the greater reliance on the contract and authoritative power role (Ring and Van de Ven, 1992). There is also likely to be a greater importance placed on the role of transaction-specific assets and other bonds (e.g.: adaptations and pledges) to ensure that the partners remain committed in such a relationship. In contrast, bilaterally governed IJVs in which there is limited potential for opportunistic behaviour are more likely to be characterised by a higher reliance on trust and commitment. Relational norms are developed to govern the relationship, ensuring that a common standard of conduct for the future of the relationship is established.

The communication strategy used in an IJV is also linked to the form of governance. A unilaterally governed IJV, being hierarchically governed with centralised decision making mechanisms, is more likely to be characterised by relatively inferior communication between the parties. A bilaterally governed IJV, on the other hand, is characterised by bargaining decision mechanisms and the mutual involvement of both partners in the governance of the IJV. As such, it is more likely that a bilaterally governed IJV will be characterised by relatively superior communication.

Finally, Ahmed, Patterson and Styles (1997) have proposed that cultural sensitivity, an awareness of the cultural differences between partners, is most important in relationships in which partners work together closely. Therefore, in bilaterally governed IJVs, partners will need to demonstrate greater cultural sensitivity than partners of IJVs which are unilaterally governed.

4. Identifying two distinct forms of IJV relationship formation and maintenance

Based on the interaction between the internal economy and internal polity, two extreme forms of IJV relationship formation and maintenance are identified - the unilaterally governed IJV and the bureaucratically governed IJV. Figure 3 presents a framework for analysing IJV relationship formation and maintenance based on the internal economic structure of each of these types of IJVs. The framework suggests that relationship formation and maintenance will differ according to the form of governance adopted, suggesting the following propositions about the operation of an IJV which can form the basis of future research:

4.1 Unilaterally governed IJV

P1: An IJV that is formed with unilateral governance is more likely to be subject to negative power /dependence impacts and opportunistic behaviour.

P2: Conflict between partners in a unilaterally governed IJV is less likely to be resolved to the satisfaction of both partners, creating a less stable relationship.

P3: It is more likely that partners in a unilaterally governed IJV will be more concerned with the short-term performance of the IJV than the long-term potential. Therefore, when economic performance declines, it is less likely that the IJV will be maintained.

4.2 Bilaterally governed IJV

P4: An IJV that is formed with bilateral governance is less likely to be subject to negative power / dependence impacts and opportunistic behaviour because of the development of relational norms e.g. higher levels of trust and commitment.

P5: Conflict between partners in a bilaterally governed IJV is more likely to be constructively resolved to the satisfaction of both partners, creating a more stable relationship.

P6: It is more likely that partners in a bilaterally governed IJV will be concerned with the long-term potential of the IJV than the short-term performance due to the investment of time and effort both partners have made in developing relational norms. Therefore, this form of IJV relationship will be less likely to dissolve in the event of a decline in short-term economic performance.

Figure 3 depicts these broad propositions. It also brings together relational constructs within the political economy framework by outlining the specific relational characteristics that the framework predicts for each type of internal economic structure, in terms of internal economic processes, internal socio-political structure, and internal socio-political processes.

5. Conclusion and Implications

The purpose of this paper was to enhance our understanding of IJVs by: 1) introducing relational exchange theory to identify the key variables necessary for successful IJV relationship formation and maintenance; and 2) using the political economy framework to integrate these relational concepts with concepts from the transaction cost and resource dependency approaches to demonstrate the interaction between the formation of an IJV and its maintenance. This has produced a broader and more comprehensive framework than previously found in the literature.

Previous research and theory development in the area of international joint ventures has focused on relatively static issues such as initial motives for formation, partner selection and characteristics, and control and conflict. The dominant theoretical perspectives have been transaction cost economics and resource dependence theory. While this past work has provided useful insights, there has been no framework that has provided managers with guidance on the more dynamic, process related issues of IJV management. The framework presented here has begun to address this theoretical

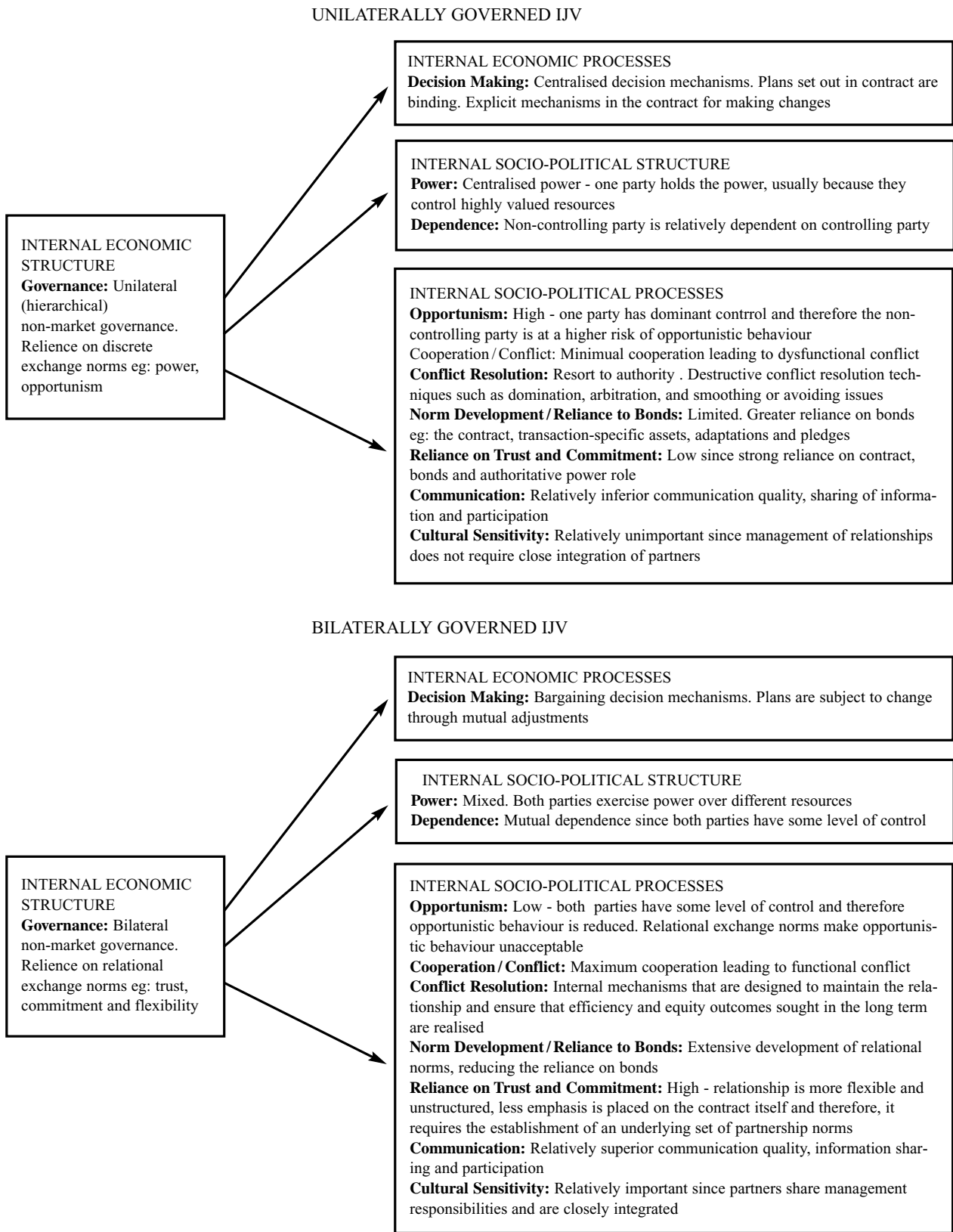


Figure 3: A Framework of IJV relationship formation and maintenance

and practical need by integrating the political economy framework with relational exchange theory. It widens the scope from economic and legal issues, to social, structural and cultural issues that are often the make or break of IJVs.

A number of implications are suggested. Firstly, by focusing on the interaction between the internal economy and the internal polity, we have demonstrated that the form of governance of an IJV relationship will influence the nature of the relationship between the partners. Recognising the different requirements of different types of relationships may result in more successful IJV relationships. Secondly, by focusing on the dyad, the framework encourages managerial recognition of the partnership rather than the single firm. This highlights issues such as cooperation, joint decision-making and mutual (vs. one-sided) benefits. Thirdly, the importance of relationship maintenance variables has been highlighted through the introduction of relational exchange theory, suggesting that this should be a focus of IJV relationship formation and maintenance, in addition to issues such as contract negotiation and economic cost/benefit analysis. Finally, the discussion has recognised that the role of cultural sensitivity, a managerial concern in IJVs, is related to the governance form in an IJV relationship.

Importantly, the framework provides managers with guidance on the how questions as well as the what questions. That is, by including day-to-day management issues relating to decision-making, the development of trust, communication, social bonds and the relative importance of cultural sensitivity, managers are not only alerted to what issues they should be focusing on, but how each of these issues should be dealt with under different circumstances. In doing so, the framework presented here views an IJV as a social entity in addition to an economic and legal entity. The management of an IJV therefore needs to explicitly incorporate social phenomena rather than leave it to chance. The view that business is a social activity with economic outcomes (e.g. Ambler and Styles 2000) is increasingly gaining acceptance. Both theory and practice would benefit by exploring these issues further to ensure a good match on paper does not fail, or fail to fully exploit market opportunities, because of sub-optimal social behaviour and structures.

The framework also highlights the need to place greater emphasis on the selection and management of the people involved in IJVs. Spekman, Isabella, MacAvoy and Forbes III (1996) attribute the causes of partnership failures to an insufficient focus and understanding of the partnership management. They advocate the importance of the partnership manager and his/her central role in the success of that partnership. They also argue that the partnership manager (such as the strategic alliance manager) takes a successive number of roles throughout the development process of the partnership (e.g. advocate, networker, or mediator) and the success of the partnership depends on his/her performance within these

roles. A key underlying characteristic among those roles is the manager's ability to communicate effectively and instill trust in their partners (Phan, Styles and Patterson, 2000). Duncan and Moriarty (1998) argue that effective communication (and specifically information exchange between partners) is the tie that binds any relationship. Thus, managers for IJV assignments need to be screened for these social skills as much as technical and marketing skills, for example.

The framework also suggests the need for regular measurement and feedback of the social workings of the IJV. The concept of a regular partnership audit is therefore relevant. As is often done with long-term supplier relationships (e.g. advertising agency/client relationships), an annual audit of the IJV relationship (vs. just its economic performance) would highlight those behaviours and social structures that are contributing to success as well as highlight areas where improvements could be made. In fact, the process of the audit itself (like is often the case with planning) may be the key to developing greater understanding between partners and lead to structural and process improvements.

The integration of relational exchange theory and the development of the political economy framework of IJVs have suggested some future avenues of research. Firstly, the propositions that were derived from the framework should be explored empirically, ideally across different cultural settings i.e., amongst IJVs involving firms from different countries. In addition, the relationship maintenance variables suggested in the model should be further conceptually and empirically developed within the context of IJVs. Future research should determine whether these variables are conceptually different from those in other interfirm partnerships and if there are additional variables specific to IJVs. Future empirical research should: 1) be dyadic to account for both perspectives of the partnership (Li and Shenkar, 1997; Lin, Yu and Seetoo, 1997) and; 2) involve methodologies appropriate for generating data on soft variables, such as qualitative case studies (Parkhe, 1993). Research should then be widened to include a range of different alliance forms, such as non-equity alliances, licensing arrangements and franchising, to name a few. Further, this paper has only considered the internal economy of IJVs. A future area of research is the external environment of IJVs and its interaction with the internal political economy of IJVs. Finally, the introduction of relational exchange theory suggests that future research should consider the process of IJV relationship formation and maintenance.

6. Implications

In the past, business practitioners and public policy makers have focused on the legal and economic aspects of international joint ventures. However, the view that business is a social activity with economic outcomes (e.g. Ambler and Styles 2000) is increasingly gaining acceptance. The introduction of relational exchange theory and the application of

the political economy framework to our understanding of IJV development highlights the impact of the IJV as a social entity on IJV relationship formation and maintenance. In developing effective IJVs, managers need to be able to balance the legal, economic and social aspects of these complex business forms. Managers should recognise that the make or break issues of IJVs are broader than economic and legal issues, extending to social, structural and cultural issues.

Managers should also recognise that the form (or governance) of an IJV relationship influences the maintenance of the IJV relationship. For example, a bilaterally governed IJV will generally require more collaborative decision-making. Effective management of an IJV relies on understanding the nature of the relationship underlying the IJV and therefore, the appropriate approach for dealing with day-to-day management issues such as decision-making, communication, development of trust, social bonds and the relative importance of cultural sensitivity. IJV managers should consider conducting a regular partnership audit to highlight those behaviours and social structures that are contributing to success as well as highlight areas where improvements could be made. By conducting such a process, the partners to an IJV will be able to develop a greater understanding of their needs, leading to structural and process improvements.

Finally, greater emphasis needs to be placed on the selection and management of the people involved in IJVs. Management needs to take particular care to ensure that the partnership manager has the necessary social skills to ensure the successful formation and maintenance of the IJV relationship.

³For a review of the application of relationship marketing variables in strategic alliances see Ahmed, Patterson and Styles (1997); Sarkar, Cavusgil and Evirgen (1997); Wilson and Jantrania (1993). In the buyer-seller literature see Dwyer, Schurr and Oh (1987); Ganesan (1994); Han, Wilson and Dant (1993); Heide (1994); Heide and John (1992); Moorman, Zaltman and Deshpande (1992); Ring and Van de Ven (1992); Moorman, Deshpande and Zaltman (1993); Morgan and Hunt (1994); Wilson (1995). In the channels literature see Anderson and Narus (1990); Anderson and Weitz (1989); Anderson and Weitz (1992); Frazier (1983); Frazier and Antia (1995); Gundlach, Achrol and Mentzer (1995); Mohr and Spekman (1994); Nevin (1995); Robicheaux and Coleman (1994); Stern and Reve (1980); Weitz and Jap (1995).

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Australian and Taiwanese Advertiser's Perceptions of Internet Marketing

Tzu-wen Hsu, Jamie Murphy, & Sharon Purchase

Abstract

With the Internet being a relatively new communication medium, the perceptions of advertising agencies on the use and future of Internet marketing has important implications for companies using these agencies to develop their advertising strategies. This research investigates the perception of advertisers towards the use of the Internet as a communication medium. Drawn from two different countries, Australia and Taiwan, advertiser perceptions fell into four different clusters: optimistic tomorrow, cautious adopters, doubting laggards and technology realists. While Australian advertisers were represented in all four categories, Taiwanese advertisers were mainly cautious adopters or technology realists. Although the Australian agencies represent a diverse range of perceptions, the Taiwanese agencies all had a low belief about the future of Internet marketing.

Keywords: cross-cultural, advertising, internet marketing

1. Introduction

The advertising industry, which specialises in consumer communication in myriad modes, has decades of research on conventional media such as radio, television and print. Internet research, however, is in its pioneering days. As industry and academia grapple with this new medium, advertising companies are on the front line - advising clients on Internet strategies as well as implementing those strategies. This research investigates the perceptions of advertisers in relation to their use of the Internet, major barriers to and the future of Internet marketing.

While much Internet research has been conducted in developed western countries, little research has been conducted in developing countries even though the Internet crosses national boundaries and cultures. Yet even less research has investigated cross-cultural differences with this medium. This research explores two countries with different cultures, Australia and Taiwan. While both countries are Australasian technological and economical leaders, their national cultures differ. Taiwan has a national culture strongly influenced by eastern values, while Australia has a predominately western culture.

Another reason for including Australia and Taiwan is their Internet experience differs. While Australian firms have been using the Internet for some time, Taiwanese firms are relatively new comers compared to Australia. Although Taiwan now has a similar level as Australia for percentage of Internet access, they have recently undergone a steep rise in access

uptake. As the Internet is a relatively recent phenomenon in Taiwan, Taiwanese firms have a relative lack of experience in Internet marketing. This lack of experience in Taiwan may also play an important role in their perceptions of Internet marketing.

The literature review opens with comparative statistics on Australian and Taiwanese Internet use and economic development. Next, an historical perspective of media development argues that some current practices will fail or change and that today's optimism is overstated. This section is followed by a short description of the advantages of using the Internet and cultural variations between the countries.

2. Literature Review

2.1 Development of Internet Usage in Australia and Taiwan

In 1999, Australia was the eighth top country (as a percentage of the total population) for Internet usage, with 343 users per 1000 of population (Computer Industry Almanac, 2001). Taiwan however, was fourteenth with 217 Internet users per 1000 (Computer Industry Almanac, 2001). Since 1997 though, Taiwan has shown one of the world's highest increases in Internet usage. By mid 2000, over six million - over one in four - Taiwanese were online and close to eight million, two out of every five Australians, had Internet access (Nua, 2001).

Taiwanese Internet hosts per person were approximately one sixth of Australia in 1997 and increased almost four times in the last two years, while Australia's hosts increased only 1.5 times (Department of Industry, Science and Resources 1997,

2000). The country rankings have come closer together since 1997 when Australia was ranked fifth and Taiwan was not in the top 15 countries. By the year-end 2000, Australia and Taiwan ranked 10 and 11 respectively on the top 15 countries for total volume of Internet users Computer Industry Almanac, 2001).

Data for this project were collected in mid-1999, when both countries were in the top 15 countries of Internet users as a percentage of population. They also ranked similarly on total volume of Internet users, indicating corresponding Internet usage between the two countries.

Australia's population is about 19 million with GNP per capita \$20,640 (World Bank, 2000) and Taiwan's population is about 22 million (Chinatopnews, 2000) with GNP per capita \$13,233 (Cpcity, 2000). According to the Global New Economy Index (2000), Australia and Taiwan ranked number eight and ten respectively, suggesting similar economic dynamism and strength, as well as technological capabilities and potential.

2.2 An Historical Perspective of Internet Marketing

Those living in the 15th century lived through the impact of the printing press similar to those last century who experienced maiden radio and television broadcasts. Today's computer-mediated communication ranges from CD-ROM catalogs, personal digital assistants and on-line services to fully interactive television systems with electronic coupons, virtual malls and movies-on-demand to the mother of all interactive technologies - the Internet and its little brother, the World Wide Web (WWW).

Similar to past new media with explosive growth, such as television and cable TV, effective Internet marketing will evolve. Society tends to misuse and overestimate the influence of emerging technologies in the short run and underestimate their long run effects (Rogers, 1995; Fidler, 1997).

Discussion about the Internet's commercial role gathered momentum in the early 1990s. In September of 1994, Jim Sterne produced the world's first Marketing on the Internet seminar (Sterne, 1997). One month later HotWired (www.hotwired.com), the online sibling of Wired Magazine, launched paid World Wide Web advertising (Ellsworth and Ellsworth, 1997; Sterne, 1997). Until then, Wired linked to a site simply because they found the site interesting. In an earlier Internet exchange, AT&T (www.att.com) linked to O'Reilly's Global Navigator Network (www.gnn.com) for reciprocal links back to AT&T. But for the first time ever, HotWired collected cash.

In 1996, Hoffman and Novak introduced marketers to this revolutionary new medium, proposing a process model of consumer navigation behaviour in a hypermedia computer-mediated environment (CME). They concluded that the new medium-as-market hypermedia CME especially the World Wide Web exemplified a many-to-many communication

model. The consumer actively participates in an interactive exercise of multiple feedback loops and immediate communications. Marketers must adapt to profit from this medium.

As with primitive radio and television, the Internet has teething problems. Connections to sites fail, servers crash and email bounces. Unlike radio and TV, sites can be slow. Aside from reliability, privacy is a key issue facing marketers and society in the near future (Leibrock, 1997). In addition to privacy, Bush, Bush and Harris (1998) found security and measurement issues as barriers to Internet marketing.

2.3 Internet Promotion

Companies use the Internet as a new marketing medium in conjunction with other off line media such as television, radio and print. Marketers should consider online promotion within their overall strategy to build a consistent brand image. Online promotion is more than putting up a web site and hoping customers search for their site. It also includes tools such as banners, hotlinks, permission email, search processes, and memic advertising (Hanson, 2000; Zeff and Aronson, 1997).

Each of these applications must be strategically used in conjunction with the web site and offline promotion. The Internet Advertising Bureau (1997) noted four reasons why online promotion is strategically important:

1. Television audiences are migrating to the net
2. The net is the fastest growing medium in history
3. Internet demographics are a marketer's dream
4. Web ad banners build brand awareness and may generate awareness better than television or print advertising.

Online promotion offers many advantages over offline promotional tools, including:

Targetability: Web advertisements can target particular market segments, minimising wastage or promotional costs (Zeff and Aronson, 1997). That is the target market, not necessarily other market segments, see the promotion.

Tracking: Collecting information on individual users is possible, building a detailed profile of their online preferences (Zeff and Aronson, 1997; Hanson, 2000).

Individualisation: Online promotional strategy can target the individual who is accessing the information if data on them has been collected. Tracking and profiling a customer helps customise their online experience to their particular preferences (Hanson, 2000).

Delivery: Online promotion is delivered globally, 24 hours a day, 7 days a week, 365 days a year. Delivery of the online promotional strategy is direct to the customer's computer, which in some cases is the customer's home (Zeff and Aronson, 1997). This mode of delivery is not limited to availability of media, as the customer accesses the promotional information when they want to.

Flexibility: Online promotional campaigns can be implemented quicker and often for less cost than many offline promotional campaigns (Zeff and Aronson, 1997). Customer response can be measured immediately. Bad promotional campaigns are deleted quickly if they prove ineffective (Zeff and Aronson, 1997).

Interactivity: The customer chooses to be involved in the promotional process. This decision making process involves, for example, using demonstration copies of software, developing customised orders and commenting on previous experiences by posting book or wine reviews.

Each of the above online promotional advantages illustrates why the Internet should be considered strategically within the firm's overall marketing strategy. But Internet marketing has yet to come of age.

As Yahoo! reels from advertising shortfalls and other highflying dot.coms tumble from cyberspace, others question web-based advertising (Reis and Reis, 2000; Tanikawa, 2001). Emerging Internet revenue sources and marketing applications include customer relationship management, targeted emails and interactive polling (Newell, 2000). Each of these offers a new dimension to online marketing, raising the issue of how do advertisers perceive the Internet as a marketing tool. The literature suggests advantages of using the Internet over existing media, but uncertainty about the future marketing potential.

Consumers perceive web advertising positively, rating it as valuable, informative, not particularly irritating and a benefit to companies using it (Ducoffe, 1996). Ducoffe also found that consumers have a strong association between advertising value and attitude toward Web advertising.

Similar to Ducoffe's (1996) research, Eighmey (1997) examined users' perceptions of commercial Web sites. His pilot study and field application found user benefits of commercial sites similar to benefits associated with television commercials reported in previous uses and gratification studies. Eighmey also found that value-added information that reaches users in a time commensurate with the perceived information value, attracts Web site users. His research suggests that mass communication's uses and gratification perspective applies to the Web.

Researching traditional advertisements, Maddox and Mehta's (1997) study of Web addresses suggested that both Internet users and nonusers noted uniform resource locators (urls) in mass media ads. Consumers perceived advertisers with Web addresses as more customer-oriented, responsive, informative, high tech, sophisticated, and likely to stay in business longer.

As for online ads, Briggs and Hollis (1997) studied banner advertising on the Web and its impact on consumers' attitudes and behavioural response. Their findings suggest that Web

banners help increase brand awareness, remind consumers of a brand's existence, stimulate latent brand associations, and can affect attitudes toward the brand and, ultimately, increase probability of purchase.

Bush, Bush and Harris' (1998) study of U.S. advertisers indicated that the Internet was important within the promotional campaign, particularly for providing product information. But advertisers were uncertain about the Internet's competitive advantage and whether it would lead to transactions. The uncertainty is somewhat due to the newness of using the Internet within their promotional strategies. It should be noted though that advertisers perceived that growth in Internet use would be considerable in the next 12 months.

Along with the advantages of Internet use, there are barriers to its implementation and use, which influence the advertiser's perception of the future of the Internet. Such barriers include security, privacy, technological advancements and non-technological issues. This research divided barriers into three sections: security and privacy, technological and non-technological issues.

In a recent study on E-commerce barriers for Australian and Singaporean organisations, the largest barrier to adoption was the cost of Internet setup (Chong & Pervan, 2000) classified as a non-technological barrier in this study. The next two highest barriers were lack of in-house expertise (a technological barrier) and security issues (security and privacy barrier) (Chong & Pervan, 2000).

2.4 Cultural influences in Australia and Taiwan

This research investigated Internet perceptions of advertisers between predominately eastern and western countries: Australia and Taiwan. This section discusses how Australia and Taiwan differ along Hofstede's (1991) cultural dimension of uncertainty avoidance.

Hofstede's (1991) other cultural dimensions, power distance, individualism and masculinity were not considered in this research. Power distance describes the relative dependence of relationships (Hofstede, 1991) and is not considered important in an advertiser's perception of the Internet. Individualism describes the relative importance placed on ties between individuals (Hofstede, 1991) and should not pertain to their perception of the Internet. This dimension may be important in the individual consumers use of the Internet but this research did not investigate individual consumer's Internet use. Masculinity describes the relative difference in gender values between males and females (Hofstede, 1991). Masculinity may determine how different roles are portrayed through the Internet but is not considered important in the advertiser's perception of the Internet as a marketing tool.

The Uncertainty Avoidance Index (UAI) considers the tolerance to ambiguity in society described as the extent to which the members of a culture feel threatened by uncertain or

unknown situations (Hofstede 1991, p. 113). Hofstede's work, describing organisations in countries with high UAI indices as focusing on planning and stability as a method of lowering uncertain situations.

The Internet is a new medium, differing from traditional advertising media. (Bush, Bush and Harris, 1998). Therefore, advertisers would be unsure on how to incorporate the Internet into a marketing strategy, uncertain about the future acceptance of this medium by consumers or businesses and how it will generate future profits. This ambiguity would affect advertiser's tolerance of the medium and their perceptions of its efficiency and use.

Hofstede (1991, p. 113) allocated Australia a UAI score of 51 and rank of 37, while Taiwan has a UAI score of 69 and ranked 26. These relative UAI scores mean that Australian culture has a much higher tolerance to uncertainty and the unknown and is less likely to feel threatened when dealing with uncertain situations. Taiwanese culture, however, is more likely to feel threatened by uncertainty and unknown situations.

Although Taiwanese advertisers are more likely to feel threatened by Internet uncertainty, other research suggests that the Taiwanese tend to have an overall optimism due to cultural differences, above that of the Australians, with future events until they gain experience with the new medium (Yates et al., 1988). This optimism is over and above that predicted by the diffusion of innovation (Rogers, 1995; Fidler, 1997).

Given the high growth in the number of Taiwanese with Internet access, it would be expected that Taiwanese advertisers have less experience using with Internet marketing than their Australian counterparts and therefore, higher levels of optimism. This suggests that Taiwan would include the Internet in their overall marketing strategy to lower the uncertainty in the situation but would also have a high optimistic perception of the Internet until they have gained further experience.

Nicovich and Cornwell (1998) argued that the Internet could be a cultural bridge, lowering cultural barriers that have traditionally been hard to overcome. This scenario minimises cultural influences of the perception of the web by advertisers. Samiee (1998), however, indicated the need to take culture into account as a barrier to Internet use for international marketing. These conflicting assumptions on how culture will affect perceptions of the Internet need further research.

2.5 Previous Cross-cultural studies

Previous cross-cultural studies have focused on consumer's perceptions of media rather than the advertisers themselves. Chen and Allmon (1998) found considerable differences in media perceptions – newspapers, radio, television, magazines, billboard and direct mail – on four attributes – informative, entertaining, boring and irritating – among

consumers in Australia, Taiwan and the United States. Taiwanese considered the radio less informative and billboards more informative than Australian and US respondents. Differences in entertaining attributes were more noticeable. Taiwanese considered newspapers and direct mail more entertaining than Americans and Australians. But they considered radio and magazines less entertaining than their Western counterparts. Although the Internet was not included in this research, Taiwanese perceptions of traditional media differed from the Australian consumers. It could therefore be assumed that there may also be differing perceptions of the Internet.

Research of consumer's perception of web communication varies. One study found that Australian consumers prefer a low context or explicit communication environment while Malaysian consumers favour implicit communication (Fink and Laupase, 2000). This would affect how advertisers use the Internet within their overall promotional strategy. Other research has indicated that there are no cultural influences in web advertising creative strategies and that they are similar across cultures (Bang and Moon, 1999; Oh, Cho, and Leckenby, 1999; Yoon and Cropp, 1999).

In summary, research with traditional media has indicated differences between Taiwanese and Australian consumers. The way the Internet is used should affect how advertisers include this medium in their future strategy and may influence their perception of the Internet as a promotional tool. It is expected that culture will influence advertiser's perception of the Internet and should be included in the overall conceptual development.

3. Conceptual Development

The research investigates advertiser's perceptions of the Internet in the early stages of its development. Figure 1 illustrates the conceptual model used in this research. The model includes the benefits and problems with their Internet marketing and how this will affect the advertiser's overall perception of the Internet. Australia and Taiwan have been included to investigate cross-cultural variation in Internet perceptions.

Internet usage problems include security and privacy issues, technological issues (such as Web site maintenance, computer capabilities, available technological experience, etc.), and non-technological issues (such as consumer factors, the difficulty of reaching the target market, the cost of Internet setup, etc.). These problems will affect the advertiser's perception of Internet marketing.

Internet usage could give companies a competitive advantage or contribute to their marketing campaign. An important component of this evaluation draws upon the companies' perceptions of how effective the Internet has been. How companies perceive the future Internet benefits also influences their overall perception. If these benefits are strong, advertisers will be more inclined to perceive positive Internet marketing results.

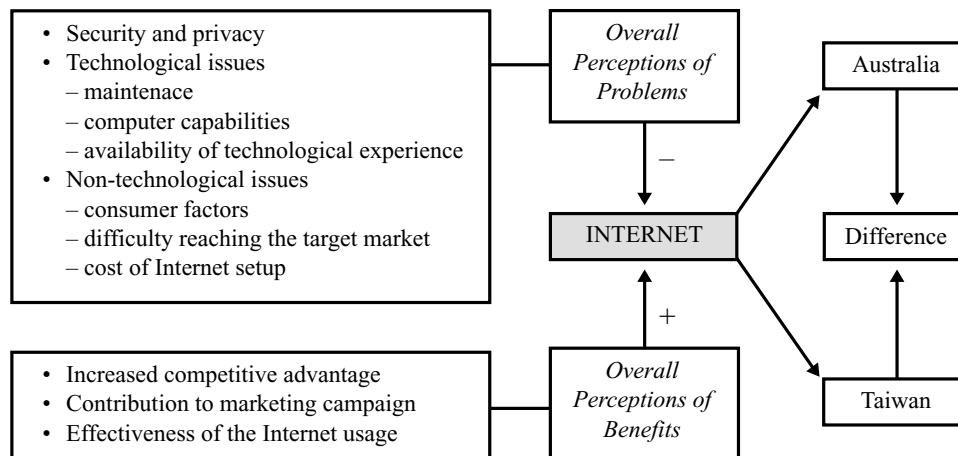


Figure 1: A model of Internet usage

Furthermore, little research has compared Internet marketing in Eastern and Western cultures. This is an important consideration given the Internet's potential global reach.

Therefore, this exploratory study investigates these issues and addresses the following research questions:

- How do Australian and Taiwanese companies perceive the Internet's marketing benefits?
- What potential problems concern Australian and Taiwanese companies regarding the Internet's marketing use?
- What do Australian and Taiwanese companies foresee as the future of Internet marketing?

4. Methodology

Questionnaire design closely followed previous research (Bush, Bush and Harris, 1998) and two pre-tests guided the questionnaire development. The first pre-test involved general managers from three Perth advertising companies answering questions in personal interviews. The second pre-test was limited due to time and financial concerns. Three mail surveys were sent to general managers with Taipei City advertising companies. Since English is not a popular language in Taiwan, the questionnaire was translated into Mandarin Chinese for the Taiwanese sample, striving for a consistency of concept rather than for a literal translation. The results of this pre-test were obtained through telephone interviews with the Taiwanese general managers.

The questionnaire contained 37 items split into two major parts. The first part included three sections addressing the research questions. A five-point Likert scale measured respondents' level of agreement to motivating factors, where

1 = to a small extent and 5 = to a great extent. The second part contained demographic statements to help profile the respondents.

4.1 Survey and Sample

A random sample of 200 Australian advertising companies in The Business Who's Who of Australia (1998) and all 193 companies in The Taipei Association of Advertising Companies (1999) were invited to participate in the study. The survey lasted from February to August in 1999. A cover letter assured confidentiality and anonymity in order to gain trust and encourage participation. The letter also introduced the study, emphasised its importance and offered respondents a summary of the survey results.

Six weeks after the initial mail-out, a follow-up letter reminded Australian and Taiwanese non-respondents to complete the questionnaires. In case respondents misplaced or discarded the first questionnaire, another questionnaire was included. The initial and follow-up mailing yielded a 31% Australian response rate and 23% from the Taiwanese companies, or 27% overall. This compares favourably to Bush, Bush and Harris (1998) 26% response rate.

The relatively low Taiwanese response rate could be due to the lack of interest in activities that do not offer immediate benefits to the interviewee. The principal author's experience is that Taiwanese researchers have to be prepared to receive the rejection of the interviewee. Table 1 profiles the respondent's company in Australia and Taiwan. The Australian and Taiwanese sample differed in the major customer they served. The Australian sample consisted of mostly organisations that dealt with business-to-business services. The Taiwanese companies had a greater response to all categories, indicat-

ing the non-directed conglomerate nature of many Asian businesses (Backman, 2001).

4.2 Data Analysis Procedure

A chi-square test compared the perceptions of Australian and Taiwanese advertisers. Chi-square should only be conducted when the expected or theoretical frequencies in any of the cells is equal to five or more (McClave and Benson, 1991; Malhotra, 1993). To keep the cell frequencies above five, the data were re-coded as those that agreed (4 or 5) and other (1, 2 or 3). All analysis was done on the former category, the respondents that agreed.

The results from a number of samples drawn from any finite universe will not necessarily agree exactly with the theoretically calculated results or with those that pertain to the

universe (Davies, 1983). There will be a degree of divergence according to the basic rules of probability and random sampling. A chi-square test examined whether these discrepancies occurred between Australia and Taiwan.

5. Results

5.1 Internet Marketing Benefits

Chi-square analysis identified statistically significant differences between the two countries on many of the statements in the questionnaire that are outlined in Table 2. Significantly ($p < 0.01$) more, about twice as many, Taiwanese respondents agreed that the Internet is incorporated into their marketing strategy. This is opposite from expectations as it was thought that more Australian firms, given their greater experience and longer adoption times, would have integrated the Internet into

Table 1:
Profile of respondent companies

Characteristic	Australia (N=61)		Taiwan (N=45)	
	Frequency	%	Frequency	%
Current Financial Performance				
Made a profit	52	85	33	73
Did not make a profit	4	7	4	9
Broke even	9	8	8	18
Major Customer Served				
Consumer products	4	7	14	31
Consumer services	3	5	5	11
Business-to-business products	3	5	2	4
Business-to-business services	31	51	2	4
All	7	12	18	40
Other	13	21	4	9
Number of Employees				
1 - 19	39	64	14	31
20 - 50	13	21	18	40
51 - 99	4	7	7	16
100 - 500	3	5	6	13
501 - 1,000	1	2	0	0
Over 1,000	1	2	0	0
Company's Approximate Annual Sales				
Less than \$1 million	8	13	4	9
\$1 million - \$5 million	22	36	14	31
\$6 million - \$10 million	13	21	7	16
\$11 million - \$50 million	10	16	15	33
\$51 million - \$100 million	0	0	5	11
More than \$100 million	5	8	0	0
No information	3	5	0	0

Table 2:
A comparison of the Australian and the Taiwanese advertising companies

Statement	Australia		Taiwan		Chi-square
	N = 61	%	N = 45	%	Sig. Level
My company has incorporated the Internet into its marketing strategy	23	38	32	71	.001
My company considers Internet marketing as a valuable marketing asset	29	48	35	78	.002
Marketing on the Internet gives my company a competitive advantage	18	30	30	67	.000
Web sites will be used more within my organization within the next year	35	57	30	67	N.S ^a
Knowledge/skills related to Internet marketing has influenced our hiring criteria	15	25	22	49	.009
Marketing on the Internet reduces media waste	9	15	28	62	.000
Internet marketing significantly contributes to our marketing campaign	11	18	19	42	.006

^aN.S. is no significant difference between Australian and Taiwanese sample

their overall marketing strategy.

When asked if marketing on the Internet gives my company a competitive advantage, less than one third of the Australian respondents agreed. About twice as many, or two thirds of the Taiwanese companies saw the Internet giving them a leg up on their competitors. This difference could be explained with the Taiwanese having less experience with the Internet and therefore more optimistic about its use.

Even though two thirds of the Taiwanese felt the Internet gave them a competitive advantage, this is less than what these same companies thought of the Internet as a marketing asset. The same was true with Australian companies. Almost one half of the companies thought the Internet was a valuable marketing asset but less than one third of these same companies thought the Internet gave them a competitive advantage. This lack of perceived competitive advantage from respondents could be due to the ambiguity of the medium and the ease in which competitors are able to copy aspects of web site design. Bush, Bush and Harris (1998) found that US advertisers also did not perceive the Internet to give a company a competitive advantage, explained through the newness of the Internet.

For the moment, the Internet's marketing potential exceeds reality. Still, both Australian (57%) and Taiwanese (66%) advertising companies agreed that they would use Web sites more in their organizations.

When asked if the Internet reduces media waste traditional printing about one out of seven Australian respondents agreed. Conversely, about four out of seven Taiwanese respondents indicated some level of agreement. This difference could be explained through the different experience levels. Australian companies would have used the Internet for a greater time period and may have already determined that there is no reduction in traditional printing. Taiwanese companies, with their lower levels of experience, may have not been able to evaluate changes to their current printing requirements.

Overall, there is a perceived uncertainty with the Internet's potential versus reality, therefore emphasizing the perceived ineffectiveness associated with Internet marketing.

This was found to a greater extent in the Australian firms than the Taiwanese firms.

Currently, Internet knowledge and skills are just beginning to influence firms hiring criteria. In Australia it appears that

firms either perceive Internet skills as secondary to other job-related skills or that, since this medium is in its infancy, few firms have incorporated these skills into their hiring practices.

5.2 Potential Barriers to Internet Marketing

The focus of the second research question was potential barriers to Internet marketing. Since this medium is in its infancy, it is important to identify the perceived and real barriers that impede companies from developing an Internet presence.

Table 3 outlines the potential barriers to Internet marketing and the chi-square analysis comparing Australian and Taiwanese responses.

With the exception of difficulty in reaching the target market, Taiwanese respondents reported more potential

barriers to using the Internet. This difference was significant ($p < .05$) in nine of the thirteen variables. Consumer reluctance to purchase on the Web is a major concern in both countries.

5.3 The Future of Internet Marketing

The third research question addressed the future of Internet marketing.

Table 4 compares predictions of future Internet marketing, which showed less significant differences than in the two previous research questions. As a rule, respondents in both countries see a strong future for Internet Marketing.

More than eight out of ten Australian respondents indicated that the Internet will be a major source of product information and seven out of ten replied that the Internet will be a

Table 3: Respondents who agree with potential barriers to the use of Internet: A comparison of the Australian and the Taiwanese advertising companies

Barriers	Australia		Taiwan		Chi-square
	N = 61	%	N = 45	%	Sig. Level
Security, privacy, consumer fear	22	36.1	27	60.0	.015
Access, availability to all consumers	28	45.9	22	48.9	N.S ^a
Computer capabilities	13	21.3	24	53.3	.001
Measuring effectiveness	25	41.0	28	62.2	.031
Difficult to reach/find target market	28	45.9	17	37.8	N.S
Overload of information	27	44.3	28	62.2	N.S.
Difficulty navigating the Web	19	31.1	29	64.4	.001
Maintaining/updating Web sites	22	36.1	34	75.6	.000
Executives fear of technology	21	34.4	31	68.9	.000
Lack of knowledge among consumers	23	37.7	32	71.1	.001
Consumer reluctance to purchase on the Web	37	60.7	30	66.7	N.S
Costs of reaching consumers	6	9.8	20	44.4	.000
Availability of technological experience	20	32.8	26	57.8	.010

^aN.S. is no significant difference between Australian and Taiwanese sample

Table 4:
Respondents who agree with prediction: A comparison of the Australian and the Taiwanese advertising companies

Predictions	Australia		Taiwan		Chi-square
	N = 61	%	N = 45	%	Sig. Level
Internet will be major source of product information	52	85	31	69	.043
Internet will be major part of marketing	43	71	23	51	.042
Internet will experience continued growth and acceptance	58	96	41	91	N.S ^a
Internet will supplement other media	47	77	40	89	N.S
Internet will replace direct marketing	6	10	19	42	.000
Internet will be more interactive	51	84	43	96	N.S
Growth in Internet transactions will be great	44	72	33	73	N.S
Internet will replace printed forms of marketing	10	16	10	22	N.S

^aN.S. is no significant difference between Australian and Taiwanese sample

major part of marketing . This was significantly ($p < .05$) more than the Taiwanese respondents. Conversely, four out of ten Taiwanese respondents felt that the Internet will replace direct marketing , which was significantly ($p < .05$) more than their Australian counterparts.

5.4 Factor and cluster analysis

A principal component factor analysis and subsequent cluster analysis helped categorise and illustrate the observed perceptual differences between Australian and Taiwanese advertisers. Using eigenvalues greater than one and a scree plot test, the perception variables loaded on five factors: Internet marketing use, human barriers to Internet marketing, technological barriers to Internet marketing, future Internet growth and future roles of Internet marketing.

Several cluster analyses, using these five factors, produced similar results. We used the hierarchical Ward method to decide upon four clusters, which was then adopted in a non-hierarchical approach (quick cluster) to obtain the final structure. This solution correctly classified over 95% of the cross-validated grouped cases. The four clusters were called optimistic tomorrow, cautious adopters, doubting laggards and technology realists. Table 5 shows the mean value of the five factors for each cluster.

In the optimistic tomorrow cluster there were 16 Australian

firms and no Taiwanese firms. Internet marketing use is minor within this cluster. They have the least concerns about human and technological barriers to Internet marketing and the second strongest belief in the growth of Internet marketing. They are the most optimistic about future Internet marketing roles. This optimistic outlook may be explained through the minor use of Internet marketing and therefore, lack of experience with the new medium.

The cautious adopters cluster included 20 Australian firms and 11 Taiwanese firms. Internet marketing plays a slightly stronger role than with them. These firms are committed to Internet marketing, but are going forward slowly. They have some concerns about human barriers but little concerns about technological barriers to Internet marketing. They have weak beliefs in the growth of Internet marketing and future Internet marketing roles.

Doubting laggards, which contain 11 Australian firms and 1 Taiwanese firm, use the Internet the least. They have the strongest concerns about human barriers and second strongest concerns about technological barriers to Internet marketing. They are the most pessimistic about Internet marketing's future growth, yet the second most optimistic about future Internet marketing roles.

Technology realists contain 14 Australian firms and 33 Taiwanese firms. Internet marketing plays the strongest role

in this cluster. They are experiencing technological limitations as evidenced by the strongest concerns about technological barriers but have few concerns about human barriers. They are the most optimistic about Internet marketing's growth but the most pessimistic about future Internet marketing roles.

6. Managerial Implications

This research investigated advertiser's perceptions of Internet marketing. Drawn from two different countries, Australia and Taiwan, the advertiser perceptions fell into four different clusters: optimistic tomorrow, cautious adopters, doubting laggards and technology realists. While Australian advertisers were represented in all four categories, Taiwanese advertisers were mainly cautious adopters or technology realists.

When choosing an advertising agency, managers should be aware of different agency perceptions towards Internet marketing and choose an agency whose perceptions align with theirs. With such diverse perceptions of Internet marketing among advertising agencies, it is important to consider the type of strategy that matches company perceptions.

Australian organisations entering the Taiwanese market should be aware that the Taiwanese advertising agencies did not display such diverse views of Internet marketing. All Taiwanese agencies indicated a low belief about the future of Internet marketing. Whether this perception will be sustained in the longer term is to be determined, but is important now given the general population's rapid uptake of the Internet.

Taiwanese managers need to be aware of how agency perceptions of Internet marketing affect their overall advertising strategy. These perceptions may change as Taiwanese agencies become more experienced with Internet marketing and eventually become as diverse as those in Australia. The low belief in the future of Internet marketing may change over time and business managers need to be aware of these changes as they occur.

7. Conclusion

Australian firms are evident in all four clusters, suggesting a

wide diversity in their perceptions and diffusion of Internet use. Such a diverse perception could reflect the Australian experience with earlier adoption and firms having more hands on experience with its characteristics. This is especially the case given that although firms have been using Internet marketing for some time, few have profited from their efforts (Urquhart, 2000) and therefore some negative sentiment would be expected.

The Taiwanese firms congregate in two main clusters, cautious adopters and technology realists. Both of these clusters have a low belief about future Internet marketing roles. This may have originated from lower Internet experience levels of the Taiwanese companies thus creating uncertainty with how Internet marketing will be incorporated into their companies in the future. As experience is gained, the Taiwanese companies will develop an increased understanding of the roles of Internet marketing. This low belief on future Internet marketing roles was not explained through higher levels of uncertainty avoidance as described by Hofstede (1991). Table 2 showed a greater number ($p < 0.05$) of Taiwanese companies than Australian companies had incorporated Internet marketing strategy into their companies, therefore indicating Taiwanese companies are not avoiding the uncertainty of Internet marketing.

Factors such as information technology infrastructure, available computer hardware and browser software influence Internet diffusion in a country. And language strongly influences the latter factor. Australia as an English speaking country with a relatively higher income than Taiwan, could be classified as an early adopter of Internet technology, similar to its adoption of microwave ovens, VCRs and mobile phones (Shimp, 2000). Taiwan, although a leading country in the developing world towards adopting new technology, better fits the early majority in the case of Internet.

8. Limitations and future research

This study has several limitations. The small samples in Australia and Taiwan represent only a portion of these countries' advertising companies. The names of the populations

Table 5:
Mean values for the five factors across the four clusters

Clusters	Internet Marketing Use	Human Barriers	Technological Barriers	Future Growth	Future Marketing Roles
Optimistic Tomorrow	-1.59	-3.27	-0.87	0.23	1.09
Cautious Adopters	-1.07	0.60	-0.15	-0.18	-0.01
Doubting Laggards	-3.79	2.45	-0.01	-1.02	0.60
Technology Realists	2.21	0.01	0.41	0.30	-0.48

were extracted from one directory listing and may not reflect the real population. The use of advertising agencies is another limitation, as they advise clients on a range of media. Also, this could be considered an advantage in that they may be more aware of current Internet developments and potential than the clients they advise.

As this is a mail survey, it is difficult to ensure that the answers came from one, not several respondents. Furthermore, the respondents came from various management positions. It would be better to measure perceptions from the same advertising position. Also, there is some evidence that people from collectivistic cultures who answer mail surveys are likely to have strong individualistic personal characteristics and may not necessarily be a representative sample of the total population (Gudykunst, 1997).

And the Internet will not stand still. Technological improvements and an ever-increasing audience make these results fleeting at best. Furthermore, as more consumers and companies come online, the Internet's role will also change.

For example, Parliament passed the controversial Australian privacy bill in December 2000 (The Australian Privacy Commissioners Web Site), making Australians much more aware of privacy issues. And the USA recently approved digital signatures, which is seen as a boon for e-commerce (Feder, 2000). Major Australian banks are currently working together to implement digital signatures into Australian businesses to overcome some Internet security concerns (Jay, 2001).

Future research could focus on validating that the four clusters found in this research exist using larger samples and in different cultures. For example, it would be beneficial to determine whether these clusters exist in countries such as Singapore, America and Scandinavian countries, where there is high Internet access. It would also be beneficial to survey advertisers, as well as advertising agencies.

It is important to note that as the Internet industry develops so will the perceptions of firms using the Internet in both their front end and back end business process applications. The development in understanding the change in these perceptions is important for future integration of other new technologies, which will become available further down the track.

9. Implications

This research investigated advertiser's perceptions of Internet marketing. Drawn from two different countries, Australia and Taiwan, the advertiser perceptions fell into four different clusters: optimistic tomorrow, cautious adopters, doubting laggards and technology realists.

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Consumer Self-monitoring, Materialism and Involvement in Fashion Clothing

Aron O Cass

Abstract

This study examines the relationships between gender, age, self-monitoring, materialism, fashion clothing consumption motives and fashion clothing involvement. The study initially builds on the work of Browne and Kaldenberg (1997) and Auty and Elliott (1998) in relation to self-monitoring and involvement, however, this research uses different measures of self-monitoring and involvement. A self-administered questionnaire was used to gather data, resulting in 450 responses being obtained to explore the relationships between the constructs related to fashion clothing. Specifically, the model delineates the key determinants of fashion involvement and tests these relationships using Partial Least Squares (PLS). The results support the predicted relationships suggesting that the model provides a reasonable framework to understand fashion involvement. Materialism and symbolic motives were found to have a significant effect on respondents level of involvement in fashion clothing. Age and gender had differing effects on purchase decision and product involvement. However, contrary to the findings of Browne and Kaldenberg (1997) self-monitoring was not that strongly related to both materialism and fashion clothing involvement, and self-monitoring levels did not differ by age and gender.

Keywords: consumer behaviour, involvement, materialism, fashion clothing

1. Introduction

In social and cultural terms there is perhaps no single issue that dominates the modern psyche as much as fashion. It not only forms an important part of everyday consumption decisions, but is also a central component of almost all daily events, influencing what and where we eat, the clothing we wear, how we communicate and inherently the very nature of our thinking. In reality fashion may not be the creation of powerful persuaders, but a normal outcome of a dynamic culture and common shifts in the style and tastes of individuals and groups.

In relation to fashion, consumer researchers have studied the links between consumers personality traits and their marketplace behaviours (purchasing and consuming products) for over 40 years (Brody and Cunningham, 1968; Cohen, 1967; Martineau, 1957; Myers, 1967 and Tucker and Painter, 1961 and Browne & Kaldenberg, 1997). There have been in the past a wide array of personality theories and measures developed to test the theoretical proposition that purchasing and consumption behaviour are related to aspects of consumers personality traits. An important personality construct that is gaining prominence in the psychology and consumer behaviour literature is self-monitoring. Self-monitoring has been studied to determine its effects on consumption behaviour by Bell, Holbrook and Solomon (1991), Becherer and Richard

(1978), DeBono and Packer (1991), Snyder and DeBono (1985), Shavitt and Lowrey (1992) and Hogg, Cox and Keeling (2000). The purchase and consumption behaviour of individuals has also been the focus of much of the work on involvement and materialism (Belk, 1985; Richins & Dawson, 1992, Mittal, 1988, 1989; Laurent & Kapferer, 1985 and Zaichkowsky 1985, 1986; O Cass 2000a).

The nexus of the debate appears to be that fashion clothing involvement is likely, according to Auty and Elliott (1998), to be associated with differences in sensitivity to ones social surroundings. And as such, one ponders whether involvement in a product like fashion clothing, with its strong image and sensory components, has similar abilities to be seen as a significant possession creating a fulfilling life, because of the happiness, success and central position it may occupy in the lives of some (materialists). However, the only study to explore the linkages between these three constructs (involvement, materialism & self-monitoring) has been that of Browne and Kaldenberg (1997). Others (Auty & Elliott, 1998) have focused on attitudes and self-monitoring and image congruency and self-monitoring (Hogg, Cox & Keeling, 2000).

The exploration of such consumer characteristics as involvement, self-monitoring and materialism that impact individuals purchase and consumption of specific types of products is

important. Such behaviour has both social and economic implications, particularly with products such as fashion clothing, because of the high social and image dimensions of its consumption and the vast sums of money spent on fashion around the world every year.

2. Review of Key Constructs

2.1 Self-monitoring

Self-monitoring has attracted considerable attention from social psychologists since the early 1970s (e.g. Becherer & Richard, 1978) and limited, but growing attention from consumer behaviour researchers and recently has seen a resurgence in interest (Browne & Kaldenberg, 1997; Auty & Elliott, 1998; Hogg, Cox & Keeling, 2000 and O Cass, 2000b). Self-monitoring is argued to reflect the degree to which an individual monitors, and controls self-presentation in accord with social cues (Lennox & Wolfe, 1984 and Snyder, 1979). The degree to which individuals possess self-monitoring characteristics may be reflected in product and brand choices because of differences in orientations and concerns for prestige and appearance. For example, Snyder (1974) reported that in judging the quality of two types of cars, high self-monitors gave more favourable quality ratings to a sporty car and low self-monitors favoured the more functional car and seemed to believe that a flashy appearance could mask hidden flaws. Low self-monitors have also been argued to rate generic products as being as good as brand name products. It has been suggested that self-monitoring affects consumer behaviour because it is associated with the degree of interest in maintaining a front through products that are used as props to convey an image of the self to other people. High self-monitors more than low self-monitors appear to have an overarching concern for their appearance and image (Snyder, Berscheid & Glick, 1985 and Sullivan & Harnish, 1990). They are argued to be aware of the impressions or messages that products send or portray to others about themselves (Snyder & Cantor, 1980) and as such, motives such as social approval (Rossiter & Percy, 1997) should be a strong driver for self-monitorers choices in fashion clothing. A product such as clothing is potentially used for its symbolic value and as such could be used by high self-monitors to modify self-presentation. High self-monitoring females in particular are seen to be opinion leaders in clothing and to use clothing to attain social approval (Davis & Lennon, 1985). As such gender also appears to be integral in relation to self-monitoring and its impact on product choices and involvement. It appears that clothing choices could be motivated by its usefulness in conveying messages appropriate for different social situations rather than being an expression of private attitudes and opinions.

Interestingly, the contemporary studies investigating fashion clothing and self-monitoring have all used the Snyder self-monitoring scale (i.e. Browne & Kaldenberg, 1997; Auty & Elliott, 1998), which has been argued to have some psychometric problems and lack consistency with self-monitoring

definitions. However, even though considerable advances have been made in understanding consumer behaviour via consumers self-monitoring traits, there is considerable debate over the conceptual domain and measurement of self-monitoring still (O Cass 2000b). These problems and criticisms have led to an extensive debate over the self-monitoring theory and the development and modification of scales. In response to criticisms of Snyder's scale Lennox and Wolfe (1984) developed a revised self-monitoring scale (RSMS). The more narrow view of the construct appears to be more reflective of the crux of self-monitoring and is argued to more clearly reflect the theory underlying self-monitoring (Lennox & Wolfe, 1984 and Shruptrine, Bearden & Teel, 1990; O Cass, 2000b). Lennox and Wolfe (1984) and O Cass (2000b) fundamentally restrict the concept of self-monitoring to the ability to modify self-presentation and sensitivity to the expressive behaviours of others. There is now growing consensus and acceptance of this more narrow view. For example, O Cass (2000b) developed a revised version of the Lennox and Wolfe (1984) scale that was shown to be valid and reliable and is an improvement on the existing measures based on the more restrictive conceptualisation of self-monitoring.

2.2 Materialism

Along with sensitivity to the social environment and modification of behaviour, via using products as props, many consumers appear to emphasize image and utilise material possessions such as fashion clothing to portray images that display success and status. Overlap in self-monitoring and materialism's underlying nature appears evident in that both constructs are argued to affect image orientation and usage of products to portray image. Such image oriented motives, appear to fit the nature of social motives as characterised by Rossiter and Percy (1997). The concept of materialism relates to an individual's belief that possessions symbolise one's identity and to the importance attached to possessions as objects (Richins and Dawson 1992). Materialists have been found to rely heavily on external cues, favouring those possessions that are worn or consumed in public places. Therefore, in relation to possessions such as fashion clothing, materialism might be a necessary value for those with more innovative personalities and as such higher involvement.

Given that materialism represents an important influence on behaviour, it is important for marketers to explore individual difference variables that characterise consumption and direct possession related behaviour (Belk, 1984, 1985; Richins, 1987 and Richins & Dawson, 1992). Materialism is used here to refer to the importance people attach to owning worldly possessions. Materialism is largely the degree that individuals find possessions to be involving and are placed in a central position in one's life. The more highly materialistic a consumer is, the more likely they are to be acquisitive, have positive attitudes related to acquisition and to place a high priority on material possessions. Highly materialistic

consumers may in a general sense find possessions to be involving and tend to devote more time and energy to product-related activities. Similar to self-monitors, materialists have been associated with using possessions for portraying and managing impressions. However, they are also seen to engage in self-indulgent purchasing behaviours and keep possessions rather than dispose of them (Belk, 1985) a characteristic not associated with self-monitors. Materialism has also been linked with giving possessions a central place in life and believing them to be a sign of success and satisfaction in life (Fournier & Richins, 1991 and Richins & Dawson, 1992) and as a source of happiness from owning the product(s).

The important aspects of possessions for materialists are utility, appearance, financial worth and ability to convey status, success and prestige. Such products are thought to include fashion clothing, because it is particularly susceptible to differences in consumption stereotyping, and therefore to differences in ability to encode and decode a range of messages (Auty & Elliott, 1998). This suggests that consumers with stronger materialistic tendencies use clothing for impression management (Richins, 1994), place it in a central position in life, use it to convey success and receive happiness from it. Essentially, greater levels of materialism seem to be associated with an understanding by individuals that possessions serve as part of a communication or signal to others informing them of who the individual is and what their status or position is (Douglas & Isherwood, 1979), much as a high self-monitor might.

On this issue Browne and Kaldenberg (1997) went so far as to argue that people who are more materialistic, will also be higher in the trait of self-monitoring. As such they make an explicit connection between materialism and self-monitoring. Thus, Browne and Kaldenberg (1997) argue that understanding the communicative role of possessions should be more typical (associated with) of an individual who is a high self-monitor, than a low self-monitor. They further propose, that both materialism and self-monitoring seem to be logically connected to higher product involvement. In relation to such behaviour demographics have proven to be a significant variables in studying fashion consumption. For example, McCracken and Roth (1989) and Elliott (1994) found differences in the fundamental manner in which age groups respond to popular brands. Inherently, McCracken and Roth (1989) identified age as significant in the interpretation of fashion codes. Further, research by Elliott (1994) and Auty and Elliott (1998) found that both age and gender to be significant determinants of fashion clothing interpretations. With younger people more fashion conscious and females more than males being both conscious of function and image. Bloch (1981) has also indicated that women are more involved in fashion than men.

2.3 Fashion Clothing Involvement

Involvement has been argued to have a significant effect on a wide range of consumer behaviours such as decision making

processes and advertising receptivity (Arora, 1982,1985; Beatty and Smith, 1987). As indicated previously Browne and Kaldenberg (1997) make an explicit link between materialism, self-monitoring and involvement. However, in reality involvement has been discussed and utilised to examine fashion clothing in a limited number of prior studies (e.g., Browne & Kaldenberg, 1997; Fairhurst, Good & Gentry, 1989; Flynn & Goldsmith, 1993; Tigert, Ring & King, 1976; O Cass, 2000a). And whilst Auty & Elliott (1998) discussed involvement and self-monitoring they did not actually measure involvement. They did however, conclude that self-monitoring could be seen as a surrogate for fashion involvement. Critically there seems to be no theoretical underpinning or empirical support for this conclusion.

The importance of involvement in the domain of fashion clothing can be seen via the defining role of fashion clothing in society. Further, fashion clothing's continual and cyclical nature implies people are often drawn into the style or fashion of the moment, and there are those who place a great deal of emphasis on their clothing and keeping up with the seasonal shifts and trends in clothing. Contemporary fashion research indicates that consumers are often distributed across a wide range of fashion consciousness and behaviours. Of particular note is the point that, the high fashion involved consumer has historically been important to fashion researchers and marketers (practitioners), because they are seen as the drivers, influential in and legitimizers of the fashion adoption process (Goldsmith, Moore & Beaudoin, 1999; Tigert, Ring & King, 1976). In reality, it is likely that the fashion involved, are those more innovative consumers of fashion clothing. The nature and role of fashion clothing and its meaning and function for individuals, has also been shown to result in major differences between the fashion involved across cultures. For example, U.S consumers are said to exhibit lower fashion involvement than for example, Dutch consumers (Tigert, King & Ring, 1980) and women are said to be more involved with fashion and men more involved with cars (Bloch, 1981).

Clothing theorists have devoted considerable attention to understanding the motivations and behaviours of various consumer types such as fashion innovators (Goldsmith, Moore & Beaudoin, 1999). This body of research has focused on a wide range of topics such as values, attitudes and behaviours. Fashion involvement per se, and particularly a broader array of types of involvement in fashion clothing (product, purchase decision etc) has not been extensively studied (O Cass, 2000a). Given that clothing can fulfil a number of functions beyond mere functional performance such as warmth or protection, involvement is potentially an important area for fashion clothing as it often represents an important symbolic consumption decision of consumers. It says how important an individual is, tells others how much status an individual has, what the individual is like (e.g. professional, sexy, casual). As such, how involved consumers become with

their clothes provides a deeper understanding of the dynamics of consumer behaviour and the nature and role of the product category of fashion clothing in society. Relevant to this study is the view that involvement may be understood via consumer-fashion clothing attachment or relationships. It is this attachment and its relationship to self-monitoring and materialism that is important.

Browne and Kaldenberg (1997) gathered data from 387 respondents within an age spectrum of younger people (students), aged 18-49. The study tapped self-monitoring using Snyder's (1987) scale, Richins and Dawson (1992) material values scale and Laurent and Kapferer (1985) consumer involvement profile. Browne and Kaldenberg (1997) found that respondents' degree of self-monitoring, materialism and involvement differed by age and gender. They also found that materialism varied by self-monitoring (high-low). Further, they also indicated self-monitoring was related to fashion clothing involvement. Finally they indicated that the data supported the proposed relationships between materialism and fashion clothing involvement. Importantly, Browne and Kaldenberg (1997) seem to have based the proposed relationships on product involvement, however they also mention purchasing involvement in one section of their discussion. So it is not completely clear, how they defined and used involvement in their study. They do however, problematically identify that in their view the scale (Laurent & Kapferer, 1985) measures antecedents of involvement and not actually involvement. The focus of their measure appears to be both at the product and brand level and its focus is not on involvement per se, but antecedents, which has caused some concerns in the literature (Mittal & Lee, 1988; O Cass, 2000a). Therefore, there is a need to examine these issues and focus on a clear and sound approach to involvement, materialism and self-monitoring.

3. Study Objectives

The relationship between self-monitoring and other key consumer characteristics that affect marketplace behaviour, are relatively unexplored at this stage in consumer research. This study explores the relationships between self-monitoring, materialism and fashion clothing (product) involvement and purchase decision involvement and fashion consumption motives that are oriented toward the symbolic, enhancement of the self, hedonic and functional. The study also examines gender and age related effects on materialism, involvement and self-monitoring.

Whilst research on the diffusion of innovations is plentiful and is rich and varied in orientation, that focusing on the fashion innovator has concentrated mainly on demographics and life style. While such demographic and lifestyle information has been very useful for classification purposes they provide little insight into the factors affecting purchase decisions. The purpose of this study is to extend this stream of research by developing and testing a model that describes the critical

characteristics of fashion involved. Specifically, this research postulates that the key determinants of fashion involvement are the existence of a self-monitoring personality and materialistic values. Also, the model suggests that the fashion involved will apply a particular set of motives when thinking of fashion clothing, image and pleasure.

4. Hypothesised Relationships

Given the above discussion it is argued that there should exist gender and age related effects on self-monitoring, materialism and involvement as previously identified by Browne and Kaldenberg (1997) and Auty and Elliott (1998) and Bloch (1981). Also Browne and Kaldenberg (1997) stated that based on the presumed association between materialism and valuing publicly consumed goods, it was anticipated that higher levels of self-monitoring would be associated with a value system that was more materialistic. Browne and Kaldenberg (1997) also proposed strong relationships between self-monitoring and involvement. Further, on this issue Auty and Elliott (1998) argued that self-monitoring can be seen as a surrogate for involvement, implying a strong relationship exists.

Further, materialism is also thought to affect consumers involvement, therefore materialism should have a significant positive effect on fashion clothing involvement and fashion clothing purchase decision involvement. Also given the nature and symbolic content of fashion clothing it is believed that social and pleasure motives will be positively related to fashion clothing involvement, and that functional motives will be negatively or not related to fashion clothing involvement. As discussed above, a strong image orientation is said to be a defining characteristic of both self-monitors and materialists therefore, it is thought that self-monitoring will be positively related to social and pleasure motives for fashion clothing consumption. A value system that is more materialistic will also be positively related to social and pleasure motives and negatively related to functional motives for fashion clothing consumption. These relationships are expressed in Figure 1.

The importance of the present study is that both materialists and high self-monitors are considered to be opinion leaders and consumption prone and as such, these are characteristics of important market segments. Understanding such relationships could provide an important basis for psychologically grounded benefits-based promotions targeting consumer characteristics via specifically designed and targeted marketing mix strategies. There is also a considerable economic and social side to fashion clothing consumption. Such important social and economic issues warrant research and justify the present study.

5. Data Collection Method

A questionnaire was developed that included measures of fashion clothing involvement (product and purchase decision) (O Cass 2000a), a measure of self-monitoring (O Cass,

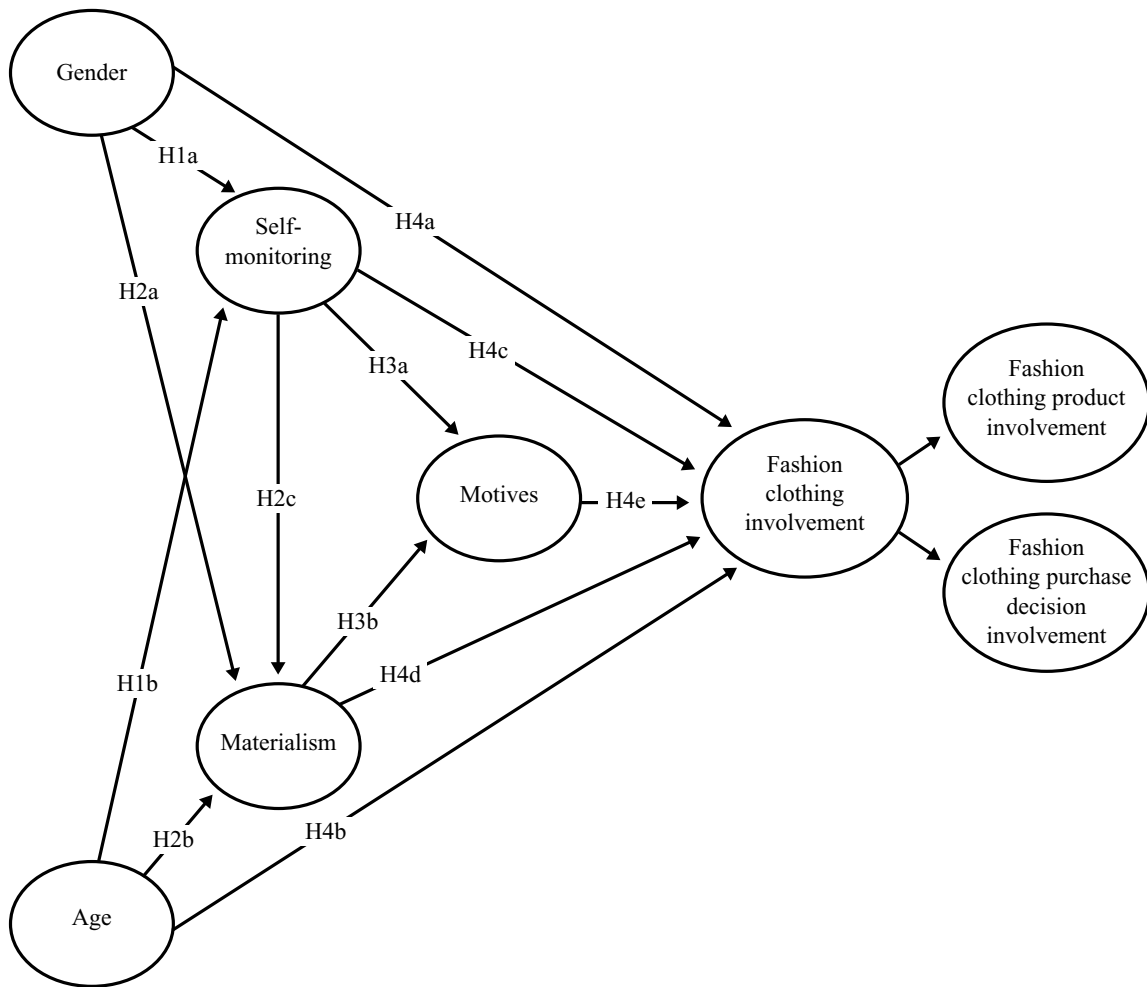


Figure 1: Hypothesised model of relationships

2000b) and materialism (Richins & Dawson, 1992) and items tapping image portrayal-image orientation, hedonic and functional usage of fashion clothing consumption based on the motive social approval, sensory pleasure and function based on the work of Rossiter and Percy (1997). Being taken from published research these constructs are therefore considered to have construct validity. The motives items were tapped via 5 items for concern for image and image others have of the individual (symbolic). Four items tapped the hedonic element of the product and pleasure derived personally from fashion clothing (hedonic). Also 2 items tapped functional attributes of fashion clothing (functional). All measures were based on a bipolar six point Likert-type format, from strongly agree to strongly disagree.

The survey was administered via the mail to a sample of 900 consumers (students). Respondents were randomly chosen

from a university database of students at a major Australian university using every tenth name. Four Hundred and Fifty questionnaires were returned, from 209 males and 241 females. A 50% response rate was achieved, with 53.6% of respondents being females and 46.4% being males and ages ranged from 18 to 76, with a mean age of 35.

As the purpose of the study was to examine relationship between constructs rather than generalisations to specific populations, students were deemed acceptable (Bloch, Sherrell and Ridgway, 1986; Calder, Philips and Tybout, 1981), students had also been used by Browne and Kaldenberg (1997) supporting their use in this study.

6. Results

The initial discussion presented focuses on the analysis of the properties of the scales used (product & purchase decision

involvement, materialism, self-monitoring and motives). This is followed by the presentation of the results for the hypothesised model. The scales were examined initially via factor analysis to examine their dimensionality and to establish consistency and performance compared with usage of the scales. Overall the scales possessed factor structures and reliabilities that were consistent with those previously reported. All factor loadings ranged between .61 and .92 and all reliabilities were greater than .85, and no items cross-loaded greater than .2 on other factors, indicating a clean factor structure.

6.1 Fashion Clothing Involvement

The results indicated that the fashion clothing product involvement measure was uni-dimensional with sound psychometric properties. Factor loadings for items (shown in Table 1) ranged from .81 to .92. The reliability estimate Cronbach Alpha for the scale was .98 indicating high internal reliability, and a mean score of 2.32 and standard deviation of 1.15.

The purchase decision construct contains items that represents the degree the consumer is involved in the purchase decision of fashion clothing. The results indicated that the factor loadings (shown in Table 1) ranged from .67 to .88. The internal reliability estimate was .95 indicating high internal reliability, and a mean score of 3.02 and standard deviation of 1.21.

6.2 Materialism

Analysis of the materialism scale identified three factors and the results for each factor indicated sound psychometric properties. The three factors identified (shown in Table 1) are labelled: acquisition centrality, possession defining success and the acquisition as the pursuit of happiness and are identical to those that appear in the literature (see. Richins & Dawson, 1992). Richins and Dawson (1992) reported Cronbach alpha values ranging between .71 to .75 for centrality, .74 to .78 for success and .73 to .83 for happiness and Browne and Kaldenberg (1997) reported internal consistency estimates of .86 (sub-scale .73 to .79). The reliability in this study is higher than those reported in studies by Richins and Dawson (1992) and Browne and Kaldenberg (1997) with an alpha of .87, with a mean score of 3.86 and standard deviation of .98.

6.3 Self-monitoring

Initial factor analysis revealed a two-factor structure comparable to O Cass (2000) and Lennox and Wolfe (1984), and were labelled self-monitoring ability and self-monitoring sensitivity. The results (shown in Table 1) for self-monitoring ability indicated that the factor structure derived out of the initial exploratory factor analysis had item loadings ranging from .71 to .78 and the reliability estimate Cronbach Alpha of .86. The results for self-monitoring sensitivity indicated that the factor structure derived out of the initial exploratory factor analysis had item loadings ranging from .67 to .80, and the

internal reliability Cronbach Alpha was .85, indicating high reliability. The overall scale reliability was .86, with a mean of 4.50 and standard deviation of .66.

6.4 Motives

The factor analysis of the motives revealed 3 factors. Factor 1 was labelled external image oriented (social approval) with a mean score of 2.72, factor 2 was labelled sensory oriented (pleasure) with a mean a score of 2.41 and factor 3 was labelled functional (functional attributes) with a mean score of 4.25. Reliability analysis indicated the 3 factors all had reliabilities of above .85.

All constructs were computed into composite (means) constructs with scores ranging from 1-6, gender was coded a female = 0 and male = 1, with age being recorded as age in years, with a mean age of 35.6. The sample contained both part-time and full-time students and those who study externally as well as those who study on the university campus and the age of respondents was also quite broad with age ranges from 18 to 76. The characteristics of the sample are believed to be from a fairly good spread of older working individuals to the more general full-time not working student and thus represent an adequate sample of respondents. The sample did not possess the normal characteristics of young, not working individuals found in many studies using student samples.

7. Model Estimation

Given the nature of the hypothesised relationships between the constructs it was decided to use the Partial Least Squares (PLS) estimation procedure to evaluate the theoretical hypotheses (Lohm elli, 1981; Fornell and Cha, 1994; Wold, 1981). PLS is a general technique for estimating path models involving latent constructs indirectly observed by multiple indicators. It was developed by Wold (1981) to avoid the necessity of large sample sizes and hard assumptions of normality. For this reason it is often referred to as a form of soft modeling (Falk and Miller, 1992) and in circumventing the necessity for the multivariate normal assumption has immense advantages for non-experimentalists (Kroonenberg, 1990 p. 909). A model in PLS is formally specified by two sets of linear relations: the outer model in which the relationships between the latent and the manifest variables are specified; and the inner model where the hypothesised relationships between the latent variables are specified and for which interpretation is as for standardized regression coefficients (Chin, 1998a,b; Falk and Miller, 1992; Fornell and Cha, 1994; Kroonenberg, 1990; Lohm elli, 1989; Wold, 1981). Another major advantage of the PLS is that the outer model formulation explicitly allows for the specification of both reflective and formative indicators. Reflective indicators are formed in the classic test theory factor analytic model and are assumed to change together or move in the same direction. The formative indicators, however, are not assumed to measure the same construct nor are they assumed to be correlated. Rather they

Table 1:
Factor analysis of constructs

	Factor Loadings
Product Involvement	Factor 1
* Fashion Clothing means a lot to me	.81
* Fashion Clothing is a significant part of my life	.87
* I consider Fashion Clothing to be a central part of my life.	.85
* I am very interested in Fashion Clothing.	.88
* Some individuals are completely involved with Fashion Clothing, attached to it, absorbed by it. For others Fashion Clothing is simply not that involving. How involved are you with Fashion Clothing?	.85
* Fashion Clothing is important to me.	.91
* Fashion Clothing is an important part of my life.	.92
* I am very much involved in/with Fashion Clothing.	.88
Purchase Decision Involvement	Factor 2
* Making purchase decisions for fashion clothing is significant to me.	.89
* Some individuals become completely involved or engrossed in making purchase decisions for Fashion Clothing. For others purchase decisions for Fashion Clothing are not that involving. How involved do you feel in making purchase decisions for Fashion Clothing?	.78
* I think a lot about my choices when it comes to Fashion Clothing.	.83
* I place great value in making the right decision when it comes to Fashion Clothing.	.78
* Purchase decisions for Fashion Clothing are very important to me.	.87
* Making a purchase decision for Fashion Clothing requires a lot of thought.	.68
* I attach great importance to purchasing Fashion Clothing.	.86
* I like being involved in making purchases of Fashion Clothing.	.79
* The purchase of Fashion Clothing is important to me.	.88
* Purchasing Fashion Clothing is significant to me.	.86
Materialism Acquisition Centrality	Factor 3
* The things I own aren't all that important to me. (R)	.63
* Buying things gives me a lot of pleasure.	.80
* I like a lot of luxury in my life.	.72
* It is important to me to have really nice things (possessions).	.69
Materialism Possession Defining Success	Factor 4
* I admire people who own expensive possessions (such as homes, cars and clothes).	.72
* I don't place much emphasis on the amount of material possessions people own as a sign of success. (R)	.77
* The things I own say a lot about how well I'm doing in life.	.55
* I like to own things that impress people.	.62
* I don't pay much attention to the material objects people own. (R)	.72
Materialism Acquisition as the Pursuit of Happiness	Factor 5
* I have all the things I really need to enjoy life.	.73
* My life would be better if I owned certain things that I don't currently have.	.76
* I'd be happier if I could afford to buy more things (possessions).	.76
* It sometimes bothers me quite a bit that I can't afford to buy all the things I'd like	.76

 Self-monitoring Ability Factor 6

* In social situations, I have the ability to alter my behaviour if I feel that something else is called for.	.73
* I have the ability to control the way I come across to people, depending on the impression I wish to give them.	.76
* When I feel that the image I am portraying isn't working, I can readily change it to something that does.	.74
* I have trouble changing my behaviour to suit different people and different situations. (R)	.71
* I have found that I can adjust my behaviour to meet the requirements of any situation in which I find myself.	.78
* Once I know what a situation calls for, it's easy for me to regulate my actions accordingly.	.75

 Self-monitoring Sensitivity Factor 7

* I am often able to read people's true emotions correctly (through their eyes).	.80
* In conversations, I am sensitive to even the slightest change in the facial expression of the person with whom I am conversing.	.72
* My powers of intuition are quite good when it comes to understanding the emotions and motives of others.	.75
* I can usually tell when others consider a joke to be in bad taste, even though they may laugh convincingly.	.67
* I can usually tell when I've said something inappropriate by reading it in the listener's eyes.	.78
* If someone is lying to me, I usually know it at once from that person's manner of expression.	.72

 Social Approval Motives for Fashion Consumption Factor 8

* Helps me express who I really am.	.86
* Helps me be the person I want to be.	.85
* The image I think others have of me.	.81
* Shows other people who I really am.	.80
* My main concern is the image it has or portrays.	.74

 Sensory Pleasure Motives for Fashion consumption Factor 9

* Pleasure is all that matters.	.80
* Self satisfaction I derive	.70
* Purchasing fashion clothing makes me feel good.	.66
* Wearing fashion clothing gives me a lot of pleasure.	.60

 Functional Motives for Fashion Consumption Factor 10

* All that matters to me when wearing fashion clothing is durability (its function).	.86
* My main concern is function.	.82

Note: all items loaded onto their correct factor-no cross loadings above .2 were identified (R): these items reverse scaled

are an optimum linear combination forming the latent construct (Chin, 1998a,b). Therefore, given the theoretical formulation and the research context (including sampling), PLS is particularly suitable as a method for analysis and model evaluation.

The PLS computer program as implemented by Lohm ller (1981) and further developed by Chin and Fry (2000) was used to systematically evaluate the properties of the model as formulated in Figure 1. The results for the structural model are shown in Figure 2 which depicts all constructs without the measured variables for clarity. Evaluation of complex models can not be made on the basis of any single, general fit index but rather involves multiple indices which are characterized

by many aspects regarding their quality, sufficiency to explain the data, congruence with substantive expectations, precision and confidentiality (Lohm ller, 1989 p. 49). Hence, a systematic examination of a number of fit indices for predictive relevance of the model is necessary (Fornell and Cha, 1994; Lohm eller, 1989). As no distributional assumptions are made these indices provide evidence for the existence of the relationships rather than a definitive statistical tests which may be contrary to the philosophy of soft modeling (Falk and Miller, 1992).

In the hypothesised model the reflective latent variables were self-monitoring, materialism, and involvement, while motives were formulated in the formative sense.

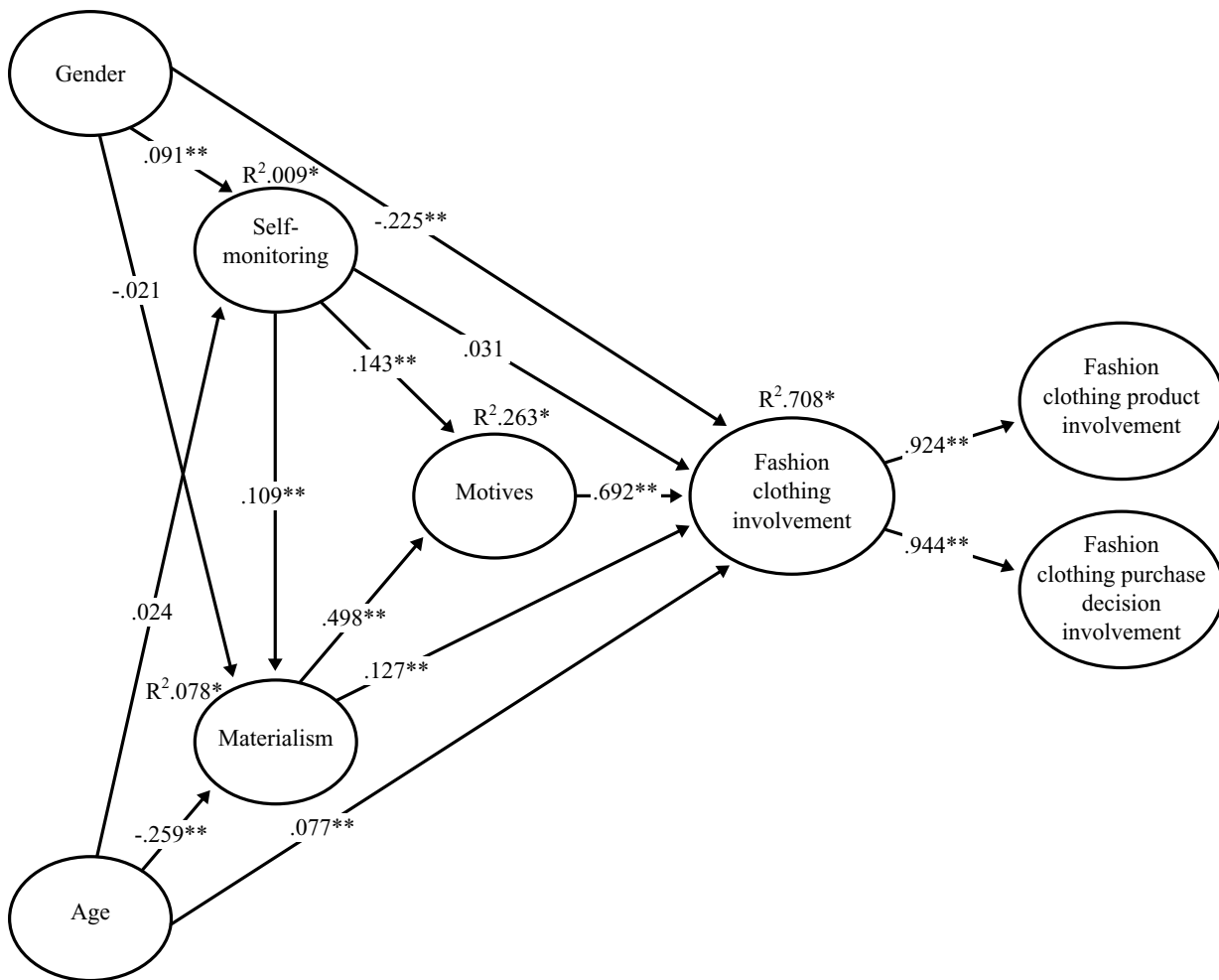


Figure 2: Results for hypothesised model

Note: Path coefficients are standardised; R² indicates variance explained; ** indicates significant path

Table 2:
Partial least squares results for the theoretical model

Equation	Predicted variables	Predictor variables	Hypothesis	Path	Model		
					Variance ^a due to path	R ²	Critical ratio ^b
1	Self-monitoring	Gender	H1a	.091	.008	.009	1.964
		Age	H1b	.024	.001		.532
2	Materialism	Gender	H2a	-.021	.000	.070	-0.419
		Age	H2b	-.259	.066		-6.065
		Self-monitoring	H2c	.109	.010		2.224
3	Motives	Self-monitoring	H3a	.143	.040	.263	3.396
		Materialism	H3b	.498	.265		13.690
4	Fashion clothing Involvement	Gender	H4a	-.225	.109	.700	-8.894
		Age	H4b	.077	.066		2.984
		Self-monitoring	H4c	.031	.020		1.238
		Materialism	H4d	.127	.247		4.122
		Motives	H4e	.692	.642		25.655
AVA (Average Variance Accounted)						.692	

^aThese are only interpreted if the R² is greater than 0.10.

^bBootstrap estimate divided by bootstrap standard error.

For the latent variables, the bootstrap critical ratios (cr) (Chin, 1998a,b) were acceptable (greater than 1.96) for all variables with the exception of age-self-monitoring, gender-materialism and self-monitoring-involvement. As such, hypothesised paths, 1a ,2b ,2c, 4a, 4b, 4d, and 4e (except for functional dimension) are supported and hypotheses , 1b, 2a and 4c are rejected.

In the case of fashion clothing involvement, several of indices are supportive of the hypothesized relationships (Falk and Miller, 1992; Fornell and Cha, 1994). The loadings are all above .077, the bootstrap critical ratios are acceptable (i.e., greater than 1.96) for those relationships supported. Therefore, the majority of the hypothesised relationships are supported. However, there were no significant relationships with the age-self-monitoring, gender-materialism and self-monitoring-involvement.

The formative measurement model was used for the motives

and the manifest variables were assumed to be multiple causes of the latent variable (motives), and the weights rather than the loadings are used in evaluating the relationships. The weights are image .58 (cr 12.51), pleasure .48 (cr 9.61) and function -.03 (cr — 0.81).

The basis for the evaluation of the full theoretical framework (Figure 1) is shown in Table 2. The average proportion of variance accounted (AVA) for the endogenous variables was .69 and the individual R² were greater than the recommended .10 (Falk and Miller, 1992) for the predicted variables fashion clothing involvement (fashion clothing product involvement and fashion clothing purchase decision involvement). As all of these R² estimates were larger than the recommended levels it is appropriate and informative to examine the significance of the paths associated with these variables.

A reasonable criterion for evaluating the significance of the individual paths is the absolute value of the product of the

path coefficient and the appropriate correlation coefficient (Falk and Miller, 1992 p74). As paths are estimates of the standardized regression weights this produces an index of the variance in an endogenous variable explained by that particular path and 1.5% of the variance is recommended as the cut off point. In Table 2 all the paths exceed this criterion and the bootstrap critical ratios are of the appropriate size (greater than 1.96) except for self-monitoring. This, therefore, supports hypotheses 4a, 4b, 4d and 4e. The data, therefore, suggests that fashion clothing involvement is positively associated with materialism, motives (image and pleasure), and negatively associated with gender (females more) and age, but not associated with self-monitoring.

The test of the structural model included estimating the path coefficients, which are interpreted as standardised beta weights in a regression analysis, and r^2 , which is used to assess the proportion of variance in the endogenous constructs that can be accounted for by the exogenous constructs. The path coefficient of an exogenous construct represents the direct effect of that variable on the endogenous variable. An indirect effect represents the effect of a particular on the second variable through its effects on a third mediating variable. It is the product of the path coefficients along an indirect route from cause to effect via tracing arrows in the headed direction only. When more than one indirect path exists, the total indirect effect is their sum. The sum of the direct and indirect effect reflects the total effects of the variable on the endogenous variable (Alwin & Hauser, 1975; Ross, 1975; Igbaria, Zinatelli, Cragg & Cavaye, 1997). Table 3 provides direct and indirect effects for the results depicted in Figure 2.

8. Discussion

Much has been made about the effects of self-monitoring and materialism on individuals consumption behaviour, particularly in relation to fashion clothing. As indicated in the literature reviewed above, previous studies have found significant differences in the behaviour of consumers in the context of fashion, relating such behaviour to the degree individuals possess self-monitoring characteristics. Materialism has also been seen to affect a wide array of marketplace behaviours,

and it has been argued that those who are more materialistic find possessions to be a sign of success, derive happiness from them, placing possessions in a central place in life. These characteristics provide impetus to argue that when consumers have self-monitoring traits and materialistic tendencies they should in effect be more involved in products that allow fulfilment of these tendencies. Particularly, so for a product like fashion clothing because it has the ability to be used as a prop, to show others the status and success one has achieved because of its symbolic code, which are all important to materialists and self-monitors.

The findings suggest that self-monitoring affects consumer behaviour related to fashion clothing because it is associated with the degree of interest in maintaining a front through fashion clothing because it can be used as a prop to convey an image of the individual to other people. High self-monitors also appeared to have a strong concern for their appearance and image (social-symbolic approval) and a strong emphasis on getting sensory pleasure out of fashion clothing. They appear to be aware of the impressions or messages that fashion clothing sends to others about them and as such, motives such as social approval are a strong driver for self-monitor choices in fashion clothing. It appears that the direct relationship between self-monitoring and involvement in fashion clothing is very weak, but self-monitoring has an indirect relationship with fashion clothing involvement via specific motives (i.e, symbolic).

The findings however, indicate that the much touted gender and age effects on self-monitoring traits was not evident in the sample, with gender (males) levels just achieving cr of 1.96, showing males are more prone to possess self-monitoring traits. Self-monitoring scores were very similar across the age spectrum and males were only moderately higher in their self-monitoring traits than females. Gender was again not significant in accounting for materialistic tendencies, but age was with younger respondents possessing much stronger materialistic tendencies. For fashion clothing product involvement and purchase decision involvement both age and gender were shown to have a significant effect, with females and younger respondents possessing much stronger involvement in both

Table 3:
Direct and indirect effects of independent variables on Fashion Clothing Involvement

	Direct	Indirect	Total Effects
Gender	-.225	.003	-.222
Age	.077	-.029	.048
Self-monitoring	.031	.151	.182
Materialism	.127	.345	.472
Motives	.692		.692

the product of fashion clothing and its purchase decision.

The motives for fashion clothing consumption were affected differentially by age and gender. The image motive which tapped the individuals motives to ensure social approval and pleasure motive which focused largely on the sensory gratification (Rossiter & Percy, 1997) and functional motive which focused on the functionality of fashion clothing (warmth, comfort, durability). Gender only had a significant effect on driving desires for social approval via image maintenance and was much stronger in females. Both age and gender had significant effect on pleasure, which was focused on sensory gratification and internally focused. It was females and younger respondents that were dominant here. The functional motive focusing on the functional attributes of fashion clothing were not significantly affected by age or gender. What is interesting to note is the higher levels or focus on functionality for fashion (mean score 4.25) compared to both image-pleasure motives that focused on firstly social approval (mean score 2.72) and secondly sensory gratification (mean score 2.41). The influence of functionality in fashion clothing whilst not significant is still important. Such importance is seen in the mean score and indicates a strong requirement for functionality even in fashion clothing. So all respondents sought functionality in their clothing. Self-monitoring and materialism were both significant predictors of symbolic and pleasure consumption motives for fashion clothing.

Browne and Kaldenberg (1997) also tested and found a relationship between self-monitoring characteristics of consumers and their materialistic tendencies. The findings here also indicate that self-monitoring does have an effect on materialism, but not as large as identified by Browne and Kaldenberg (1997). Therefore, the nature of the high self-monitor to use products as props to convey an image is also confirmed here. That is high self-monitors are also apt to see products as central in their lives and to be acquisitive, have positive attitudes related to acquisition and to place a high priority on material possessions (such as fashion clothing). This characteristic in the self-monitor-materialist (high possession of both characteristics), implies a tendency to see products as not only props, but also to derive happiness, see them as a sign of success and place products in central and prominent position to convey a certain required image, allowing a chameleon like nature is supported.

The important aspects of fashion clothing for the majority of respondents appears to be utility (function), but for materialists it is the ability to convey status, success and prestige and give pleasure. Fashion clothing consumption appears to be particularly susceptible to differences in consumption stereotyping, and therefore to differences in ability to encode and decode a range of messages for the fashion involved. This was also emphasised by Auty and Elliott (1998), and suggests that consumers with stronger materialistic (and self-monitoring) tendencies use fashion clothing for impression management,

place it in a central position in life, use it to convey success and derive happiness from its consumption. The results indicate that greater levels of materialism seem to be associated with an understanding by individuals that possessions serve a communication or signal to others informing them of who the individual is and what their status or position is, much as a high self-monitor does.

On this point Browne and Kaldenberg (1997) argued that, people who are more materialistic, are also likely to be high self-monitors, making a strong connection between materialism and self-monitoring characteristics in consumers. They also indicated that both materialism and self-monitoring affect product involvement. However, the results here indicate that all variables that were predicted to have an effect on product involvement and purchase decision involvement did, except for self-monitoring. Self-monitoring was not a predictor of fashion involvement in comparison to all other independent variables. The results clearly indicate that the social motive of social approval derived through the product is the strongest driver of involvement in fashion clothing, followed by sensory gratification, gender and age and materialism were fairly similar in their effects, except for the age effect on purchase decision involvement which was not significant.

The findings of this study in part support the work of Browne and Kaldenberg (1997) and Auty and Elliott (1998), however they also indicate differences and contradictions. For example, Auty and Elliott's (1998) claim that self-monitoring is a surrogate for involvement seems misleading at best and wrong at worst, given the nature of the findings of the present study. This is so because it was shown here that the effect was not significant in relation to the other independent variables tested. It also indicates that further research is warranted on this topic.

9. Limitations

There are some limitations given the nature of the sample (students) and the use of a single product. However, as identified earlier the sample is acceptable for theory testing (e.g., see, Calder, Philips and Tybout, 1981 and Ferber, 1977). The study may also be limited by the use of a single product (fashion clothing), however other studies have also used single products (Arora, 1982; Fairhurst, Good and Gentry, 1989; Mittal and Lee, 1988; Slama and Tashchian, 1987; Tigert, Ring and King, 1980; O Cass, 2000). Further, given that Browne and Kaldenberg (1997) also used a single product, namely fashion clothing and one of the objectives of this study was to re-examine the same constructs using the same product the use of fashion clothing is not considered to be a major problem. This paper presents a reexamination of the Browne and Kaldenberg (1997) study using the same product class (fashion clothing), but with what are argued to be more psychometrically sound measures. Further research is now needed to extend this work into other product categories and perhaps bring the focus down to a brand level as Auty and Elliott (1998) did.

10. Implications

The implications of this study are firstly that the much touted significance of self-monitoring in effecting consumers involvement with product such as fashion clothing may need to be scrutinized more closely. At a practical level determining the extent that a target market contains high or low self-monitors and then assuming involvement with ones visibly consumed product and constructing appeals based on the proposed character of the self-monitor could be misdirected and a wasted effort. However, the materialism-involvement link is much stronger and would indicate marketing mix strategies based on the characteristics of the materialist and their involvement levels are warranted. There is also a strong need to identify key motives that drive consumption of fashion clothing to be sure that marketing communications not only focuses on the nature of the materialist and self-monitor and appeal to their characteristics, but also include social versus sensory consumption motives.

Further, assuming that high self-monitors are also highly materialistic may again need rethinking. Whilst the findings indicate that there is an effect on materialism by self-monitoring it was not as strong as the literature alluded to. The findings of this study require further exploration, particularly so with respect to examining or re-examining the findings of past studies. As such, much more work is warranted on self-monitoring in a marketing context. However, if the findings of this study hold and future studies using self-monitoring find only moderate associations with other consumer behaviour variables and constructs, one may exclaim self-monitoring why all the fuss .

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An Examination of the Effects of ‘Country-of-Design’ and ‘Country-of-Assembly’ on Quality Perceptions and Purchase Intentions

Chandrama Acharya and Greg Elliott

Abstract

This paper examines the effect of country-of-origin, divided into two specific cues - country-of-assembly and country-of-design, on perceived product quality and purchase intention. This study has examined these effects in the presence of other cues, viz. brand name and price. Three product categories (car, jeans and tinned pineapple), each with three different brands and prices were tested. Also for each of the product categories, three countries-of-assembly and three countries-of-designs, from developed to developing, were chosen according to their relevance in the Australian market. A survey was conducted among graduate business school students from December 1997 to February 1998. The methodologies used for data-analysis were full profile conjoint analysis and analysis of variance. It was found that country-of-assembly is the most important in evaluation of product quality and choice for all the three product categories studied. The effects of country-of-design, brand and price, while significant, are secondary. Further, the existence of a generalised home-country bias was rejected in this study.

Keywords: international marketing, country-of-origin, country image

1. Introduction

The country of origin field of research is, by now, extensively explored and documented. Analysis of the country-of-origin (COO) effects focuses on consumers' opinions regarding the relative qualities of goods and services based upon the country in which the product is produced. The literature on country-of-origin effects has been enriched with a wide range of different premises and experiments from different countries. The majority of these studies demonstrate the existence of country-of-origin effects on product evaluation, although the magnitude, direction and process vary considerably. Recent work on quality judgements (Okechuku, 1994; Elliott and Cameron, 1994; Maheswaran, 1994; Liefeld et al., 1996; Ahmed and d Astous, 1996; Klenosky et al., 1996; Thakor and Katsanis, 1997; and Iyer and Kalita, 1997) has consistently reported that country image is one of the major factors influencing consumers' perception of quality. Several studies reported that products made in different and more developed countries are not all evaluated equally (Bannister and Saunders, 1978; Dornoff, Tankersley and White, 1974; Hampton, 1977; Lillis and Narayana, 1974; Nagashima, 1970, 1977; Krishnakumar, 1974). Moreover, attitudes may change over time — a few studies indicate an improvement in the Japanese image and a relative deterioration of the U.S. image (Dornoff, Tankersley and White, 1974; Nagashima, 1977). Nes and Bilkey (1993) reported that products labelled as made in less developed countries were perceived to be more

risky and of lower quality than products having no country-of-origin labels. They also reported that a well-known brand name would cause the product made in the Less Developed Country to be perceived as being of higher quality and lower risk than if the brand name is unknown or not given. Thus in a situation where other important product information is given, even negatively perceived country of origin can be overcome.

Researchers have developed various models to explain how attributes are evaluated and integrated into overall product judgments and purchase decisions (e.g., Schiffman and Kanuk, 1994; Green and Srinivasan, 1990). Research on evaluations of foreign products infer that the producing country affects perceptions of a product's attributes and consumers' judgments of product quality (e.g., Bilkey and Nes, 1982; Han, 1988; Hong and Wyer, 1989; Maheswaran, 1994; Papadopoulos and Heslop, 1993). For example, a country's image regarding workmanship, innovation, and technological advancement, logically, will be projected onto the features of products produced by that country. The study discussed herein seeks to extend and deepen the research firstly, and following Chao (1993), by dividing the traditional country of origin construct into two components i.e. country of design (COD hereafter) and country of assembly (COA hereafter); secondly, by examining the effect of these constructs in combination with price and brand variations across three product categories, and thirdly, by examining the link

between perceptions of product quality and expressed purchase intentions. In so doing, it is argued that this paper presents a more realistic examination of consumers decision making in this field.

2. Trans-national manufacturing

In recent years, an additional contingent factor in the COO discussion has been identified as further complicating the understanding of this field. Recent research has sought to address the increasing complexity of multinational inputs into the manufacturing process. Shifts in the production location for a single product may potentially lead to variations in perception of product quality (Johansson and Nebenzahl, 1986). Contemporary development of world trade and investment has, arguably, led to the apparent demise of the water state¹ (Ohmae, 1985, 1989). More specifically, the multinational sourcing of the manufacture of goods may suggest a need for a new perspective in country-of-origin studies. The growing trend of international cooperative linkages (Han and Terpstra, 1988) increases the likelihood that various combinations of COD, branding, component sourcing, and assembly will serve as potential stimuli in influencing consumers evaluations and choice. Increasingly more products are emerging as a result of multi-firm and multi-country efforts. In reality, the products may have multiple countries of origin in their design, branding, sourcing and manufacturing.²

This new reality poses a challenge to the traditional country-of-origin research paradigm, which typically assumes that a product can be specifically tied to the single country in which it is made. Even when studies incorporate multiple cues such as price, brand, product features etc, the product is most commonly identified with a single country of origin. This tends to render many study findings, even those based on multiple-cue models, somewhat unrealistic. This issue of the distinction between the country of manufacture or assembly and country of the company's home office has been taken up in the literature in recent years by researchers including Han and Terpstra (1988) and more recently, Chao (1993).

Partly as a reflection of this criticism, it is now more widely accepted that country-of-origin research should be extended to take into account the fact that the product-country connection is no longer just a single-country concept; and, as such, it should no longer be treated as synonymous with the simple Made In or Assembled In concept. A product may have been designed in one country and manufactured in another country (or countries). The prevalence of such hybrid prod-

ucts has led to the investigation of the distinction between images of country of manufacture and those of the country of national origin. In earlier research, Johansson and Nebenzahl (1986) used joint space mapping to chart the image effects resulting from production shifts to several different countries for different brands of cars. Production locations had an impact on the perceived attributes of the car, the overall attitude towards it, and the price that the consumer would be willing to pay. Han and Terpstra (1988) showed that countries-of-origin of a hybrid product have a stronger effect on product evaluation than that of brand names in the case of automobiles. In a recent study Chao (1993) divided the country-of-origin construct into two dimensions, COA and COD. In that study, consumer evaluations of a product (TV), manufactured in a strategic alliance involving a firm in a Newly Industrialized Country (NIC) and a developed country, were examined. The result shows that consumers evaluations of design and product qualities are influenced by price, COD and COA. However, that study only examined the case for one product. In a recent study, Lee and Shaninger (1996) proposed country-of-production or assembly as an important new country image construct which, they argued, is distinctively different from widely used country-of-origin effects. In another study Iyer and Kalita (1997) invoked country images for the country-of-brand and the country-of-manufacture and reported that both cues were important in consumers evaluation of product quality, product value and willingness-to-buy.

Although attribute judgements generally are assumed to influence the purchase, much research on consumers evaluations of foreign products has not measured purchase intentions or choice directly. A recent meta-analytic review of literature shows that a majority of studies use quality judgments, attribute ratings, or both as their dependent measures (Liefeld, 1993). A further meta-analysis has also been conducted by Peterson and Jolibert who conclude that country-of-origin effects are only somewhat generalizable (Peterson and Jolibert, 1995, p. 883) although they also concluded that the impact of COO on quality/reliability perceptions was greater than its impact on purchase intentions. Similarly, Verlegh and Steenkamp's (1999) more recent meta-analysis echoed Peterson and Jolibert's (1995) results in concluding that the COO effect was more strongly related to perceived quality than either attitudes to the product or to purchase intentions.

Among the possible independent variables affecting choice, both brand and price have been studied extensively, although comparatively few researchers have explicitly attempted to study the relationship between the country image effect and the buyers perception of price as a dependent variable. In the extant literature there is also an indication that the magnitude of country-of-origin effect is related to product type. Specifically, the effect for technically complex products, fashion oriented products, and expensive products appears to be larger than for products low in technical complexity, inexpensive, or not fashion oriented; for example, telephone vs.

¹ Water state is a term used by Ohmae as signifying a more independent and perhaps isolated nation state.

² A contemporary example is the Ford Courier light truck, sold in Australia, which is, in reality, a Japanese-designed and sourced Maxda, assembled in Thailand.

leather wallets and knit polo shirts (Wall et al., 1989); PCs and VCRs (Hong and Wyer, 1989); and blouses and dress shirts (Ettenson et al., 1988). For complex, infrequently purchased items, the origin country appears to have a significant impact on product evaluation in a multi-cue context (Han and Terpstra, 1988; Heslop et al., 1987, Iyer and Kalita, 1997), while that effect seems to be smaller for such items as wearing apparel (Ettenson et al., 1988; Heslop et al., 1987). Chao's (1989) study also demonstrates the importance of product and attribute specificity on the evaluation of products.

3. The present study

The study reported herein seeks to extend the existing research in the COO field by seeking to examine explicitly the differential effects of COA and COD in combination with other potentially important product cues, namely, brand and price. It also seeks to explore the impact of these product cues on two important dependent variables, namely, perceived product quality and expressed purchase intention.

This study has been conducted on three types of products- car (as a high-involvement product), a pair of jeans (a medium-involvement product) and tinned pineapple (a low-involvement product). The present research examines the effects of COA and COD, individually and jointly, on the perceived quality of cars, jeans and tinned pineapple and on reported purchase intentions. In a previous study, Chao (1993) found that there was no significant interaction effect between COD and COA. He also reported significant price and COD main effects on the perception of design quality. Amongst the multi-cue studies published it has been commonly shown that the effect of country image declines when information about other product attributes is available to consumers. This result leads to the present objective, viz to extend the study of COO effects to take account of possible variations in the COD and COA and see how the Australian consumers use these cues, alongside other cues of brand and price in their judgment of the quality of products and their choice of products. It is expected that the presence of other factors such as brand and price will reduce the effect of COA and COD in determining the quality of a product. More specifically, it is anticipated the effects of both COA and COD would be less than the effects of other variables.

Thus, the study reported herein seeks to examine explicitly the differential impact of a range of key variables, namely COA and COD; price; branding; across three product categories; in terms of both quality perceptions and purchase intentions.

For this study, the following two hypotheses were tested, viz:

H1: That COA, COD, brand and price are all significantly associated with perceived product quality, and

H2: COA, COD, brand and price are all significantly associated with expressed purchase intentions.

4. Research design

The study is exploratory in nature and based on a survey of consumers in Sydney, Australia. The methodology chosen in this study to estimate the impact of COA and COD, brand and price was conjoint analysis, as this technique seems ideally suited to the variety of multiple product attributes and potentially complex decision processes. In this study, the approach chosen was a full-profile conjoint analysis. The procedure is similar to that of an experimental design with repeated measures (Louviere, 1988). A set of product profiles (short product descriptions) was constructed by combining the attributes in a factorial manner generated by the SPSS Categories software. The subjects are asked to rate quality perceptions using a seven-point rating scale (extremely good/extremely poor), and purchase intentions in a five-point scale (definitely buy/definitely not buy). Hence the technique of direct evaluation of each profile was employed. This type of scale is typical for conjoint analysis tasks (Green and Tull, 1978).

Table I displays the study design. Three product categories are considered: car, jeans, and tinned pineapples. These products were chosen as they were both representative of high-, medium- and low-involvement products and were also familiar products to the respondents. The attributes were chosen to satisfy the research objectives. In the case of the car, three brands with similar features were chosen, viz. Toyota Starlet, Ford Festiva and Hyundai Excel. For jeans, the three brands chosen were Levi's, Jag and Giordano. In the case of tinned pineapple³, Del Monte, SPC, and Kara were the three brands. Three countries-of-assembly and three countries of design were chosen namely, Japan, Australia and South Korea for cars, the U.S.A., Australia and South Korea for jeans; and Japan, Australia and the Philippines for pineapple. Three price levels have been incorporated in the conjoint model: viz. the regular price of the product and two other price levels, respectively 20% less and 20% more than the regular price. The price differential of +/- 20% was applied in the expectation that it was greater than the just noticeable difference. At levels less than 20%, the danger was that the price differentials might not be a material consideration. All the brand names, countries-of-origin and countries-of-design and price levels were chosen according to the particular market conditions that prevailed in Australia at the time of designing the research.

A set of product profiles was created by each possible combination of attributes, resulting in a 3 x 3 x 3 x 3 full factorial design with a total set of 81 profiles. In order to make the profile evaluation task easier for the respondents, a fractional factorial plan for three product categories was considered.

The SPSS Categories software generated this fractional design⁴. Subjects, therefore, only had to evaluate nine profiles for the main effect and four for the hold out tests of validity of the model. The fractional design was constructed so that the interaction effects of interest could be estimated. The data collection process was executed in two phases, viz., a pilot

Table 1:
Study design

Attributes	Product category		
	Car	Jeans	Tinned Pineapple
COA*	Australia South Korea Japan	Australia South Korea The U.S.A	Australia Philippines Japan
COD**	Japan Australia South Korea	The U.S.A Australia South Korea	Australia Philippines Japan
Brand	Ford Festiva	Levi s	Del Monte
	Toyota Starlet Hyundai Excel	Giordano Jag	SPC Kara
Price	\$12,000	\$85	\$1.60
	\$15,000	\$70	\$2.00
	\$18,000	\$55	\$2.40

* For pineapple, the COA was expressed as Manufactured and packaged in...

** For pineapple, the COD wa expressed a Design and idea first developed in...

Table 2:
Sample characteristics

Sex (%)	Male	60
	Female	40
Age (mean)	Years	36
Income (mean)	Individual per month (A\$)	2,900
Income (mean)	Household per month (A\$)	9,000

Table 3:
Relative importance of attributes on evaluation of product quality

Quality Judgement	Product Categories					
	Automobile (%)	Pearson s R ^a (Automobile)	Jeans (%)	Pearson s R ^a (Jeans)	Pineapple (%)	Pearson s R ^a (Pineapple)
COA	39		36		45	
COD	25	0.982	23	0.975	19	0.963
Brand	18	p<0.000	25	p<0.000	20	p<0.000
Price	19		16		15	

^a Pearson s R is an indication of how well the model fits the data. It is the correlation between the observed and the estimated preferences and, in this case, is highly significant.

survey and the main survey. The pilot survey was designed to create a fully-fledged preliminary sample survey among different consumers in the Sydney region.

In the main survey the questionnaires were distributed through mail to the students of an Australian graduate business school. This follows the practice of past research, Erickson et al. (1984), Wall and Heslop (1986); and Papadopoulos et al. (1990) for example, who used students as the respondents. The students were chosen as subjects of the study because a high rate of response was expected and due to the ease of follow-up, and, of course, budget constraints. A recent meta-analysis by Liefeld (1993) revealed no statistically significant differences in country-of-origin effect size estimates between studies involving student (convenience) samples versus (more representative) consumer samples, a finding largely echoed by Peterson and Jolibert (1995). Furthermore, as Liefeld (1993) has noted, this issue becomes less important when the study involves respondents who have prior experience or at least some familiarity with the products involved.

The survey questionnaires were distributed to a sample of 1000 students by mail, between November 1997 and March 1998. In total 275 completed questionnaires were received and among those 248 were considered as useable. Table 2 shows the sample characteristics.

5. Results

The importance of each of the attributes, viz. COA, COD, brand and price levels, are measured according to the utility part-worth of the respective attributes. Analysis of variance (ANOVA) was also performed for each product category to examine the significance and the impact of the four factors.

5.1 Effects of COA and country of design on evaluation of product quality:

Figure 1 and Table 3 present findings on the relative importance of the four attributes in quality judgments as derived from the conjoint analysis. The results show that, in terms of the judgement of quality, COA is a more important cue than COD, price or brand. COD is found to be second most important, in the quality evaluation of cars, and its effect is higher than brand and price. However, it is not as important as brand name in the judgement of the quality of jeans and pineapple. For these two product categories, brand appears to be the second most important attribute after COA.

The above results show that the most important factor is COA for all the product categories. Moreover, the impact of COA is stronger for low involvement (pineapple) products than for high or medium involvement products. One of the reasons could be that the product selected involves a concern for safety and hygiene.

In the case of cars the results indicate that all the factors independently influence the judgement of quality. The most notable result is that COA is found as the most important

factor influencing the judgement of quality followed by COD, price and then brand. Though a few significant interactions were found between these factors (discussed below), in developing the perception of car quality, the mean square values can only explain a very small portion of common variance, suggesting that the interactions are not important. Both the effects of COA and COD are higher than the effects of brand and price.

In the case of jeans, all the attributes are found to be important. It appears that, as in the case of cars, the effect of COA is the highest in the judgement of the quality of jeans, followed by brand, COD and price. Moreover, the effect of brand name is found to be more important than in the case of judgement of quality of cars.

For tinned pineapple, the results indicate that COA is the most important factor in the judgement of the quality. Brand was found to be the second most important factor in the judgement of the quality of pineapple followed by COD and then price.

Overall, the results reveal that COA is the most important factor influencing the judgement of quality. Though Chao (1993) has initiated the concept of the division of country-of-origin cue into COA and COD, the results from his study did not show such a strong effect of COA on product quality evaluation. The present study clearly indicates the importance, for Australian respondents, of COA across the range of products studied relative to brand, price and COD, relative to judgements of quality. However, it should be acknowledged that actual purchase intentions may not correspond with the simple evaluation of quality. For example, nationalistic consumers may still choose locally made products, even though they may not necessarily feel such products are of a higher quality.

Table 4 below depicts the analysis of variance (ANOVA) results for judgements of quality for the three product categories and, additionally, explores the interaction effects. On the basis of mean squares and high F value (Keppel, 1982), it is clear that the COA explains the largest proportion of common variance across the three product categories. It also appears that all the other attributes explain a significant proportion of common variance. It can be concluded that all these informational cues have significant main effects on the product quality perception across the three product categories

These results thus provide support for H1 in demonstrating a significant relationship between, COA, COD, brand and price in perceptions of product quality.

Whilst there were significant interaction effects for cars, no such effects were observed for jeans or pineapple, suggesting that buyers formed clear and independent judgements of the contribution of each of the independent variables to the overall judgement of quality. This may be explained by the technical complexity of cars relative to the complexity of garment (jeans) and food (pineapple) manufacturing. It may suggest

Table 4:
Analysis of variance results for judgement of quality

Sources of variation	DF	Automobile		Jeans		Pineapple	
		Mean Square ^d	F	Mean Square ^e	F	Mean Square ^f	F
Main Effects	8	280	408 ^a	241	355 ^a	244	368 ^a
Brand	2	12	12 ^a	87	128 ^b	81	32 ^c
COA	2	1036	1509 ^a	750	1103 ^b	689	1029 ^a
COD	2	52	76 ^a	72	107 ^b	71	105 ^b
Price	2	25	36 ^a	51	75 ^a	18	24 ^c
2-Way Interactions	24	3	4 ^a	0.07	0.11	0.17	0.22
Brand X COA	4	2	3 ^b	0.08	0.12	0.30	0.21
Brand X COD	4	3	4 ^c	0.07	0.12	0.05	0.08
Brand X Price	4	3	4 ^c	0.06	0.09	0.12	0.17
COA X COD	4	2	3 ^b	0.08	0.12	0.15	0.20
COA X Price	4	2	3 ^b	0.06	0.10	0.13	0.21
COD X Price	4	3	4 ^c	0.06	0.09	0.17	0.09

^bp<0.01, ^cp<0.002, ^ap<0.000,

^dExplained mean square was calculated as 37.275 with 64 degrees of freedom and residual mean square was calculated as 0.687 with 17998 degrees of freedom.

^eExplained mean square was calculated as 31.329 with 64 degrees of freedom and residual mean square was calculated as 0.680 with 18160 degrees of freedom.

^fExplained mean square was calculated as 35.57 with 64 degrees of freedom and residual mean square was calculated as 0.651 with 18144 degrees of freedom

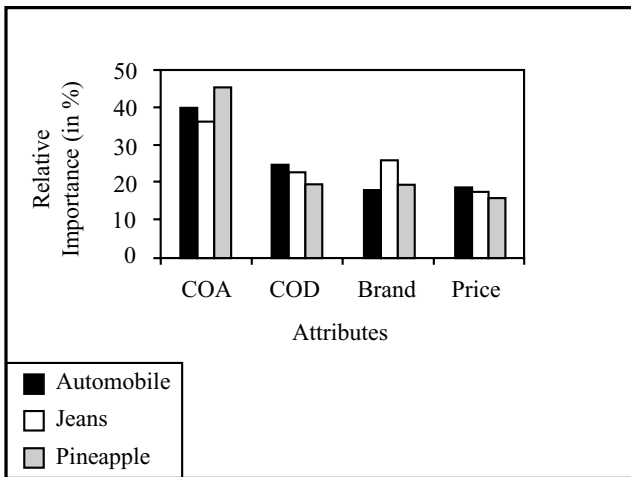


Figure 1: Relative importance of attributes in the judgement of Quality

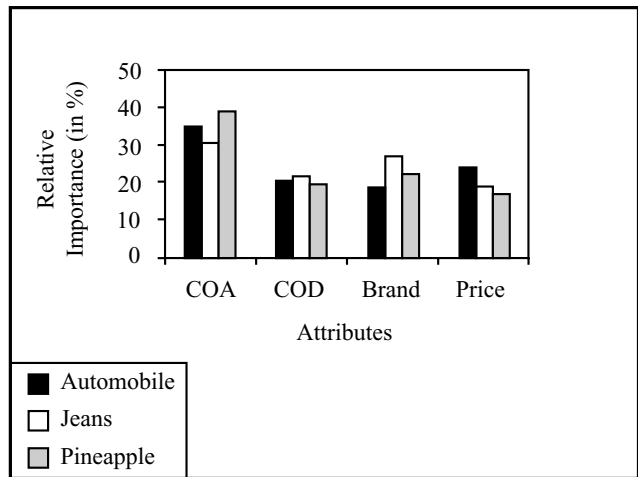


Figure 2: Relative importance of attributes on purchase intention

Table 5:
Relative importance of attributes for the purchase intention

Purchase Intention	Product Categories					
	Automobile (%)	Pearson s R ^a (Automobile)	Jeans (%)	Pearson s R ^a R ^a (Jeans)	Pineapple (%)	Pearson s R ^a Pineapple
COA	35		31		40	
COD	21	0.965	22	0.958	20	0.982
COD	19	p<0.000	28	p<0.000	22	p<0.000
Price	24		20		18	

^aThe Pearson s R is an indication of how well the model fits the data. It is the correlation between the observed and the estimated preferences and, in this case, is highly significant.

Table 6:
Analysis of variance results for the purchase intention of products

Sources of variation	DF	Automobile		Jeans		Pineapple	
		Mean Square ^d	F	Mean Square ^e	F	Mean Square ^f	F
Main Effects	8	281	400 ^a	240	354 ^a	235	330
Brand	2	16	21 ^a	89	127 ^b	82	39
COA	2	102	1511 ^a	771	1103 ^b		453
COD	2	25	38 ^a	75	106 ^b	68	110 ^a
Price	2	61	77 ^a	26	74 ^a	17	24
2-Way Interactions	24	3	3 ^a	0.08	0.11	0.17	0.22
Brand X COA	4	2	3 ^b	0.08	0.11	0.42	0.20
Brand X COD	4	3	4 ^c	0.06	0.12	0.05	0.08
Brand X Price	4	3	4 ^c	0.07	0.08	0.18	0.21
COA X COD	4	4	3 ^b	0.05	0.09	0.14	0.20
COA X Price	4	2	4 ^b	0.08	0.09	0.14	0.21
COD X Price	4	3	4 ^c	0.05	0.11	0.17	0.10

^bp<0.01, ^cp<0.002, ^ap<0.000,

^dExplained mean square was calculated as 37.275 with 64 degrees of freedom and residual mean square was calculated as 0.687 with 17998 degrees of freedom.

^eExplained mean square was calculated as 31.329 with 64 degrees of freedom and residual mean square was calculated as 0.680 with 18160 degrees of freedom.

^fExplained mean square was calculated as 35.57 with 64 degrees of freedom and residual mean square was calculated as 0.651 with 18144 degrees of freedom

that, in the former case, consumers may be willing and able to perform more complex, even compensatory, judgements; whereas for simpler products, their judgement process may be simpler, perhaps non-compensatory.

For the automobile category, all the two-way interactions are found to be statistically significant. However, the absolute values of mean squares are not especially high and it appears

that only a small portion of common variance is explained by these interactions. The mean square and F value of COA and COD interaction is low, suggesting that for automobiles this interaction is not substantial. However, this value is significant at p=0.01 level suggesting that this kind of interaction can be helpful in improving a developing country's negative image when collaborating with a developed country. This

result is similar to Chao (1993) wherein he reported a very low COA and COD interaction. The mean square and F value for price and COD interaction is higher than that of COA and price interaction and values in both the cases are significant. This implies that the combination of a product designed in a less developed country with a lower price will have greater impact than a product assembled in a less developed country with a lower price. Furthermore, the negative effect of COD can more readily be overcome than the negative image of a COA by a lower price.

5.2 Effects of COA and country of design on purchase intentions:

Figure 2 and Table 5 present the relative effects of each of the factors on purchase intentions. COA was found to be clearly the most important attribute influencing the choice for cars, jeans and pineapple. COD appears to be less important than COA and than brand name in the case of choice of medium and low involvement products like jeans and pineapple, thus echoing the previous findings for quality perceptions. The effect of COD was found to be even less than the impact of price on choice for a car. Another noteworthy result is to be that the effect of brand on choice is comparatively low in the case of cars.

These results demonstrate very clearly that Australian consumers rely heavily on COA information when purchasing any product — from high involvement to low involvement products. The importance of a brand name for a high involvement product, such as cars, is found to be less important than for a low involvement product, while price is the second most important factor.

Therefore, on the basis of these results, and the significant interaction effects for cars, it can be argued that, while the multi-national manufacturer may have a well known brand name, it can suffer the loss of consumer preference by shifting the production location to a country of lower image (commonly the case for low cost manufacturing countries). The brand name alone will not sell high involvement products. Also, the importance of price on the purchase intention is greater than the importance of price on evaluation of quality of a high involvement product. This suggests that, in the case of high involvement products, consumers may trade off price against perceived quality when making their purchase choices. For instance, in the case of car purchase, the price is the second most important factor influencing the purchase intention. Information on COD is only moderately important for medium and low involvement products.

Table 6 presents the analysis of variance (ANOVA) results for purchase intention for the three product categories. On the basis of mean squares and high F value, it is seen that the effects of all the informational cues are important in the overall product categories. On the basis of mean squares, it appears that COA again explains the largest proportion of

common variance. The results from ANOVA again show that all the other factors explain a significant share of common variance independently. Therefore following Chao (1993) and d Astous and Ahmed (1992), it can be said that all the variables are important in purchase intentions, significantly and independently (as very few substantial and significant interaction effects are found).

These results thus provide support for H2 in demonstrating a significant relationship between, COA, COD, brand and price in respondents expressed purchase intentions.

The interaction effect of COA and COD on purchase intentions, as shown in Table 6, is noteworthy. This would suggest that the negative image of either one country could be counterbalanced by the other. That is, for example, if a car is assembled in South Korea but designed in Japan, the consumers may positively evaluate that product while deciding purchase intentions. However, the absolute value of the mean square is very low and the variance explained is negligible, suggesting that this interaction effect is not statistically strong.

As Table 6 shows, in the case of cars, the results indicate that all the factors independently influence the purchase intentions of the respondents. Similar to the case for the judgement of quality of cars, COA is found to be the most important factor influencing the choice of car. Price was found to be the second most important factor followed by COD and then brand. It appears, again, from the results, that in the actual purchase intention, price has a more important effect compared to its effect on the quality judgement. The joint effect of COA and COD is again found to be significant indicating that the negative image of a COA could be counterbalanced by information of a positive image country as COD. The general hypothesis of this research is therefore partly supported, since all the variables were found to have a significant effect on choice of cars. However, the second part of the research hypothesis was refuted as the effects of COA and COD were found to be higher than the effects of brand and price on choice.

In the case of jeans, as Table 6 shows, all the attributes are found to be important and have a significant effect on purchase intentions. As in the case of cars, COA has the highest impact, followed by brand, COD and then price. The effect of brand name is found to be more important, for jeans, than in the case of cars. In this case the general hypothesis is also partially supported as it is found that, though all the factors are important, brand is more important than COD. However, the effect of COA is highest. This finding is surprising, especially in view of the seeming importance of branding in fashion products. That branding (which included Levi's) was found to be less important than COA may be an artifact of the sample. In particular, the average age of 36 years would place it at the older end of the jeans purchasing range. Anecdotal evidence suggests that the mass jeans market is typically younger and overwhelmingly brand-conscious (Astbury, 1992).

For tinned pineapple, it appears that COA is the most important factor influencing choice. Brand was found to be the second most important factor, followed by COD and then price. In this product category also, the second part of the research hypothesis is partly supported. Again, as for quality judgements, and in contrast to those for cars, for both jeans and pineapples, the interaction effects were not significant, further suggesting simpler decision processes.

5.3 The “Home-Country Bias”

The results of this study make it possible to examine whether

the home country bias as reported in past research (Wall, Liefeld, and Heslop, 1989; Heslop and Wall, 1985, 1986; Dickerson, 1986; Shimp and Sharma, 1987; Elliott and Cameron, 1994), is still evident when the COO construct is expressed in terms of COA and COD dimensions. In expressing their purchase intentions and judging the quality, respondents ranked pineapples grown and packaged in the domestic country (Australia) as superior to those packaged in Japan and Philippines, as the summary part-worth utilities shown in Figure 3a and 3b reveal, and as their preferred choice, shown in Figures 3c and 3d. However, it is only in the case of pineapple-

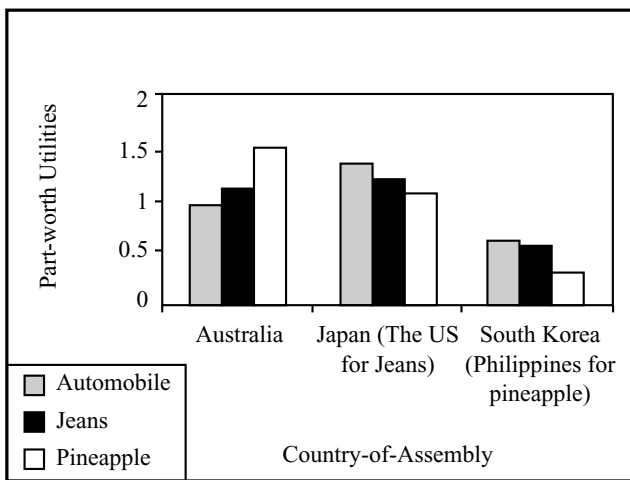


Figure 3a: Ratings of Domestic Country in Quality Judgement

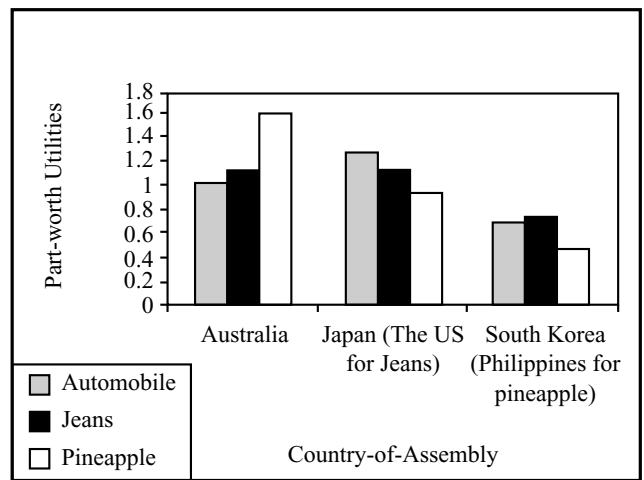


Figure 3c: Ratings of Domestic Country in Purchase Intention

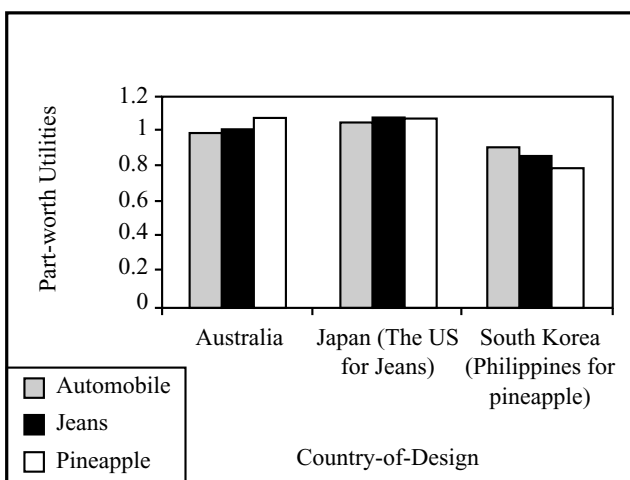


Figure 3b: Ratings of Domestic Country in Quality Judgement

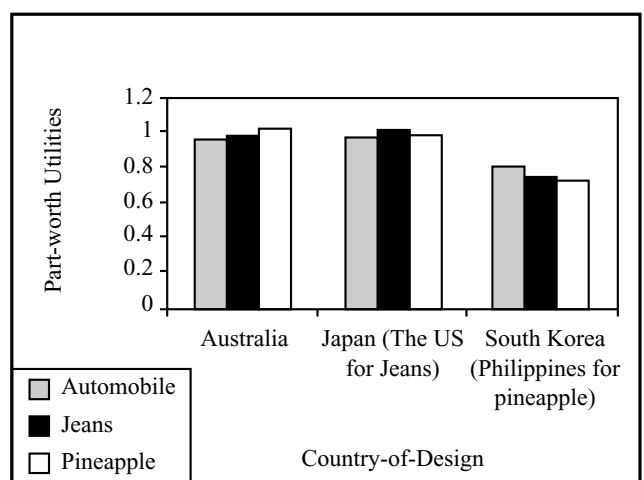


Figure 3d: Ratings of Domestic Country in Purchase Intention

ple that consumers preferred the domestic country (Australia) as the best COA. Furthermore in the other cases studied, Japan and the U.S. are perceived as the best COA and COD for cars and jeans respectively. Therefore, this result does not support the proposition that consumers always prefer domestic products as argued by some researchers. The home-country bias is not inevitable for all products; rather it is product specific. An alternative explanation for not selecting other domestic products might be the present situation or stage of market development. According to Papadopoulos and Heslop (1993: 45) Domestic preference will be lower where the market is filled with the products of foreign manufacturers (i.e., open economies), especially if these manufacturers provide good market support and after-sale services. Such a situation clearly applies in Australia. Furthermore, the widely held stereotype of Japan and the U.S. as producers of high quality cars and jeans generally overpowers any nationalistic pre-dispositions.

6. Conclusions and Implications

The above analysis presents the importance of the four attributes of COA, COD, brand and price in purchase intentions and quality evaluations. The most striking conclusion is that COA appears to be most important attribute in the choice for all the products studied; even when this information is given with other information of brand name and price. This has major policy implications for companies which are contemplating shifting their assembly or production location to a lower cost, less developed country. Clearly, the impact of the possible negative COA effects must be anticipated when making such a policy decision. For a high involvement product, such as cars, this effect even overpowers the brand image of a product. COD, on the other hand, though significant, is not strong for all three products quality evaluations and purchase intentions. A negative COD could be overcome by a well-known brand and/or lower price and, above all, a preferred COA. This result also shows that in a multi-cue conjoint experiment, the country effect, especially COA, is still higher than other cues.

This study has investigated three major issues: (1) it investigated the effects of COA and COD on judgement of quality and purchase intentions; (2) it explored whether there is any home country bias among consumers in Australia; and (3) it examined whether presence of information about brand names and price would overpower COA and COD in consumers evaluations of product quality and purchase intention.

While COA is clearly the most important attribute, the effect of COD is also significant but the effect is secondary. The intensity of the effect of COD was found to vary with the product categories. The significant interaction between COA and COD implies that a product designed in a developed country and assembled in a less developed country could partially counterbalance the negative image associated with

the less developed country. However the COA is still the most important consideration.

This study did not find any form of home country bias for high and medium involvement products. Home country bias was found only in the case of tinned pineapples assembled and designed in Australia. The home country preference for pineapple could be because of the perception of freshness, hygiene and safety associated with the Australian food industry. In the other cases, Japan, in the case of cars, and the U.S., in case of jeans, are perceived as the best COA and COD. This result therefore refutes the proposition that consumers always prefer the domestic product. The home-country bias is not inevitable for all products; rather it is product-specific.

It was also found in this study that a country hierarchy exists in the minds of Australian consumers. Three countries were chosen according to their level of economic development. Australia was chosen to examine the domestic country bias, Japan (the U.S. in case of jeans) as a highly developed country and South Korea (the Philippines in the case of tinned pineapple) as less developed than Australia. The result clearly indicates that, though the construct of COO has been partitioned into COA and COD, still most of the respondents ranked a developed country (here, Japan and the U.S.) as the best COA and COD. Therefore, as previously suggested by many researchers (Wall, Liefeld and Heslop, 1989, 1991; Schellinck, 1989a, 1989b) this study has confirmed a positive relationship between product evaluations and the degree of economic development of the source country in a multi-cue conjoint setting.

The findings of the current research showed that the effect of brand appears to be product specific and it is not as important as COA. In the case of medium and low involvement products (jeans and tinned pineapple) the brand is the second most important factor. That is, in case of making purchase decisions consumers appear to consider information concerning which country the product is assembled in and, then, the brand (Table 5). For cars, brand is least in importance suggesting that, for such a high priced product, consumers may be prepared to trade off brand for other attributes, especially price. This may also suggest that consumers also regard the cars of all the brands and countries as broadly acceptable and, that being the case, they will make their choices based on other attributes. In case of quality evaluations, brand is placed as second most important factor (Table 3) for jeans and pineapple, but least important factor for cars.

This study has also demonstrated that the price—choice relation is product specific. For a high involvement product, like cars, price is the second most important factor in influencing choice and third most important in evaluation of quality. This may reflect the absolute price differences studied and the fact that the cars studied were well known to respondents. Clearly, the issue involvement and attendant risk is a key contingent factor here; as the effect of a mistake in a car purchase is

much greater than is the case for jeans and pineapple. However, for other products the effect of price is significant in relation to purchase intentions and quality perceptions but it is ranked as the least important of the factors studied.

It is evident from this research that in a multi-cue situation, the country effect is still important as this study reported that COA is the most important factor and COD is also significantly important in purchase intentions for high involvement products. These results support Johansson and Nebenzahl's (1986) results in relation to car manufacture. Brand and price, as other information cues, are important though they are not as salient as COA. This result is also similar to the findings of Han and Terpstra (1988) in which they reported that sourcing country stimuli had a more powerful effect than brand name on consumer evaluations of bi-nationally produced cars. Further, it was found that consumers are not biased towards the products of their home country.

For manufacturing companies, there are some important implications. Most notably, COA is the most important of the four cues studied and more important than brand and COD. Thus, the choice of countries for manufacture will have an important influence on consumers' choice. Secondly, branding is less important than COA. Thus, shifting production to less developed countries to take advantage of their lower costs (while retaining design and brand name) will typically adversely affect consumers' perceptions of quality and, ultimately, their product choices. Thirdly, price is generally less important than COA and COD (to a lesser extent) suggesting that the cost advantage enjoyed by shifting to a less developed country may not be sufficient incentive to secure the consumers' choice. While the case of cars was the exception, a price 20% lower was sufficient to alter the consumers' choice criteria. This may suggest a greater reduction in margin than the manufacturer may be willing to accept. Collectively, these findings suggest that manufacturers might need to reconsider their strategies of relocating the production of their established brands and products to lower-cost countries. The evidence suggests that consumers don't buy it.

7. Future Research

Although the country of origin field is, by now, extensively explored in the literature, these results demonstrate that the field still has important findings yet to be revealed. From a research perspective, the present study suggests a number of potentially fruitful research directions.

Firstly, the complex combination of cues in this study suggests that the simple single cue (ie country of origin) studies, typical of past research, are no longer sufficient. However, the use and interpretation of conjoint analysis in this study, equally implies that all customers will employ complex compensatory decision rules in their actual purchases. This, of course, cannot be safely assumed and thus a future stream of research could examine the interplay of

multi-attribute cues and the array of compensatory and non-compensatory decision-making regimes.

Secondly, the five cues studied herein (ie product, brand, price, COA and COD) are, themselves, a simplified abstraction. Other potentially important cues were, of necessity, excluded from the present study (largely as a result of the constraints of the conjoint design). Notable amongst these is product design which, especially in the case of some socially conspicuous products such as cars and fashion clothing, it could be expected would play a very important role in buyers' decision-making. Would buyers trade off concerns about COA and COD if the product was more attractively designed? This can only be answered empirically in future research.

Following this argument, a variable which has recently assumed prominence in the Australian context is that of country of ownership. This is a reflection of the perceived high degree of foreign ownership among the Australian manufacturing industry.⁵ Future research could therefore include country of ownership as another extrinsic product cue in countries where the issue of foreign ownership is topical.

Finally, the implications of this research for advertising campaigns which stress either COD and/or COA need to be carefully designed to reflect the often complex interaction of these, and other, marketing mix cues. In such an environment, careful specification of the advertising campaign objectives and teasing out the impact of such campaigns remains a challenging issue for both marketing managers and researchers.

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³In the case of Design and Assembly of Pineapples, this issue presented a challenge when designing the questionnaire as the authors wished to stay focussed on the design and assembly distinction of Chao and others and yet, patently, design of pineapple is a nonsensical concept. For this reason, the terminology as Design and idea first developed in .. was employed. The equivalent of design for food and other consumer non-durables (drink, cleaning products, chemicals etc) remains a problem for the authors and future researchers. Additionally, for food products, concern for hygiene and safety potentially represents a new set of salient product attributes, especially in the contemporary concerns with foot and mouth and mad cow diseases.

⁵Prominent Australian businessman, Dick Smith has recently launched an extensive range of grocery products with this issue used explicitly as the core of his value proposition.

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Appendix

Quality and Purchase Intention Scales

The quality and purchase intention measures were expressed in the following questions and conjoint analysis cards .

How do you rate

- (a) the quality of each of the products in the following descriptions and,
- (b) your likelihood of buying the products as described:

A car

Brand: Ford Festiva (Toyota Starlet, Hyundai Excel, 1.5l, manual, air-cond, power steering)

Price: A\$15,000 (A\$12,000, A\$18,000)

Assembled in Australia (Japan, Korea)

Designed in Australia (Japan, Korea)

From the description I would expect that the quality of this product would be (CIRCLE ONE)

Extremely Good	Very Good	Good	Average	Poor	Very poor	Extremely Poor
1	2	3	4	5	6	7

How likely are you to buy this product (CIRCLE ONE)

Definitely Buy	Probably Buy	Might Buy	Probably Not Buy	Definitely Not Buy
1	2	3	4	5

A pair of men's or women's jeans

Brand: Levi s (Giordano,Jag)

Price: A\$70 (A\$55, A\$85)

Assembled in Australia (USA, Korea)

Designed in Australia (USA, Korea)

From the description I would expect that the quality of this product would be (CIRCLE ONE)

Extremely Good	Very Good	Good	Average	Poor	Very poor	Extremely Poor
1	2	3	4	5	6	7

How likely are you to buy this product (CIRCLE ONE)

Definitely Buy	Probably Buy	Might Buy	Probably Not Buy	Definitely Not Buy
1	2	3	4	5

A 400g tin of sliced pineapple

Brand: Del Monte (SPC, Kara)

Price: A\$1.60 (A\$2.00, A\$2.40)

Manufactured and packaged in Australia (Philippines, Japan)

Designed and idea first developed in Australia (Philippines, Japan)

From the description I would expect that the quality of this product would be (CIRCLE ONE)

Extremely Good	Very Good	Good	Average	Poor	Very poor	Extremely Poor
1	2	3	4	5	6	7

How likely are you to buy this product (CIRCLE ONE)

Definitely Buy	Probably Buy	Might Buy	Probably Not Buy	Definitely Not Buy
1	2	3	4	5

Biographies

Chandrama Acharya, BA (Hons), MBA, MA (Hons) in Management, is currently working as a researcher at Centre for Development of Teaching and Learning, at National University of Singapore. Chandrama has worked on a verity of academic research areas in international marketing, business forecasting modeling, new product development, and marketing research projects. She has written a study material (jointly with R. Ryan) on Asia-Pacific Marketing for the MBA (Technology Management) and Graduate Diploma of Management courses jointly offered by APESMA and Deakin University. She worked in Australia and New Zealand Banking Corporation before joining National University of

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Professor Greg Elliott took up his position at Macquarie University after holding academic positions at a number of Australian and overseas universities. Prior to commencing his academic career, he worked in banking for over ten years. He has extensive experience in marketing research and consulting and in teaching marketing management to corporate clients in Australia and overseas. He currently teaches marketing management, strategic marketing and services marketing in Macquarie University's MBA and other graduate programs.

Book Reviews

Consumer Behaviour (2nd Edition) Prentice Hall Australia

Leon Schiffman, David Bednall, Elizabeth Cowley, Aron O Cass, Judith Watson, & Leslie Kanuk (2001)

In this review the second edition of the Schiffman et al. textbook designed for the Australian market is examined; then the wider issue of what should be in the consumer behaviour curriculum is considered.

The textbook

This book is rather longer than the 7th US edition on which it is based and contains a substantial amount of interesting material that relates to Australia (and some on the larger Asia-Pacific region). Lecturers can also obtain an instructor's manual and PowerPoint slides on disk. The Chapter headings show a familiar form and cover most of the material that we would expect in a US book that defines the subject matter in terms of decision-making, psychological process and social structure. It also covers ethics, public policy, organisational buying and social marketing. Compared with other texts, it lacks material on behaviour in the store, investor behaviour, use of the Internet and mathematical models. Relationship marketing is scarcely treated (in the context of organisational buying) and customer retention is not covered.

The layout of the book is clear and uses a limited amount of colour. The level is introductory. The writing is direct and easy to follow. The approach is descriptive and links consumer behaviour to marketing (and market research) in a seamless manner. I particularly liked the way in which measuring instruments were introduced in both the book and slides; these gave substance to the topic under discussion and could be used in class exercises. One weakness in presentation was that numbers in tables could have been reduced consistently to two effective digits.

Regionalisation

The regionalisation of the text was generally well accomplished. After the introduction, each chapter had at least one case study; these were contributed by academics from universities in the Asia-Pacific region. One of these, on the Australian sex industry by Jennifer Beckman-Wong, would never have been found in a straight US text. The advertising that was used was largely regional and the brands that were cited went well beyond Vegemite and Telstra though I thought that the Australian and New Zealand wine brands could have

been mentioned more in the examples. Demographic data were reported for Australia from the 1991 census. Here I think that more attention to trends would have helped the presentation and allowed inference to the present day. The cross-cultural treatment was interesting and there was a valiant attempt to compare the value structures of Japanese and Australian students. However, I tried in vain to find brute facts about population sizes in the Asia-Pacific region.

I am not entirely convinced by the need to regionalise textbooks. In Australia, such books are mostly US line extensions; there is an indigenous product (Craig-Lees, Joy and Brown 1995) but this is beginning to look dated. One effect of adapting US books is delay — the US version came out a year earlier and the consumer behaviour subject matter, as opposed to the illustrations, did not look particularly fresh in the Asia-Pacific version. For example, a fuller treatment of the Internet might be expected in a book published in 2001. Also, we may not like it but US brands and culture are well known and widely appreciated by the young, particularly in Australia. Japanese and Australian students probably know more about the American way of life than they do about each other's culture. I could see Japanese students preferring the US text to the Australian one. Regionalisation of textbooks works best for the social and cultural material and here I think Schiffman et al. did a good job. The best case for regionalisation can be made for foundation texts, such as this one, but, as treatments become more demanding, the issues start to transcend cultural specificity. Uncles (1998) has published a thoughtful commentary on brand management in the Asia-Pacific region, which bears on some of these issues.

Missing topics

I have mentioned some fields that were not covered; there was also some more specific work which might have been mentioned. Good research done by academics in Australia on retail atmospherics (Areni and Kim 1993, Donovan et al. 1994) was absent, and advertising was scarcely treated (the 1987 Rossiter and Percy was cited, not the 1996 version). Also, the enthusiasm for the Juster scale at Massey University and the University of South Australia might have been repaid by a treatment of this measure of purchase likelihood, partic-

ularly in a text that gave so much attention to measures.

A number of other omissions troubled me. The brand, product and customer perspectives needed to be better analysed. For example, brand loyalty was adequately treated but customer loyalty was not explained except for the Dick and Basu (1994) model in the slides (under brand loyalty). This omission reflected the lack of detailed consideration of issues stemming from the relationship marketing perspective. Customer retention is much talked about in industry, usually with a genuflection toward Reichheld (1996), and this suggests to me that the matter needs more comment in a text of this sort. Another omission was planned behaviour theory (Ajzen 1991). The text dealt with its predecessor (reasoned action) and the more esoteric theory of trying; it should have focused on the widely used and up-to-date theory of planned behaviour and given examples of its application. And what about the mathematical approaches? Despite the extensive treatment of diffusion there was no mention of the Bass model; similarly the Dirichlet was not discussed in the text though it appeared briefly in a case where the purchase incidence and brand choice of Japanese consumers is discussed.

Supporting material

The PowerPoint slides (prepared by Jennifer Thornton) were admirably clear and mostly avoided the distracting clip art and transition effects that are often used to excess in this medium. Some of the slides were a bit busy but there was nothing to stop a lecturer from adapting them. In general, they summarised the corresponding chapter and sometimes introduced a slightly different slant when compared with the book. However, there was little animation, no hyperlinking to the Internet or jumping to software, and no use of sound or video. I think that the more exotic features of PowerPoint are now more widely used and there is a real opportunity to introduce TV advertising, interviews and other dynamic material into PowerPoint. Traditional publishers need to give more thought to this since these additions will aid learning and sell texts. And academics with particular expertise need to provide video clips that can be used. I found the instructor's manual less useful than the PowerPoint slides. Much of the manual seemed to summarise the corresponding chapter and there was no need for this. Most lecturers find that undergraduates are reluctant to talk and ideas for practical activities are a boon; these were provided in the textbook and the additional suggestions in the instructor's manual added little.

Overall assessment

This book meets the requirements of lecturers who share the partly implicit assumptions of the authors that the subject is a continuation of marketing into social science and that a textbook should lay out related ideas, mainly from psychology and sociology, in a clear, descriptive and relatively uncritical manner. This is the widely accepted formula for consumer behaviour, which has evolved from foundation courses in

pure psychology and social science. This treatment works quite well for sociological work but rather less well for psychology, which needs to be given a more hypothetico-deductive, theory-driven introduction. However, I do not think that this widely accepted view of consumer behaviour is sufficiently critical or demanding when the subject is taught as an end-of-course elective; then, I believe that there is merit in an alternative approach that starts with the marketing problem and makes more direct use of academic research in marketing.

An alternative approach

Marketing is a prescriptive discipline, like medicine or education. It must have a praxis, a body of do's and don'ts covering positioning, segmentation, promotional spending etc and textbooks in marketing must meet this requirement. But, like medicine or education, there is a concurrent requirement to research the applications and integrate any findings into the curriculum. Marketing researchers do this but their work seems to be poorly used in undergraduate and MBA teaching. I see consumer behaviour as an evidence-based subject that uses this research and explains how consumers respond to marketing interventions. We should start with problems in marketing and follow these through, drawing on any social science or mathematical methods that help with the solution.

Most textbooks in consumer behaviour do not do this. The way they cite papers illustrates their approach. A quick check of post-1997 texts shows that, with the honourable exception of Kardes (1998), consumer behaviour textbooks use the convention of removing references from the body of the text and putting them in a Notes section at the end of the chapter or book. This ensures that they are mostly not read and cannot be integrated into the argument. This practice may work for company reports but I have never seen any justification for it in textbooks. Removal of references from the text is a device for dumping down. Unless the study is cited properly, it is difficult to discuss it in any detail and relate it to other studies. As a result, conclusions are stated and the alternative possibilities that attend any research or practice, which provide the basis for progress, are omitted. It is true that the books that use the references in text approach are harder but, if we take bright students into business courses, we have an obligation to make intellectual demands on them. The demands that we make should be commensurate with those that are made in other subjects such as economics and psychology.

A second advantage of this approach is that much of the curriculum that is found in the standard textbooks can be dropped or can be taught in the first year as a social science course. Marketers do not use Maslow or Hertzberg, and they do not apply the extended box models that supposedly explain consumer choice. Personality analyses are of little relevance to practitioners. Similarly, Dichter and his psychoanalytic interpretation of consumer behaviour can be abandoned.

Students know what is relevant and it reduces their motivation when they are taught material that does not help them to solve marketing problems. By contrast, marketing problems are helped by answers to questions such as:

- What is the effect of different ad schedules on sales?
- How does music affect behaviour in stores?
- If customers are satisfied, will they stay?
- Which customers recommend most?
- What complaint handling techniques work best?
- What effects do loyalty programmes have?

We address these questions in our research but then we fail to make sufficient use of our findings in our teaching. When marketing began, we had to borrow heavily from the social sciences and to teach from case studies because we lacked a sufficient body of findings that could be used. The emergence of more understanding of consumer behaviour, better knowledge of strategy outcomes, and useful mathematical models requires that we reassess the curriculum and squeeze out material that fails to educate or inform.

There is also a case for a shift of emphasis to consumer behaviour. The dominant paradigm, which Schiffman et al. follow, draws heavily on conditions of the mind: attitudes, thinking, mood, culture. These have an explanative role but attitudes make no profits. A profit is turned from behaviour but the more behavioural emphasis is lacking from most consumer behaviour texts.

These considerations lead to a different pattern for the marketing curriculum. The praxis remains but comes under pressure from the research fields dealing with individual and collective behaviour in markets. Criticism, doubt, new ideas and their challenge re-enter the field, as they should. For those who accept this analysis, the problem is then to implement the appropriate change. A sufficient number of marketing staff must state what is required in a more advanced curriculum and commission publication, using advanced PowerPoint support. We cannot leave decisions on the curriculum to publishers.

As I went through the PowerPoint presentations, for Schiffman et al. I noted that each started with a quotation. I wondered when they would offer that ultimate opposition to

consumer behaviour; getting and spending, we lay waste our powers (Wordsworth). They did not, but I quite liked I grow old ever learning many things (Solon), which seemed to capture the ennui of going through some of the material that practitioners never use, though I guess that this was not the intention of the authors. The quotation that echoed in my mind as I read the text was these are things that come not to the view, of slipper d dons that read a codex through. There is a codex in the current teaching of consumer behaviour that should be challenged.

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Services Marketing: An Asia-Pacific Perspective (2nd Edition), Prentice Hall Australia

Christopher H. Lovelock, Paul G. Patterson, & Rhett H. Walker (2001)

The second edition of *Services Marketing: Australia and New Zealand* (1998) has a new title, *Services Marketing: An Asia-Pacific Perspective*, reflecting its Asian content in addition to the Australian and New Zealand applications. The first thing that strikes the reader when s/he opens the 2001 book is its internal design. The new design is crisp, stylish and visually appealing. The layout appears less cluttered than the previous edition and the two colour scheme, the new font, and the better quality paper further enhance its appeal — a most welcome improvement on the old book.

Apart from the pleasing physical design, the topics covered remain largely unchanged with almost all headings and subheadings being identical to the 1998 edition. The new book has exactly the same number of chapters (fifteen) as the previous book, and only one chapter title has been changed, that is, chapter 8. It is now called *The place and manner of service delivery* rather than *Service Delivery*. The chapters are as follows:

- Distinctive aspects of services marketing
- Customer involvement in service processes
- Customer behaviour in service settings
- Customer satisfaction and service quality
- Relationship marketing and management
- Target market definition and positioning
- Developing a service product strategy
- The place and manner of service delivery
- Understanding costs and developing pricing strategy
- Managing capacity and demand
- Communicating and promoting services
- Managing the customer-service function
- Handling customer complaints and managing service recovery
- International services marketing
- The strategic impact of information technology

Notwithstanding, the new edition has been revised and updated with real life examples and illustrations being replaced or updated and new references added. As such, the book offers instructors and students a very good coverage of the fundamental topics of services marketing written in an engaging style, with updated local examples and some good case studies. In my view, the case studies are a key strength of the book. In this edition, there are seven new cases and seven cases remaining from the first edition. Two of the new cases are Asian reflecting the authors' intention to incorporate Asian examples and illustrations in this edition. In the new edition the cases and readings are placed at the end of the book. This is another improvement over the previous book as it allows instructors greater flexibility when selecting cases to illustrate lecture/tutorial topics.

The book contains eleven readings, ranging from academic articles to more popular press readings. The authors claim that these readings are of two types: (a) state of the art concepts and strategic insights; and (b) descriptions of innovative practices adopted by successful service firms. However, positioning them as such exposes them to being quickly dated and thus devaluing their usefulness. Today, with easy access to articles through electronic data-bases why include a very limited number which quickly date in hard copy? Furthermore, in MBA classes many instructors expect their students to have read something in the order of 20-30 academic articles. Wouldn't the recommended readings at the end of each of each chapter serve this purpose as they provide instructors and students with a very good source of relevant academic articles? Further, couldn't the innovative practices be incorporated into the text through mini-cases or examples?

The hot web sites located at the end of each chapter is a new feature of the book. These web sites are useful in that they further illustrate important topics from the respective chapters. Typically, at least one new application question has been added to each chapter and in some chapters old questions have been dropped and/or replaced.

Some attempt has been made to develop certain topics from the previous edition. One example of this is the service recovery section which now incorporates recent literature on justice

theory — interactional, procedural and distributive justice. Another example is found in the chapter on consumer behaviour which now includes a section on differences found in Asian cultures, including Hofstede's four dimensions of cultural values, namely, individualistic vs collectivist cultures, feminine vs masculine cultures low uncertainty avoidance vs high uncertainty avoidance, and high power distance vs lower power distance. However, there are still areas which could benefit from a more in-depth treatment. I shall name just two — consumer behaviour and service quality, and in particular, presenting a more in-depth treatment of the gaps model of service quality.

A CD containing the instructor's manual and power point slides is provided with the book. In general the power point slides are

helpful but it is disappointing to find that some of the figures are too large for the slides and some of the key words are overtyped by other words making them impossible to use in their current form. Not having videos to accompany the text is a disadvantage.

Overall, the key strengths of *Services Marketing: An Asia-Pacific Perspective* are that it covers the fundamentals of services marketing theory and practice, using updated Australian, New Zealand and Asian examples, readings, web sites and case studies, and presents this in an engaging way using a stylish new look internal design, thus making it, in my view, currently the best on the market.

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Value-Based Marketing

(Wiley)

Peter Doyle (2000)

Marketing accountability and shareholder value come together in Peter Doyle's latest marketing text, *Value-Based Marketing*. Doyle has always provided a fresh alternative to the standard introductory marketing text (e.g. Doyle, 1997), but his latest book takes a significant step forward. The truth is that the majority of marketing texts are essentially the same — with similar content and structure as the classic Kotler (and all its adaptations) approach (Kotler, 1999). There is nothing necessarily wrong with the Kotler model, but good strategy is about being genuinely different rather than copying the leader, and Doyle is a good strategist.

The goals of the book are quite ambitious, to say the least: to redefine the purpose of marketing and how its contribution should be measured. Doyle's new version of marketing is built around the premise that the ultimate aim of marketing is to maximise shareholder value, and therefore marketing strategies and action should be measured in terms of the value they create for investors. His new definition of marketing is as follows:

Marketing is the management process that seeks to maximise returns to shareholders by developing and implementing strategies to build relationships of trust with high-value customers and to create sustainable competitive advantage (p.70).

Comparing this to more classic definitions, target customer, satisfaction and profit are replaced by high-value customer, trust, and shareholder value. Doyle also makes marketing inherently strategic, reflecting some of the ambiguity as to the difference between (strategic) marketing and strategic management, and his position that marketing should be central to the strategy process.

Whether or not you totally agree with his definition (or aspects of it), Doyle is presenting an alternative, and perhaps more importantly, is reflecting a strong movement in business towards shareholder value as the ultimate performance measure. He rightly points out that this is great news for marketing, as marketers have long complained about their activities being costs (vs. investments), and being subject to short-

term sales and profit measures that often get in the way of building key assets such as customer relationships and brands. Unlike profitability, shareholder value looks forward (it reflects the value of future cash-flow, rather than look to the past), and it is based on fact (cash-flows) rather than a clever accountant's manipulation of inventory and depreciation (profit). It also explicitly recognises the financial value of assets.

In the first section of the book, Doyle sets the scene and develops his central argument. He is quite blunt and persuasive as he explains the paradox between the growing importance of customer orientation and the marketing perspective on the one hand, and the diminishing influence of marketers on the other. He believes marketing's failure to link what it does to how these activities create shareholder value is the root cause of marketers being marginalised in the boardroom. To be taken seriously by top management, he argues, marketers have to use the shareholder value criteria that top management itself uses i.e. to be heard in the boardroom, speak the language of the boardroom. Doyle then takes the reader through some first principles of finance and valuation. If you have ever had the experience of marketing students groaning when they have to deal with too many numbers, then be ready for the mother of all groans as they go through this material. But it is not that difficult, and in the current climate, marketing educators have an obligation to turn out professionals who can deal as easily with a net present value calculation as a brand positioning statement. In chapter 3, Doyle explicitly links marketing to financial value, highlighting the importance of being customer focused, developing customer relationships, and creating sustainable competitive advantage. In this chapter market orientation meets the resource-based view of the firm. The first section is rounded off with a chapter highlighting the importance of growth to creating shareholder value — a far more positive approach than the endless cost-cutting of the 1990s.

Having built the foundations in part 1, part 2 is about strategy. Chapter 5 takes us through strategic position assessment, and chapter 6 focuses on developing value-based strategy.

Here we do see a lot of familiar material, in the form of portfolio management and Porter's five-forces etc. Perhaps the one development in strategy that Doyle has not entirely embraced is the market maker / rule breaker approach (also termed strategic innovation - essentially an extension of the resource-based view of the firm) popularised by Hamel (2000) and others (e.g. Markides, 1999). The presentation here is still heavily influenced by the classic industrial organisation view that industry is the prime determinant of performance, and that industry structure is a given. Nonetheless, true to his promise, Doyle extends these frameworks to incorporate the shareholder value discipline.

Part 3 of the book focuses on implementation, and covers brand equity, pricing, communications and internet marketing (but interestingly, there is not a chapter devoted to distribution). The material in this section will be very useful to practicing managers in particular, as Doyle provides a set of methodologies for relating specific marketing (mix) actions to the value-based metrics. For example, he sets out how communication programs should, in his view, be justified to management. He challenges one of the standard methods that uses incremental sales as a key justification, rightly pointing out that a great deal of advertising maintains sales levels rather than increases them, and that to expect short-term paybacks is often unrealistic. Advertising has longer-term effects on key intangible assets such as brands and customer relationships, and therefore these effects should be included in the business case used to justify expenditure (investment). That is, we should use the same financial principles to justify marketing programs as are used to justify building factories or investing in other tangible assets.

Peter Doyle is not alone in stressing the importance of marketing accountability, or advocating a closer link between marketing, finance, and shareholder value (for example, see Ambler 2000; Srivastava et al., 1998). However, he is the first to produce a holistic marketing text based around this

perspective. As well as an outstanding academic, Doyle is an active consultant and executive teacher with his finger clearly on the pulse of marketing practice. The combination of rigor and relevance to today's business environment makes a strong combination.

The book would be suitable for three audiences: i) students taking a core marketing class at a masters level; ii) undergraduate students studying strategic marketing; and iii) practicing marketing managers (and therefore executive education groups). For teachers, if you are looking for something different, relevant, and more concise than some of the door-stoppers currently on offer - and you buy into the shareholder value argument - then have a look through this text. Kotler's own endorsement on the front cover (a book destined to spark a revolution) suggests we will be reading a great deal more about value-based marketing in the future.

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Executive Summaries

Developing Effective Advertising Self-Regulation in Australia: Reflections on the Old and New Systems

Debra Harker, Michael Harker, & Michael Volkov

The regulation of advertising is a polemically fraught process. On the one hand, advertisers feel that they should have the freedom to promote their goods and services as creatively as they, and their advertising agents, wish. On the other hand, some consumers and certain interest groups feel that such freedom can exceed the boundaries of taste, deception and decency. A case in point is the recent Windsor-Smith shoe poster advertisement depicting a couple in a very close encounter that caused some concern with prominent women's groups. The question is how can acceptable advertising be produced that satisfies the needs of both groups?

Two attempts have been made in Australia to produce more acceptable advertisements in the recent past, both involving self-regulation. Self-regulation is the process whereby an industry attempts to obtain the collaboration of industry partners in order to control the activities and actions of the partners. Whilst some people claim that this form of self-regulation is tantamount to letting the lunatics run the asylum, there is evidence to suggest that self-regulation offers positive benefits when compared with the legal and bureaucratic alternative.

Both self-regulatory systems used to regulate advertising in Australia in the past ten years, had advantages and disadvantages and there are lessons for the practitioner in a study of these systems. For example, the involvement of the public in the process delivers significant benefits, as does the existence of a sound legal regulatory framework. Clearly, for a self-regulatory system to work effectively, the principle of industry compliance is of paramount importance and this has been achieved to varying degrees in the two systems. Care must also be taken in managing the complaints from rival advertisers that can be used as a strategic tool in addition to adding significant cost to the self-regulation process. It is also very clear that the wheels of the self-regulatory vehicle need to be adequately lubricated with funds in order for the self-regulatory body to deliver effective and offence-free advertisements.

International Joint Ventures: Political Economy Framework

Lisa Hersch & Chris Styles

In the past, business practitioners and public policy makers have focused on the legal and economic aspects of international joint ventures. However, the view that business is a social activity with economic outcomes (e.g. Ambler and Styles 00) is increasingly gaining acceptance. The introduction of relational exchange theory and the application of the political economy framework to our understanding of IJV development highlights the impact of the IJV as a social entity on IJV relationship formation and maintenance. In developing effective IJVs, managers need to be able to balance the legal, economic and social aspects of these complex business forms. Managers should recognise that the make or break issues of IJVs are broader than economic and legal issues, extending to social, structural and cultural issues.

Managers should also recognise that the form (or governance) of an IJV relationship influences the maintenance of the IJV relationship. For example, a bilaterally governed IJV will generally require more collaborative decision-making. Effective management of an IJV relies on understanding the nature of the relationship underlying the IJV and therefore, the appropriate approach for dealing with day-to-day management issues such as decision-making, communication, development of trust, social bonds and the relative importance of cultural sensitivity. IJV managers should consider conducting a regular partnership audit to highlight those behaviours and social structures that are contributing to success as well as highlight areas where improvements could be made. By conducting such a process, the partners to an IJV will be able to develop a greater understanding of their needs, leading to structural and process improvements.

Finally, greater emphasis needs to be placed on the selection and management of the people involved in IJVs. Management needs to take particular care to ensure that the partnership manager has the necessary social skills to ensure the successful formation and maintenance of the IJV relationship.

Australian and Taiwanese Advertiser's Perceptions of Internet Marketing

Tzu-wen Hsu, Jamie Murphy, & Sharon Purchase

This research investigated advertiser's perceptions of Internet marketing. Drawn from two different countries, Australia and Taiwan, the advertiser perceptions fell into four different clusters: optimistic tomorrow, cautious adopters, doubting laggards and technology realists. While Australian advertisers were represented in all four categories, Taiwanese advertisers were mainly cautious adopters or technology realists.

When choosing an advertising agency, managers should be aware of different agency perceptions towards Internet marketing and choose an agency whose perceptions align with theirs. With such diverse perceptions of Internet marketing among advertising agencies, it is important to consider the type of strategy that matches company perceptions.

Australian organisations entering the Taiwanese market should be aware that the Taiwanese advertising agencies did not display such diverse views of Internet marketing. All Taiwanese agencies indicated a low belief about the future of Internet marketing. Whether this perception will be sustained in the longer term is to be determined, but is important now given the general population's rapid uptake of the Internet.

Taiwanese managers need to be aware of how agency perceptions of Internet marketing affect their overall advertising strategy. These perceptions may change as Taiwanese agencies become more experienced with Internet marketing and eventually become as diverse as those in Australia. The low belief in the future of Internet marketing may change over time and business managers need to be aware of these changes as they occur.

Consumer Self-Monitoring Materialism and Involvement in Fashion Clothing

Aron O' Cass

So how should marketers use knowledge about self-monitoring, materialism and fashion clothing involvement in order to formulate and implement marketing mix strategies for the fashion market? If a product is intended for more general market, the message must reach both the low and high self-monitors. However, for a narrower or niche market, marketing mix strategies can be developed to cater to the dominant characteristics explored here. These being the degree of self-monitoring, materialism and involvement in the product. Thus, the self-monitor appears to be both materialistic and image conscious, implying that appeals needed to be targeted at the value of the product to fulfill the requirements of the materialist and the strong desire for image and image adjustment for the self-monitor.

The findings here imply that the marketer of products, particularly fashion is more likely to be successful if they target the

value of the possession as seen from the materialist view point and the happiness, success and centrality of possession in their lives. This would require a marketing mix strategy encompassing all elements of the mix to effectively target the desire for display required by self-monitors with strong materialistic tendencies with image as a primary concern who in reality have a strong attachment to their clothing. Such consumers may be more influenced by higher pricing, store design, product design and advertising that indicates the value of the product in fulfilling the unique requirement of the self-monitor who values possessions and has a need to display the right image.

More significantly marketers can use the adaptation to surroundings typifying the self-monitor to manipulate the way in which they see products as displaying who they are and the success such display brings. For products and brands reliant of the nuances of fashion and shifts in it, the right appeal to right target market catering for self-monitoring, materialism and involvement could act to sustain market position through the normal cycle of such fashion dictated markets.

The findings also indicate that consumers may use the image and signals products and brands already possess instead of just react or passively receive them. Thus products and brands with well established images targeted at specific target markets may require little or no adjustment. These are two options available to the marketers of fashion products.

An Examination of the Effects of 'Country-of-Design' and 'Country-of-Assembly' on Quality Perceptions and Purchase Intentions

Chandrama Acharya & Greg Elliott

This paper has examined the Country of Origin Effect in the Australian context and, more specifically, examined the differential impacts of the Country of Assembly (COA) and Country of Design (COD) constructs along with other product cues such as brand and price. Among the sample of Australian graduate students, the most notable conclusion is that COA appears to be the most important product attribute of those studied. This applies across all three product categories studied, viz. cars, jeans and tinned pineapple.

This finding has important implications for both Government and Australian industry. For Government, this finding carries mixed implications. On the one hand, it provides endorsement of recent advertising campaigns which have encouraged people to buy Australian Made. Clearly these results indicate that the issue of COA is salient among Australian consumers as they rate COA above other more familiar product cues, notably brand and price. On the other hand, Australian Made products were only preferred in the case of tinned pineapple; whereas Australian consumers preferred Japanese-made cars and US-made jeans.

Recent Australian Government advertising directed at distin-

guishing between Product of and Made In also appear to be supported by this research as Australian respondents clearly distinguish between the two related cues of COD and COA. In the current research COD was significantly less important than COA and also less than brand and price in the case of jeans and pineapple.

For manufacturers, there is convincing evidence that COA acts an important cue, analogous to a co-brand. Manufacturers should take heed of these findings and choose their COA especially carefully. The combination of a preferred brand and the appropriate COA would appear to be a very strong influence on consumers choice. COD is, however, less important. Thus shifting COA to low labour cost countries may well adversely influence consumers purchase choice.

For Australian food manufacturers, the results are very positive as consumers clearly favour their products over imported competition. For Australian car and garment manufacturers, the findings are less positive as consumers prefer Japanese-made cars and US-made jeans. Australian manufacturers of

these products need to lift product quality and to improve their brand images before they will become the consumers first choice.

Overall, the results thus indicate that the COA cue, especially, is both salient and important to Australian consumers and that manufacturing and product sourcing decisions should recognise this.

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Notes for Contributors

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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.

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