The Applied Management Review

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Editor:
Reza Yaghoubi, Waikato Institute of Technology

Editorial Board
Pawel Mielcarz, Kosminski University, Poland

Editorial office:
The Applied Management Review
Waikato Institute of Technology
Centre for Business, IT and Enterprise
Private Bag 3036
Waikato Mail Centre
Hamilton 3240
Email: AMR@wintec.ac.nz

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Research in Multi-Cultural Relationship Building

Maari Brown

Waikato Institute of Technology

Jenni Murphy-Scanlon

Waikato Institute of Technology

Abstract

This study aims to explore the ‘missing gap' between the values of an Accounting firm and the preference shown by Māori on how they would like to be approached when wanting to build a trusted relationship within a business sense. This study makes use of qualitative approaches in which data is collected primarily through interviews and analysed to produce results and recommendations. The study found that Māori would like to be approached in a way that makes sense to them and also identifies with their cultural proceedings. It also provides insight into how important trust is when establishing a relationship with Māori. The study recommends that further studies conducted should interview a wider variety of focus groups to add different elements to this research and that FIRM A's small business department's offerings do not align with what Māori want so need to be rethought to adapt to Māori expectations.

Keywords: multi-cultural relationship; māori business; professional services

JEL Classifications: M49

1. Introduction

FIRM A is focused on fuelling the prosperity of New Zealand. FIRM A are passionate about helping New Zealand's businesses succeed. FIRM A offer a ‘shoulder-to-shoulder’ approach with their clients. The have gained trust from all clients to deliver the kind of targeted advice, technical knowledge and industry insights that help them manage risk and embrace opportunities (FIRM A, 2017b).

Professional services are offered across Audit, Tax and advisor. FIRM A have also recently opened opportunities for small to medium enterprises and family-owned businesses to enjoy their services. This expansion is an inclusion which will appeal to the New Zealand culture. This company is ‘locally owned, globally focused.' This describes their coverage, worldwide. They operate in 155 countries, employing 174,000 people in member firms (FIRM A, 2017b). The independent firms are affiliated with FIRM A International Cooperative, a Swiss entity.

Their reputation does not only involve the way they treat their customers/clients but also is internally focused and applied to the way they treat their employees. The encouragement for individuals to be themselves and to be the best they can be is also inherent within their values.

They always;

- Lead by example
- Respect the individual
- Work together
- Communicate openly and honestly
- Seek the facts and provide insight
- Improve communities
- Above all, act with integrity.

Within New Zealand specifically, they have identified a new target market, Māori businesses/
organisations/trusts. They have undergone developments to prepare for such a market.

The company has a partner who is the face of this Māori initiative and supported by other partners and Directors. They do not want to designate a specified team because they believe that the most knowledgeable person should help the customer/client. They feel if they had a specific team perhaps the most knowledgeable person would be situated outside this team so have not restricted this market to a specified team.

They have redeveloped values to be better situated for this unique market. These values are;

**Rangatiratanga**
(chieftainship, right to exercise authority) – Backing Māori Business Leaders. A reflection of our commitment to build, support and stay connected with Māori leadership. Providing opportunity for holistic skill and expertise development demanded by Māori to achieve tino rangatiratanga (self-determination) (FIRM A, 2017a)

**Kaitiakitanga**
guardianship) – Backing Māori Business. A reflection of our commitment to provide expertise that will help both build and protect sustainable and intergenerational value for Māori (FIRM A, 2017a)

**Hauora**
(wellbeing) – Backing Māori Wellbeing. A reflection of our commitment to support the enhancement of Māori holistic wellbeing (FIRM A, 2017a).

Also included is: How we build, engage and deepen our relationship with Māori is underpinned by:

**Ārahihina**
We lead by example
Walking the talk, acknowledging the past, adapting for the present and planning for the future.

**Whakakotahi**
We work together
Our connection to our purpose and our involvement of others in what we do

**Whakanuia**
We respect the individual
Empowering others to be the best they can be and taking the time to understand why difference exists

**Mātauranga**
We seek the facts and provide insight
Active engagement in thought leadership that builds and protects values, growing the ability of others

**Pono**
We are open and honest in our communication
Active self-reflection, physical engagement with others within their environment, presenting the hard truths simply

**Whānau, hapu me ngā iwi**
We are committed to our communities
Attendance at events of importance, sharing our skills, committing to the long term

**Tika**
Above all, we act with integrity
Being innovative and challenging the status quo, engaging in conversation while taking the time to listen, upholding mana of both self and others

FIRM A has also introduced a new department. The focus for this department is small businesses. This department offers;

- Monthly capped fee
- Unlimited communication in the form of phone calls and emails
- Assigned senior accountant
- The Firm’s branding
- Discourages face to face communication/meetings

This new department has the intention to be provided as the best option for the new target market, Māori businesses/trust/organisations.

This shift in focus prompted this research. Understanding the needs of the firm and the direction the firm has added in their moving forward scheme allowed the researcher to recognise a need for this research.

Understanding that a new focus of the firms’ is directed to Māori, and identifying as Māori myself, the researcher was able to ascertain an opportunity. Having been impressed by the values that the firm embrace and witnessing the implementation of said values during the researcher’s internship added inspiration to wanting to fulfil this opportunity. The researcher recognised the possibility of a ‘gap’ existing. This gap was interpreted as the intention of the firm possibly not being met as warmly as desired by the intended recipients, in this case Māori businesses/organisations/trusts, because of a lack of understanding each other on a ‘trust’ level, or not being perceived as being pursued in a culturally sensitive manner, or many other possibilities that are attached when focusing on a specific cultural group.

The potential of missed opportunities due to mis-communication, essentially, was when the researcher discovered possible difficulties going forward with this vision. The researcher’s understanding of the opportunity, and also identifying the value in the Firm’s focus in Te Ao
Māori and value to be gained by Te Ao Māori, was the pivotal point in structuring this research's topic/question. This research focuses on the question, "How can an Accounting/Auditing firm build a trusted relationship with Māori Businesses/Organisations/Trusts?"

2. Literature Review

The direction of this report reveals the need for further understanding and will look towards literature to provide support in answering, “How can an Accounting/Auditing firm build a trusted relationships with Māori businesses/trusts/organisations”? This question has posed further themes to help corroborate this research. Such themes identified the following sub questions:

1. What is meant by Māori?
2. Why is trust important to Māori?
3. What is Māori Culture?
4. How do Māori do Business?
5. How does this align with auditing firms values?
6. How does it differ from auditing values?

These themes are important when trying to understand this cultural difference. This research will endeavour to unravel the perceived ‘missing gap’ in regards to building a trusted relationship between the different cultures.

The literature will also provide evidence in:
- a) Identifying threats and opportunities
- b) Reviewing strategies that already exist
- c) Evidence in applying the newly learnt behaviours

2.1. What is meant by Māori?

This research needs to start by defining who is referred to when using Māori as an identifier. “There have been two main ways in which people have been categorized as Māori, for official purposes: either because they meet an ethnic or racial origin criteria, in terms of having Māori ancestors or Māori blood; or because they self-identify their ‘preferred’ cultural affiliation as Māori (Coleman, Dixon, & More, 2005).

This report defines Māori as qualifying in either of:

- a) Having Māori ancestors or Māori blood
- b) Preferred cultural affiliation as Māori

2.2. Why is ‘Trust’ important to Māori?

Māori culture can be argued to have a collectivist nature (this point will be further researched). This theory then implies that the foundations of one’s self affects one’s thought processes and actions.

This is relative to Māori and the importance of trust because it attempts to build a better understanding of why trust is important to Māori. If Māori are collectivist by nature/culture then Māori are used to attaching trust with huge importance; “in more collectivist cultures, individuals expect their relatives, clan, or other in-group to look after them” (Angst & Handley, 2014).

Māori have their own beliefs and traditions and it can be argued that they have always been a strong contributing factor to the foundation of Māori choices/actions; “Members in a collectivist society contribute to the formulation of cultural norms and values” (Luczak, Mohan-Neill, & Hills, 2014). These foundation principles also acts as a standard that which they hold everyone they encounter.

“The notion of respect in the Māori beliefs and values system, has been widely used, and the combination of these values and beliefs have constituted trust in Māori culture” (Peszynski & Thanasankit, 2002). ‘Trust’, in relation to Māori, is not a commonly researched concept. “The notion of Māori beliefs and values with respect being the common term” (Peszynski & Thanasankit, 2002) illustrates that in the past there has been more emphasis/focus on the term ‘respect’.

There have been a lot of research into the importance of trust when building relationships, collectivist vs individualist, and how that can affect behavioural decisions or tendencies, but there is not a lot of research specific to Māori and why trust is important to them. For this reason I will further research this question using primary sources.

2.3. What is Māori Culture?

Culture is defined as,

Broadly, social heritage of a group (organized community or society). It is a pattern of responses discovered, developed, or invented during the group’s history of handling problems which arise from interaction among its members, and between them and their environment. These responses are considered the correct way to perceive, feel, think, and act, and are passed on to the new members through immersion and teaching. Culture determines what is acceptable or unacceptable, important or unimportant, right or worn, workable or unworkable. It encompasses all learned and shared, explicit or tacit, assumptions, beliefs, knowledge, norms, and values, as well as attitudes, behaviour, dress, and language. (Business Dictionary, 2017)

“Indigenous people view themselves as a part of the natural world, not apart from it” (Reid, Varona, Fisher, & Smith, 2016). These powerful words introduce the type of whakaaro (thoughts) that are instilled into Māori. “These relationships have been built over time and across generations, and permeate all aspects of Indigenous being and
living” (Reid, Varona, Fisher, & Smith, 2016). Further emphasis on the depth that this whakaaro goes. This connection to all things that are living or that have lived offers an introductory point that, to some huge degree, Māori culture is a feeling. It is spiritual and physical.

A ritual that could be perceived as common practice within Māori, that can offer physical showing of this connection mentioned, is the ‘Powhiri’ or welcome ceremony. “The powhiri is a welcome ceremony and ritual which the Māori perform in order to greet visitors to their land... It is described as the embodiment of Māori spiritual and cultural being” (Haymond, 2008). These words ‘tautoko’ (support) the proposed words of a deep spiritual connection. This ritual that is ancient and has been passed down is a ceremony that portrays aspects of Māori culture. Understanding the connection to all things living and having an introductory understanding of what Powhiri means to Māori and why it is performed is my attempt to display that everything is connected to this initial feeling of connection. The word Powhiri can be broken into two parts, Po and Whiri. “Po is described as a venture into the unknown or new experience while whiri comes to mean the act or experience of exchanging information and knowledge... together their interpretation could be, ‘a kind of mystical or novel act in which one gains and/or exchanges knowledge” (Haymond, 2008).

A custom or tradition that is commonly identified to be attached to Māori culture is the “Hongi”. The Hongi is “a traditional Māori greeting in New Zealand. It is done by pressing one’s nose and forehead (at the same time) to another person at an encounter” (Māori elders explain the meaning of the Hongi and the ancient Māori traditions, 2011). This explains the physical action of the Hongi. The meaning, behind this action, is what defines the Hongi, “through the exchange of this physical greeting, one is no longer considered manuhiri (visitor) but rather tangata whenua (people of the land). The tradition of sharing the breath of life is considered to have come directly from the gods” (Māori elders explain the meaning of the Hongi and the ancient Māori traditions, 2011).

After a powhiri and the consecration of a Hongi, the ‘getting to know each other’ begins. This is done by the sharing of whakapapa (genealogy) or sharing one’s pepeha (tribal aphorism). This is the way to introduce yourself in Te Ao Māori. The structure of a pepeha should tell a story of how you came to this place. “The general pepeha format could be explained as:

- From the Awa that landed the waka into land
- From the Waka came the iwi
- From the iwi came te Hapu
- From the Hapu came te Marae
- From the Marae/ Whake, Karakia/ Community Hall came the Whanau (you)” (School, n.d.)

This description would be verbalised in Te Reo Māori but this is the translated version and offers reasoning of why one identifies with specific landmarks or areas of people. The presentation and structure of the Pepeha allows the intended audience to be able to identify familiarities and easily be able to start a conversation or use the knowledge as an ‘ice breaker’.

Pepeha binds Māori, verbally and openly, to their ancestors, “For the modern Māori the pepeha are not merely historical relics. Rather they constitute a communication with the ancestors... …In a sense it is a rare privilege to be able to reach out to the ancestors and touch their minds” (Mead & Grove, 2001). Acknowledging the existence of ones ancestors empowers the individual with a sense of belonging, a sense of kaha (strength), a deeper wairua and a connection with all those who have passed on. Essentially equipping the individual to not actually be standing alone but be standing in unity with their ancestors and while doing so pertaining the mana (power) attached to their ancestors.

The powhiri, Hongi and Pepeha are examples of cultural customs/traditions that offer insight into forming an understanding that the culture, although full of physical customs/traditions/ways, is a spiritual foundation and, somewhat, ventures into a religious beginning. Te Ao Māori (the world of Māori) is a community of spiritual beginnings that have been passed down and carried, throughout the times, to our current way. (Te Ao Māori can also describe/mean Māori culture.)

### 2.4. How do Māori do Business?

Tinirau of Whanganui said, “Toi tut e kupu, toi tut e mana, toi tut e whenua” (It is a plead to hold fast to our culture, for without language, without mana (spirit) and without land, the essence of being a Māori would no longer exist, but be a skeleton which would not give justice to the full body of Māoritanga (Māoridom)) (Woodward Ltd., 2016). This whakatauki offers insight into how important culture and everything being Māori represents. It also offers an initial platform into building an understanding that when Māori do anything, even business, they do so with the foundation of their culture.

Māori, whilst conducting business, apply customs and traditions and their values. This is not specific to business but it is because to be one’s ‘true self’ this entails that they be their self in every aspect of living and business is a category that is not excluded from this stance.
Māori are also a people who are connected to their relatives/tangata/networks. King Tawhiao expressed “Kī te kahore he whakakitenga ka ngaro te iwi” (without foresight or vision the people will be lost) (Woodward Ltd., 2016). This translates to mean that there is an urgency of unification and strong Māori leadership. This offers insight to an understanding that Māori don’t just represent themselves, as a solo unit, but as a part of a wider community. They represent their whanau, kaumatua (elders), iwi (tribe), hapu (sub tribe) and their culture. When this is the pressure or whakaaro that a Māori has when entering business then business is treated with respect and intricately. The common phrase by Otto Berman, “Nothing personal, it’s just business” is therefore, from the perspective of Māori, completely wrong!

“Care is at the heart of the Māori values system, which calls for humans to be kaitiaki, caretakers of the mauri (life-force) in each other and in nature” (Spiller, Erakovic, Henare, & Pio, 2011). This perspective initiates insight into why Māori treat people, in business or personal life, with a standard of respect. The feelings Māori have with one another and the wider public/cultures is because they feel they are kaitiaki of the mauri.

These values and ‘ways’ that Māori portray have been handed down from generation to generation. They are traditions, teachings, beliefs that are highly respected and deemed tapu (sacred) and known as Matauranga Māori. These behaviours/beliefs/traditions/values/ways can all be categorized into Tikanga.

Tikanga denotes the Māori body of rules and values used to govern or shape people’s behaviour and some of the key values include:

- **Tino rangatiratanga and Mana Motuhake** – self-determination, independence or interdependence;
- **Mana whenua** – rights of self-governance, rights to authority over traditional tribal land and resources;
- **Whanaungatanga** – family connections and family relationships;
- **Kaitiakitanga** – guardianship of the environment;
- **Manaakitanga** – reciprocal and unqualified acts of giving, caring and hospitality;
- **Arohatanga** – the notion of care, respect, love, compassion;
- **Awhinatanga** – assist or care for;
- **Whakakoha** – the act of forgiving;
- **Whakapono** – trust, honesty, integrity;
- **Whakakotahitanga** – respect for individual differences and participatory inclusion for decision making;
- **Wairua** – the spiritual dimension to life (Harmsworth, 2005)

### 2.5. What is Māori Tikanga?

Such a complex question that requires more than an answer/definition. To try and describe this concept or ‘way of living’ the following are provided. “Tikanga can refer to a ‘rule, plan’ or ‘method’, and, more generally, to ‘custom’ and ‘habit’” (Williams, 2003). For the purpose of this research, “Tikanga is the set of beliefs associated with practices and procedures to be followed in conducting the affairs of a group or an individual. These procedures are established by precedents through time, are held to be ritually correct, are validated by usually more than one generation and are always subject to what a group or an individual is able to do” (Mead & Grove, 2001).

### 2.6. How does this align with auditing firms values?

This firm specifically has incorporated values to align with Te Ao Māori. They are as follows;

1) **Rangatiratanga** (chieftainship, right to exercise authority) – Backing Māori Business Leaders. A reflection of our commitment to build, support and stay connected with Māori leadership. Providing opportunity for holistic skill and expertise development demanded by Māori to achieve tino rangatiratanga (self-determination) (Firm A, 2017a)

2) **Kaitiakitanga** (guardianship) – Backing Māori Business. A reflection of our commitment to provide expertise that will help both build and protect sustainable and intergenerational value for Māori (Firm A, 2017a)

3) **Hauora** (wellbeing) – Backing Māori Wellbeing. A reflection of our commitment to support the enhancement of Māori holistic wellbeing (Firm A, 2017a).

### 2.7. How does this differ with auditing firms values?

There isn’t any literature on this topic. This topic opens the need, further, for the primary research component.

### 3. Method

#### 3.1. Style of Research Method

This research used primary research. It used qualitative methods. Interviews were carried out and transcribed to produce data to be compared/analysed. The interviews were semi structured. They were very informal, intended by the researcher to be accommodating to the recipients. The intention was to allow the recipients to be guided toward the researcher’s direction, by asking
3.2. Participants

The participants for the interviews needed to qualify in the following to be considered:

- Must have Māori ancestors or ‘blood’ and/or identifies preferred cultural identity as Māori
- Must be in business or have been in business
- Must be in Māori Organisation or a Māori Trust (preferably a trust that generates income) or have been in a Māori Organisation or a Māori Trust.
- Not an accountant

It is preferred that the participants have knowledge of accountants in relationship to their organisation/trust/business, i.e. treasurer, business owners, etc.

The participants were used for the purpose of answering the research question. Their interviews offered evidence/data that was analysed and compared. Five participants were interviewed for this research. The interviewees ranged in background. Three were business owners, one was a treasurer of a trust and Chairman for few other trusts and the last interviewee was the Māori liaison for a government department as well as a trustee.

The whakaaro gathered from the variety of these backgrounds were important in offering diversity for this research. The different backgrounds, which was not initially considered to be a factor, actually offered more value in terms of the interviews used for data. Having testimonials from the varying backgrounds offered more value to the five interviewees and the plausibility of this group representing the wider population.

3.3. Selection Process

The researcher used her own networks. This method is best described as convenience method. The interviewer posted a vague statement on a social media outlet to gather the interest of all who were intrigued by the statement. The message was: “Calling all Māori business owners/operators, trustees of a Māori trust or a part of the decision within Māori organisation. I am needing a korero with any of my fantastic peeps I’m lucky to know regarding some ‘ground breaking’ research I’m doing in the hopes of getting Māori views, within Māori business/trust/orgs better understood. Please pm me for further details but all contact would be hugely appreciated”. This vague plea was the beginning step of gathering interest from my targeted focus group. The invitation to privately message me was used to create or reinitiate the bond and trust that already exists between the researcher and the interviewee and also to make the intention of the researcher very clear.

The use of social media for the researcher’s first approach was a decision based on everything social media could provide. There is the convenience factor. Social media being so much a part of the researcher’s normal, everyday life made the use of social media very familiar and somewhat easy for the researcher. The popularity of social media was a contributing factor. The perceived popularity influenced the decision to be able to reach a wider network of people, offering a better chance at obtaining a more diverse group of interviewees. The diverse range of the interviewees was not an initial factor. Another major factor was the time restraints. It was pleasing, however, that the researcher did stumble over diverse backgrounds of the interviewees because this knowledge added a different value to the testimonials that was needed and welcomed.

The researcher also chose to use familiar networks, as opposed to open to public, because of the sensitivities attached to researching Māori. The researcher realised the somewhat controversial nature, when referring to ethnicity specifically, and needed to be accountable for this. Understanding the potential difficulties attached with the potential discomfort that the interviewees could potentially feel, the researcher chose to not open this to the public and instead use connections/contacts that already had a trust/relationship/trusted relationship with the researcher.

The semi structured interviews were intentional. The interviews were highlighted as a korero between two friends/acquaintances/whanau. The semi structured approach was of critical importance. This approach offered no barriers to the
interviewees. It allowed structure in the sense that the interview had direction, but the bigger importance was freedom to answer however the interviewee wished to.

The researcher’s intentions for this approach was to offer, as much as possible, a non-threatening environment for her participants. Understanding that it is not an easy task to describe ones beliefs/cultures/traditions, the intention for choosing already known networks and approaching with semi structured interviews offered this and added a much needed personal touch.

The initial approach was followed up with a phone call to further explain why their attention/participation was needed. This follow up method was to add personalisation and give a communication type that allowed the participant to feel they could ask any question they had. This was also the time when proposed interview times were discussed and agreed upon. (The variables of where these ‘interviews’ could be held and/or what time was not be restricted. Because the participants were already known contacts the researcher was happy to accommodate them any time, any place).

The researcher’s intention was to open up communications for the participants to feel welcomed and safe to ask any questions and have them answered over a phone conversation. It was also so the researcher could gauge a better idea of how the participant, language wise, would like to go ahead. Was the participant happy with continuing the casual approach or would they prefer to carry on throughout the process with professional tones. The researcher, confident in her ability to read between the lines of a conversation, relied on this ability to gauge the setting of the tone/s.

The researcher followed this up with an email containing the consent and information forms (see appendices), the suggested foundation questions/topics that would be discussed throughout the interview.

This email part of the process was important. This is the information sharing stage. The researcher hoped that the follow up phone call would have provided a thorough insight for this research but this follow up stage give details in writing. Email was also used to set reminders for the participant. This was beneficial as a built in reminder. An email can be received and read in any state of mind; the participant could be completely busy and not have time to fully read the email. The calendar reminders provided an avenue that did not need the reader’s full attention and which prompted them, in due course. Email also equipped the participant with a record of, hopefully, all their initial questions that been answered, in writing.

The researcher reminded the interviewees closer to the time of the interview. By obtaining the participant’s email, phone number and social media avenues this contact was very convenient.

3.4. The interview

The researcher encouraged face-to-face interviews but one could only happen by phone. The face to face interview was desired so the researcher could also take cues from the interviewee’s body language and expression. These contributing factors helped the researcher identify when the interviewee may have gotten offended by the question, didn’t really understand the question, or felt too invaded by the question/chatter.

Body language helped and offered an observation method that may have not been calculated. It also assisted the smooth ‘running’ of the interview process.

The researcher understood that face-to-face cannot always be obtained due to conflicting schedules. The researcher happily accommodated through a phone interview. The phone interviews offered different advantages that the researcher had not foreseen. It offered a different style of interview. It was actually a lot easier to stay within a decent timeframe. The researcher was pleasantly surprised by this unexpected difference.

The researcher will not allow an email version of the questions to be sent to the participant/participants to be filled in in their ‘spare time’. This method was not considered and/or offered.

3.5. Collecting/Recording the data

The interviews were voice recorded. They were then transcribed. The transcription was saved and stored in a confidential, password applied, computer file. These transcripts are the indicators for the results and recommendations. They can also be found in the appendices section of this research.

The researcher has evaluated the transcripts and found common themes, ideas, suggestions. These themes have been compared with the other testimonials to understand if it is a common theme. Once determined that it is a common theme it will then be compared to the literature review and the values of the firm of choice to be further analysed with what is already currently known. The researcher identified missing links or what has been referred to previously as the “gap” and these are what is reported as the findings.

3.6. Tools/Materials to be used

Tools and materials that were used to conduct this research were as follows:

- A laptop and a computer were used to record the findings and produce the report
- A voice recording device (the researcher used their phone as the recording device.)
- Access to social media (the researcher used a phone for convenient access)
4. Results

Themes were identified by the interviews between the interviewee and the researcher. Themes that were identified are either unanimous or by majority agreement, or themes that were not supported across the wider interviewees but were heavily incorporated from one interviewee. Such trends were as follows:

1) All interviewees have used or are using Māori accountants. This is due to preference and being able to trust familiarity, someone who shares similar values, beliefs and culture with/as you.

2) In each decision around who the interviewees choose as their accountant, trust was an important factor. Trust in either
a. the accountant their self and/or
b. A trusted network who recommended the accountant.

3) The initial process to hiring the Māori accountant was not an extensive process.

4) A theme established was how Māori trust. While being questioned around trust the interviewees discovered that their process was not seriously thought through. This realisation opened their minds to maybe wanting to explore different avenues that were not initially considered.

5) A collected theme expressed the importance of meeting face to face and being able to experience the accountant’s wairua (spirit/intentions/feel). This was highly desired by the interviewees. This is an absolute must!

6) Changing accountant’s kaupapa. One interviewee changed from Māori accountants to non-Māori accountants. Seeing them at Hui and everything Māori was a huge reason why she choose the new accountant. She also was impressed by the accountant representing the Marae at the AGM and the new accountant bringing a dish from his culture to the Hui. A big pot of his cultural kai to feed everyone.

7) Kai. Sharing kai is a very strong theme, if not the strongest theme. This solidifies a relationship, in the eyes of Māori and cleanses the insides.

8) A culturally appropriate and respectful meet and greet/welcome which is called ‘Powhiri’. “The powhiri is a welcome ceremony and ritual which the Māori perform in order to greet visitors to their land… It is described as the embodiment of Māori spiritual and cultural being” (Haymond, 2008). In this very common ritual performed within the Māori culture it is where Māori begin to form a relationship with the intended audience. It allows a barrier between dwellings to be broken and to offer allowance and reassurance that either party is welcome on the territory or at each other’s territory. Establishing this is a pinnacle start. This powhiri/ceremony to also be initiated by the Accounting/Auditing firm. Preferably not by the Māori representative of the firm.

9) The exchange of pepeha. This form of introduction, preferred by Māori and identified heavily by 2 interviewees is an added, necessary step attached to a Powhiri. The pepeha illustrates where the firm identifies with, as an individual, and where the client hails from. This is a personal step and is unique to the individual, not the wider group.

10) Confusion was expressed on where to find accountants, how to even go about initiating research on accountants. This theme provides opportunity to understand deeper the issues trying to connect from Māori business starter/trustee/treasurer.

11) Being relatable and being able to communicate effectively and in a manner that the intended audience can understand/identify with.

12) Being continually present. Being visible for a positive reason.

13) Trust is everything. “Māori didn’t use to have money so your word is everything”. This principal installed from the beginning of time for Māori.

14) Initiate communication to keep the relationship fresh, alive, current, genuine.

15) Rangatiratanga (chieftainship, right to exercise authority) – Backing Māori Business Leaders. A reflection of our commitment to build, support and stay connected with Māori leadership. Providing opportunity for holistic skill and expertise development demanded by Māori to achieve tino rangatiratanga (self-determination) (Firm A, 2017a)

16) Kaitiakitanga (guardianship) – Backing Māori Business. A reflection of our commitment to provide expertise that will help both build and protect sustainable and intergenerational value for Māori (Firm A, 2017a)

17) Hauora (wellbeing) – Backing Māori Wellbeing. A reflection of our commitment to support the enhancement of Māori holistic wellbeing (Firm A, 2017a).
Also included is, How we build, engage and deepen our relationship with Māori is underpinned by:

| Whakotahi We work together | Our connection to our purpose and our involvement of others in what we do |
| Whakauia We respect the individual | Empowering others to be the best they can be and taking the time to understand why difference exists |
| Pono We are open and honest in our communication | Active self-reflection, physical engagement with others within their environment, presenting the hard truths simply |
| Whānau, hapu me ngā iwi We are committed to our communities | Attendance at events of importance, sharing our skills, committing to the long term |
| Tīka Above all, we act with integrity | Being innovative and challenging the status quo, engaging in conversation while taking the time to listen, upholding mana of both self and others |
| Ārahina We lead by example | Walking the talk, acknowledging the past, adapting for the present and planning for the future. |

This firm has also introduced a new department. The focus for this department are small businesses. This department offers;
- Monthly capped fee
- Unlimited communication in the form of phone calls and emails
- Assigned senior accountant
- The firm’s branding
- Discourages face to face communication/meetings

This new department has the intention to be provided as the best option for the new target market, Māori businesses/trust/organisations.

5. Discussion/Analysis

This research analyses the alignment between the values and principals of an existing firm with the data collected from the interviewees. The alignment or lack thereof will allow proven steps needed from the firm. The researcher chose to use the values and principals of a firm so that this research could be applied to any firm in need of this information, making this research an application method to find results unique to the user.

FIRM A, which is the firm the researcher has chosen to use, has offered a new department to satisfy the customers of small business. Within these offerings they also intend to use it for Māori Businesses/organisations/trusts, if suitable within the ‘small’ scale. It is also likely because, like the interviewees and their businesses/organisations/trusts, they represented the SME sector, more often than not. This insight offers the first platform to be discussed.

The offerings highlight the discouragement of face to face but in place offer communication by way of emails and phones calls that are numberless. This option paired with a fixed monthly fee could be perceived as quite enticing. The findings that highlight specific face to face connection. To create avenues for a spiritual connection by way or reading each other’s wairua and gaining a feel for one another, which was collected from the Māori businesses/organisations/trusts representative, is the first disagreement to be analysed.

This mismatch between the firms offering and the MBOT representatives offers opportunity. The offerings do not align with the needs of the intended MBOT focus group. This mismatch already poses as a difficulty that arises, understanding from the literature review that Māori culture is about feeling connection on a spiritual and physical level. This knowledge, paired with the data collected compared to the offerings that already existed would suggest that there is an opportunity for the firm to perhaps rethink their offerings in this case.

Being visible and present is an encouraged attribute from MBOT of accountants. The results introduce a scenario when one of the interviewees changed accountants from the Māori/familiar/comfortable choice to the earned trusted accountants. An influential way in which this/these accountant/s earned trust was the regularity of being visible. Being present, representing the client well and then eating kai with the tangata were impressive actions. So impressive that the interviewee swapped accountants from the big firm that was Māori to this sole trader who was non Māori.

This decision process portrays how the one accountant lost their trust and how another accountant gained trust but also respect. The literature supporting the subtheme “why is trust
important to Māori?” encourages the theory that indigenous, in this case Māori, are rooted from a collectivist nature and attaches trust and respect together. The scenario discussed above absolutely aligns with this theory. Although the interviewee’s beginnings are not discussed, she does describe why she choose the new accountants. They showed community aroha, they showed concern for the client in territory unfamiliar to the accountant without hesitation or intimidation. They came offering kai from their culture. They were present at tangi and hui. They are very much a part of Te Ao Māori which proved trust but more than that, respect, which is deemed admirable. Admirable enough to switch from the Māori accountants to the non-Māori.

Kai, though introduced and briefly discussed in the previous statements, is a huge theme that is emphasised throughout all the interviewees. Kai is very much a part of the Māori culture for reasons unwritten about. It is usually partaken after the events have happened and acts as another consecration of what has just happened. A relationship bond, if you will. It also provides a spiritual cleansing so that only the positive can be taken from the formal/informal meetings/gatherings that just took place. Although tikanga does not specifically mention Kai this is, of course, one of the beliefs that follow the procedures and processes it describes. It also links to the cultural aspect of the ‘cleanse’ to release all bad wairua, if any. It also acts as a balance which means it does not matter what the kaupapa was and how it left individuals feeling; we leave business over there in the business pile because for now we are reacquainted with each other and enjoying the personal company of each other.

Protocols or processes, which could be under both umbrellas of Māori culture and Tikanga, seem to be a favoured trend/theme throughout the interviewees. Specifically Powhiri and Pepeha. Powhiri is a ceremony that is a welcome which unites visitors with tangata whenua. Pepeha is the getting to know each other in a structured way. This would also support the face to face result aforementioned and align with this.

The values that FIRM A have incorporated to express their commitment to potential Māori clients are values that are held valuable by Māori. Within the results from the interviewees holding these values to initiate or start to build a trusted relationship are not mentioned, thus far. This would suggest that there needs to be education around what to do before reaching this type of service for the client. First the firm needs to secure the client which is what the recommendations will offer.

6. Conclusion

FIRM A, a reputable international auditing firm, expressed interest in reaching Māori businesses/organisations/trusts. This interest was then taken further with the realignment of their values to be more relatable and in common with Māori values.

This research witnessed these changes the firm were putting in place, whilst interning there, and, to take them further, created the premise of this research. The question was then formed, how can an Accounting/Auditing firm build a trusted relationship with Māori businesses/organisations/trust?

This question invited the need for further research to find supporting themes that would help reach an answer to this question. The researcher was secondary. The themes were important in offering more insight into how Māori operate, in the words of former/academics, and actually provide a basis for the interviews that followed. The themes impacted this research immensely. They also intensified the aim a lot more than expected, giving much more meaning to the question at hand. The themes provided knowledge and/or a tease of knowledge but also provided an understanding that, to the researcher’s surprise, hasn’t commonly been known to be written in words so clear due to sensitivities of the culture. This depth added more purpose for this research in a more meaningful way and armed the researcher with more passion and drive.

With the themes collated and offered in the form of a literature review the method was then discovered. The methods was always going to be in the form of interviews. The group selected to be interviewed were those that identified with Māori business/organisations/trusts. Due to the nature of these focus group full ethics approval was needed and was approved.

The researcher approached potential interviewees through social media. This outlet was used due to the convenience. This ‘status’ post was then followed by more intimate ways of communication and from their interest 5 interviewees were chosen.

Dates were set and the data collection method began. This process had to accommodate both the interviewee and the interviewer. The entire methods process had to accommodate cultural sensitivities.

The data was collected and analysed and offered the results. These results were common themes between the interviewees and also strong points that individual interviewees heavily emphasised throughout their interviews.

These results bought the researcher to discussions. The results were to be compared to the values of the firm to see if they align with the preferred approach. This research needed to identify what is wanted by Māori and if the firm is offering that type of treatment. It found that there were some similarities by way of values but the
approach of how FIRM A were going to be able to show they stand for those values or uphold to the values they present is what was researched. The approach/initiation seems to be everything when dealing with this culture specifically.

It is highlighted that Māori and FIRM A have the same types of values. This, however, does not provide an automatic opening for FIRM A to be able to assume they will obtain the accountants spot. It is this barrier that was the driver for this research. The researchers want for Māori to be able to be represented by the best, but understanding that trust, in Māori culture, is a huge factor and the firm, while realigning their values to be more relatable with Māori, did not have a trustworthy name among the ranks of Māori.

Understanding, through this research, that ‘your word is everything’ emphasised the type of wairua that is dealt with when referring to culture. This research being able to showcase that is everything!

The recommendations that follow this research are also very exciting. To use this research as a starting point and continue going further in depth to understanding Māori is honourable to even be a part of this small step.

This research has uncovered so many avenues and is best represented by a portion of a well-known whakatauki, He Aha Te mea nui o Te Ao? He tangata He tangata He tangata (Rangatira & Ngaroto)

7. Recommendations

- This method could be applied to any ethnic group and does not need to be restricted to accounting
- The small business department of this firm need to rethink their offerings. In particular the no face to face contact to meet the needs of the intended focus group.
- Initiating a meet and greet before figures have even been discussed. This is also to be done by someone who holds standing within the firm and definitely does not need to be the ‘token’ Māori. Ways in which the initiation could be described would be using the words/terminology ‘Powhiri’ or whakawhanaungatanga by way of Pepeha exchanging.
- Take some kai (food). Taking food without being asked to shows consideration for the culture. It shows a sense of understanding tikanga so it is recommended that the firm take some form of kai to share and be partaken together.
- Recommended that Kai and why it is important for Māori be further researched.
- Recommend the firm learn knowledge of powhiri protocol and pepeha to be able to offer these to all potential Māori clients.
- Recommend that differently grouped interviewees be used. Perhaps regrouping in the form of Māori business owners, Māori trustees, Māori who work within organisations. Perhaps also accountants from within the firm who are not Māori and accountants within firms who are Māori.
- I would recommend that more interviewees be used for future developments.
- Tikanga be further defined in its own research.
- Recommend that researching how well the firm’s awareness of the changed values be looked into.

8. References


Stakeholder Disclosure in the Consumer and Finance Industries

Theresa Vuna
Waikato Institute of Technology

Adrian France
Waikato Institute of Technology

Abstract

Disclosures of information are important for disseminating information and the functioning of profit and non-profit organisations. The organisation is required to disclose information to stakeholders through different ways such as interim quarterly reports, and annual reports, with much additional information provided voluntarily. The annual report is found to be the most vital source of information about an organisation’s activities, financial and non-financial. By using annual reports, stakeholders are getting updated with the company’s quarterly and annually performances. To measure the level of information disclosed in annual reports, disclosure indices measure and assess the level of information. By using a disclosure index, researchers can determine which information companies find the most important and which are the least important. Past research indicates that disclosures vary across industries due to stakeholder influences in the respective industries. This study investigates the level of disclosure in annual reports of the consumer service Industry and the financial Industry. For this research, eight companies were sampled and analysed using 20 selected disclosure items relative to four stakeholder groups. Disclosure indices were used to measure and compare the level of disclosures for both industries. The results of this study showed that consumer services industry disclose more information to stakeholders than the financial industry. The stakeholder disclosed to most by both industries was the shareholder while community was the least disclosed to. The lack of disclosure to some stakeholders indicates a stakeholder management phenomenon. Disclosure could be improved by all industries and more disclosure to particular stakeholders.

Keywords: stakeholder disclosure; finance industry; transparency

JEL Classifications: M41

1. Introduction

1.1. Disclosure

In recent years, the nature of organisations has changed from the traditional financial reporting model to performance reporting of information to satisfy stakeholders’ needs of information for accountability and transparency. The demand for disclosure by non-profit and for-profit organisations has been constantly rising in the last few decades. Disclosure of information continues to become a major tool to prevent fraud and improve reporting quality (Zainon, Atan, & Wah, 2012).
A strong disclosure regime is well-known by many large and leading companies as a recent tool for attracting capital and sustaining confidence in the capital market (Baron, 2014). Companies disclose information in several ways such as annual reports, interim, and quarterly reports. Annual reports are perceived to be an important source of information about accountability, company financial performance, efficiency and effectiveness (Merry, & Zahirul, 2007). Maali and Al-Attar (2017) state that business reporting of information (both financial and non-financial) through annual reports is considered as the main form of corporate communication, particularly for multinational corporations.

Failing to disclose information may result in an image of unethical behaviour that can damage the company’s image and also weakening shareholder wealth and impacting the society and economy. Depending on how companies disclose their information in their corporate annual reports, companies may positively influence their financial performance by lowering costs and increasing productivity (Loureiro, 2012).

Disclosure indices are extensive lists of selected items that may be disclosed in corporate annual reports. Indices are considered as the best tool to measure the extent of disclosure (Hossain, n.d.). The information of items may be of great importance to a user group while it may have little importance to other user groups which have included items of information of interest to a particular group or stakeholder. Public disclosure and reporting of corporate sustainability in the consumer industry has been lacking (Montero, Stone, & Calderon, 2014).

This research is based on evaluating and investigating disclosures of annual reports using items in disclosure indices of previous studies. This paper identifies disclosure items from previous studies, and then classifies these items according to stakeholder importance, before comparing the results across the two industries; consumer services and financial.

The purpose of this report is to investigate and assess the disclosure of information of the consumer services industry by evaluating the annual report disclosure and comparing that with the results of the financial industry. The research will offer a wider understanding of how what stakeholders are addressed in annual reports than other disclosure studies. This research answers the following questions:

• What is the quality of disclosure in the consumer and financial industries?
• Which stakeholders are disclosed to in organisation annual reports?

1.2. Literature Review

The theories used to explain the motivations for voluntary disclosure are predominantly derived from broader political economy perspective (Laan, 2009). Two theories that are similarly derived include stakeholder theory and legitimacy theory. Stakeholder theory explains organisation disclosure as a result of stakeholder power and the organisation accountability to the stakeholders, while legitimacy theory explains organisation disclosure as a result of legitimation process.

1.3. Stakeholder Theory

Stakeholder theory was developed by Freeman in the mid-1980s by building on the work of many others. Freeman (2004) stated that a stakeholder is defined in a broad strategic sense as ‘any group or individual that can affect or is affected by the achievement of a corporation’s purpose’. This definition of stakeholder has been debated by many researchers in the ensuing years. By taking the viewpoint of senior management and Freeman’s view of stakeholder, if a group of individuals could affect the firm or be affected by it, then managers and owners should consider that group as it needed unambiguous strategy for dealing with the stakeholder.

In businesses today, value maximisation is one of the first priorities that managers are trying to achieve in their daily business operation. To achieve this goal, stakeholder theory is argued to be the main contender to maximise value that argues that managers should make decisions to consider the interests of all stakeholders in a firm, including not only financial providers, but also employees, customers, communities, and government officials (Jensen, 2001). In addition, Jamali (2008) stated that the stakeholder approach makes commercial sense, allowing firms to maximise shareholder wealth, while increasing the total value added as well. Hence, Stakeholder Theory offered a new way to organise thinking about the company’s responsibilities and responsibly manage stakeholders’ interests across organisations with a “duty of care towards traditional interest groups as well as silent stakeholders – such as local communities and the environment” (p. 1-2).

Much research has argued a normative instead of an instrumental approach to stakeholder theory (Wijnberg, 2000). Roberto and Minguel (2011) state that normative view relies on the observance of ethical norms by managers and the idea that the stakeholders should be treated as the ending purpose rather than other purposes.

In this normative approach, managers ought to pay attention to key stakeholder relationships. According to this view, relationships with stakeholders
are based on normative and moral commitments rather than on a desire to use stakeholders to maximise profits. Stakeholder outcomes are affected by company decisions so stakeholder concerns should be addressed (Zawaideh, 2006). The normative argument is that organisations should consider stakeholder concerns not because of what the organisations can get out of it for its own profit, but because by doing so, the organisation observes its moral duty to each stakeholder. The normative view assumes that the organisation’s relationships with its stakeholders are fundamentally valuable, hence must be treated as such in the operation and management of the organisation (Reynolds, Schultz, & Hekman, 2006). The normative view of stakeholder theory describes what should be, thus what should be disclosed to which stakeholders.

Stakeholder theory is also widely recognised as a management theory. In this managerial view, in order for the organisation to be successful, top managers of the firm have to satisfy the owners, the employees and their unions, suppliers and customers (Freeman, 1984). As some stakeholders are more powerful than others and able to control resources needed for the organisation to operate particular stakeholder groups need to be managed. Information is an important part of managing valuable stakeholders and management informs the stakeholders of activities through the annual report. If managers do not pay attention to the powerful stakeholders, with a demise of these relationships, managers could anticipate their own demise in the form of being replaced, or the demise of the organisation. The role of the managers own future is affected by the relationship of the stakeholder and organisation (Phillips, Berman, Elms, & Cramer, 2010).

1.4. Legitimacy Theory

While there are differences between stakeholder and legitimacy theory, they both rely on the relationship between the company and its operating environment. Legitimacy theory is the concept of organisational legitimacy, defined by Lindblom (1994) as a process occurring when an organisations values are consistent with the wider social system. When a display of alternative values to the social system is demonstrated by the organisation, there is a threat to organisation legitimacy. Consequently, an organisation will voluntarily disclose information to demonstrate consistent values with the community and an explanation of voluntary social and environmental disclosures beyond financial (Tilling, 2010).

Legitimacy theory operates at a conceptual level suggesting that businesses continually seek to ensure that they operate with constraints and norms of their respective societies (Laan, 2009). If a company’s survival depends on being legitimate, it will pursue strategies to ensure the continued supply of that resource. In this case, if companies have the initiatives to invest in knowledge and believe that it will help to legitimise companies’ operation, the evidence can be disclosed in the companies’ annual report. Moreover, the larger the organisation, the more salient their activities, hence the more social responsibility a company must disclose. Many studies have been revealed that organisations are now reporting more social and environmental issues in their annual reports with more corporate social responsibility (Hossain, Rowe, & Quaddus, 2013).

1.5. Disclosure Research

Donaldson & Preston (1995) found that the stakeholder theory aspects of accuracy, instrumental power, and normative validity are related to each other in a way that are mutually supportive and that the normative view is the most essential view as it includes the modern theory of property rights. Therefore, particular stakeholder may receive more or less disclosure depending on their power.

However, Mitchell, Agle, and Wood (1997) state that stakeholder theory has described the management environment. In addition, Guenther, Guenther, Schiemann and Weber (2016) stated that although stakeholder theory is widely accepted in environmental disclosure research, the role of stakeholders in firm’s disclosure is still uncommon. Furthermore, a study made by Wang (2017) was studied to examine the relationship between firm characteristics and the disclosure of sustainability reporting for 50 Index-listed companies. The results of this study were that organisation characteristics of, board of directors size, audit committee, and ratio growth are positively related to the disclosure of sustainability reporting, while the percentage of director holdings and stock price per share are negatively related to the disclosure of sustainability reporting. This study showed that stakeholder theory is a significant approach to research on disclosing sustainability management as well as the organisation as a whole. The impact of firm characteristics represents stakeholder’s interests, hence the impact of firm characteristics on the disclosure of sustainability reporting is crucial in firms’ operation and academic research.

The use of disclosure indices measure the extent of disclosure made by organisations. Disclosure indices are extensive lists of selected items that businesses may disclose in annual reports. Many approaches have been used in past studies to select the disclosure items including surveys and interviews to gain consensus of selected items. However, selection of the items to measure disclosed information is subjective as it depends on the subjectivity of the analyst (Trang & Phuong, 2015).

Lu and Abeeyskera (2013) investigated the influences of stakeholders’ power and corporate
characteristics on social and environmental disclosure practices of socially responsible Chinese listed firms by identifying the items of information in a social responsibility ranking list. The results of the study showed that social and environmental disclosures are dependent on the industry, among other variables. Kahl and Belkaoui (1981), Kahl (2008), Hossain (2008) have applied a disclosure index to the banking industry, while Hassan and Marston (2010) investigated various disclosure items to find financial analysts have greater need of information than investors.

The levels of voluntary disclosure in annual reports are found to be low (Trang & Phuong, 2015). Disclosure items are found within annual reports, though descriptive qualitative information on the impacts to businesses was lacking. In a meta-analysis study, Hassan and Marston (2010) found that annual reports omit much information and risks not meeting stakeholders’ needs.

2. Method

2.1. Data Source

The research in this study was carried out through content analysis of the latest company annual reports. Companies listed on New Zealand Stock Exchange (NZX50) were sampled and a word count of disclosure items undertaken. Word count is seen as the most reliable and accurate method (Lyon, 2007). On the New Zealand Stock Exchange, 17 companies are listed as consumer services and 9 companies as financial. Four companies from each of these industries were randomly selected.

The items for the disclosure index were assembled from a few studies and then the items were grouped according to four stakeholder groups; shareholders, employees, government, and community. The disclosure index was then applied to each company by counting the words in the annual report associated with each index item. A score was then provided for each item. The item scores were then aggregated to give an overall total score and mean for the company annual report, for all sampled companies in both consumer and financial industries.

To provide an overall score for each annual report, the steps are:

- Read the text given in the annual report of each sampled annual report
- Identify each statement in the disclosed content related to each stakeholder
- Assign the weighted score for both quantity and quality items
- Disregard information not related to the selected stakeholder items.

2.2. Disclosure Index

In a study of Hossain, Islam, & Andrew (2006), disclosure of information whether financial or non-financial is an important variable in any measurement of accounting quality, and presentation and timeliness of reporting.

This study seeks to compare consumer service industry and financial industry and also compare items of information disclosure relating to each stakeholder. Consequently an equal weighting for stakeholders was required, thus requiring an equal number of items in each stakeholder index. In this study, different items were selected from five studies (Zainon, Atan & Wah, 2012; Trang & Phuong, 2015; Jenkins & Yakovleva, 2004; Baron, 2014; Coy & Dixon, 2004) to measure the level of information for each stakeholder. There were 27 selected items and they were grouped into stakeholder groups. From these 27 items, 20 items were applicable to the four stakeholder groups.

From Zainon, Atan & wah (2012), the following items were selected:

- Improvement of skills and performance of staff every year
- Information for future expansion
- Internal audit committee
- Founder of the organisation
- Committee members’ background
- Sponsorship
- Meetings and conferences
- Charitable funds
- Nature of the organisation services
- Clients’ satisfaction
- Investment in technology and computer system
- Calendar of events
- Gender of the committee members
- Registered address of the organisation

From Trang & Phuong (2015) the following items were selected:

- Report to shareholders
- Number of employees in a company
- Resource efficiency
- Human right

From Jenkins & Yakovleva (2004) the following items were selected:

- Sustainability information
- Human resource development

From Baron (2014) the following items were selected:

- Resource efficiency
- Human right

From Coy & Dixon (2004) the following items were selected:
Disclosure indices can use a weighted score on each item so that each item is given various weights to indicate importance, or each item is given equal weightings depending on how important that item is perceived to be. Given the uncertainty of significance and comparison required between stakeholders, consistency was required so that each item had the same weight. In addition, many previous studies find little difference in results when applying weights compared to unweighted.

One method of scoring uses a wide scoring range and that can be applied to account for the quality and quantity of disclosure. This study uses the approach of Hossain et al. (2006) and Ling Wei, Davey, and Coy (2008) to apply a wide scoring scheme to distinguish between items of more disclosure and less disclosure.

This study scores items according to quality disclosures using a four point range from zero to ten. The following guide is followed (adapted from Hossain et al. 2006 and Ling Wei et al. (2008)):

- ‘zero’ for not disclosed items of information
- ‘one’ for less disclosed items of information
- ‘five’ for intermediate disclosed items of information
- ‘ten’ for disclosed items of information

These scores were given based on the word count related to each item in each companies’ annual reports. This was done as followed:

- 1 – 100 words score ‘1’
- 101 – 500 words score ‘5’
- 501 – over words score ‘10’

3. Results

The scores for each item in each stakeholder group are presented below. The item scores are followed with the average score for each company in both industries, and then graphs are displayed to represent the comparison of each stakeholder indices in both industries.

Table 1 below presents the results of the specific items for each stakeholder in both consumer and financial industries. Total aggregated score for each item in each sampled industry are presented, including the average score of each item across both industries. The comparison of the average company across both industries are also presented below. The consumer service industry has a total disclosure of 145 whereas the financial industry has a total disclosure of 131. The scores of the two industries were similar, with the highest individual items total score of 40, and the lowest total score of 0 indicating no disclosure. Items that scored high in both industries include internal audit & HR committee, report to shareholders, and committee

<table>
<thead>
<tr>
<th>Table 1. Disclosure items for consumer services industry and financial industry.</th>
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<tr>
<td>Consumer Services Industry</td>
</tr>
<tr>
<td>Total Score</td>
</tr>
<tr>
<td>Internal audit and HR committee</td>
</tr>
<tr>
<td>Information for future expansion</td>
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<tr>
<td>Number of employees in a company</td>
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<tr>
<td>Meetings and conferences</td>
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<tr>
<td>Report to shareholders</td>
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<tr>
<td>Human resource development</td>
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<tr>
<td>Staff training and development</td>
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<tr>
<td>Holidays and vacations</td>
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<tr>
<td>Health and safety information</td>
</tr>
<tr>
<td>Improvement of skills and performance of staffs each year</td>
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<tr>
<td>Resource efficiency</td>
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<tr>
<td>Charitable funds</td>
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<td>Social welfare</td>
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<td>Food safety</td>
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<td>Sponsorship</td>
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<td>Human rights</td>
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<tr>
<td>Establishment of educational institutions</td>
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<tr>
<td>Sustainability information</td>
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<tr>
<td>Committee members’ background</td>
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<tr>
<td>Founder of the organisation</td>
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<td>Total</td>
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member’s background. Items that scored low in both industries include human resource development, staff training and development, resource efficiency, food safety, founder of organisation, and establishment of educational institutions. Financial industry had more perfect zero scores than customer services industry.

Table 2 below shows the grand average of each stakeholder group for both consumer services and financial industry. The consumer services industry scored higher than the financial industry with a total score of 6.28 compared with 5.24 showing higher disclosure. The stakeholder group with the highest score is shareholders, for both consumer industry and financial industry. Government is clearly the next highest stakeholder group disclosed to with consumer and financial industries scoring government equally. Employees and community are the stakeholders disclosed to least with the lowest index score, but with each industry differing on the lowest scored stakeholder disclosure. The consumer service industry scored community as the lowest stakeholder disclosure, while financial industry scored employees as the lowest stakeholder disclosure.

<table>
<thead>
<tr>
<th>Stakeholder Group</th>
<th>Consumer Service Industry</th>
<th>Financial Industry</th>
<th>Overall</th>
</tr>
</thead>
<tbody>
<tr>
<td>Shareholder</td>
<td>2.12</td>
<td>3.08</td>
<td>5.2</td>
</tr>
<tr>
<td>Employees</td>
<td>1.68</td>
<td>0.08</td>
<td>1.76</td>
</tr>
<tr>
<td>Community</td>
<td>0.6</td>
<td>0.24</td>
<td>0.84</td>
</tr>
<tr>
<td>Government agencies</td>
<td>1.88</td>
<td>1.84</td>
<td>3.72</td>
</tr>
<tr>
<td>Overall</td>
<td>6.28</td>
<td>5.24</td>
<td>11.52</td>
</tr>
</tbody>
</table>

4. Discussions

From the results of the disclosures of annual reports, despite the differences in the nature and operations of both consumer service industry and financial industry, overall, the internal audit & HR committee, and the committee member’s background are commonly found in both industries as the most disclosed items of information. However, establishment of educational institutions and founder of organisation are found to be the least disclosed items in both industries. This indicates that most of the sampled companies are more concerned about their external stakeholders such as shareholders and communities rather than their internal stakeholders such as employees. Based on the total average of each items, consumer services attained marginally higher scores than the financial industry. This result indicates that consumer services are disclosing more on the sampled items than Financial.

The disclosures of sampled items in annual reports showed a significant relationship between each item and stakeholders. As explained above, shareholder group was found to be the group disclosed information to most. This indicates that there is a unique relationship between companies and shareholders. However, stakeholder theory suggests that managers should consider all stakeholders’ interests within the company, not only internal stakeholders but external stakeholders as well (Jensen, 2001).

From a managerial perspective, companies in the consumer service industry focus on employees, government, and shareholders than the Financial Industry. As an evidence, a study of Phillips, Berman, Elms and Cramer (2010) stated that managers should consider more on stakeholder’s well-being if they wish to maximise firm’s performances. Not only focussing on the financial performances, but stakeholders’ interests as well.

Donaldson and Preston (1995) stated that disclosures of information to stakeholders depends on how much power and authority that each stakeholder has towards the company. In this study, the findings show that community has the least power towards the sampled companies. Community information includes, sponsorship and donation to charities or sports.

5. Conclusion

One of the major purposes of disclosure in annual reports is to inform stakeholders about the organisations’ affairs and matters. In accordance to stakeholder theory, stakeholders are the essential groups to disclose information to. Based on how much power each stakeholder has, companies disclose information based on that power. With the increasing level of disclosures in corporate annual reports, disclosure indices can be used to measure the level of information disclosure.

The process of using word count as the method to measure the level of information in this study has provided a way measuring disclosure to particular stakeholders by industry. In comparing the level of importance between sampled stakeholders, shareholders were found to be the stakeholder group disclosed to and consequently the stakeholders with the most power. Shareholders have a significant control of an organisations resource of finance. Community was found to be the group disclosed to least and consequently the stakeholders posing the least power.
This research is subject to several limitations. Firstly, since the study is only focused on two industries; consumer service industry and financial industry, the two industries may not be enough to make an overall assessment and analysis of stakeholder disclosures in all corporate annual reports. Another limitation is that an indirect method of using disclosure to understand the power relationships of organisations with stakeholders rather than asking organisations directly. Future studies could increase the sample size and industries. Scores evaluated directly of the annual reports could be used as an alternative to the word counts in this study.

6. References


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Expanding the education role to narrow the audit expectation gap: exploring the expectation gap’s existence among accounting students

Melanie Weal
Waikato Institute of Technology

Ahmed Saleh
Waikato Institute of Technology

Abstract

Society perceives and expects more from auditor’s than what auditors can actually achieve. Society has been found to misperceive the role of an auditor, in particular, in regards to fraud, internal controls and going concern issues. Society’s differing perceptions and expectations of the auditing profession is known as the audit expectation gap.

This study aims to explore the audit expectation gap’s existence among Wintec accounting students and the effect that education has on the audit expectation gap. This research intends to answer two research questions. First, does an audit expectation gap exist among Wintec accounting students? Second, what is the effect of education on the audit expectation gap?

To answer these research questions, 20 Wintec accounting students have been interviewed. Ten students who have received an audit education, and ten students who have not received audit education. Qualitative data was collected from these interviews and analysed using a mixed methods approach.

This study found that an audit education exists among Wintec accounting students. This study also found that education reduced the audit expectation gap, in particular, the deficient performance gap and the communication gap. However, while education did reduce the audit expectations gap, it was not eliminated.

This study recommends that Wintec provides a more basic auditing education during introductory accounting papers, educating students on the role of an auditor. This study also recommends that education focuses on the practical use of an audit report, to increase student’s understandings of the information in the audit report, and how this information is communicated. Thus, the researcher believes that these recommendations will help to further reduce the audit expectation.

Keywords: education; expectation gap; accounting

JEL Classifications: M14; M41
1. Introduction

The role of an auditor is “to express an opinion as to whether the financial statements are prepared, in all material respects, in accordance with an applicable reporting framework” (Robertson, 2012, para. 7). Meaning that it is the auditor's job to provide an assurance that the companies financial statements are true and fair (Gay & Simnett, 2015). However, society often expects much more from auditors, and this gap between what society expects and what the auditing profession actually does is known as the audit expectation gap (Porter, 1990).

The audit expectation gap was first discovered in 1974 by the Cohens Commission (Humphrey, 1997; Porter, 1993). The Cohens Commission was established as a result of criticism towards the auditing profession, particularly in relation to the auditor’s failure to detect and declare financial failures and fraud (Enes, de Almeida, da Silva, Carvalho, & Simões, 2016; Humphrey, 1997). As a result of the investigation, the Cohens Commission uncovered that an audit expectation gap existed between “what the public expects or needs and what auditors can and should reasonably be expected to accomplish” (Humphrey, 1997, p. 9). In particular, the Cohens Commission found that the auditing profession’s lack of capacity to “react and evolve quickly enough to meet social expectations” (Enes, et al., 2016 p. 11) was a significant factor in the newly discovered audit expectation gap.

The first definition of the audit expectation gap was published in 1974, as “a factor of the levels of expected performance as envisioned by both the independent accountants and the user of financial statements. The difference between these levels of expected performance” (Liggio, 1974 as cited in Porter, 1990, p. 12). However, in 1990 the definition of the audit expectation gap was redefined as “the gap between society’s expectation of external auditors and auditors’ performance, as perceived by society” (Porter, 1990, p. 13). In 1990, Porter (1990) recognised that the audit expectation gap had three components, the unreasonableableness gap, the deficient performance gap and the deficient standards gap. However, in more recent years, Gay & Simnett (2015) has found that the audit expectation gap is actually made of five components, the unreasonableableness gap, the deficient performance gap, the deficient standards gap, the information gap and the communication gap.

The major corporate failures and financial scandals of the late 1990’s and early 2000’s brought the public’s attention to the auditing profession, and more particularly the role of an auditor (Dana, 2011; Salehi, 2016). Cases such as Enron and WorldCom were often viewed as audit failures, with society believing that auditors should have done more to prevent the corporate failures (Köse & Erdoğan, 2015; Salehi, 2016). While the demise of Author Anderson, one of the ‘top five’ accounting firms also highlighted the auditing professions role in financial scandals such as Enron (Marx & Dijkman, 2009; Wyatt, 2004). While the auditor's failure to detect fraud and going concern issues, caused society to lose faith in the auditing profession (Bashier, 2017). Hence, the negative attention and uncertainty towards the auditing profession has expanded the audit expectation gap, bringing the deficiencies of the auditing profession to the public’s attention (Bashier, 2017).

Regardless of many attempts to reduce the audit expectation gap over the past 40 years, the expectation gap remains a significant issue in the auditing profession (Köse & Erdoğan, 2015). This gap between what the public expects of auditors and what auditors actually do is normally a result of the public’s unreasonably high expectations of the profession (Humphrey, 1997). Thus, societies unreasonable expectations of the auditing profession are usually a result of ignorance, or a disconnect between society and the auditing profession (Malley, 2013; Okafor & Otalor, 2013). Therefore, the literature suggests that educating society on what an auditor does will reduce this ignorance, in turn, reducing the audit expectation gap (Malley, 2013; Okafor & Otalor, 2013).

1.1. Research Objective

Literature has found that a large proportion of the audit expectation gap is due to the ignorance of society (Humphrey, 1997; Lee, et al., 2009). Thus, as a student partaking in a business degree, majoring in accounting the researcher found that before she completed the compulsory auditing paper in her degree she contributed to the audit expectation gap, falling into some of the common misperceptions about what an auditor does, particularly in relation to fraud. After completing the auditing paper, the researcher was shocked with her own misperceptions of the auditing profession and societies misperceptions of the auditing profession which lead to the audit expectation gap. Hence, this sparked the researchers interested in the audit expectation gap, in particular, the effect of education on the audit expectation gap.

The aim of this research is to explore the audit expectation gap’s existence among accounting students and the effect that education has on the gap. To achieve this aim the researcher intends to answer the following two research questions:

1. Does an audit expectation gap exist among Waikato Institute of Technology accounting students?
2. What is the effect of education on the audit expectation gap?
2. Literature Review

The purpose of this literature review is to explore the audit expectation gap and the effect that education has on the audit expectation gap. Firstly, this literature review will explore the role of the auditing profession. Secondly, this literature review will explore the existence of the audit expectation gap. Under this section, this literature review will explore the five components that make up the audit expectation gap, namely: the deficient performance gap, the deficient standards gap, the unreasonableness gap, the information gap and the communication gap. Thirdly, this literature review will review and examine the effect of education on reducing the audit expectation gap.

2.1. The Auditing Profession

Hay, Knechel, & Willekens (2014) claims that the auditing profession provides an assurance service which “improves the quality of information” (p. 1) on the financial statements. Thus, Gay & Simnett (2015) and Köse & Erdoğan (2015) claims that the financial statements are more credible with an audit opinion on the fairness of the financial statements. Which is because the external auditor checks the financial statements to ensure that they are true and fair (Duska, 2005; Humphrey, 1997). Therefore, Lee (1993) explains that the auditing profession is a “major component of corporate governance and accountability in society” (p. 4) as society relies on auditors to verify the financial statements. Likewise, Ndukwe (2015) claims that “the role of an external audit is crucial in today’s corporate world” (p. 23).

However, the financial scandals and corporate failures of the late 1990’s and early 2000’s resulted in continuous criticism of the auditing profession (Cordoş & Füllöp, 2015; Köse & Erdoğan, 2015; Lee, 1993 and Porter, 1993). Thus, it appeared there was a lot of mystery and controversy around what the auditing profession actually does (Humphrey, 1997). Hence, Matthews (2006) identified the auditing profession to be a controversial aspect of an accountant’s work, where society demands the auditor’s assurance but doesn’t understand the profession. Therefore, societies misperceptions and high expectation resulted in an increase in litigation and criticism towards the auditing profession (Rehana, 2010). Meanwhile, Glover & Wood (2012) found that as the complexity of the financial statements has increased in recent decades, so has the role of the auditor. Thus, Hay, et al. (2014) found that the financial scandals and increased complexity of the auditing profession have created a gap between what society expects the auditors to do, and what the auditing profession can reasonably accomplish, which is known as the audit expectation gap.

2.2. The Audit Expectation Gap

Porter (1993) found that the criticism of the auditing profession indicates that a gap exists between what society believes auditors do, and what auditors actually do. Similarly, Hay, Knechel, & Willekens (2014) and Köse & Erdoğan (2015) claim that one of the major issues affecting the auditing profession is the fact that the public’s expectations of auditors often differs from the actual role of an auditor. This gap has been recognised as the ‘audit expectation gap’ which is a long-standing issue in the auditing and accounting professions (Lee, Ali, & Bien, 2009; Monroe & Woodliff, 1994). Thus, Porter (1990) defines the audit expectation gap as “the gap between society’s expectation of external auditors and auditors’ performance, as perceived by society” (p. 13). Porter’s definition of the audit expectation gap, has since been acknowledged and used by many academics (e.g. Dana 2011; Gramling, Schatzberg & Wallace, 1996; Köse & Erdoğan, 2015; Liljens, Buuren, & Vergooseen, 2015; Lee, et al., 2009; Monroe & Woodliff, 1993; Porter, Ó hÓgartaigh, & Baskerville, 2012).

Humphrey (1997), Laurentiu, Liliana, & Daniela (2009) and Salehi (2016) have found that the audit expectation gap has grown over the years. In particular, Brown & Jones (2011), Kravitz (2012), Laurentiu, et al. (2009), Porter (1993) and Porter, et al. (2012), have found the gap has grown as a result of multiple financial scandals. Which Azham, Teck Heang, Yusof, & Ojo (2007) and Humphrey (1997) claims has drawn attention to the auditing profession, placing them under public scrutiny. Thus, despite attempts to reduce that audit expectation gap, the audit expectation gap remains a significant issue in the auditing profession (Azham, et al., 2007; Laurentiu, et al., 2009). In fact, Laurentiu, et al. (2009) claims that the audit expectation gap has not only grown during this time but has also become more complicated.

Gay & Simnett (2015) finds that there are three major issues of the audit expectation gap, namely; corporate failures, detection of fraud and the levels of assurance. Thus, as there are many contributors to the audit expectation gap, the gap has been split into components, most commonly known as the unreasonableness gap, the deficient performance gap and the deficient standards gap (Porter, 1990). While Gay & Simnett (2015) agree that these three elements of the gap exist, but that a communication gap and an information gap are also components of the audit expectation gap. Therefore, this literature review intends to explore the deficient performance gap, the deficient standards gap, the unreasonableness gap, the information gap and the communication gap as the components of the audit
2.2.2. The Deficient Performance Gap

Boyle & Canning (2005) believes that a deficient performance gap exists because of “the current wave of criticism facing the profession” (p. 33) where society expects auditors to do more than their existing duties outline. Thus, Porter (1990) defines this deficient performance gap as the “gap between auditors’ existing duties and auditors’ performance, as perceived by society” (p. 14). Lee & Ali (2008) explains that the deficient performance gap measures the satisfaction of an auditor’s work. While Lee & Ali (2008) and Porter (1993) have found that the deficient performance gap is usually a result of societies impression of auditors sub-standard performance. Meanwhile, the study by Lee & Ali (2008) found that managers often have little knowledge in regards to the auditor’s duties, therefore they are less satisfied with an auditors performance. However, Boyle & Canning (2005) found that those that have received an audit education actually expect more from the auditing profession. Likewise, society feels that auditors should be required to do more than what the auditing standards currently require them to do (Salehi, 2016).

2.2.2. The Deficient Standards Gap

Porter (1993) finds that society often expects more from the auditing profession than the auditor is required to do per law, which is known as the deficient standards gap. The deficient standards gap is defined as the “gap between what can reasonably be expected of auditors and auditors’ existing duties, as defined by the law and professional promulgations” (Porter, 1990, p. 13). Therefore, Humphrey (1997) claims that the deficient standards gap is not completely a result of society’s ignorance. But instead, the gap existed because the auditing profession was underperforming in the eyes of the public (Humphrey, 1997).

Humphrey (1997) and Porter (1990) found that users of the financial statements did actually have reasonable expectations of the auditing profession, but it was the auditing profession that had failed to evolve with the changing business environment. Likewise, Salehi (2016) believes that the deficient standards gap is the result of the auditing professions failure to evolve and keep up with the changing business environment and update the standards as appropriate. In particular, Salehi (2016) found that a gap existed because of the profession’s lack of standards around critical areas, such as the detection of fraud and illegal acts. Hence, Dana (2011) believes that the best way to reduce the deficient standards gap is to increase the auditing standards to include the reasonable expectations that society has of the auditing profession. Therefore, Salehi (2016) claims that if the duties of an auditor were expanded to include all of the reasonable expectations of the auditor, then the deficient standards gap would be eliminated and only the unreasonable expectations of auditor will remain.

2.2.3. The Unreasonableness Gap

Porter (1993) found that society expects more from the auditing profession that the auditing profession can possibly achieve. Therefore, these unreasonable expectations contribute to the unreasonableness gap (Porter, 1993). The unreasonableness gap is defined as the “gap between what society expects auditors to achieve and what they can reasonably be expected to accomplish” (Porter, 1990, p. 13). Porter (1993), finds that the unreasonable expectations gap is often a result of a knowledge gap, where society does not actually have an appropriate knowledge of what the auditing profession does. However, Okafor & Otalor (2013) believes that the unreasonable expectations gap is the result of ignorance and the publics lack of knowledge regarding the auditing profession.

Köse & Erdoğan (2015) and Lee, et al. (2009) acknowledge that because of the complicated nature of the auditing profession it is likely that those without an education or even those with little education are not likely to understand the role of the auditor. Hence, Enofe, Mgbame, Aronmwam, & Ogbeide (2013) recommends educating users on what auditors can reasonably achieve to reduce the unreasonable gap. Whereas, the earlier study of Porter (1993) found that the unreasonable gap existed as society misperceived that auditors do not carry duties out that are considered not to be cost-beneficial. However, Enofe, et al. (2013) and Köse & Erdoğan (2015) found that society just had unreasonable expectations of the auditing profession, particularly in relation to fraud. Thus, in the meantime, Hassink, Bollen, Meuwissen, & de Vries (2009) suggests that the audit report can be used to help inform society what can be reasonably expected of the auditing profession.

2.2.4. The Information Gap

Enes, et al. (2016) claimed that a lot of the misunderstanding of the auditing profession comes from the audit report lacking information. Likewise, Mock, et al. (2013) believe the general consensus of the problem is that the financial statement users simply want more information. Thus, Gay & Simnett (2015) define this information gap as “information about the entity and about the audit itself that is relevant to decision making but not currently being provided through the audited financial report or other corporate disclosure mechanisms or through the
auditor's report” (p. 24). Thus Bedard, Sutton, Arnold, & Phillips (2012) finds that the financial statements users do not believe that the current audit report provides them with enough information to make informed decisions.

Therefore, some of the public's misunderstandings towards the auditing profession could be minimised by simply providing users with more information, either in the audit report or the audit itself (Enes, et al., 2016; Gay & Simnett, 2015). However, Litjens, et al. (2015) have found that adding more information to the audit report has actually had a very limited impact on reducing the audit expectation gap. However, Bedard, et al. (2012) have found that investors often believe that more information has been audited than the audit actually includes. Thus, leading to a demand for more information to actually be audited (Bedard, et al., 2012; Gay & Simnett, 2015). Therefore, Füredi-Fülöp (2015) believes that it is important to educate students of the content in the audit report to reduce their lack of knowledge and unreasonable expectations, particularly in relation to the depth of the audit report. While, Bedard, et al. (2012) also believes that the users will get more out of the information if it is communicated to them in a way they can actually understand.

2.2.5. The Communication Gap

“The auditor’s report is a major vehicle of communication between the auditor and those who read his work” (Libby, 1979, p. 99). However, Bamber & Stratton (1997) claim that the “effectiveness of the audit report in communicating with financial statement users has been the subject to on-going debate” (p. 1). Thus, the auditing profession has been criticised for not sufficiently communicating with users of the financial statements (Cordoş & Fülöp, 2015). While Cordoş & Fülöp (2015) and Gay & Simnett (2015) found that the information that was provided in the audit report was hard for the users of the audit report to understand. Therefore, Gay & Simnett (2015) define this gap to be the communication gap, which is “the difference between what users desire and understand and what, and how, it is communicated by the assurance providers” (p. 24).

Thompson & Jones (1990) found that one of the most confusing issues in the auditing profession was the audit opinions that were communicated in the audit report, and what these opinions meant. Meanwhile, Bamber & Stratton (1997) found that most financial statement users who read the audit report did not actually understand the opinions given in the audit report. However, Gold, Gronewold & Pott (2012) found that providing explanations in the audit report did not actually impact the audit expectation gap. Thus, Asare & Wright (2012) and Schelluch & Gay (2006) believe that the most significant changes that need to be made to reduce this communication gap are in regards to the language in which the information is communicated. Although Schelluch & Gay (2006) claims that another method for improving the communication of the information in the audit report, is by educating the users of the financial report on the way this information is communicated.

2.3. The Effect of Education on the Audit Expectation Gap

Salehi (2011) believes that the audit expectation gap can be reduced by the auditing profession improving the auditor's responsibilities, educating users of the financial statements and creating new auditing standards. Likewise, Köse & Erdoğan (2015) believe there are three main ways to reduce the audit expectation gap, namely; extending audit reports, extending the responsibility of auditors and education. Thus, while literature suggests there are multiple methods to reduce the audit expectation gap, Azham, et al. (2008), Brown & Jones (2011), and Dana (2011), Gramling, et al. (1996), Köse & Erdoğan (2015), Monroe & Woodliff (1993) and Pierce & Kilcommins (1996) have focused on education to minimise the gap.

Gramling, et al. (1996), Köse & Erdoğan (2015) and Monroe & Woodliff (1993) research confirms that the audit expectation gap can be narrowed through education. In particular, Monroe & Woodliff (1993) found that the undergraduate student's perception in regards to the role of an auditor changed significantly after they received an audit education. While Pierce & Kilcommins (1996) study also found education to be one of the best ways to reduce the audit expectation gap by improving the student's knowledge and understanding or the role and responsibilities of the auditor. Likewise, Boyle & Canning (2005) believe that receiving an audit education reduces the users misunderstanding of the auditing profession. However, Siddiqui, Nasreen, & Choudhury-Lema (2009) found that while an audit education did provide students with a more reasonable expectation of what the auditing profession does, some students actually developed a misperception of the auditing professions responsibilities. Thus, claiming that as education increased the students faced a higher level of scepticism in regards to the auditor's role and responsibilities, particularly in detecting fraud (Siddiqui, et al., 2009). Likewise, Boyle & Canning (2005) claims that as the level of education increases so does the level of scepticism regarding the duties that auditors perform. Thus, Boyle & Canning (2005) concluded that providing society with an audit education was reducing the common misperceptions surrounding the public, but also giving users the knowledge to criticise the auditing profession. However, while Boyle & Canning (2005), Köse & Erdoğan (2015), Monroe &
Woodliff (1993) and Siddiqui, et al. (2009) have found that an audit expectation gap may remain after an audit education, or an audit education may increase the students scepticism, overall they have found that education reduces the audit expectation gap.

While an audit education does reduce the audit expectation gap, Ojo (2006) finds that education is more effective in reducing the unreasonableness gap as suppose to the deficient standards gap and the deficient performance gap. Hence, Ojo (2006) believes that more education needs to be put in place to reduce the deficient performance and deficient standards gap. However, Rehana (2010) found while education had a positive impact on reducing the unreasonableness gaps, to reduce or eliminate the deficient performance gap, the auditing profession needs to expand their duties where reasonable. Furthermore, Schelluch & Gay (2006) believes that the information gap and communication gap can be reduced by educating society regarding the information in the audit report and the way this information is communicated. While, Humphrey, Moizer, & Turley (1992) claims that proving the public with an audit education is a defensive approach, which is less effective than taking a constructive approach and begin to change the role of an auditor to meet the public’s expectations. However, Pierce & Kilcommins (1996) argues that while an audit education may improve stakeholders understanding of the role of the auditor, it does not mean that those stakeholders will accept the role of the auditor, therefore the gap may remain.

3. Method

Previous studies on the audit expectation gap have used anonymous surveys to collect data (eg. Porter, 1993; Boyle & Canning, 2005; Gramling, et al., 1996; Monroe & Woodliff, 1993; Siddiqui, et al., 2009; Köse & Erdoğan, 2015; Porter, et al., 2012). However, the researcher has chosen not to conduct a survey, instead, carrying out interviews to obtain more in-depth data of the participants understanding and perceptions in regards to the audit expectation gap (Sekaran & Bougie, 2016). This qualitative data has been collected using semi-structured interviews, which asked open-ended questions to obtain the participants understanding and perceptions in regards to each interview question (Elliott & Timulak, 2005). The main interview questions were developed using Porter (1993) and Porter, et al. (2012) survey questions, and then the researcher developed sub-questions throughout the interviews (Eriksson & Kovalainen, 2016).

The researcher has interviewed 20 Wintec accounting students to explore if an audit expectation gap exists among Wintec accounting students. These 20 Wintec were studying the Bachelor of Applied Management degree, majoring in accounting and have at least completed the first year of their degree. The 20 students were then split into two groups to answer the second research question by comparing ten students who had received an audit education and ten students who have not received an audit education. These 20 Wintec accounting student provided a sample size of 13% of the population of Wintec accounting students. These students were selected using two nonprobability sampling methods, being convenience sampling and snowball sampling (StatPac, 2017).

The qualitative information obtained from the interviews was then analysed using a mixed methods approach. This research has used the sequential explanatory strategy mixed methods approach to analyse the information in a quantitative way, and then in a qualitative way, which explains the results of the quantitative analysis (Statistics Solutions, n.d.). The sequential explanatory method uses qualitative data to explore the topic, while the quantitative method analyses and organises the information in a useful and simpler way to help understand the more in-depth qualitative information (Statistics Solutions, n.d.). Therefore, the mixed methods approach allowed the researcher to answer the questions in a numerical form, while then analysing the information in an explorative way, to find out if a gap existed in Wintec accounting students and how education affects this gap.

To obtain quantitative data, as part of the mixed methods approach, the researcher researched what was considered to be the correct question. The researcher used the auditing paper’s textbook when researching the answers to in interview questions, ensuring the answers were in line with what the students were taught. The researcher then analysed the answers from the questions determining if they were correct or incorrect to provide the quantitative information. The researcher then analysed the themes and patterns in the qualitative information alongside the quantitative information to provide a more in-depth explanatory answer to both of the research questions.

3.1. Limitations

The research was also limited to Wintec students who were currently studying the Bachelor of Applied Management degree, majoring in accounting and have at least completed their first year of studies. Therefore, while this does narrow the variety of students interviewed, this will mean that the students are all at a similar stage of their degree other than having completed the auditing paper. Thus, the level of education the students have received should not influence the result of the study. Likewise, the time restraints limited the
number of interviews that the researcher could conduct to 20 interviews. However, the 20 interviews provided an excellent sample size of 13%, as there are on average 150 students enrolled in the Bachelor of Applied Management majoring in accounting each year over the past three years.

4. Results

4.1. The Existence of the Audit Expectation Gap

After interviewing 20 Wintec accounting students, the researcher analysed the student’s responses to the questions regarding the audit expectation gap. The researcher considered an audit expectation gap existed if the participants were not able to correctly answer all of the nine questions regarding the audit expectation gap. Thus, proving that the students who answered a question or questions incorrectly had different expectations of the auditing profession than what the auditing profession actually does, resulting in an audit expectation gap.

This study found that the audit expectation gap existed in 95% of the students. This gap existed because the students answered one or more questions incorrectly, demonstrating they misperceived the role of the auditor in regards to that question, or questions they answered incorrectly. Therefore, this study found that only 5% of the students interviewed were able to answer all nine of the questions correctly, meaning they did not contribute to the audit expectation gap.

While this study found that an audit expectation gap existed among 95% of Wintec accounting students, it appeared that all of the students that contributed to the gap did have some audit knowledge. In fact, 13 of the 20 students answered over half of the questions correctly, in which answering half the questions correctly was considered a basic audit knowledge. However, all the students were able to answer at least two of the questions correctly, meaning that while an audit expectation gap did exist, every student did have some knowledge of the auditing profession.

4.1.1. The Components of the Audit Expectation Gap among Wintec Accounting Students

Throughout the interview questions, the researcher explored the existence of the five components of the audit expectation gap among Wintec accounting students. Thus, the audit expectation gap was broken down into the five components of the audit expectation gap, which Gay & Simnett (2015) found to be the deficient performance gap, the deficient standards gap, the unreasonableness gap, the information gap and the communication gap. When the audit expectation gap was broken up into these five components of the gap, it became clear that some components of the gap are more prominent than others.
The breakdown of the audit expectation gap showed that the communication gap was the most prominent gap among the Wintec accounting students at 85%. This was closely followed by the information gap at 75%. It appeared the communication gap and information gap existed as a lot of students had not read an audit report. Therefore they were not aware of the information communicated to them through the audit report. The deficient standards gap was the third largest gap at 65% demonstrating that students often expected that auditors deliberately look for fraud. The unreasonableness gap was the fourth largest gap at 53% showing that students had unreasonable expectations of the auditing profession. While the deficient standards gap was the smallest component of the gap at 22%, demonstrating that the student's reasonable expectations of an auditor was the least significant factor of the audit expectation gap.

4.2. The Effect of Education on the Audit Expectation Gap

This study has found that education has had a positive effect on the audit expectation gap. This positive effect was shown as the audit expectation gap as a whole reduced from 100% of the students who contributed to audit expectation gap before they had received an audit education, to 90% of the students who contributed to the audit expectation gap after they had received an audit education. Thus, after receiving an audit education, the audit expectation gap as a whole reduced by 10%.

While education only minimised the entire audit expectation gap by 10%, the percentage of students answering each question correctly during the interviews dramatically increased. Increasing the percentage of students that could answer at least half the questions correctly from 40% before receiving an audit education, to 90% after receiving an audit education.

Thus, increasing the number of students that were able to answer over half of the questions correctly, which was considered a basic audit knowledge by 50% after the students had received...
an audit education. Therefore, while education only slightly reduced the audit expectation gap as a whole, the audit knowledge that the students had after completing the auditing paper had significantly increased. Thus, while an audit education did not appear to eliminate the gap as a whole, it had a very positive impact on increasing the student’s basic auditing knowledge.

4.2.1. The Effect of Education on the Components of the Audit Expectation Gap

Throughout the interview questions, the researcher explored the effect that education had on the breakdown of the audit expectation gap. While the audit expectation gap as a whole was only reduced by 10% after students have received an audit education, all five components of the audit expectation gap have been reduced as a result of receiving an audit education. Thus, meaning the deficient performance gap, the deficient standards gap, the unreasonableness gap, the information gap and the communication gap have been reduced as a result of the students receiving an audit education.

![Figure 6: The effect of education on the components of the audit expectation gap](image)

The largest reduction after the students had received an audit education was with the deficient performance gap, which was reduced by 60%, from 90% before the students had received an audit education, to 30% after the students had received an audit education. The second most dramatic decrease due to an audit education was the communication gap which was reduced by 30%, from 100% before the students had received an audit education, to 70% after the students had received an audit education. However, while this was a significant reduction due to education, after an audit education the communication gap remained one of the largest components of the audit expectation gap at 70%. The unreasonableness gap had the third most significant reduction of 20% after the students had received an audit education, reducing from 53% before students had received an audit education to 33% after receiving an audit education. While the information gap, reduced 10% after an audit education, from 80% before the students had received an audit education to 70% after the students had received an education. However, like the communication gap, the information gap remained very high at 70% after students had received an audit education. Whereas, education had a very little effect on the

4.2.1.1. The Deficient Performance Gap

The deficient performance gap was the component of the audit expectation gap that was the most affected by an audit education. In fact, the deficient performance gap was reduced by 60% after the students had received an audit education. The deficient performance gap was made up of one question regarding the auditor’s role in regards to fraud.

![Figure 7: The effect of education on the question that makes up the deficient performance gap](image)

The massive decrease in the gap due to education is because the students who have received an audit education began to understand that it is not the main responsibility of the auditor to deliberately look for fraud. Before receiving an audit education, 90% of the students believed that auditors deliberately look for fraud. In fact, most of these students explained they thought that the auditor’s main job or purpose was to detect and report on fraud. However, this misperception changed dramatically after students had received an audit education, with only 30% of students believing that auditors deliberately look for fraud. Thus, after an audit education not only did the students begin to
understand that auditors don’t deliberately look for fraud, but they acknowledged that before receiving an audit education they had been a part of the common misperception that auditors deliberately look for fraud. In fact, some students who had completed the auditing paper acknowledged that the fact auditors don’t deliberately look for fraud was one of the most significant changes in their perception of the role of an auditor after they had received an audit education. Hence, education had almost completely reduced societies misprescription on what auditors actually do by law, as supposed to what society perceived them to do, which significantly reduced the deficient performance gap. In fact, when the students who had received an audit education were asked this question they often associated their answer with the audit expectation gap. Therefore, they acknowledge that the auditor’s role regarding fraud is one of the most common contributors to the audit expectation gap.

4.2.1.2. The Deficient Standards Gap

Education has had the least significant impact on the deficient standards gap, which has only reduced 3% after the students received an audit education, decreasing from 23% to 20%. The deficient standards gap is made up of three interview questions regarding the auditor’s responsibility for reporting on the companies going concern status, internal controls and examining every transaction during the audit. These four questions contributed to the deficient standards gap as they were not duties of the auditor by law but could be reasonably achieved by the auditor.

The second question that contributed to the deficient standards gap asked the students if they believe that it is the auditor’s responsibility to examine the company’s internal controls. Surprisingly, education had a negative effect on this question, actually increasing the percentage of the students who answered the question incorrectly, from 30% of students who have not received an audit education, to 40% of students who have received an audit education. Therefore, after receiving an audit education, the students who misperceived that it is one of the main responsibilities of an auditor to examine internal controls increased by 10%. It appeared that this increase in incorrect answers was because the students had covered a couple of chapter on internal controls during the auditing paper and had seen the positive effect that good internal controls can have on a business, therefore expected that examining internal controls was one of the main responsibilities of an auditor. However, a lot of the students who hadn’t received an audit education that answered the question correctly believe that looking at internal controls is more of a by-product of the audit, not the main responsibility or that examining internal controls was more of an internal role. Thus, as education increased the incorrect answers for this questions, it suggests that the auditing profession may need to consider expanding their duties to include examining internal controls as one of their main responsibilities to meet society’s demands.

The third question that contributed to the deficient standards gap asked the students if they believe that auditors verify every transaction during the audit. This question also was negatively affected by an audit education, with 10% of the students who
had received an audit education believing that auditors should verify every single transaction in the company that they are auditing. In particular with one student claiming that auditors should verify every transaction during the audit, and while this might take more time, auditors are already expensive so they didn’t believe that looking at every transaction would make much difference. While all of the students who had not received an audit education believed that auditors could not verify every single transaction, claiming it would be too time-consuming and too expensive. Thus, the fact that education has had a negative impact on this question may mean that the auditing profession needs to expand their duties in regards to the transactions they verify during the audit to reduce the deficient standards gap. However, as the number or incorrect answers is minimal, this isn’t a large concern.

Overall, education had a very small effect on the deficient standards gap, only improving the students understanding of the auditor’s responsibilities in terms of going concern issues. However, education has actually lead to misunderstanding and higher expectations of the auditing profession in regards to internal controls and verifying every transaction during the audit. Thus, while education had very little impact on the deficient standards gap as a whole, the deficient standards gap was significantly the lowest component of the audit expectation gap, suggesting that reasonably expanding the duties of an auditor was not an immediate concern of the students.

4.2.1.3. The Unreasonableness Gap

The unreasonableness gap was positively impacted by education, decreasing 20% after students had received an audit education. The unreasonableness gap decreased from 53% of students who haven’t received an audit education, to 33% after students have received an audit education. The unreasonableness gap component was made up of three questions regarding the auditor’s responsibility for detecting fraud, the level of grantee provided and reporting illegal acts in the audit report.

The first question that makes up the unreasonableness gap asked the students what they believe the auditor’s role is in regards to fraud. This question’s incorrect answered decreased dramatically as a result of education, decreasing from 90% before students had received an audit education, to 30% after receiving an audit education. Therefore, before the students had received an audit education, 90% of the students believed it was one of the main responsibilities of the auditor to detect fraud. However, after students had received an audit education, they began to understand that auditors do not detect fraud, they just check the financial statements to see if they are true and fair. Thus, education had a very positive impact on reducing the number of students that expected auditors to detect fraud, with some students even commenting that before they had received an audit education, they perceived that auditors detect fraud.

However, education did not appear to affect the second question that made up the unreasonableness gap regarding the level of assurance that auditors provide on the financial statements. In fact, 10% of both groups answered the question incorrectly. However, while 10% of both groups answered the question incorrectly, the incorrect answers from the students who had received an education believed that auditors could
provide a 100% or complete assurance which was far too high. While the students who had received an audit education and answered incorrectly believed that an auditor provides an assurance much lower than the assurance that an auditor actually provides. Therefore, while education did not reduce or affect the student’s incorrect answers, the students who had received an audit education did provide a more reasonable answer than the students who had not received an audit education.

Likewise, education did not appear to have an effect on the third question that made up the unreasonableness gap regarding auditors reporting illegal acts in the audit report. With 60% of both students who had received an audit education and students who had not received an audit education answering the question incorrectly, believing that the auditor reports illegal acts in the audit report. The students who had not received an audit education and answered the question correctly often claimed that they just felt it wasn’t right to disclose that information to the public in the audit report. While the students who had received an audit education and answered the questions correctly acknowledge that this was a tricky topic and the auditors need to talk to the management or board of directors to solve the issues. Thus, while education did not reduce the student’s incorrect answers, the correct answers appeared more educated and proactive after an audit education.

Overall, the unreasonable expectations the students had on the auditor’s responsibilities in detecting fraud was reduced with an audit education. The question about the auditor’s reasonability to detect fraud decreased significantly as the students began to understand that auditors don’t detect fraud as one of their main responsibilities. However, the other two questions regarding the level of assurance that the auditor provides and the auditor’s role in reporting on illegal acts in the audit report did not appear to be affected by education in terms of correct or incorrect answers. However, the students who had received an audit education could often justify or explain their answer more correctly. Overall this lead to the 20% decreased in the unreasonableness gap, as education appeared to have educated the students as to what is reasonable for an auditor to achieve, particularly in relation to fraud.

4.2.1.4. The Information Gap

The information gap was made up of one interview question that asked the student what information they expected to find in the audit report. After an audit education, the information gap was reduced by 10%. However, the information gap still remained very high at 70% after students had received an audit education.

It appeared that a lot of both groups of students had not read an audit report, leading to high incorrect answers for both groups as they did not know what information to expect in the audit report. It also became a common reoccurrence through the follow up questions that a lot of the students who had received an audit education and a lot of the students who had not received an audit education were not aware of how long the audit report was, with a couple of students guessing up to 100 pages, when in fact the audit report is normally only a page or two. Likewise, a lot of the students from both groups were also not aware of whether the audit included the entire annual report or just the financial statements. Thus, it appeared that there was very little difference in the knowledge regarding the audit report regardless of whether the students had received an audit education or not.

However, the students who received an audit education often answered the main question regarding the information that the audit report provides more accurately, even if this did not dramatically decreased the information gap. This was seen as many of the students who had not received an audit education generally just responded that they did not know what information was included in the audit report, or just guessed what information was included. Whereas, the students who had received an audit education seemed to provide more educated and confident answers, even if they were incorrect. In fact, these students who had received an audit education were able to acknowledge that an audit opinion was included in the audit report, something that none of the students who had not received an audit education was able to do. However, while an audit education did reduce the information gap by 10%, the gap still remained too high at 70% after the students had received an audit education. Thus,
Regardless of an audit education students expected auditors to provide more information than they actually do.

4.2.1.5. The Communication Gap

The communication gap was made up of one question which asked the students if they believe that the audit opinion in the audit report, being unmodified, qualified, adverse or disclaimer opinion, can be relied upon solely for all decision-making purposes. The communication gap faced a significant reduction of 30% after the students had received an audit education. However, the communication gap did still remain very high at 70% after the students had received an audit education. This meant that 30% of the students who had received an audit education were able to identify the four opinions and explain at least two of them.

![Figure 11: The effect of education on the question that makes up the communication gap](image)

This study found that 100% of the students who had not received an audit education were not aware of the audit opinions. In fact, most of the students who had not received an audit education were not even aware that auditors issued opinions as a way of communicating their findings. Although, after receiving an audit education most of the students began to understand that auditors issued audit opinions, but they were not sure what these audit opinions meant, or even what opinions were good or bad. Thus, the number of students that began to understand the audit opinion after an audit education and answered the question correctly, meaning that they could explain least two of the audit opinion improved by 30%. Thus, 70% of the students who had received an audit education still answered the question incorrectly, not being able to identify at least two of the four audit opinions. Therefore, while the communication gap was the second most significantly reduced component of the audit expectation gap after the students had received an audit education, the gap still remained far too high after an audit education at 70%. Thus, meaning that 70% of the students would not be able to read an audit report and understand what is being communicated to them via the audit opinions.

5. Discussion

This study found that an audit expectation gap did exist among Wintec accounting students. While this is the first study to explore the audit expectation gaps existence in Wintec accounting students, studies by Boyle & Canning (2005), Brown & Jones (2011), Dana (2011) and Monroe & Woodliff (1993) have used university students in their studies to explore ways to reduce the audit expectation gap, acknowledging that an audit expectation gap exists among university students. Therefore, this study agrees with Boyle & Canning (2005) and Munroe & Woodliff (1993) who also focused on business students majoring in accounting who are completing an undergraduate degree, that an audit expectation gap exists among undergraduate students. While, Porter (1993) and Porter, et al. (2012) have found that an audit expectation gap exists in New Zealand financial statement users. Thus, agreeing with the findings from this study, that an audit expectation gap exists among Wintec’s accounting students as they are the potential users of the financial statements in New Zealand.

This study also demonstrated that education does have a positive effect on the audit expectation gap, reducing the audit expectation gap as a whole and all the components of the audit expectation gap. Thus, education’s positive effect on the audit expectation gap, which reduced the audit expectation gap among students agrees with Gramling, et al. (1996), Köse & Erdoğan (2015) and Monroe & Woodliff (1993) studies, that found education to reduce the audit expectation gap. In particular, the study on the effect that education had on the audit expectation gap in Wintec accounting students agreed with Gramling, et al. (1996) and Monroe & Woodliff (1993) whose studies found that education at an undergraduate level was effective in reducing the audit expectation gap.
Education has the most significant effect on the deficient performance gap throughout this study. However, this differs from Boyle & Canning (2005) study on the deficient performance gap, which found that the deficient performance gap increased with an audit education. This was because as the students level of education increased students began to question the role of the auditor (Boyle & Canning, 2005). However, this study found that education at the undergraduate level actually reduced the deficient performance gap, as the student's original incorrect perceptions changed after an audit education to match the actual duties of an audit in regards to deliberately looking for fraud. Thus, this study's findings were in line with Enes, et al. (2016) who found education helps to alter the student's perception of an auditor and their responsibilities, particularly in relation to fraud. Therefore, it is likely that Boyle & Canning (2005) study found education to have a negative effect on the deficient performance gap as they looked at students who had completed more than just one auditing paper, so had begun to look at auditing in greater depth.

The decrease in the unreasonableness component of the audit expectation gap after students had received an audit education agrees with Pierce & Kilcommins (1996) study that finds education significantly reduces the misunderstanding gap. Thus, Piece & Kilcommins (1996) study saw that the misunderstandings gap significantly decreased after students completed their first auditing paper, just like the Wintec accounting students in this study. This study found that the two questions that contributed most to the unreasonableness gap were regarding fraud and reporting on illegal acts, agreeing with Pierce & Kilcommins (1996) study, which found as the audit expectation gap decreased, the students often still misunderstood the auditor role in regards to fraud and reporting on illegal acts. Likewise, Lee, et al. (2009) study that found education reduced students misunderstanding agreed with this study, which found that after an audit education students began to understand that auditors did not detect fraud as their main objective.

While the communication gap significantly reduced in this study due to education, there had been no previous studies on education reducing the communication gap to compare these studies results against. However, Thompson & Jones (1990) study did find that one of the most confusing issues regarding the audit expectation gap was the way in which the audit opinions communicated the findings in the audit report and what these opinions meant. Therefore, it was no surprise to see that before the students had received an audit education 100% of the students contributed to the audit expectation gap. While this gap reduced after an audit education, the gap still remained high, although the audit opinions were covered briefly during the auditing paper.

The information gap and the deficient standards gap were not significantly affected by an audit education, only decreasing 10% and 3% respectively. Thus, the study found that education did not have much of an effect on the information gap, as students who had received an audit education still appeared unsure of the information that is in the audit report. Therefore, the results of this study regarding the information gap were similar to Bedard, et al. (2012) study that found both professional and nonprofessional investors expected the audit report to provide more information. Likewise, it appeared there were no studies that focused on the effect that education had on the deficient standard gap, as this component of the audit expectation gap was believed to be reduced by the auditing profession expanding their duties (Porter, et al., 2012). Therefore, the fact that the deficient standards gap is reduced by the auditing profession expanding their duties rather than education is fitting with the results of the study which only saw a 3% decreased in the deficient standards gap after students had received an audit education.

### 6. Conclusion and Recommendations

This study has explored the audit expectation gap’s existence among accounting students and the effect that education has on the audit expectation gap. Thus, 20 semi-structured interviews were conducted with Wintec accounting students to explore the existence of the audit expectation gap and the effect that education has on the gap. The information that has been collected from these interviews has been analysed using a mixed methods approach to answer the following two research questions. Firstly, does an audit expectation gap exist among Wintec accounting students? Secondly, what is the effect of education on the audit expectation gap?

This study found that an audit expectation gap exists among Wintec accounting students, with 95% of the students contributing to the gap. However, while an audit expectation gap existed over half the students had a basic auditing knowledge, and all the students were able to answer at least two questions correctly. All five components of the audit expectation gap were found to exist in the students. Although, the communication gap, the information gap and the deficient performance gap were found to be the most significant components of the audit expectation gap.

In conclusion, this study demonstrated that education has a positive effect on the audit expectation gap. However, while the audit education that the Wintec accounting students have received
has reduced the audit expectation gap, it has not eliminated the gap. In fact, while education had reduced the gap, two of the five components were found to remain far too high. These two components of the audit expectation gap were the information gap and the communication gap, the more recent components of the gap which were not included in Porter’s original breakdown of the audit expectation gap. Therefore, it is likely that while education had reduced the other elements of the gap to a more reasonable level, it appears that education hasn’t focused on the two newer elements of the audit expectation gap, contributing to the significant information gap and communication gap among Wintec accounting students who have received an audit education.

6.1. Recommendations

After carrying out this study, it became clear that education has a positive effect on the audit expectation gap. However, while one audit paper has reduced the audit expectation gap, it hasn’t completely eliminated the audit expectation gap. Thus the researcher recommends that education should be increased to provide the students with more audit education to further reduce the audit expectation gap. Therefore, this research provides two recommendations. Firstly, to provide a basic level of audit education to students in the Bachelor of applied management degree to first-year accounting students before they take the auditing paper to provide them with a basic audit knowledge. Secondly, the researcher recommends that the practical use of an audit report is increased, recommending that students have to prepare an audit report as part of an assignment during an accounting paper to improve the students understanding of the information in the audit report and how the information is communicated.

7. References


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Consumer Behaviour in Hamilton Clothing Sector

Yun Chen

Waikato Institute of Technology

Reza Yaghoubi

Waikato Institute of Technology

Abstract

There is fierce competition in the clothing industry in New Zealand. This study analysed major determinants that influence consumer behaviour, especially in Hamilton. The background of this research is stated at the beginning of the report. In addition, there are 14 factors that may impact on purchase intentions, including store image, employee politeness, client's gender, quality of products, and word of mouth. The researcher conducted primary research and gained data through a questionnaire. 150 informants participated in this research.

After the analysis, respondents' features are demonstrated in descriptive statistics, and answers to the research question are described in the results section. The first finding of this research is that employee politeness and consumer's gender can impact on the budget people would like to spend in an apparel store. Another finding of this research is that store image, word of mouth, and product quality are the major determinant of the frequency that clients will visit a garment store.

The researcher provides some recommendations for all clothing retailers to improve sales performance; firstly, coach staff before they provide service to your clients. Secondly, offer chairs and entertainment for the consumer's partner. Thirdly, increase the investment for the store's decoration, and design a stunning shopping bag for customers to carry. Fourthly, offer clients coupons or discounts when they bring their friends to purchase products together. Finally, retailers should focus on the industry's movement and make adjustments rapidly.

Keywords: consumer behavior; clothing stores; marketing; Hamilton, New Zealand; shopping

JEL Classifications: M10

1. Introduction

1.1. Internal analysis

The retail clothing sector is one of the core retail industries in New Zealand. According to statistics; the volumes of clothing, footwear, and accessories retailing sales has risen 9.9%. This industry also had the largest rise of 10% sales value (80 million), and 0.7% rise in price in 2013 (NZ, Retail Trade Survey; December 2013 quarter, 2014). Moreover, referring to Stats NZ (2016), sales volume had a large rise of 1.7% in the March 2016 quarter, which represents that the demand for apparel is still increasing.
On the other hand, as reflected by figure 1, the tariff on clothing imports gradually decreasing from 65% in 1987 to 10% in recent years. At the same time, the price change of woman’s and man’s clothing seems below the price change of CPI since the 1990s (Stats NZ, 2012). As represented in figure 1, the influx of imported clothing has led to an affordable price of clothing and cost savings for clothing importers. Therefore, the clothing sector in New Zealand is a sustainable industry, and a growing number of retailers have become devoted to clothing industry in recent years.

![Figure 1 Prices of women’s & men’s clothing & the overall CPI changes since 1986.](image)

### 1.2. Situational analysis

Analysing the current situation of the clothing industry and the market can assist retailers in positioning their business to gain better sales performance.

First of all, the population in Hamilton city is one of the primary attributes that influence demand in the clothing industry; the results of the census from 2001 to 2013 represent a slow growth as reflected by figure 2. The total usually resident population of Hamilton city in 2013 was 141,612, including 73,800 females and 67,812 males. Hamilton’s population was reported 116,607 in the census of 2001, and 129,588 in the census of 2006 (Figure.nz, 2014).

![Figure 2 – Population by sex in Hamilton city](image)

On the other hand, according to Albertson (2010), the number of specialist clothing stores was increased from 2571 to 3938 in the decade from 2000 - 2010. The number of stores in the clothing sector had a growth of 54%, which is more than the increase of overall retail outlets. The increase in clothing stores indicates an intense competition in this industry.

Furthermore, the current research shows that clothing prices decreased 2.3% in 2013 (Stats NZ, 2013). Cost reduction is another pressure to clothing retailers as it leads to smaller profit margins.

Overall, the increasing competitors and reducing prices imply that clients have the initiative in the current market. Therefore, it is significant that retailers need to genuinely realise what essences can appeal to customers, and what elements can prompt their purchase intention. Once retailers seize the determinants of purchase intention of their clients, they can enhance their working efficiency and stop working on useless activities.

## 2. Literature Review

The literature identifies several determinants of customer behaviour. These determinants are significant to retailers as they need to clarify what elements can attract clients to choose their stores or brands. Through utilizing these elements, retailers can build up an attractive business and thereby enhance their sales performance. These decisional factors include store image, customer satisfaction, delight, relationship quality with clients, overall price in store, employee-brand alignment, employee perceptions and performance, E-commerce, promotion activity, endorsement of social media, quality of products, as well as word of mouth.

### 2.1. Store image

Due to recent tremendous growth of clothing retailing stores, numerous challenges and competition has occurred in the retailing industry. Roy and Ghosh (2013) completed research about the clothing industry in which they argued that a favorable store image of an apparel retail store not only has an active and significant effect on customer satisfaction, it also can enhance customer patronage. This finding indicated that a favorable store image is significant to attract repeat consumers.

Furthermore, Champion, Hunt, and Hunt (2010) stated store image would impact quality perceptions of the product. Their article discusses the relationship between store image, perceived

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merchandise quality, and willingness to buy. In their study, the findings support the idea that store image will impact on the product evaluations of consumers and affect their intention to purchase. If a brand has a better store image, they are more likely to have better product quality, and it will promote a positive intention to purchase from this store.

2.2. Customer satisfaction and employee politeness

It is important to understand the path of customer delight from the customer’s perspective. Because customer satisfaction and delight can enhance customer’s purchasing decisions, then retailers can thereby achieve better sales performance. Barnes, Ponder, and Dugar (2011) investigated a large number of clients to classify types of consumers behaviour in a service environment. They evaluated consumer’s expectations from their enjoyable encounters as well as distinguishing between satisfaction and delight at the individual customer level. Their results demonstrated that: Most clients will be impacted by employee’s behaviour, such as an employee who is cordial and polite. Secondly, negative employee behaviour, as well as service failure, were the primary reasons to reduce client expectation. Finally, the difference between satisfaction and delight will be reflected from customer’s response, such as whether the customer feels happy and appreciated.

Other research made by Meyer, Barnes and Friend (2017) found a similar result; customer delight rather than other factors indicated repurchase intentions. Retailers believe that the client’s comfort and salesperson’s expertise will positively influence the interaction between salesperson and customer. Finally, this research also suggested that a trained salesperson’s behaviour can enhance customer perceptions through providing clients with extraordinary service. Therefore, delight and satisfaction are the major factors that can enhance repeat clients.

2.3. Relationship quality

Following the rising price of raw materials in the worldwide range, the tendency of increasing household necessities is gaining more concern. De Cannière, De Pelsmacker, and Geuens (2010) investigated the relevance of perceived relationship quality, purchase intention and behaviour, and the moderating role of relationship strength. Their study aims to increase consumer awareness and transparency of consumption information. Through surveying 400 respondents, the authors found that consumer’s perceived value could meaningfully influence consumer behaviour. Regarding factors of perceived value, the quality value of the products and their monetary value have a meaningful and positive influence on client’s buying behaviour (De Cannière, et al., 2010). As a result, the study suggested that a better relationship quality between retailers and consumers can promote stronger purchase intention. Therefore, retailers should foster their relationship quality with their clients.

2.4. Overall store price

Chang and Wang (2014) conducted a study to analyse how an overall store price image (OSPI) is formed and subsequently impacts on repurchase intentions in a store. They investigated 659 respondents through intercepting them in front of department stores. Their findings reflect that price value image, price fairness image, as well as price pleasure image largely decide an OSPI, and thereby influence repurchase intentions. The research reveals that the OSPI has a mightier influence on repurchase intentions when clients perceive better store price images. The high-level price images stimulate the favourable influence of the OSPI on consumer behaviour.

2.5. Employee–brand alignment

Research by Sirianni, Bitner, Brown, & Mandel (2013) articulated that employees’ service in store is aligned with a company’s brand image and positioning will effectively impact on customer evaluation to the brand or company. The first outcome of this research indicated that employee–brand alignment increases conceptual fluency. The second result of this research illustrated that employee–brand alignment can enhance the brand evaluations and customer-based brand equity, with pronounced results for unfamiliar brands. The third consequence reveals that suitable employee behaviour can improve the significance of employee–brand alignment.

2.6. Employee perceptions and performance

There are three major job perceptions of the retail employee (perceived organizational justice and organizational identification as well as conscientiousness), and they have most interactive effect on three dimensions of employee job performance (extra-role performance and extra-role performance toward customers, and in-role performance toward the organization). Also, these
performance dimensions will impact on client’s perceptions of the brand (purchase intention, satisfaction, word-of-mouth, and loyalty). The author surveyed 1,615 retail employees, and 57,656 clients, as well as 306 stores. Ultimately, the study shows that perceptions from an employee can straightly affect client’s perspective, and the client’s perspective will directly influence sales performance of a store (Maxham, et al., 2008).

2.7. E-commerce

E-commerce is a modern community of commerce in the 21st century; it boosts the quantity development of small and medium-sized enterprise and increases the risk management ability of businesses (Chen & Zhang, 2015).

According to Chen and Zhang (2015), IT Investment is a significant section for a company to achieve success, but the technology resources of their e-commerce must match the scale of their enterprise. The competitive advantage that can be obtained will mainly depend on whether the business uses their network technology efficiently; secondly, the expansion of an enterprise can improve its transaction volume in the short term.

However, sales performance will also be negatively influenced by competitors’ online stores. E-commerce has more advantages compared to physical stores; online shopping companies can reduce their trading costs, such as employee costs and rent costs. On the other hand, a client who buys products through an online store does not need to go to shopping malls. Furthermore, the author examines how delivery manners impacts retailer’s and consumer’s budgets (Miyatake, Nemoto, Nakaharai, & Hayashi, 2016).

2.8. Promotion activity

The study made by Zhang and Wedel (2009) investigated the importance of customized promotions to clients in online stores and brick and mortar stores. The results demonstrated that the incremental profits from implementing customized promotions depend on consumers’ development sensitivity to the category in a given channel as well as the redemption rate. The results also highlighted that though both growth sensitivity and recovery rate are significant in the activity of customized promotions, the redemption section plays an essential role (Zhang & Wedel, 2009).

Cai, Bagchi, and Gauri (2016) highlight that the effectiveness of promotion depends on the classification of products. Indeed, the article shows, products can classify as being essential or nonessential. When the buying behaviour is classified as being essential, or clients have a need for this product and have to buy the product in a short time, the situation is that price discounts influence both purchase intentions as well as real purchases positively. However, when the product is nonessential, there is no inherent demand for this product. Hence, clients do not need to buy nonessential products right away.

2.9. Social media

How is the relationship between media and the apparel sector vital to clothing retailers? A study made by Mohr (2013) disclosed the significant and positive effect of fashion industry related media, including social networks such as YouTube, Instagram and Facebook, newspapers, as well as blogs in intensifying fashion week attendee’s views about fashion. Moreover, the details and content provided by all social network were validated as significant and necessary. The impact of social media was found vital and significant in judging the quality of shows and designers of a brand. As a result, social media is an essential marketing approach for connecting and introducing brands to their customers.

2.10. Word of mouth

Will word of mouth still strongly impact on marketing sales and market segments?

Customer intentions of receiving word of mouth about a brand have been analysed by Baker, Donthu, and Kumar (2016). This research compares different impacts from WOM; the results show that compared with neutral brand sentiment, mixed, and positive as well as negative sentiments increased intentions to retransmit the WOM message about a brand. As a result, favourable WOM had the most powerful influence on retransmission intentions, and negative WOM had the most powerful influence on purchase intentions. The study also discovered that distinguishing mixed WOM from neutral WOM is vital to realise the receiver’s purchase intentions: mixed WOM was associated with lower purchase intentions but an active attitude to retransmit the WOM information.

2.11. Products quality

Lakhal and Pasin’s (2008) research shed light on the relationship between product quality and sales performance of a company. Through the data and other information gathered from 133
companies, their findings exhibit that there is no direct link between product quality and financial performance. To enhance products quality may lead to the opposite results; however, the products quality did show an indirect link to financial performance through the impact on customer satisfaction and internal processes improvement of a company.

2.12. Culture and gender difference

Hsu and Burns (2012) analysed a study within both a high long-term orientation country (Taiwan) and low long-term direction (USA).

The study reveals that consumers from a culture with high long-term orientation (Taiwan) scored significantly higher on economic and religious clothing values than did consumers from a culture with low long-term orientation (USA). Furthermore, clients from a high long-term orientation (Taiwan) country will score significantly lower on aesthetic, social, and theoretical clothing values than consumers in a national culture of low long-term orientation.

Besides, clients’ clothing values varied depends on clothing type, and female participants scored significantly higher on aesthetic and social clothing values when compared to male informants. In another research study, the author articulated that there are many differences and similarities between male and female in their consumption of clothing.

Workman and Cho (2012) pointed out that females had higher recreational and fashion-conscious shopping directions than males. Also, their findings reveal that males will consider convenience a more important factor than females. Nevertheless, findings of their study also reveal that the gender will not influence on quality, impulsive, brand, or price shopping orientations in clothing consumption. As a result, both male and female clients will consider the price and quality of apparel products; they are all stimulated by the fashion product’s brand name in the pre-purchase process, and then likely to purchase impulsively.

2.13. Age

To different age groups, the determinants and importance of purchasing apparel are different. Three factors are identified by Hervé and Mullet (2009) that will impact people when they purchase clothing products: suitability, price, and durability.

An investigation of 160 French adults from 18 year-olds to 90-year-olds rated their likelihood of purchasing a clothing product from 27 scenarios. Results showed that the group of younger respondents considered a low price as a sufficient reason to purchase products. However, suitability was an essential determinant for the older respondents group. For the most aged people, durability was the most significant reason for purchase.


There are various demographic factors which influence consumer behaviour; changes to factors impact on consumer behaviour. Personal income is one of these factors. An individual’s income determines to a very great extent the type and quality of products he buys. People with low income are forced to spend most of their money for clothing, rent, food and other essentials. When they become more affluent, they are willing to purchase higher quality products and spend on more non-essentials. Of course, people earning the same amount of money may spend it in different ways depending upon other personal factors (Kumar, 2014).

A large body of literature has investigated several determinants of consumer behaviour in the retail sector. It is not clear how these factors influence the buying behaviour of clothing industry consumers in Hamilton city. The findings of this study will shed light on determinants of consumer behaviour in the city. A thorough understanding of this topic will benefit clothing retailers in Hamilton city.

3. Research Questions

The study aims to answer the question that what are the determinants of consumer behaviour in Hamilton’s clothing retail sector; many kinds of literature highlight the reasons that can determine consumer’s purchase intentions, but there is no report that can prove whether those reasons are applicable in Hamilton. This article aims to verify which factors shape the clothing sector in Hamilton.

1. Does store image influence consumer behaviour in the Hamilton clothing retailing sector?
2. Does customer satisfaction or delight influence consumer behaviour in the Hamilton clothing retailing sector?
3. Does relationship quality between retailers and clients influence consumer behaviour in the Hamilton clothing retailing sector?
4. Does overall price of a store influence consumer behaviour in the Hamilton clothing sector?
5. Does employee-band alignment influence consumer behaviour in the Hamilton clothing retailing sector?
6. Does employee perception and performances affect consumer behaviour in the Hamilton clothing retailing sector?
7. Does E-commerce influence consumer behaviour in the Hamilton clothing retailing sector?
8. Does promotion activity influence consumer behaviour in the Hamilton clothing retailing sector?
9. Do social media influence consumer behaviour in the Hamilton clothing retailing sector?
10. Does word of mouth influence consumer behaviour in the Hamilton clothing retailing sector?
11. Does product quality impact on consumer behaviour in the Hamilton clothing retailing sector?
12. Do culture and gender difference influence on consumer behaviour in the Hamilton clothing retailing sector?
13. Does age influence consumer behaviour in the Hamilton clothing retailing sector?
14. Does income influence consumer behaviour in the Hamilton clothing retailing sector?

4. Method

4.1. Sample selection criteria

First of all, this study selected the sample randomly from the person who recently has purchasing behaviours. To accurately identify people who recently made purchasing decisions, the locations of the investigation carried out include The Base shopping centre, Chartwell shopping centre as well as Centre Place shopping centre. This research investigated both male and female, but the age of all respondents had to be over 15 years old.

As a result, 150 informants participated in this investigation and these informants were 58.67% female and 41.33% male.

4.2. Data collection

As the investigation will take place in shopping centres, the researcher arrived at each shopping centre before the survey started. After that, the researcher randomly picked respondents from the persons who visited stores in the shopping centre and requested that they complete this survey. To ensure data gained from participants are effective and accurate, all data was collected by hard copies of the questionnaire. After selected informants acquired a copy of the questionnaire and a pen from the investigator, they answered questions on it. When enough data was collected, the researcher then transferred all information into an Excel sheet for later analysis.

4.3. Analysis

When all data was collected through questionnaire, the researcher transferred data into an Excel document. After that, all raw data was cleaned in the first stage. For some questions that were left as blanks by informants, the researcher replaced blanks to the mean value of that question. The mean value of a question can mostly reduce the impact on results of the analysis. Also, some incorrect or invalid data have also been replaced with the mean value of the particular questions. In the second stage, the researcher made a codebook according to all questions on the questionnaire for every data group. Finally, the data was analysed by the researcher. Descriptive statistics were organised to demonstrate the percentage distribution of all respondents. Furthermore, this study utilised multivariable analysis to conduct results. The purpose of this study is to find out major factors that influence purchase intention. Hence, the researcher applied correlation and regression analysis in Excel.

4.4. Limitations

This study has some limitations; first of all, the findings of this research will represent only the situation and information in Hamilton, and may not suit other cities and countries. Secondly, the research was carried out through the questionnaire. This method may gain some uncompleted data when respondents skip questions, which will cause deviation in the analysis section of this study.

5. Results

This study will disclose both descriptive statistics and multivariable analysis for consumer behaviour in Hamilton. Results from both analyses will highlight the features of informants and the answers for the research.
5.1 Descriptive Analysis

All data gained through the questionnaire has been organised as descriptive statistics, which can reflect some general information for all informants. The clothing retailers and other correlative individual or organisation can realise the situation of consumers in Hamilton.

The data gained through the questionnaire exhibits how much budget respondents would like to spend on clothing products in their causal shopping. As shown in Figure 3, 51.33% of all informants will spend under $100 on their clothing products. There are 35.33% who will spend $100-$300 on their clothing products.

The frequency of clothing purchase as described by Figure 4, the most common frequency is shopping monthly. 48% of all respondents purchase clothing monthly, and 26.67% of them purchase clothing every half year.

The participants of this research were formed by 58.67% female and 41.33% male.

As shown in the Figure 6, there are 39% participants aged 18-24, the participants in this age group are four times more than any other age groups.
As exhibited on Figure 7, the majority income group in this survey has under $42,000 annual income. The no income or work group occupied 23% of all participants.

5.2. Multivariable Analysis

In this study, the researcher conducted one correlation sheet for all variables. The correlation sheet made for this analysis is attached in the appendix.

On the other hand, two multiple regression sheets made for the analysis. The most meaningful variables were selected and displayed in the report, and the whole regression sheets are in the appendix.

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>3.48</td>
</tr>
<tr>
<td>Gender</td>
<td>0.25</td>
</tr>
<tr>
<td>Polite</td>
<td>0.18</td>
</tr>
</tbody>
</table>

Table 1 – factors affecting money spent per purchase

As exhibited in Table 1, the dependent variable in this regression is the average amount clients spend per visit. There are two significant independent variables are an impact from client’s gender and impact from employee politeness.

The P-value of gender is 0.057 (P-value<0.5), which is not significant. Also, the polite P-value, <0.01, is very significant.

The coefficient for customer’s gender is 0.25, and for a polite employee is 0.18. In conclusion, gender and employee politeness are determinants of consumer’s spending in the Hamilton clothing sector. Female customers spend more than male customers. Besides, customers generally spend more when the staff appear polite to them.

<table>
<thead>
<tr>
<th>Coefficients</th>
<th>P-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Intercept</td>
<td>1.68</td>
</tr>
<tr>
<td>Store image</td>
<td>0.28</td>
</tr>
<tr>
<td>Bad comment</td>
<td>0.14</td>
</tr>
<tr>
<td>Quality</td>
<td>0.16</td>
</tr>
</tbody>
</table>

Observations 150
Multiple R 0.42

Table 2 – factors affecting frequency of visits to a shop

As shown in Table 2, the dependent variable for this regression is the frequency that consumers would like to go shopping. This regression sheet also contains three major variables: store image, impact of bad comments from friends or family, and quality of products.

The P-value for store image is P<0.01, which is very significant; for both bad comments and quality, P<0.05, which indicates that bad comments and quality are significant.

The coefficient for store image is 0.28, and for the impact, negative word of mouth is 0.14 as well as 0.15 for the quality of products. In conclusion, the store image, negative WOM as well as products quality are major determinants for consumer patronage in the Hamilton clothing sector.

6. Discussion

6.1. Budget

The positive coefficient values in the regression sheet show forceful evidence that the gender of clients and employee politeness are the most significant determinants of consumer’s budget.

According to the results conducted by Hsiiu and Burns (2012), female participants scored significantly higher on aesthetic and social clothing values when compared to male informants. Therefore, female and male have held significantly different attitudes on the budget of their clothing products. The result from this study agrees with their findings because the 25% of the coefficient value
indicates that male and female would hold different attitudes towards clothing products.

However, another research study reported by Workman and Cho (2012) articulated that different gender will not influence on quality, impulsive, brand, or price shopping orientations in clothing consumption. The result of this research shows evidence to against the point from Workman and Cho (2012). From the feedback of respondents in Hamilton, females and males will spend different amounts of their budgets on their apparel.

Another significant element that impacts on purchase intentions is employee politeness. Regarding the study from Barnes, et al., (2011), a large number of consumers will be influenced by the employee’s behaviour. For instance, employee’s cordiality and politeness will increase their customers’ satisfaction, and service failure or other negative behaviour will be a major factor in decreasing their expectations. The result was the same in another study made by Meyer, et al.(2017). They proved that consumer satisfaction and employee’s expertise could improve the interaction between salesperson and clients. Therefore, they suggested that retailers should enhance sales performance by providing better service.

The coefficient value of regression is 18%, which indicates that employee politeness will largely decide client’s budget in Hamilton. As a result, the finding of this study will mightly support the results from Barnes, et al.(2011), as well as Meyer, et al. (2017).

6.2. Frequency

Referring to the result of regression analysis, the frequency that clients choose to visit your store will be effectively influenced by store image, bad comments from clients’ friends and families, as well as product quality.

A study made by Roy and Ghosh (2013) argued that the favourable store image of an apparel retail store not only has an active and significant effect on customer satisfaction, it also can enhance customer patronage. Research conducted by Champion, Hunt, and Hunt (2010) indicated that store image would impact on the product evaluations of consumers and their intention to purchase.

The 28% of coefficient value exhibits a supportive conclusion from this analysis. A unique and beautiful store image in Hamilton will attract more clients and enhance customer patronage. Therefore, the finding of this study is consistent with the conclusion from Roy and Ghosh (2013) as well as Champion, et al. (2010).

A study accomplished by Baker, et al. (2016) expressed that negative word of mouth had the most powerful influence on purchase intentions compared with positive WOM. The study argued that negative WOM will largely reduce clients’ purchase intentions and its influence is more powerful than the influence from positive WOM.

The coefficient value of 14% reveals an identical result with the study made by Baker, et al. (2016). The influence of negative word of mouth will deeply impact the frequency that clients visit a store. However, the influence of positive word of mouth seems less significant than negative comments.

Furthermore, the research finding from Lakhal and Pasin (2008) verified that product quality would not directly boost financial performance for a company and may lead to opposite results. Whereas product quality does promote the financial performance for a company indirectly through enhanced customer satisfaction and reduced rework.

In this project, the 15% of coefficient value approved this finding. The product quality will significantly influence consumer’s intention to visit a store. As a result, if a clothing store has a good quality product, then consumers will be more likely to revisit their store, and the sale performance will thereby increase.

Overall, the findings from this investigation have approved or rebutted some arguments from antecedent literature. This article testified that gender differences, employee politeness, store image, negative word of mouth as well as product quality, are the most effective determinants of consumer behaviour in the clothing sector in Hamilton.

7. Conclusions and Recommendations

This research has shed some light on determinants that can impact on consumer behaviours in the Hamilton clothing sector and the top five effective determinants. The research summarized 14 possible factors that could impact consumer behaviour through secondary research. After that, the author designed a questionnaire and conducted primary research through investigating 150 individuals. As a result, the data obtained through the questionnaire were analysed by multivariable analysis. At the end of this study, the findings reveal that gender difference, employee politeness, store image, negative word of mouth, as well as product quality, are the most effective determinants of consumer behaviour in the Hamilton clothing sector.
To have insight into consumers’ intentions is necessary to all clothing retailers. Hamilton’s retailers can realise the situation of the clothing industry in New Zealand, and clarify their orientations for improvement through reading this article.

According to the findings from the study, there are some recommendations for all Hamilton retailers.

Firstly, retailers should coach staff in selling skills before they provide service for a client. It is essential that staff have enough knowledge about their products and polite behaviour when they serve a consumer. A disciplined employee with a sweet smile will offer consumers a better shopping experience and pleasurable interaction. When a client feels delighted, he or she will tend to become a repeat customer.

Secondly, customers may visit a store with their partner and friends. If the partner or friends are not interested in a store, then they will feel bored in this place and sometimes urge or impact consumers to leave. To place some chairs in the store is a good method to soothe these impatient visitors. Besides, retailers may put some newspapers or magazines next to chairs. When bored visitors have entertainment, then they will feel better about staying longer.

Thirdly, referring to the correlation sheet made for this analysis, both males and females will tend to visit a store which has better design and decoration. Therefore, retailers should consider investing in decoration for their store to attract more clients. This method will depend on the financial situation of the business. If retailers have no budget for decoration, they could consider the design of their shopping bag. When a client walks around in a shopping centre and carries a stunning shopping bag with a clear brand name, then more potential consumers will be curious about this store.

Furthermore, retailers could offer a promotion activity for clients and their friends. If clients bring their friends to a store and they all make a purchase, then retailers can give 5% off or a $5 coupon for each client. This activity can encourage clients to share their shopping experience and bring more consumers to the retailer. Retailers can reduce the cost by only 5% or take $5 off the price and gain better sales performance.

Finally, time is of the essence, especially to businesses. Each retailer should pay attention to the information and news of the clothing industry and quickly make a response to situations. When the economic situation is negative, then retailers can make corresponding adjustments to reduce the price. While the economic situation is positive, then retailers should launch more products immediately.

8. References


Figure.nz. (2014). Population by sex in Hamilton City, New Zealand. Retrieved from Figure.nz: https://figure.nz/chart/PyJ0PAZYR57IsTFm-6f5x6Re0bhYcWOoV


Analysis and Optimization of Distribution Logistics for Just Water Company

Jacob Roy  
*Waikato Institute of Technology*

Sukh Deo  
*Waikato Institute of Technology*

Abstract

This report details the various factors that affect the operational efficiency of distribution logistics. The research aimed at studying the existing components involved in the distribution logistics of Just Water.

Distribution logistics begins at the end of the production line where the finished product is emerged until it reaches the customers. The literature review explains the key components of distribution logistics in an organisation. This research analyses the existing components of the distribution logistics of Just Water and discusses possible improvements that can be adapted to increase the overall efficiency of the distribution logistics operation.

The background of the research is that Just Water faces difficulty with delivering its products on time during peak seasons. The research tries to unveil the reason for this delay and finds that the demands for extra water-out deliveries are interfering with the normal runs of the trucks, therein delaying their regular schedule. One another cause was found to be the shortage of supplies due to slow or less return logistics. The research suggests a change in the existing drop shipping distribution model and recommends the adaptation of intermediary or multi-stage distribution networks, possibly the ‘Last Mile Delivery’ configuration in order to reduce delivery lead-time, reduce transportation costs and improve customer satisfaction.

*Keywords: distribution logistics; drinking water; filtration systems*

*JEL Classifications: M10*

1. Introduction

Just Water is a publicly listed New Zealand company which was founded in 1989 by Mr Tony Falkenstein, a well-known entrepreneur and philanthropist. Over the years Just Water has emerged as the industry leader in providing drinking water and filtration systems to corporate and homes. It provides commercial and residential water coolers and bottled water delivery. Just Water is the only water cooler company in New Zealand to guarantee its production and bottling processes conform with the strict standards of Australasian Bottled Water Institute (ABWI). Also it is the only supplier of water cooler and bottled water to have an ISO certified service programme, Drinksafe® (Justwaterconz, 2017).
With Just Water, the health and safety of its customers is a prime goal. The company drives itself through trust and fair play. The CEO, Tony Falkenstein guarantees, “I started this Company over 25 years ago—it was built on trust and fair play, and I treat every customer as though they were my own family. So if we are not living up to your expectations, then you contact me directly, and I guarantee to do the right thing by you” (Justwaterconz, 2017).

The motto of Just Water is “Just the best!” Just Water follows high standards to guarantee that its production and bottling process conform to the strict benchmarks of Australasian Bottled Water Institute. In spite of the high standards set to attain high production and operational efficiency, it was observed that Just Water often struggle in its distribution logistics.

Research Problem:
Delay in the normal delivery of bottles to customers during peak seasons

With the fast growth of the customer base of Just Water, the demand for bottled water deliveries have largely increased in recent times. Due to delay in delivery times, the customer concerns about delivery issues have increased over the summer time.

To find a solution for the research problem the following research questions desperately needed to be answered.

1. Why is the delay caused?
2. How can the delay be rectified?
3. How can the delivery lead time be reduced?
4. How can wastage of distribution resources be avoided?
5. How can the distribution efficiency be increased?
6. How can the customer satisfaction be increased?

If not this issue is addressed at the earliest, it can cause customer dissatisfaction that could affect the business for worst. This posed a critical need for research to be done to optimize the distribution functions of Just Water so as to solve these issues.

2. Literature Review

2.1. Distribution Logistics

According to LeanCor Supply Chain Group (2014), distribution logistics involves the activities which focus on the well-organized distribution and transportation of finished goods to take them from the end of the production line to the customers. Chopra (2003) defines distribution as the steps taken to store and transport a product from the supplier stage to the customer stage in the supply chain. The distribution could involve a complex network involving supply points, transhipment points, distribution centres, warehouses and demand points. The supply end can be the producing facility or warehouses while the demand end could be the customer. Distribution logistics is a key step in the whole course of logistics management. It is associated with taking the finished products from the end of the production line to the customer. Where the product is really sold to the customer and the money for the product is earned back. The distribution logistics play a key role in analysing the different modes of transport of goods and choose the right combination with the least cost and time while taking into account the other factors like security, accessibility, reliability and efficiency. Distribution logistics has a direct impact on customer satisfaction (Invent, 2017).

2.2. Types of Distribution

The distribution tasks include physical distribution, transport, warehousing, inventory and order processing. There are mainly two types of distribution channels, namely direct distribution and indirect distribution. When a product is sold directly to the consumer without the help of any intermediaries it is called a direct distribution. e.g. a farmer selling his produce in his farm. On the other hand, when a product is sold to the consumer by intermediaries such as retailers, it is called an indirect distribution channel, e.g. clothing stores (Chroncom, 2017).

2.3. Advantages of Direct Distribution

Direct distribution has many different advantages. Direct distribution can reduce significant costs from the total logistics cost because there is no profit sharing that occurs with the wholesalers or retailers (Entrepreneur staff, 2017). Direct distribution has some intangible benefits as well. It can be used to collect relevant data related to the order patterns of customers. This data can be further used to increase or decrease production, control distribution or to develop tailored products for the consumers (Athenaintlcom, 2017).

2.4. Components of Distribution Logistics

The main components of logistics include customer service, inventory management, facility location, packaging, storage or warehousing, transportation, information processing, etc. The components may vary according to the type of
organization and the design of their logistics system to reach their customers. A manufacturing company of consumer goods could have more focus on its Inventory management system, transportation, storage, material handling, etc., on top of demand forecasting and customer service. Therefore the organization can develop a competitive advantage if it can integrate appropriate logistics functions to obtain a customer focused logistics model that their competitors cannot copy (Invent, 2017).

Although there are many components in logistics the three main areas of distribution logistics are order fulfilment, transportation management and warehouse management.

2.4.1. Order Fulfillment

Order fulfillment relates with the customer service processes that take care of the customer’s questions and orders. This ensures that the consumers are in line with the organisational goals. While providing a high quality customer service the company collects feedback to analyse its market expectations and frame the required performance objectives and business strategy. Right from taking orders to the dispatch of the product, the company focuses on process throughput time, transaction reliability and efficiency and fast, accurate external and internal communication (Leancorcom, 2014).

2.4.2. Warehouse Management

Warehouse management is another area of logistics expertise that focuses on tracking systems, communication between production house and physical warehouses and also the receiving and storage of merchandise in various locations. The warehousing can include outbound distribution centres, inbound warehouses and cross docking. Excellent warehousing would also focus on internal conveyance and value added services such as kitting, sequencing, etc. It focuses on continuous improvement to reduce space requirement, facility costs and improved overall supply chain stability. A well planned warehouse concept will boost the throughput time and optimize workforce efficiency and improve material handling equipment.

2.4.2.1. Improving warehouse efficiency

To achieve an improvement in overall logistics efficiency, individual efficiencies of the logistics components needs to be improved. Thus organizations need a right mix of warehouse location, worker support and technology. To improve the warehouse efficiency in an organization, it is important to find the gaps in their warehouse operation and implement measures to maximise space utilization, improve technology and use optimizing tools for quicker, smarter and better solutions.

Issues in Warehouse Operations:

The main issues that arise in warehouse includes those related to capacity, inventory management, managing labour, inadequacy of proper equipments for material handling, space utilization issues, maintaining labour, etc. Managers are often under decisive constrains when it comes to handling materials and work around problems with controlling costs, communication gaps, ineffective inventory tracking, space utilization and unproductive scheduling. A previous survey among warehouse managers says that efficient usage of warehouse assets and space are the pressing problems in warehouse management.

Improving Warehouse Efficiency:

For improved warehouse efficiency, considerable investments are to be made for improvements like real-time visibility, damage avoidance, storage optimization, WMS tracking, labour coordination, improved communication and inventory management. These elements can greatly help improve performance in warehouses (Garcia, 2015). More focus should be put into lowering operating costs of warehouses. Implementation of mobile devices like label printers, tablets and smart phones can go a long way in better handling the changes in process, increasing worker efficiencies and productivity in warehouses. The technologies that are commonly used in material handling include mobile solutions, barcode scanners and thermal printers. Organizations can also invest in WMS (Web Map Service), label printers, asset management systems and process improvement systems. The following steps can go a long way in improving warehouse efficiency. RFID can be used to identify and track location of shipping containers and items (like apparel, books, drugs, and others) in warehouses and on the entire shipping route (Nakabi, Beidouri, & Othmane, 2012).

2.4.3. Transportation Management

Transportation management is another important aspect of distribution logistics. It brings processes and disciplines to create the most optimal transportation approach for an organization. The priority areas include transportation and handling of inbound, outbound and internal merchandise. Transportation management ensures consistency, visibility and control over the transportation costs and its functions. It focuses on levelled flow requirements and transportation network designs (Leancorcom, 2014).
2.4.3.1. Improving Transport Efficiency (Fleet Trucks)

The main mode of transport for product delivery used by Just Water is its fleet of trucks. The key issues and challenges that come in with this transporting method involves shortage of drivers, outdated and damaged trucks, increased liability, fuel costs, insurance costs, etc. To ensure the smooth running of transport operations the following technologies can be adapted for increased efficiency, leaner operations and increased margin (Softwareadvicecom, 2012).

1. Employ an (Activity-Based Costing) ABC Software.

Activity based costing software allows the organization to determine service costs from the order acceptance to the final delivery. This is significant because of the hidden costs that influence overheads, from loading time variations to delivery delays. Precise data capture at each step of loading, leaving, arrival, delivery and return is needed for effective implementation of ABC. The time and cost associated with each steps can be analysed to effectively reduce costs and inefficiencies.

2. Usage of Electronic Onboard Recorder (EOBR):

An EOBR is a gadget used in a business vehicle to trace the vehicle driving time. The benefits of using EOBR include easy logging, reduced paper usage, limiting driver’s tendency to ignore compliance, monitoring fuel usage, and tracing vehicle location. It also enables the organization to monitor driver performance, cost of loads and routes.

3. Fuel purchasing solutions:

Fuel purchasing and contract signage solutions can be utilized to quicken transactions, improve transparency and reduce the number of employees needed to administer accounts. Prominent fuel purchasing solutions offer radio frequency identification (RFID) solutions for company trucks. This technology allows only authorized vehicles to use the pumps and provides a precise real-time fuel consumption view to avoid fuel theft.

4. Electronic Data Interchange:

Electronic Data Interchange (EDI) refers to the structured transmission of information or data from one computer to another (Softwareadvicecom, 2012). EDI is an easy way to translate and process data. EDI solutions can be used to implement automation which can enable companies to do away with human data translation and save time.

2.5. Distribution Networks

A distribution network can be defined as an interconnected arrangement of human resources, warehousing facilities and freight systems that transports goods and services from manufacturers to customers. A company uses its distribution network to move its products from their production plant to the retailer or end user. A swift and consistent distribution network is necessary to a flourishing business as consumers must be able to receive the products and services when they need them (Investopedia staff, 2011).

2.5.1. Static and Dynamic Distribution Networks

There are two types of distribution networks depending on the way of transport and style of distribution operations. They are namely static distribution networks and dynamic distribution networks. Static distribution networks are those in which the mode and character of distribution do not change from time to time, e.g. pipeline distribution of water, gas, etc. Dynamic distribution networks are those in which the type and nature of distribution changes from time to time, e.g. the distribution of a product that is made as per the order by the customer can be considered a dynamic distribution. Dynamic distribution only happens as the need or demand for a product arises (Straka & Malindzak, 2010).

2.5.2. Distribution Network Design

There can be multiple stages in a distribution network design which can include more than two stages in the distribution network, such as a procuring, distributing or cross-docking distribution centres (DCs). Distribution can be a series of activities involving the movement of merchandise directly from production points to demand points or via intermediary points like DCs and warehouses. The supply point can be the producer, DCs or warehouses, while the demand point can be consumers or retail suppliers (Yang, 2013).

2.5.2.1. Types of distribution network

According to Chopra (2003), distribution networks can be classified into six types, namely

1. Manufacturer/producer storage with direct shipping facility.
2. Manufacturer/producer storage with direct shipping and in-transit merge
3. Distributor storage with package carrier delivery
4. Distributor storage with last mile delivery
5. Manufacturer/distributor storage with customer pickup
6. Retail storage with customer pickup

In the first and second types, the supply end is manufacturer and the demand end is customer. The primary distinction between the two types is whether there is a transhipment point in between the producer and the consumer.

The supply point in third and fourth type is distributors. This could be intermediate warehouses, but there are no transhipment points. The two categories provide different delivery options respectively: carrier delivery or last mile delivery.

The fifth and sixth type is comparatively distinctive from other categories, which let the consumers themselves to pick up their order either from a producer/distributor or from a retail store.

Thus the distribution networks can basically be classified with respect to their supply, demand and transhipment points:

Supply points:
Supply points can be anything from where the product is supplied. It can include the production facility, intermediate Distribution Centres (DCs) or warehouses, raw material suppliers, retail and pickup points.

The direct distribution from a manufacturing facility can concentrate inventories at the producer. This can provide a high level of product accessibility and it is usually used for goods with a high value and low or irregular demand. A great benefit of this type of distribution is that handling costs can be minimized radically since the merchandise is directly shipped to customers from the production line. There are however several disadvantages to this method, which include high cost of transportation, manifold shipment, long response time, complexity in managing merchandise return, etc.

Distribution from an intermediate DC permits the product to be carried in intermediate facilities such as warehouses or DC. This kind of distribution network is highly suitable for products with a high demand. The main advantage of this type of distribution is that the transportation costs are highly reduced and response times are shortened. But since there are additional facilities employed in intermediate DCs the total cost, including handling and processing costs, tends to be higher.

Distribution from a raw material supplier typically happens at the beginning stage of production, and this procedure is related to procurement practice. This kind of distribution has a preset and stable end point at all times mostly the production plant.

Distribution through a retail store can greatly reduce distribution costs because they are nearer to the consumers. Also this can provide a very fast response and return time. However the expenditure of opening and running a retail store can be high, particularly when numerous retail stores are required. As a result, inventory carrying costs can also be high in the case of retail stores. It is a superior distribution option when consumers give value to the response time more than everything else.

Distribution from pickup sites can provide the biggest convenience to consumers by allowing them to pick up the order. Therefore the distribution expenses would be lesser than other distribution methods. But setting up such a distribution network can be costly since customers may require several pickup points to match their demands. There also would need to be a huge information infrastructure to coordinate the storage site and pickup site respectively.

Demand points.
Demand points can refer to anything that calls for a demand for the product and can include end consumers, retail stores and pickup sites, or producers and warehouses or distribution centres. When different distribution destinations are selected, multiple service levels can be achieved and transportation overheads can be limited.

Some features of distribution networks with different destinations can be as follows.

a. Distribution made directly to end consumers can have variable distribution costs depending upon the source and end points. The benefit of this method is that the order placement becomes quick and simple and the products are then delivered directly to the final consumer.

b. Distribution by means of retail stores can significantly reduce transportation expenses since the customers can themselves pick up from the retail outlets. The online or telephone orders can be delivered to the stores as required.

c. Distribution by pickup locations can also lessen transportation overheads considerably. This distribution alternative allows the consumer to pick up their orders at their wanted time and setting.

d. The other options can include distribution to other supply points, e.g. manufacturers and distribution to intermediate transhipment points or warehouses.

Transhipment points.
Distribution networks can also be classified on the basis of the existence of transhipment points.
A distribution network without any transhipment points can be considered as a two-stage distribution network. Alternatively, a distribution network with one or more transhipment points can be termed a three-stage or multi-stage distribution network.

For a two-stage distribution network, there are only origin or supply points and destination or demand points. However, for a three-stage distribution network, other than supply and demand points, there are also transhipment points in the distribution network besides the supply and demand points. These transhipment points are often referred to as intermediate facilities. Intermediate facilities can further be divided into three types, namely consolidation, break-bulk and cross docking facilities. For a multi-stage distribution network, there could be more than one transhipment facility along the whole distribution network.

3. Research Methods

The methodology adopted for this research is both qualitative and quantitative. The research used various primary and secondary data collection methods. The primary data was mainly obtained through semi-structured interviews, and informal discussions were used to obtain primary information from the National Operations Manager, Production/Delivery Operator, and Warehouse Manager. Each of the different resource persons gave a different aspect and level of detail about the distribution logistics. The focal topics and questions used to collect information are attached in Appendix-1.

In addition to this primary data was also obtained through observation of the warehouse from where the distribution starts. The observation helped to determine the efficacy of the overall distribution process including loading and unloading, network and communication systems, warehousing, and order processing. The primary data obtained was then put compiled and logically analysed in comparison with secondary research information already available. The secondary information was obtained from a variety of different sources like online journals, books, and websites which are briefed in the references.

Semi-structured interviews and informal discussions were used to collect information from the managers at the workplace during office hours because this involved more flexible interactions as compared to structured interview or questionnaires. Also, the office timing and atmosphere gave them access to any data required to be fetched from the company server. Direct observations were used to collect data regarding warehouse operations, during working hours because this gave a more accurate analysis of the current performance of the warehouse.

3.1. Resources

The key resources that were used for data collection include Just Water staff namely the national marketing manager, operations manager, warehouse manager, drivers, warehouse workers, and warehouse facilities. Other resources include data from books, internet, time and money.

3.2. Limitations of the research

The whole research was based only on the Hamilton branch of Just Water. Therefore, only the geographical distribution area and warehousing under the Hamilton office was covered in this research. The conditions on other warehouses and offices of Just Water may vary from that of Hamilton. So, the results of this research cannot be generalised with zero error. Another limitation of the research was the time constraint for completing this project and hence its limited scope.

4. Research Results

Through this research, it was found that Just Water follows an excellent system to manage its distribution in comparison with the literature findings. It has its own delivery trucks and has adopted a drop shipping delivery system for its customers. The normal bottle delivery for the customers is scheduled fortnightly.

A brief snapshot of the distribution logistics of Just Water can be illustrated as follows.

![Figure 1 Distribution Logistics of Just Water](image-url)

The whole distribution system of Just Water can also be classified under three major components as per the literature review, namely order fulfilment, warehouse management and...
transportation management. The order fulfilment facilities include the lines and modes of communications which is administered by a delivery team. The warehouse management facility is coordinated by software called I-scala. The transportation management is controlled through software called dextar.

When a product is out from the production line, it is racked in the warehouse and the count of batches and bottles produced are fed into I-Scala which manages the warehouse inventory. The trucks are stocked up at the warehouse and leave for delivery on their preset run. The runs are managed by a team of delivery administrators (Distribution Team) using a programme called dextar. The drivers are provided with a PDA where the run is listed with the details and requirements of the customers. To send and receive information to customers the distribution team uses a programme called dial-hod.

But during peak seasons, there are many customers wanting extra deliveries due to water outages. This water out deliveries is often met by other trucks on their runs in the nearest proximity. The communication from drivers (e.g. in case they are not able to deliver for a particular customer) is sent to an intermediate table on the system from where those deliveries are allocated to a different driver by the distribution team.

Thus water outage delivery was found to be one of the major cause for delays in the normal runs of the trucks and their delivery schedule. Shortage of delivery staff often adds to the delay in delivery. Just Water reuse and recycle its bottles. So supplies run out when there is a delay in return logistics of empty bottles, which adds up to the distribution delay.

5. Discussion

The major challenge that was found in distribution logistics of Just Water was the lack of an efficient arrangement to deal with water-out deliveries. Since the geographic distribution area covered by the warehouse is very large, it is not a feasible solution to provide drop shipping method to water-outs from random areas. When the water-outs deliveries are allocated to a truck on its normal run, the preset schedule of the truck drags behind and normal deliveries would get delayed. This calls in to discuss and consider other delivery options assessed in the literature review.

By analysing Chopra (2003) and adapting his findings to this particular situation, five possible distribution configurations can be adapted for dealing with water deliveries, including water-outs.

At present Just Water is following the manufacturer storage with direct shipping or drop shipping method. The bottles are stocked in the warehouse of Just Water, without distribution centres. Orders are issued on an information system and the bottles are directly delivered to customers. Centralisation makes it possible to have less inventory and costs.

Merge in transit: In this type, all the merchandise are combined, assembled and personalized after manufacture in an intermediate hub called the merge centre and the client can collect their order in a single delivery. It can be a good option when postponement is allowed. This option can be considered when Just Water acts as a supplier to another business and there are multiple orders to be distributed.

Distribution storage with package carrier delivery: In this type of configuration the inventory or products are managed in dedicated warehouses such as distribution centres or retail shops. It can allow quicker deliveries because customers are nearer to the distribution centres. It would need high inventories to handle the ambiguity of bulk demands.

Distribution storage with last mile delivery: In this configuration lateral transhipment is allowed between intermediary distributors over the market or in strategic geographic areas. This would increase the consistency and performance of the distribution network, and reduce lead time and expenses.

Retail or distribution storage with customer pick-up: This is a network in which the inventories are stored in producer’s or distributor’s warehouses. Consumers can make orders and can pick up bottles in dedicated points, by presenting a purchase receipt.

Thus by adopting a feasible distribution network option, the lead-time can be greatly reduced and faster deliveries can be made possible. The last mile delivery would be a great option to consider.
Also, as discussed in the literature review, integration of RFID methods can help improve visibility of products over the supply chain and through the entire distribution route. This can also ensure the tracking and return logistics of empty bottles so that supplies won’t run out during peak seasons.

However, the findings of this research are limited due to constraints of time, and hence have less scope. The research focused more on qualitative data and hence lacks the quantitative accuracy of information provided. As such it is recommended that further quantitative research be done to double check the results of this research before the recommendations are brought into practice.

6. Conclusion

After putting in solemn efforts to find out the root causes of distribution delay in Just Water, it was found that the main reason for delivery delays is extra water-out deliveries during peak seasons. The other causes slightly contributing to delay were supplies running out due to delay in return logistics. Adopting an alternate distribution network model such as the Last Mile Distribution system can greatly improve delivery efficiency. According to the information from the literature review, this model of delivery can reduce delivery lead time and avoid wastage of resources such as time, transportation costs, etc.

Application of new technology like RFID chips by integrating them to the bottles to enhance their visibility can be a remedial solution for enhancing the reverse logistics so as to ensure enough supplies for the new batch of production. This can make sure that there is no delay occurring due to shortage of empty bottle supply.

Further research is recommended on finding the viability of Last Mile distribution and RFID solutions by giving more stress on the quantitative methods of data collection to obtain accurate figures of lead time, cost and efficiency.

7. Recommendations

The following are some recommendations to enhance the distribution logistics of Just Water and to resolve the current issues in delivery

1. Integrate appropriate logistic functions to create a customer focused distribution model like the Last Mile Distribution model.

2. Employ new technologies that can enhance distribution visibility like RFID labels

3. Train a Flexible/Multi-skilled workforce who can share work in case of worker absenteeism

4. Use statistical demand forecasting tools – seasonality/trend forecasting so that supplies won’t run out.

The practicability of the recommendations is based on the qualitative research that has been carried out. It is recommended that the mentioned suggestions be further studied in comparison with other feasible solutions by taking into consideration quantitative aspect of costs, efficiency and feasibility through surveys and case studies.

8. References


How to Create and Sustain a Strong Profile, in Order to Grow the Heart Trust Organisation

Lisa Dekker
Waikato Institute of Technology

Deniss Yeung
Waikato Institute of Technology

Abstract

This research project seeks to develop conclusions that will assist in the alleviation of The Heart Trust’s current problems by identifying how an organisation can create and sustain strong company profile, in order to achieve future growth. In this report, profile is defined and referred to as business/corporate identity. The research identifies that the subject of corporate identity is very multidisciplinary and entails various areas of theory/strategy pivotal for success, such as, quality leadership & management, clear mission, vision, values, branding, communication, reputation, and image. It has become evident that strong identity requires a full organisational approach, in order to develop a shared understanding and commitment towards The Heart Trust’s actual (i.e. distinct & unique) identity. This must be first achieved internally with The Heart Trust trustees & employees, in order to maintain one unique identity concept (i.e. differentiation & competitive advantage), which can then be communicated and successfully understood by all relevant external stakeholders (i.e. potential donors, etc.). Research results have confirmed that The Heart Trust’s weak internal identity and organisational behaviour of high resistance towards change are prime causes for their weak external identity (i.e. lack of profile & differentiation). Therefore, it is recommended that The Heart Trust quickly overcomes this resistance, in order to develop and articulate clear mission, vision, and value statements; essential elements for the creation and sustainment of identity/profile.

Keywords: organisational growth; organisational identity; corporate identity; competitive advantage; change management; medical trusts;

JEL Classifications: M19

1. Introductions

The purpose of this report is to undertake thorough research and to provide a comprehensive evaluation and analysis of business profile/identity, in order to solve various problems (i.e. weaknesses) that The Heart Trust (THT) was faced with. The specific problems that were identified by THT were as follows:

- Lack of profile and awareness
- Weak differentiation, causing a confusion of identity with The Heart Foundation
- Fund pool is drying up

Subsequent to a thorough evaluation of the problems the following research question and/or aim
was defined – "How to create and sustain a strong profile, in order to grow The Heart Trust organisation".

The research undertaken for this question encompassed three parts:

Create: How to create a strong profile? This includes various theories and strategies of how to effectively create distinct profile/organisational identity and brand.

Sustain: How to sustain a strong profile? This includes identifying and analysing various strategies available, in regards to maintaining strong profile and brand.

Grow: How to continue organisational growth? Growth in terms of expanding the trust's capability to innovate, create value for the mid-northland regions, build trust alumni, enhance the number and frequency of sponsors/donors, and create more fundraising opportunities (i.e. growth of human and financial resources).

Essentially, the hypothesis is, that upon the creation and sustainment of strong company profile/identity, problems one & two will be improved, and in time, with appropriate promotional strategies, problem three shall solve itself.

2. Literature Review

Encompassed in the field of business identity is a diverse abundance of literature, which makes conceptualisation very complex. Therefore, to develop a comprehensive understanding, the literature has been divided into seven areas of study that surfaced as the fundamental and strategically important concepts for creating and sustaining profile. These are as follows:

- Corporate identity
- Leadership
- Mission, vision, values
- Branding
- Communication
- Reputation & image
- Sustainability

Firstly, to understand how to create and sustain strong business identity/profile, it is important to acknowledge and articulate the multidisciplinary and interdisciplinary nature of business/corporate identity studies by shedding light on a few key identity mixes (i.e. theories).

Early studies conducted by Balmer (2001) stated that business identity encompassed "a trio of interrelated concepts, which are corporate identity, organisational identity, and visual identity". Balmer and Soenen (1999) suggested a theory that somewhat personifies an organisation by first defining the distinct and diverse elements of business identity and secondly, the strategies required for its management. This approach involves three functional components 1.) The soul: the subjective elements of business identity, which include the distinct values, a mix of sub-cultures, and the various identity types within the organisation. 2.) The mind: the strategic decisions made by the organisation, consistent with the organisational mission, vision, ethos, corporate philosophy, history, performance, and strategy. 3.) The voice: total corporate communications, which includes all internal and external communication (He & Balmer, 2007), (Melewar & Jenkins, 2002), (Balmer, 2001).

Later research conducted by Balmer and Greyser (2006) uncovered and established Blamer's 6C's of corporate marketing mix, which entails six key elements of business identity for organisations to consider; derived from the original trio. It is regarded that each of these elements has their own intellectual foundations and competencies, which contributes to the complexity of this topic. However, each element is closely interrelated and interchangeable (Balmer & Greyser, 2006; Balmer, 2011). For an organisation seeking to create and sustain strong and distinct identity, the following six elements must be taken into consideration:

Character – "what are we?" (Corporate identity)
Culture – "who are we? Or "what we feel we are" (Corporate personality and/or organisational identity)
Covenant – "what is promised and expected from the communicated brand?" (Corporate branding)
Conceptualisation – "what the business is seen to be" (Corporate reputation and visual identity/image)
Communication – "what we say we are" (Corporate communication and total corporate communication)
Constituencies – "whom we seek to serve". Understanding the various stakeholder groups and how to satisfy their needs and wants (Marketing and stakeholder management)

(See Appendix A for corporate identity graph explanations).

It is evident throughout the literature that there are multiple dimensions and sub-dimensions which collectively construct the ideology of corporate identity (Kitchen, Tourky, Dean, & Shaalan, 2013). Creation and sustainment of corporate identity can be expressed as the genesis or pivot point for the development of various sub-dimensions, which includes, but is not limited to, the elements mentioned earlier. Although there is no one
Universally accepted definition for corporate identity, it is frequently referred to as the accumulation of all factors that define and convey "what the organisation is, what it stands for, what it does, how it does it, and where it is going" (Melewar & Karaosmanoglu, 2006; Kitchen et al., 2013; Balmer, 2001; Balmer & Greyser, 2006); which ultimately derives from various business characteristics such as structure, philosophy of key executives, strategy, ethos, culture, market performance, corporate design, behaviour (personality), history, reputation, etc. (Balmer, 2001; Abratt & Kleyn, 2012; He & Balmer, 2007; Melewar & Karaosmanoglu, 2006). Essentially, corporate identity is "the factors (intangible and tangible), that in their totality, make one entity distinct from another" (Balmer & Greyser, 2006; Abratt & Kleyn, 2012; He & Balmer, 2007); providing a unique sense of individuality, differentiation and a strategic instrument for organisations to create, achieve and sustain competitive advantage (Kitchen et al., 2013; Melewar & Karaosmanoglu, 2006).

According to John Balmer, and supported by many authors (Balmer, 2001; Balmer & Greyser, 2006; Abratt & Kleyn, 2012; He & Balmer, 2007; Balmer, 2008; Balmer, 2012), an organisation can further conceptualise their corporate identity by undertaking Balmer's ACID test, which accentuates the importance of explaining and achieving dynamic alignment between six identity types, including:

- **Actual identity:** internal values, activities, behaviours, performance positioning, etc.
- **Communicated identity:** diverse organisational messages conveyed via primary, secondary and tertiary communication.
- **Conceived identity:** profile and reputation of the organisation held by various stakeholders and networks.
- **Covenanted identity:** corporate brand promise and expectations of the organisation.
- **Ideal identity:** Optimum positioning of an organisation. The future orientation and strategically planned identity.
- **Desired identity:** the future vision of the organisation, as conceptualised by management (e.g. founder, leaders, managers, CEO).

(See Appendix B for graph explanation)

Organisations, when managing corporate identity, must first develop and communicate their mission, vision, strategic intent (Abratt & Kleyn, 2012), philosophy, and ethos (He & Balmer, 2013), which will ultimately lead to the development and articulation of an organisation's core values, behaviours, and culture (Abratt & Kleyn, 2012; He & Balmer, 2013). According to He & Balmer (2013), successful creation and sustainment (i.e. management) of corporate identity derives from various disciplines, including strategic management, marketing, corporate communications, organisational behaviour, public relations, and design. The second step in creating and sustaining corporate identity is through the formulation of corporate expression, which ultimately encompasses the strategic decisions made by management/leaders, in regards to the organisation's "visual identity, brand promise, brand personality, and how to communicate such aspects to the various stakeholder groups" (Abratt & Kleyn, 2012).

It is evident that corporate identity is an integral part of the strategic planning process for any business (e.g. for-profit and non-profit) and is the basis for development of the other identity concepts (He & Balmer, 2013). Additionally, for non-profit organisations, identity is imperative, primarily because individuals/stakeholders who choose to donate (time, money, etc.) must first understand and be completely aware of who, what, and why of the organisation; in order to decide whether to endow the organisation with a donation or not.

The literature has shown that branding and corporate identity are closely interrelated and in some instances the two overlap. An organisation's brand is "more than just a visual identity; a brand is a promise that articulates and communicates who you are, what you do, and why it matters" (Kylander & Stone, 2012). Essentially, the brand communicates an organisation's corporate identity, which is initially developed via the strategic decisions and choices of the CEO, senior management, or other organisational leaders (Balmer, 2001). Henceforth, the creation and sustainment of a robust corporate brand involves comprehension of multiple and dynamic brand concepts, which occur internal and external to the organisation.

Creating differentiation and a competitive advantage within a highly competitive market is a prime goal for many organisations and branding, as a marketing activity, is a key strategy to achieve such ambitions. However, in recent years it is obvious that ambitions have changed and in order to create a strong brand in today's market, managers are not merely focusing on creating differentiation, but rather they are striving to further their brands by enhancing the ideology of "brand meaning" (Kay, 2006). Kay also states that successful management of a strong brand is achieved by endowing the brand with meaningful associations.

Creating a distinct point of difference is not disregarded in the process of establishing a competitive advantage, but rather it is expressed that "being different is inadequate if that difference is not a meaningful one" (Kay, 2006). Additionally, many
managers underestimate the influence that points of
parity have towards managing their brand and
sustaining competitiveness within the market. It is
stated that managers should attempt to create points
of parity where competitors are trying to differentiate
(Kay, 2006; Ghodeswar, 2008), in order to be
sustainable in the competitive landscape.

According to various authors (Kylander &
Stone, 2012; Brumann, Jost-Benz, & Riley, 2009;
Hankinson, 2004; Stuart, 2011; Khan, & Ede, 2009) brand
exists internal and external to an organisation
and for non-profit organisations the explicit role that
"brand plays within the organisation is its ability to
create organisational cohesion and build capacity"
(Kylander & Stone, 2012).

Internally, an organisations brand manifests
the organisational/corporate identity, which
essentially encapsulates the core objectives,
mission, vision, values, and culture of an
organisation (Kylander & Stone, 2012; Khan, & Ede,
2009). Furthermore, according to the literature of
various academics/authors, internal branding
provides employees and members with a guideline
for expected behaviours and actions, which
ultimately derives from an initial understanding of the
organisations identity (Hankinson, 2004). Strong
emphasis is put on the importance of internalising
organisational values, in order to align an
understanding that everyone shares (Hankinson,
2004). Employees/members should be encouraged
to understand the various values that can be
produced from developing a strong charity brand
(Hankinson, 2004), primarily because employees/members are the direct deliverers (i.e.
communicators) of the brand to the external market.

According to Khan & Ede (2009) and
Hankinson (2004), internal understanding and
commitment to the brand is critical for increased
organisational performance. Employees/members
must be recognised and act as “brand ambassador”
(Khan & Ede, 2009), primarily because, as
aforementioned, they are the direct interface
between the internal and external environments
(Hankinson, 2004). Henceforth, they are responsible
for communicating the brands values, mission, vision
and personality, which ultimately has a high impact
on external stakeholders’ perceptions (i.e. image and
reputation) of corporate/organisational identity
(Hankinson, 2004; Khan, & Ede, 2009).

Externally, an organisations brand will reflect
the images and perceptions that are held in the
minds of various stakeholders (Kylander & Stone,
2012). External branding is vital to creating and
sustaining strong organisational identity because it is
the process that communicates an organisations
uniqueness to the external environment (Hankinson,
Donors (current and potential), before any decisions are made, need the ability to trust the NPO, in regards to where and how their donations (time, money, etc.) will be used. Stakeholders consciously and unconsciously search for signals that communicate trustworthy characteristics and values within the organisation (Venable et al, 2005). Therefore, to create and sustain a strong brand, NPO leaders/managers must possess the ability to endow the organisation with a strong sense of authenticity.

Kylander & Stone (2012) further support the importance on branding for NPO's through the creation of a new branding framework exclusively for NPO's. The "Non-profit Brand IDEA" framework entails four fundamental principles that NPO's can adapt, in order to develop and enhance their brand and organisational efficiency & effectiveness. The four principles are as follows:

- **Brand Integrity:** alignment of an organisations internal identity and external image, which are additionally aligned with the organisations mission.
- **Brand Democracy:** members, employees, volunteers, and other participants are trusted to communicate their individual understanding of the organisations core identity effectively.
- **Brand Ethics:** all aspects/elements of the brand reflect the organisations core values and culture.
- **Brand Affinity:** the brand has genuine intentions, promoting collective interests rather than exploiting relationships for individual interests. The brand is a good team player and works in harmony alongside other brands (See appendix C – Non-profit Brand IDEA Graph).

A key strategy identified for NPO's, in regards to developing identity and brand, is "emotional engagement" of stakeholders via various branding strategies such as corporate brand personality, image, and reputation (Michel & Rieunier, 2012; Venable et al, 2005; Khan & Ede, 2009; Ingenhoff & Fuhrer, 2010). According to Michel & Rieunier (2012), NPO's can stand out in the market through positive associations, emotional attachment, and emotional stimulation; and can influence charitable giving by creating & sustaining favourable brand personality, image, and reputation.

Endowing personality to an organisation is to personify its mission, values, objectives and behaviour, which can ultimately enable the organisation to connect and match its personality with their desired target audience (stakeholders – primary and secondary); additionally, developing differentiation in a saturated non-profit marketplace (Venable et al, 2005). The literature suggests that celebrity endorsement (Strategic Direction, 2015), case studies, testimonials, and storytelling (Khan & Ede, 2009) are a few key strategies for promoting emotional engagement/stimulation and building of brand/identity.

The literature evidently shows that organisations that seek to create and sustain strong profile/identity must develop mission, vision, and value (MVV) statements, as these concepts help to build and communicate an organisations unique identity and brand. According to Ingenhoff & Fuhrer (2010), the mission statement acts to promulgate a present problem or issue for the organisation, which essentially will provide the primary stakeholders with a sense of direction and give the organisation its purpose. On the other hand, the vision statement should be more forward focused, ultimately specifying the desired position/status for the organisation in the future. Lastly, the values and core philosophies are representative of the corporate identity, which are typically conveyed through the mission and vision statements (Ingenhoff & Fuhrer, 2010). For concepts that are considered and described as fundamental business functions, it is baffling how many organisations get it wrong or merely underestimate the actual and potential value.

However, the importance of the mission, vision, and value statements are undeniably clear and such functions, when developed and articulated strategically, manifest what is defined as organisational identity and corporate culture. Corporate culture, as defined by many authors, is "how we do things around here" or "the sum total of how an organisation accomplishes its purpose or mission" (Bartol, Tein, Matthews, Sharma, & Scott-Ladd, 2011). According to Melewar & Karaosmanoglu (2006), organisations that seek to develop or update their corporate culture should consider the following key elements - business mission, vision, values, principles, guidelines, philosophy, history, national culture, the company founder, and top management. Developing and sustaining each element involves strategic decision making from the organisations founder and/or senior management (Kitchen, Tourky, Dean, & Shaalan, 2013), (Melewar & Karaosmanoglu, 2006).

Many authors have argued that the development of corporate culture is the prime component in the development of corporate identity (Abratt & Kley, 2012) and that a strong culture, coupled with clear organisational identity, is key to an organisation's success and performance (Tonder, 2011; Melewar & Karaosmanoglu, 2006). However, creation and sustenance of strong organisational culture and identity requires consistent care,
implementation, and communication from leaders and management, in order to enhance awareness, understanding and commitment from primary and secondary stakeholders.

A strong mission statement is explicitly important for non-profits (Khan, & Ede, 2009), primarily because the mission statement comprehensively summarises and expresses the organisation's identity (Kitchen et al, 2013), goals/objectives, and purpose (Melewar & Karaosmanoglu, 2006). Underestimating the power of a mission statement for many organisations is a weakness and a threat to their ability to obtain differentiation and competitive advantage, e.g. "at the end of the day if you don't have a mission, if you don't have goals, then you're finished" (Melewar & Karaosmanoglu, 2006). Externally, the mission, vision, and value statements can provide a relatively quick but valuable explanation of business management practices/operations, which ultimately convey how an organisation wishes to be perceived and understood by stakeholders (Kitchen et al, 2013). Internally, the mission, vision, and value statements act as organisational policies and guidelines for the expected performance and behaviours of management and employees/members (Kitchen et al, 2013). Additionally, leading to the development of an individual or personal sense of identity within the organisation (i.e. organisational identity) (Tonder, 2011), e.g. "How they (i.e. members) think and feel about the organisation" (He & Balmer, 2006).

Another major factor that the literature has uncovered is the role of leadership and management in the creation and sustenance of business identity and brand. Many authors agree that leaders/managers are pivotal to the formulation and communication of an organisation's corporate identity and brand (Abratt & Kleyn, 2012; Melewar & Karaosmanoglu, 2006; Kitchen et al, 2013; Ingenhoff & Fuhrer, 2010), which ultimately permeates the organisation with its uniqueness (POD & competitive advantage) (Ingenhoff & Fuhrer, 2010) and leads the way for development and sustenance of mission, vision, and strategic intent (Abratt & Kleyn, 2012).

However, Hankinson (2004) reinforces the importance and responsibility that leaders/managers have towards the sustenance of brand/identity, stating that "it is not enough to merely have the brand or identity there, it has to be managed". Therefore, to successfully sustain identity and brand, leaders have additional responsibility for ensuring that employees/members personally identify with and transcend the organisation's goals (Kitchen et al, 2013), values, purpose, brand, and corporate identity. However, to do this, it is expressed that leaders should consistently communicate the organisation's mission, vision, values, and culture (MVVC); ultimately enhancing meaning and sustaining internal & external stakeholder engagement (Kitchen et al, 2013; Wieseke, Ahearne, Lam, & von Dick 2009; Hankinson, 2004).

Throughout the literature, leaders/managers are frequently described as "visionary individuals, who are the focal point for brand building and identity creation" (Spence & Hamzaoui-Essoussi, 2010). Krake (2005) expressed that leaders are paramount to the creation and integration of specific characteristics into the brand, stating that to be successful in creating value "there should be a clear link between the founder/leaders personal character and the brand, as he/she is the personification of the brand" (Spence & Hamzaoui-Essoussi, 2010; Kitchen et al, 2013). A report by Mark Kay (2006) outlines an excellent example of strong corporate brands that were initially driven by the strong values and beliefs of their founders (i.e. leaders). Kay states that Ben & Jerry's, The Body Shop, Stonyfield Farms, and Patagonia are all prime examples of organisations that have created meaningful brands (e.g. socially responsible) and value for stakeholders. These organisations all started off small but achieved rapid growth as a result of the strong values and beliefs of their founders; values & beliefs that were strategically crafted into the mission, vision, and value statements, to give the organisation purpose and to communicate their specific goals (Kay, 2006).

Fundamentally, the most important part of achieving creation and sustenance of strong profile/identity and brand is constant and quality communication. According to Otubanjo & Melewar (2007) and many other authors, corporate communication activities directly translate an organisation's corporate identity into corporate image and reputation, which primarily derives from and is an expression of an organisation's mission, vision, culture and philosophy. Communication is paramount to both the internal and external environment of an organisation (Abratt & Kleyn, 2012)(Kitchen et al, 2013; Melewar & Karaosmanoglu, 2006; Khan & Ede, 2009; Balmer & Gray, 1999; Balmer, 2001), therefore, to be effective and efficient, organisations must strive to harmonise the two - in order to create a clear, consistent, and favourable image & reputation (Abratt & Kleyn, 2012).

Many have regarded image (i.e. visual identity) as the most important tangible aspect of corporate identity (Bartholmé & Melewar, 2011; Sarstedt & Schloderer, 2010), which is inclusive of
five main elements: organisation name, logo/symbol, typography, slogan, and colour (Kitchen et al, 2013; Bartholmé & Melewar, 2011; Abratt & Kleyn, 2012; Melewar & Karaosmanoglu, 2006). Throughout the literature, the fundamental importance of visual identity is recognised as being the direct reflection of an organisation's values, culture, and philosophy, which supports communication(s) and creates physical or actual recognition of the organisation (Kitchen et al, 2013; Bartholmé & Melewar, 2011; Abratt & Kleyn, 2012; Melewar & Karaosmanoglu, 2006). Therefore, a distinct image (i.e. visual identity) that is communicated successfully will enable stakeholders to connect with the corporate identity and brand; and in time, such connections &/or experiences will evolve into perceptions that construct an organisation's reputation (Bartholmé & Melewar, 2011). Additionally, developing a favourable reputation has been frequently defined as "the strongest determinant of an organisation's sustainability" (Firestein, 2006).

Sarstedt and Schloderer (2010) found that NPO reputation has a significant impact on stakeholder willingness to donate (time or money) and on the evaluation of whether an organisation is trustworthy. However, it must be understood that strong reputation is not built overnight; it requires consistent care and effort to ensure that stakeholders have positive experiences and make positive evaluations of the organisation over time (Kitchen et al, 2013; Abratt & Kleyn, 2012).

The term "total corporate communications" is frequently used to express the comprehensive nature of communications, which consists of three key elements:

**Primary communication:** e.g. communication effects of management, employees/members and corporate behaviour, etc.

**Secondary communications:** e.g. controlled communications – advertising and PR

**Tertiary communications:** e.g. uncontrollable third-party communication – word-of-mouth & media (Balmer, 2001; Balmer, 2013).

Total corporate communications include concepts that relate to both controlled and uncontrolled communications. Controlled communication is any form of communication that is intentionally distributed by management as a strategy to create and enhance relationships with stakeholders; oppositely, uncontrolled communication occurs when an organisation unknowingly or unintentionally influences perceptions held by stakeholders (Melewar, Karaosmanoglu, & Paterson, 2005; Melewar & Karaosmanoglu, 2006). According to various authors (Melewar et al, 2005; Melewar & Karaosmanoglu, 2006; Abratt & Kleyn, 2012), controlled corporate communication encompasses three sub-dimensions, which include management communication, organisational communication (e.g. investor relations), and marketing communication (e.g. advertising & promotions). It is expressed that management communication is the most important concept for developing and sustaining strong corporate identity and brand, primarily because it involves direct articulation of organisational objectives for internal stakeholders while simultaneously establishing a desirable image and competitive advantage for external stakeholder management (Melewar et al, 2005; Melewar & Karaosmanoglu, 2006).

In the 21st century, organisations are exposed to extreme scrutiny by the media and society; virtually everything an organisation does will, in some way, communicate their corporate/organisational identity (Melewar & Karaosmanoglu, 2006). The various social networking/media platforms available today (e.g. Facebook, Twitter, Instagram, Snapchat, etc.) have revolutionised the business environment, in regards to how one can communicate and connect with stakeholders. According to Waters, Burnett, Lamm & Lucas (2009) NPO's, when attempting to develop relationships with stakeholders via social media, can benefit greatly from careful planning and research. The purpose of social media for any organisation is clear, however, according to Waters et al (2009) there are three key strategies that are very influential for NPO's, in regard to their social media activities and overall relationship cultivation. These are as follows:

- **Disclosure:** enhancing openness and transparency of online communication activities. For example, provide very detailed explanations of the organisation (i.e. mission, objectives, history, etc.), which can be achieved by listing organisational members, using visual cues/associations and hyperlinks that connect to an organisation's website.

- **Usefulness:** information being distributed online via various social media platforms, including the company website, should always be directly useful for stakeholders. Message dissemination for NPO's could include sharing stories, announcements, photos, videos, external news/story links, press releases, campaigns, comments, discussion wall (e.g. Q&A), etc. This strategy promotes two-way communication, which is key to building and maintaining relationships online (Haigh, Brubaker, & Whiteside, 2012).

- **Interactivity:** Organisations must actively interact with stakeholders, in order to develop and sustain relationships. Interactivity can be achieved by organically asking for emails, providing
opportunities to donate (time or money) both online and offline.

Weerawardena, McDonald, & Mort (2010) express that sustainability in the context of non-profit organisations is different, stating that it is a term used to describe or express the survival capacity of an organisation and the continuing ability to be able to serve its purpose, fulfill its commitments to society, and deliver on the promise of its mission, in order to satisfy the needs of various stakeholders. According to Weerawardena et al (2010), to create continuous value, NPO's can adapt different strategies such as "redefining their mission, adopting best practices within the industry, investing in high impact projects, innovations (products or services – e.g. fundraising opportunities), sponsorship, and active partnering (strategic alliances) with for-profits and other NPO's to broaden their scope for social value creation".

The literature shows aggregate agreement among many authors, stating that partnerships, alliances, and/or sponsorship opportunities are highly beneficial but only when there is strategic compatibility or synergy between the two organisations (for-profit & non-profit), as this produces mutually beneficial relationships and diverse benefits for each party (Weerawardena et al, 2010; Becker-Olsen & Hill, 2006). According to Becker-Olsen & Hill, high strategic fit/match can be defined upon analysis of each organisations mission, vision, values, and target market/audience. Benefits from a good strategic fit can include positive brand building, enhanced competitive positioning, improved brand/identity engagement & awareness, positive stakeholder feelings, and development of positive responses in regards to feeling a sense of trust towards the non-profit brand &/or identity (Becker-Olsen & Hill, 2006).

A case study by Weerawardena et al (2010) notes that developing relationships (i.e. partnerships/alliances) with larger corporate organisations is highly beneficial for receiving regular donations of both time (volunteers) and money; however, they explicitly find and express that smaller donors are just as important.

A good point to end on is one made by many studying the area of business identity and brand with particular reference to non-profit organisations, which outlines the fact that NPO's are typically created for the purpose of solving complex issues or dilemmas within society. Therefore, strategic choices must be considered as investments rather than short-term fixes, primarily because real progress for NPO's is measured and achieved over a long-term period (Becker-Olsen & Hill, 2006).

The Heart Trust is a not for profit, incorporated, charitable trust founded in 1976, which actively strives to achieve its purpose of "improving the quality of life of heart patients living in the mid-northland area, by speeding up access to world-class heart diagnostic and treatment services" (The Heart Trust, 2016).

Over the years of working in close partnership with Waikato Hospital and the Waikato District Health Board (DHB), The Heart Trust has actively helped to support the development and advancement of Waikato Hospital cardiac unit. Advancements encompass acquisition of state of the art technology and equipment, medical research, recruitment of surgeons and training of staff, service development, etc. Henceforth, Waikato Hospital is now considered the hub/centre of excellence for cardiac services and care for all of the mid-northland area.

Traditional funding channels (e.g. DHB & Government) have proven insufficient to sustain the level of innovation and development that Waikato Hospital desires and inadequate in regard to meeting the communities needs fast enough. Henceforth, The Heart Trust provides a very needed helping hand that actively works and acts as the catalyst to close this gap, primarily by raising funds that are strategically invested/offered as seed funds for various projects.

The various trustee’s/board members involved with The Heart Trust present a breadth of expertise (i.e. medical and business knowledge) that have been an invaluable asset to the trust’s past success; and from a long-term perspective, such individuals are now at the forefront of ensuring that The Heart Trust's mission is continued into the future. However, with reference to the aforementioned problems, past achievements, and success are somewhat deemed null in void in the current business environment.

Competition is fierce, the market of charity organisations in New Zealand is highly saturated, with about 28,296 different charities competing for the same dollar. The mid-Northland region alone has over 120 health related charities (Charities Services, 2016), which ultimately is a large threat for The Heart Trust.

However, the recent re-branding of the trust changing from the "Waikato Heart Trust" to "The Heart Trust", along with significant visual changes, has provided the trust with a clean slate and an opportunity to revive and endow itself with a fresh perspective and new strategies for future operations. In addition to removing an unintentional narrow focus on Waikato Hospital and the Waikato community as the single bracket for support. Nevertheless, The Heart Trust aspires to expand their capacity in the further mid-northland communities, to achieve greater regional support, representation, and value.
Envisioned for The Heart Trust, by various board members, is a very positive future that brings improved presence and capacity in the further mid-northland regions and enhanced capability to support and implement innovative projects and exciting ideas. However, such aspirations will not be achieved without the ability to adapt to change because just like any other organisation, there are various and dynamic challenges (e.g. internal & external environment factors) that may hinder success or achievement of the key objectives. Therefore, good management is pivotal.

Although The Heart Trust was established in 1976, it is evident that various business practices require careful attention and adoption to the conditions of the 21st-century business environment (e.g. enhanced strategic management of all critical organisational operations - management, marketing, communications, etc.). Additionally, due to the highly competitive market, The Heart Trust must strive to comprehensively understand their target market(s) and capitalise on all available opportunities/strategies to create a distinct competitive advantage and enhance their profile (i.e. social media, word-of-mouth, media networks, etc.).

3. Research Method

The research undertaken for this research project incorporated both primary and secondary research, to ensure a comprehensive foundation of information was collected. Accordingly, several secondary database systems were utilised in order to gather the relevant information/theory required to conduct the literature review. Such databases included Google Scholar, Ebsco Host, ProQuest, and any relevant textbooks that may help to underpin the various theories.

A strategy utilised to maximise the efficiency and effectiveness of the secondary research process, which would eliminate unwanted or irrelevant information, was to define and employ keywords that would ensure only accurate and quality information was gathered. Therefore, prior to conducting the research, key themes and areas of importance were identified, which would help to guide the research process and ensure that the overall aim and research question was answered.

Seven key themes emerged from the research and were identified as having direct relevance towards the identified business problems and overall success of the research question. Henceforth, with reference to the research aim and segmentation of the research question (i.e. create, sustain, & grow), literature was gathered for each separate theme. Once all relevant literature was collected, a thorough analysis of the information was conducted, in order to accumulate all the important information into one complete review.

To ensure that all information was directly relevant to the organisation and research problem/question, various methods used when collecting and analysing the literature, which included the following:

Using different coloured post-it notes to identify and track the various themes throughout the literature. This strategy allowed for simple distinction and record of various key points found in the literature for each of the themes, which could then be arranged from highest to lowest importance.

The "My Research" function on Pro Quest proved very useful, as it enables users to customise and create search preferences, save documents, and save searches. I was able to bundle all information into various folders, which were organised by theme. Ultimately, this made future research and reference easier and more efficient.

Printing out and highlighting key points within the literature. This strategy enhances the management of information and time and also increases the ability to retain information.

Throughout the project and upon conclusion of the research, it was clearly evident that much of the literature and various themes were closely interrelated and at times would overlap. However, by ensuring simultaneous comprehension of The Heart Trust's problems and the overall purpose of the research project, it was easy to extract and create specific recommendations and conclusions.

It should be noted that The Heart Trust recently had a survey undertaken in 2013 as a part of the development for a new marketing strategy and re-branding process. However, additional primary research was gathered, in order to obtain current information that would help to support the research question and provide bearing on final recommendations and conclusions.

The primary research conducted included two separate questionnaires, which were distributed to Wintec students of CBITE (Centre for Business Information, Technology, and Enterprise) and The Heart Trust trustees. Using questionnaires was a strategic choice, primarily due to the existence of time and resource constraints, which additionally attributed to the strategy of convenience sampling (i.e. utilising people who are easy to reach). However, by specifically utilising Wintec students of CBITE, there was also a sense of stratified sampling (i.e. business student sub-group), as it was assumed that business students would have a better
understanding of what was required of the questionnaire.

The questions asked, and the information collected from the questionnaires includes both qualitative and quantitative data. Integration of qualitative and quantitative data can be defined as a "mixed methods" approach, which ultimately permits a more comprehensive and complete collection of data.

Prior to conducting the primary research, great consideration was given to ethical requirements, in regard to obtaining informed consent, articulating individual rights to withdrawal, ensuring confidentiality, and creating understanding towards how the data will be used and where the report will go once completed, etc.

The methods used to collect primary research included the following:

- **Personal distribution** – This strategy was used for Wintec students of CBITE. Subsequent to contacting various lecturers within CBITE, I was able to attend three separate classes from which I collected a total of 50 completed questionnaires.

- **Electronic distribution** – Due to various limitations (e.g., time, resources, and distance), email distribution was utilised for The Heart Trust trustees. Additionally, this strategy enabled the trustees to think strongly about their answers, as they had over a week to return the questionnaire.

Once all results were collected, the information was collated and analysed by extracting and recording all results into a Microsoft Excel document. This process allowed the results to be interpreted more efficiently and ultimately assisted in the development of final conclusions and recommendations.

Throughout the research process of obtaining both primary and secondary data, various limitations emerged, which inadvertently hindered desired progress of objectives. However, limitations were expected, and contingency plans were unconsciously set in place. Such limitations included:

- **The quality of data received**: some of the data received was irrelevant, possibly due to confusion or incomprehension of what was being asked.

- **Electronically distributed questionnaires**: Ability to conduct a full analysis of primary data within the articulated schedule was forfeited due to an extended waiting period for questionnaire two results, from which only 9 of 11 questionnaires were completed and returned.

- **Time & Resources**: While it would have been favourable to have a respondent group of 200 people, physical distribution of that many questionnaires would be a very timely and expensive process.

### 4. Results

#### 4.1. Questionnaire One

The purpose of questionnaire one was to test and compare various (new) taglines, in order to identify if this was an appropriate strategy to enhance or better retain profile and brand. Additionally, a few general questions about heart disease and The Heart Trust were asked. (See Appendix C for a copy of questionnaire 1).

![Figure 1](image.png)

**Questionnaire One: Test of Alternative Taglines – Wintec Students of CBITE**

Figure 1 shows the results of questionnaire one, which analysed a total of 50 Wintec students/staff of CBITE.

The first question sought to determine the respondents like or dislike of multiple alternative taglines. As shown in graph 1, the most popular to least popular taglines are as follows:

- Helping hands for healthy hearts.
- The heart of innovation.
- A helping hand for a healthy heart.
- Fighting for fit hearts.
- Innovating and improving lives.
- Innovative services and improved quality of life.
- Leading steward for innovative heart diagnostic and treatment services.
- The heart of innovation.
- A helping hand for a healthy heart.
- Fighting for fit hearts.
- Innovating and improving lives.
- Innovative services and improved quality of life.

Leading steward for innovative heart diagnostic and treatment services.

Additionally, respondents had the chance to submit tagline suggestions of their own, which brought forth few responses of varying quality - (See Appendix G).

The concluding questions of questionnaire one sought to identify if there were any commonalities between The Heart Trust’s identity and those respondents who had previously been affected by cardiovascular disease or those that believed heart disease was more common than cancer.
What do you believe is more common?
Figure 2 shows that 52% of respondents stated that they believed heart disease was more common than cancer (48%), which was an interesting result considering that only 16 out of 50 respondents had previously known someone or they themselves had been affected by cardiovascular disease (as seen in Figure 3).

The 34 (i.e. 68%) respondents that stated that they had never been affected by cardiovascular disease also brought forth some interesting and close results. With 16 of the 34 respondents indicating that they still believed that heart disease was more common than cancer. Even though the results are very close, they show that people are highly aware of heart disease and the effect that it has on people.

Total Number of Responses
Figure 3 shows that a total of 11 respondents out of 50 had previously heard of or known who and what The Heart Trust is, which ultimately supports the problem of weak profile, identity, and brand. Additionally, after thorough analysis, it was further identified that only 4 of the 11 respondents had also known someone or they themselves had been affected by cardiovascular (heart) disease.

Age of Respondents
Figure 4 shows that the sample of respondents included 25 males and 25 females of varying ages and ethnicitities.

4.2. Questionnaire Two
(See Appendix D for a copy of questionnaire two).

The following articulates the results of Questionnaire two, which analysed a total of 9 trust board members; inclusive of males and females, ranging in age from 36 – 50, 52 – 65 and 65+. The purpose of questionnaire two was to gather comprehensive understanding in regard to The Heart Trust’s current organisational culture and strategic planning, ultimately provoking individual opinions on what the trust’s mission, vision, objectives, standards, expectations, values, beliefs, norms, etc., are believed to be (i.e. open-ended questions). Additionally, questionnaire two also included the same tagline questions from questionnaire one, to enable a cross comparison of responses between trustees and external stakeholders (i.e. Wintec students of CBITE).

The Heart Trust has no explicitly articulated mission, vision, or value statements on their website or any other channels of communication available (i.e. online or offline). Therefore, the first few
questions sought to obtain each respondent's personal opinion towards such statements.

Respondents were then asked to describe The Heart Trust’s core mission briefly. The results have shown high commonality between answers, with almost all respondents emphasising: Community support for the mid-Northland region Support (i.e. funding) for innovative projects that speed up access to world-class cardiac services (e.g. training, equipment and technology), which are not readily affordable for the DHB. (See Appendix E for a list of all mission statements).

Question three asked respondents to describe The Heart Trust’s vision. The respondent’s results have brought forth the following, as being core vision(s) for The Heart Trust in the future:

- Enhanced capacity in further mid-Northland regions
- Enhanced financial capacity
- To be recognised as an invaluable asset to the development of Waikato Hospital (i.e. enabling world-class cardiac health care)

(See Appendix F – vision statements)

Question four sought to identify the key objectives of The Heart Trust, in order to determine if there was an alignment between key objectives and current problems. Multiple key objectives emerged (see Figure 6), the three predominant objectives that prevailed are as follows:

- Growth and sustainability of funds – mentioned by 8/9 trustees
- Supporting the provision of cardiac services, technology, and equipment – mentioned by 6/9 trustees
- Building strong profile and brand awareness – mentioned by 5/9 trustees

(Note: some objectives that were stated held a double meaning - e.g. enhance funding for the provision of new cardiac equipment/technology).

(See Appendix F for a list of all mission statements).
Figure 7

Test of Alternative Taglines – Trustees

Figure 7 shows the most popular to the least popular taglines suggestions for The Heart Trust, which are: The heart of innovation; Helping hands for healthy hearts; A helping hand for a healthy heart; innovating and improving lives; fighting for fit hearts; innovative services and improved quality of life; leading steward for innovative heart diagnostic and treatment services.

(See Appendix G – tagline suggestions)

Question seven sought to identify if the respondents believed that The Heart Trust should receive any form of reciprocity for their support (e.g. thanks, promotion, advertisement, positive media coverage, naming rights, etc.). A majority of the respondents agreed and stated that reciprocity would be critical for the achievement of future objectives and success. However, one respondent was hesitant as they believed it could portray commercialisation. Moreover, the respondents were asked to suggest strategies of how reciprocity could be achieved and a few quality answers emerged:

- Collaboration and clear understanding between The Heart Trust and various donors, sponsors, or funders.
- Self-promotion as part of everything The Heart Trust does.
- Board member intervention.
- Public sponsorship.
- Endorsement from a predominant public figure (e.g. sports person).

Lastly, all trust board members explicitly agreed that they are a prime advocate and ambassador of The Heart Trust’s profile. According to the results, majority of the trustees are supporting enhancement of The Heart Trust’s profile via verbal communication and non-verbal coordination and interaction with external stakeholders (i.e. individuals & organisations). For example:

- Contact, discussion and active cooperation with key contacts and organisations (i.e. Lions Clubs, Rotary, community district councils, general public, colleagues, family, friends, etc.).
- Discussing The Heart Trust’s activities with the DHB, patients and staff in Waikato Hospital.
- One trustee, in the past year, has given nine presentations around the region outlining the Trust’s purpose and activities.
- Conducting the re-branding process and appointment of The Heart Trust coordinator were both actions towards enhancing profile.

All trustee’s expressed that they actively talk to people about The Heart Trust and direct them to the website for access to more information.

5. Discussion

After analysing the results of questionnaire one, the problem of weak profile has been further confirmed, with only 11 out of 50 people stating that they had heard of The Heart Trust before. Additionally, only 4 of the 11 respondents also indicated that they had been affected by heart disease in some way. Such results create a notion towards how productive the cultivation of awareness is within the Hospital (i.e. advocation of medical staff, etc.) and suggests that there could be little commonality between exposure to heart disease and awareness of The Heart Trust. Hospital patients and extended family are The Heart Trust’s prime target market. Therefore, this is a major weakness. If The Heart Trust truly works in partnership with the Waikato hospital and DHB, active measures could be put in place that prove beneficial for all parties.

Furthermore, an interesting note made by one respondents of questionnaire one was that six of his family members had suffered from heart attacks within the last 15 years, yet he has never heard of The Heart Trust. Such results only reinforce the need to adapt new strategies, in order to create and sustain strong profile for future growth opportunities. Hence, the reason for testing new alternative taglines. The process for creating the suggested taglines took into consideration what The Heart Trust aims to represent and the overall purpose of the organisation. Henceforth, three questions were consistently asked during the development of the taglines, which were as follows:

- What is the specific benefit to stakeholders?
- How does The Heart Trust’s support make stakeholders lives better?
- Why is The Heart Trust better than competitors?
As The Heart Trust is largely invested in supporting the development and innovation of cardiac services available to the public, a sense of support for both the community and innovation had to be considered. Among the taglines that were created, some had a stronger sense of community, while others were more focused on innovation. This was a strategy to develop a cross comparison of preferability.

It was evident in the results that most of the respondents of questionnaire one preferred the taglines that communicated a stronger sense of community and support, rather than the taglines that emphasised innovation. Becker-Olsen & Hill (2006) found that an individual's attitude, connection, and perception towards a non-profit organisation (i.e. identity, brand, etc.) is driven by positive feelings of warmth, fun, excitement, self-esteem, and social approval. Such positive feelings endow individuals with an affirming sensation, which enhances self-esteem and self-respect, due to a natural inclination to participate (i.e. donate time or money) and "do the right thing" (Becker-Olsen & Hill, 2006). Therefore, a tagline that encapsulates such a feeling will be highly valuable in enhancing stakeholder engagement, profile/identity, and brand strength.

Furthermore, as identified by many academics (Kitchen et al, 2013; Bartholmé & Melewar, 2011; Abratt & Kleyn, 2012; Melewar & Karaosmanoglu, 2006), a good slogan/tagline is one of the five main elements that construct and organisations visual identity. Therefore, the tagline on its own will not successfully enhance or sustain The Heart Trust's visual identity and profile. "Organisation name, logo/symbol, typography, tagline/slogan, and colour", when effectively coupled and successfully communicated, will enable external stakeholders to recognise and connect with The Heart Trust (i.e. identity/profile and brand). Bartholmé & Melewar (2011) find that a distinct image (i.e. visual identity) will, in time, develop stakeholder connections and experiences, which ultimately evolves into organisational perception and reputation.

With a total of 50 respondents for questionnaire one, the results can be taken away with a relative sense of credibility. However, it is noted that a greater sample would be highly beneficial but due to time and resource constraints this option was not available.

The, respondents of questionnaire two did not respond as positively to the suggestion of new tagline options as did the respondents of questionnaire one. However, a positive similarity between the two respondent groups was a common liking for the following three taglines, which all ranked in the top 3 most favourite taglines for both questionnaires:

- Helping hands for healthy hearts.
- A helping hand for a healthy heart.
- The heart of innovation.

It is assumed, with relative judgement, that the trustees have a stronger emotional bearing within their decisions, primarily because many of them are long standing members with significant investment (i.e. time) in the organisation. Consequently, causing many of the trustees to be largely tentative towards change. Additionally, although many of the trustees bring invaluable skills and expertise to the board, the age and ability of few members could be affecting The Heart Trust's capacity to succeed and grow in the 21st-century business environment. The results have suggested that most trustees agree that they have to be more innovative, in order to overcome their problems, with a few good ideas suggested. However, there is a sense of doubt in their ability to adopt new strategies effectively.

Moreover, after a thorough analysis of the results from questionnaire two, many expected similarities have been confirmed and become evident, however, a few differences have also surfaced. Such differences are a good sign, as this satisfies an inadvertent purpose of questionnaire two, which was to reveal any differences that may support the reasoning behind The Heart Trust's current problems.

To put such differences into perspective; after collective analysis and cross-comparison of results, one can state that while there is understanding between all members in regard to what the purpose/mission of The Heart Trust is, there are variations in each trustee’s interpretation of The Heart Trust's vision, values and objectives/goals. Such differences seemed to correspond with each trustee's particular expertise because a cross comparison of the results uncovered various themes. For example, some trustees were more medically focused, business focused, and community focused, which is not a negative because all three areas are very important. However, to be effective, The Heart Trust needs to find a healthy equilibrium and create one unique message and identity concept that equally incorporates all three areas of focus, in order to remove any conflict of identity that may be contributing to their weak profile.

Essentially, the results support that currently there is no one distinctively articulated, understood, and shared identity within The Heart Trust that can be communicated and shared with external stakeholders (e.g. Blamer’s 6C's of corporate marketing mix - Balmer & Greyser (2006)).
Abratt & Kleyn (2012) found that successfully development of an organisations corporate identity (i.e. profile) must first answer the following questions "who and what the organisation is? And what it seeks to be?" This process is fundamental and sets the stage for the development and articulation of core values, culture (i.e. internal and external) and objectives (Abratt & Kleyn, 2012). A strong identity (i.e. culture, values, norms, etc.) will be one that is explicitly known and shared throughout the whole organisation and its members.

Mission Vision, values, and objectives/goals collectively assist in the manifestation of corporate identity and culture, and as expressed by Tonder (2011) and Melewar & Karaosmanoglu (2006) strong culture coupled with clear organisational identity, is key to an organisations success and performance. Therefore, allowing multiple variations of The Heart Trust's identity to be communicated in the external market is inefficient, as it will paint multiple pictures in the minds of stakeholders and create confusion. Ultimately, the lack of common/shared understanding of identity is a major contributing factor to The Heart Trust's lack of profile and confusion with The Heart Foundation (THF).

The Heart Trust's website and other online platforms should be used as a tool to provide external stakeholders with all necessary information about the organisation (i.e. mission, vision, values, objectives, etc.). Such communication enables a sense of transparency and trust; which according to Venable et al (2005) are two pivotal characteristics for NPO's as they directly influence the donor decision-making process.

Essentially, the research results in conjunction with prior knowledge, has revealed that while trustees have the knowledge to create identity, their organisational behaviour shows high resistance towards change. Such resistance could derive from fear of the unknown, uncertainty, lack of competence, individual predisposition towards change, etc. Humans are creatures of habit, but change is necessary in order to progress The Heart Trust's future objectives and to achieve the current desire for stronger profile, differentiation and enhanced fund capacity.

6. Conclusion

Derived from the results and analysis of both the primary and secondary data, several conclusions have been drawn, which contrast and relate to the prime strategies and practices required for successful creation and sustainment of strong profile (i.e. identity). It is evident from the literature that creating and sustaining identity/profile is no small task. It requires a full organisational approach with strong consideration towards all functional levels and areas of the business/organisation.

Strong business identity must start from the top with vigorous leadership and management that works to define and articulate an organisations identity. Establishing:
- Who and what they are
- What they stand for
- What the organisation does
- How it does it, and
- A vision for the future

Defining the questions as mentioned above essentially answers and develops an organisations mission, vision, values, culture, and objectives/goals, which are all paramount components for creating and sustaining strong profile. Such concepts, to be successful in creating strong profile, must be shared throughout the whole organisation and amalgamated into everything that the organisation does. Ultimately creating one clear and unique identity that can be consistently communicated to and understood by all relevant stakeholders.

The primary research supports the suggestion made, that part of The Heart Trust's problem derives from a weakness of internal identity (Mission Vision Values etc.), which could be the prime cause of their weak external identity and a lack of profile. Therefore, this is an area that requires careful consideration.

To overcome the substantial lack of awareness, The Heart Trust should be actively adjusting their strategy like any other business (non-profit or for-profit) would in an attempt to remain competitive. A distinct identity that is consistently upheld will endow The Heart Trust with uniqueness, differentiation, and a strong competitive advantage in the market. However, the process to establish identity, according to the literature, is very multidisciplinary, interdisciplinary, and complex. Creating identity may be easy but sustaining it is the hard part, as it requires continuous effort, consideration, and constant communication in order to achieve future growth.

The concepts needed to create identity should be relatable to internal members/employees and external stakeholders, to enhance engagement and encourage positive relationships.

As The Heart Trust is a not for profit organisation, their strategy towards any marketing activities will most likely be low cost - no cost, which in today's market, is not necessarily a weakness because there are various resources and tools available to that can be used to their advantage (i.e. social media, word-of-mouth, media networks, etc.)
Branding is a theory that goes hand-in-hand with business identity. The brand should communicate identity to both primary and secondary stakeholders (i.e. internal & external). Internally the brand should work to create cohesion and shared understanding of identity, which essentially translates through all members/employees behaviours and actions. Henceforth, as clarified in the results, The Heart Trust trustees are responsible for direct communication of The Heart Trust's identity (i.e. brand ambassadors), which ultimately will and has a strong influence on external stakeholder perceptions of the organisation and the development of image & reputation. Therefore, ensuring organisation-wide understanding and commitment towards organisational identity is pivotal.

Furthermore, developing an identity and brand with a strong sense of trust, transparency, and integrity will be important for The Heart Trust, primarily because external stakeholder engagement and decisions to donate rest strongly on the ability for stakeholders to understand and trust that their donation will be used efficiently to create value. Ultimately enabling the external market to obtain validation for their contributions.

Additionally, a strong not-for-profit brand should have personality, as this allows the organisation to connect better with their target market, enhances personalisation, and increases emotional engagement; which can ultimately enhance charitable giving.

However, such strategies are meaningless unless profile/awareness is obtained and sustained. Therefore, consistent communication and interaction with external stakeholders is pivotal. Only then will The Heart Trust be able to overcome their current problems (i.e. lack of profile and awareness, weak differentiation causing confusion with The Heart Foundation, and weak financial stability); and only when The Heart Trust overcomes their current problems, by creating and sustaining strong profile, will they be able to achieve growth.

In addition to the research that has been conducted, it could be beneficial to undertake further research that looks into the strategic management side of identity/profile. This would help to identify the specific management protocols, methods, or procedures required to sustain identity and achieve growth; current research covers some management concepts but it focuses more on marketing, and covers the various strategies available to The Heart Trust for sustaining identity (i.e. social media, branding, communication, etc.).

Additionally, undertaking a case study of a competing non-profit organisation that is achieving great success could be highly beneficial for identifying strategies that are working in the current market. Essentially, this could create and offer a map or blue print for The Heart Trust, which they could adopt into their business plan, in order to overcome their current problems and achieve success.

7. Recommendations

Based on the research undertaken within this report, the following recommendations are suggested for The Heart Trust:

Create and articulate clear mission, vision, and value statements (MVV) within the next 6 months.

**Mission**: should clearly state the organisations key purpose.

**Vision**: Defines the future stature, purpose, and direction for the organisation. Additionally, providing a proclamation of the trusts objectives, which fundamentally guide internal decisions and activities.

**Values**: The Heart Trust's core values that support all activities and are representative of all organisational norms, beliefs, and culture. Typically, values derive from the organisations founder and are very relatable for both primary and secondary stakeholders.

Continuously set organisational goals and objectives in alignment with the organisations overall vision.

This will be a good way to track progress. By achieving goals and consistently setting new ones The Heart Trust can ensure sustainability in the future.

The mission vision values and objectives/goals must be available and clearly communicated to all relevant stakeholders (i.e. trustees and external market) - via all online media platforms (i.e. website, Facebook, LinkedIn, etc.).

Sustained identity requires frequent communication and interaction with external stakeholders. The Heart Trust's website is a prime portal for all information, which ultimately leads to opportunities to donate.

Posting content on social media daily should be a goal for The Heart Trust to work towards. This can be achieved by taking a few hours at the start of every week to create a weekly social media plan. A social media plan will automatically schedule posts and share them across all available social media platforms.

Develop and outline a timeline of projects and plans (i.e. current and future).

This will enhance transparency (trust and reliability) and enable individual stakeholders to
validate where and what their donations will be supporting.

Seek to obtain or develop strong sponsorship agreements, partnerships, and alliances.

Sponsorships: research and approach large corporations that could offer significant long-term support. E.g. Waikato Tainui could be a suitable organisation to approach, as it is explicitly known that twice as many Māori die from heart disease than do non-Māori.

Partnerships and alliances: e.g. other charities, regional DHB’s and hospitals (public and private), local clinics, drug manufacturers, and celebrity endorsements. However, when developing partnerships, it is important to find ones that are “high fit”, which means that both parties have a strategic match between mission, values, and target market.

This will be a long term objective for The Heart Trust to work towards over the next 3 – 5 years.

Optimise donation capabilities by upgrading the donation system and creating package deals that are suitable for both the individual and corporate market. E.g.

**Bronze Supporter (Yearly donator)** – receives publicised recognition and thanks on social media platforms.

**Silver Supporter (Quarterly donator)** – receives publicised recognition and advertising/promotional opportunities at selected trust events.

**Gold Supporter (Bi-monthly donator)** – Official trust sponsor. Receives explicit sponsorship rights, publicised recognition, and advertising/promotional opportunities at all trust events, e.g. sponsorship from large corporations (i.e. drug manufacturers, medical suppliers) or high socio-economic individuals, which could include a donation of $200,000 over five years or maybe $500,000 over 10 years.

Offering various donor options provides the donor with an augmented return on investment from the initial want for enhanced self-worth, self-respect, self-esteem, social recognition and acceptance, etc. (i.e. the good feeling people get from doing the right thing). This should be done within the next year.

Place a pulsating heart on the website homepage, which links directly to the donation page, and that beats when an individual moves the cursor over the link. This will create a unique audio association, of a beating heart, with The Heart Trust brand.

Implement recognition and reward systems for trust members and/or employees.

Simple recognition and reward systems could help to develop a positive culture that is lavish with praise and genuine appreciation. This could ultimately encourage stronger commitment toward the organisation, as it would provide individuals with augmented value on their membership.

Create identity, communicate, and connect with people by telling stories.

This is the best way to market any organisation because external stakeholders can personally relate to the organisation (emotional engagement) and develop a greater sense of trust, which will instigate within them a desire to take action (i.e. donate). This is not limited to just testimonials from patients; it could include The Heart Trust's history and showcasing of the equipment and technology that The Heart Trust has helped to supply etc.

Hire a marketing and brand manager to handle all offline and online marketing (i.e. digital and social media marketing activities).

Most NPO's, because they don’t sell a product or a service, rely heavily on their marketing operations to sustain profile and achieve growth. Therefore, while this recommendation will come at a cost for The Heart Trust, it should be considered as a strategic investment for overcoming current problems and achieving future growth. Marketing is a pivotal component of any business’ success, therefore, it should not be overlooked.

It is highly recommended that The Heart Trust look into hiring a marketing and brand manager within the next year.

**Alternatives:**

Acquire a trustee board member that has business and marketing expertise.

Attempt to obtain social media marketing manager volunteers (e.g. students, interns).

Refresh, expand, and diversify The Heart Trust’s board members over the next year.

Diversity in regards to skill set, age, culture, regional representation, etc., as this could potentially create larger market reach, which would assist in alleviating current problems.

Create and host a big annual event that is unique to The Heart Trust organisation.

This may help to create identity association and recognition for The Heart Trust from external stakeholders. E.g. The Cancer Society has daffodil day. Additionally, to be effective and enhance event value, The Heart Trust should strive to contact and work with celebrities and/or sports teams.

Develop brand personality: This will enhance personalisation and emotional engagement with stakeholders. If stakeholders can personally connect with THT, charitable giving could be enhanced.
8. References


Khan, H., & Ede, D. (2009). How do not-for-profit SMEs attempt to develop a strong


9. Appendices

Appendix A

| Character (Corporate identity) | "What we feel we are" |
| Communication (Corporate communication) | "What we say we are" |
| Culture (Organisational identity) | "What we feel we are" |

Identity type Explanations Underpinning approach/construct 
Actual identity "What the firm’s identity is indubitably found to be" Corporate identity 
Communicated Corporate Brand Identity "What the corporation claims the corporate brand to be" Corporate brand communication 
Conceived Corporate Brand Identity "What the corporate brand is seen to be" Corporate images/stakeholder identification 
Convenanted Corporate Brand Identity "What the brand promises to be" Corporate brand 
Cultural Corporate Brand Identity "What the corporate brand culture is found to be" Corporate brand culture 
Desired Corporate Brand Identity "What senior managers wish the corporate brand to be" Corporate brand vision


Appendix B

The 6C’s Sub-paradigms within the corporate marketing mix
Character Corporate identity
Communications Corporate communications
Constituencies Marketing and stakeholder management
Covenant Corporate brand management
Constituencies (Marketing and stakeholder management) "Who/what the firm is"
Conceptualisations Corporate reputation
Culture "What we feel we are"

Table I. Balmer’s 6C’s of corporate Marketing

<table>
<thead>
<tr>
<th>Identity type</th>
<th>Explanations</th>
<th>Underpinning approach/construct</th>
</tr>
</thead>
<tbody>
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<td>Actual identity</td>
<td>&quot;What the firm’s identity is indubitably found to be&quot;</td>
<td>Corporate identity</td>
</tr>
<tr>
<td>Communicated Corporate Brand Identity</td>
<td>&quot;What the corporation claims the corporate brand to be&quot;</td>
<td>Corporate brand communication</td>
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<tr>
<td>Convenanted Corporate Brand Identity</td>
<td>&quot;What the brand promises to be&quot;</td>
<td>Corporate brand</td>
</tr>
<tr>
<td>Cultural Corporate Brand Identity</td>
<td>&quot;What the corporate brand culture is found to be&quot;</td>
<td>Corporate brand culture</td>
</tr>
<tr>
<td>Desired Corporate Brand Identity</td>
<td>&quot;What senior managers wish the corporate brand to be&quot;</td>
<td>Corporate brand vision</td>
</tr>
</tbody>
</table>

Appendix C

Exhibit 1: The Role of Brand Cycle

Appendix D

Questionnaire ONE – Wintec business students & staff of CBITE.

I Lisa Dekker, am a student in the Centre for Business IT and Enterprise (CBITE) at Wintec and, as part of my studies, I am completing a research project on “How to create and sustain strong profile, in order to grow The Heart Trust organisation”.

I would appreciate it if you would agree to participate in this research by answering the questions on this survey. The survey will take approximately 5 - 10 minutes to complete and all personal information and primary information that is collected will remain confidential to me and CBITE at all times unless agreed to by you. All data will be collated and information will be anonymous in the final report.

The final report will be assessed by Academic staff in CBITE and will be returned to The Heart Trust Organisation.

Survey questions below:

Original Heart Trust Tagline – “Helping hearts beat stronger”

Background Info:
The Heart Trust is a charitable trust that acts to speed up access to world-class heart diagnostic and treatment services for people living in Midland health region.

Working in partnership with hospitals and district health boards (DHBs) the Heart Trust helps provide up-to-date technology and services faster than the DHB can afford through normal funding channels.

Please rate your like or dislike for the following alternative Taglines:

<table>
<thead>
<tr>
<th>Tagline</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helping hands for healthy hearts.</td>
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<td></td>
</tr>
<tr>
<td>A helping hand for a healthy heart.</td>
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<td></td>
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<tr>
<td>Fighting for fit hearts.</td>
<td></td>
<td></td>
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<tr>
<td>Innovating and improving lives.</td>
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Really
Like
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1   2   3   4   5
Really
Like
Neutral
Dislike
Really
Dislike
1   2   3   4   5
The heart of innovation.
Leading steward for innovative heart diagnostic and treatment services.

Tagline suggestions: ____________________________
____________________________

Do you know someone or have you yourself been affected by any form of cardiovascular (heart) disease?
YES or NO

Have you previously heard of or known who and what The Heart Trust is?
YES or NO

What do you believe is more common?
Cancer
Heart Disease

General Information
Age:
Under 20
20 – 35
36 – 50
51 – 65
Over 65

Gender:
Male
Female

I’m very thankful for your participation in this questionnaire, I sincerely appreciate your time and cooperation. Please make sure that you have answered all questions and once complete please return the questionnaire to the distributor – Lisa Dekker. Thank you!

Questionnaire TWO – The Heart Trust - Trustees

I Lisa Dekker, am a student in the Centre for Business IT and Enterprise (CBITE) at Wintec and, as part of my studies, I am completing a research project on “How to create and sustain strong profile, in order to grow The Heart Trust organisation”.

I would appreciate it if you would agree to participate in this research by answering the questions on this survey. The survey will take approximately 10 minutes to complete and all personal information and primary information that is collected will remain confidential to me and CBITE at all times unless agreed to by you. All data will be collated and information will be anonymous in the final report.

The final report will be assessed by Academic staff in CBITE and will be returned to The Heart Trust Organisation.

General Information:

Age:
Under 20
20 – 35
36 – 50
51 – 65
Over 65

Gender:
Male
Female

In your personal opinion, list below five core values that you believe represent or describe The Heart Trust. (E.g. integrity, innovation)

In your personal opinion, briefly describe The Heart Trust’s mission (purpose).

The Heart Trust’s vision (future stature).

In your personal opinion, briefly describe

In your personal opinion, what are 3 key objectives of The Heart Trust?

As a trustee for The Heart Trust, do you agree that you’re a prime advocate and/or ambassador of the trusts profile? (E.g. identity and brand)
YES or NO

If YES, what have you done or what are you doing to enhance the trusts profile &/or brand? AND what can be done in the future?

State your opinion in regards to reciprocity for The Heart Trust’s support efforts. Should the trust be receiving something (e.g. promotion, naming rights etc.) in return for their support?

If YES, how can this be achieved?
Testing New Taglines:

Original Heart Trust Tagline – “Helping hearts beat stronger”

Please rate your like or dislike for the following alternative Taglines:

<table>
<thead>
<tr>
<th>Really</th>
<th>Like</th>
<th>Neutral</th>
<th>Dislike</th>
<th>Really</th>
<th>Dislike</th>
</tr>
</thead>
<tbody>
<tr>
<td>Helping hands for healthy hearts.</td>
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<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
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<td>2</td>
<td>3</td>
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<td>5</td>
</tr>
<tr>
<td>Innovating and improving lives.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>Innovative services and improved quality of life.</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

Suggestions?

I’m very thankful for your participation in this questionnaire, I sincerely appreciate your time and cooperation. Please make sure that you have answered all questions and once complete please return the questionnaire to the distributor – Lisa Dekker. Thank you!

Appendix E

Mission Statements:

To assist in providing world-class heart care for the people of Waikato and surrounding areas.

Under expert advice from its scientific committee to identify and fund innovative (but not yet established) procedures – or professional staffing not tenable to the Area Health Board’s conservative approach.

To support the community/midland region population to obtain the best cardiac services and technology available.

To support the capability of the cardiac unit at Waikato hospital to provide world class health care.

Our mission is to improve the quality of life of heart patients living in the mid North Island. It acts to speed up access to world-class diagnostic and treatment services for people living in Waikato, Bay of Plenty, Thames/Coromandel, Taranaki and Gisborne/Tairawhiti. The Trusts helps to provide funding for innovative technology and services not yet provided by the DHB through existing funding channels.

To provide additional resources to Cardiac Unit for staff and equipment to enable the unit to be the best innovative unit in NZ.

To work with DHBs by providing seed funding to ensure that patients in the Midland region get access to cutting edge cardiac treatment and diagnostic technologies sooner than might otherwise be the case.

To provide cutting edge technology and top class expertise to patients in the min-northland region, up to 6 months earlier than would be provided by the Waikato DHB.

To provide the means of cutting edge technology to more people needing heart surgery.

Appendix F

Vision Statements:

To build on the success so far and enable Waikato to remain at the forefront of heart care in NZ.

The vision of (a) broader regional representation (b) substantially greater trust fund (c) building strong bonds with alumni (patients and families)

To be ‘large’ enough to be recognized within the community, able to differentiate from other NPO - and achieve financial stability.

To be a fundamental asset to the cardiac unit by achieving great success in the support for world-class cardiac health care.

Support DHB’s in the wider Midland region to obtain services and technology, not otherwise readily available, to deliver world class heart care

To be easily recognized; for the public to understand and know who we are and what we do

To raise our profile to enable the general public in our region to understand the importance of the Trust. The Trust wants to ensure that we maintain the best Cardiac Services for our people.

Patients in the Midland region get access to world-class cardiac technology.
To expand what is provided at Waikato hospital to the whole mid-northland region, enabling our patient’s top class expertise.

The trust will become a major provider of cardiac impetus in the future.

Appendix G

**Tagline suggestions**

**Wintec students – CBITE:**

Put your heart in our hands  
Help from the heart, for the heart  
Strong hearts, health lives  
A healthy heart is a happy heart  
Live with heart, lead a life  
Care for caring hearts  
Helping hearts with helping hands

**Trustees:**

Make sure the future of your heart is in the best hands  
Helping fund faster & better health care for you  
Innovating and improving hearts
How to Improve and Manage Effective and Efficient Online Customer Service

Ruby Rogerson  
*Waikato Institute of Technology*

Reza Yaghoubi  
*Waikato Institute of Technology*

**Abstract**

The aim of this research is to help improve and manage effective and efficient online customer service and from the literature two main research questions were found. The reason for this research is to help online customer service and this idea was generated through the researcher as they want to have their own online business in the future. The key findings of the research is that the longer participants have been shopping online the more trust they have with online stores and the longer they have been shopping online the more they would be affected by negative feedback about an online store. One major recommendation is to build relationships with customers, online stores need to have an online live chat so customers can ask questions at any time while shopping. Another major recommendation is maintaining service recovery, by having service recovery procedures in place and offering unhappy customer with a small gesture so that they know they are being valued which should increase customer loyalty.

*Keywords: customer service; online customer service; online shopping; chat; clothing stores; customer loyalty; customer behavior*

*JEL Classifications: M10*

**1. Introduction**

The idea of this research has come from a business idea which is an online store called Millicent May Boutique. Millicent May will be an online clothing store that will sell the latest style of fashion, including shoes and accessories. The location of Millicent May will be in Hamilton, New Zealand, and will be managed from home for the introductory stage of the business. Millicent May will be a place where young women can come and shop in a positive and inviting environment and will provide young women with certain styles and brands that are not usually accessible in New Zealand. The idea for this business was generated as the researcher has a love for fashion and a passion to own and operate a business. From the researcher's experience with online stores, there this a need to improve online customer service, and this is where the idea for this research was developed. There is a need for this research as the researcher thinks that there is a lack of good online customer service, because of a lack of person to person contact. It can be difficult to maintain happy
customers and the researcher wanted to know what would be the best approach to improve and manage online customer service.

2. Aim

With the internet continuing to grow at a fast rate more and more customers are wanting better online customer service, and with the majority of businesses now online, there is a large competitive market that customers can choose from. After reviewing the literature it has become clear then some areas of customer satisfaction and customer loyalty need further research. The aim of this research is find out how customer service can be improved and managed better for online retail stores through researching to find out what are some key determinants of satisfaction and how customers become loyal customer to a certain online store.

There are two main research questions which both have a set of sub questions which will be answered through the research. Customer satisfaction and customer loyalty are both important factors to the success of an online business. This has been outlined in the literature.

2.1. Research Question

2.1.1 What are key determinants of satisfaction for customers of online stores?
   i) Can customer satisfaction be influenced by mood?
   ii) Can customer satisfaction be affected by a lack of personal interactions?
   iii) Can building relationships with customers increase online satisfaction and loyalty?
   iv) Will new technologies help improve customer satisfaction levels?
   v) Is customer satisfaction gained through the quality of goods and services?

2.1.2 How can online stores gain customer loyalty?
   i) Can service recovery increase customer loyalty?
   ii) Can word of mouth affect customer loyalty?
   iii) Is customer loyalty gained through customer satisfaction?
   iv) What role does online stores security play in customer loyalty?

3. Literature Review

As the internet continues to grow at a fast rate, consumers want to purchase more goods and services online, which has caused many businesses to enter the online market. With so many businesses online there is a competitive market and businesses need to maintain a high level of customer satisfaction and customer loyalty to ensure consumers make purchases. With the growth of online shopping over recent years more and more research is being done.

One piece of research that is interesting is a study that has suggested that customers are influenced by a website’s components and characteristics which affect their online experience. As different variables have a direct or indirect affect, customers are viewing information from a website in a cognitive or affective perspective. Face-to-face encounters have been an important influence in a normal retail setting, but with a lack of that in the online world, new technologies are being developed to allow online interactions to happen (Mclean & Wilson, 2016).

When making their online purchases, customers will be influenced by their emotions. One particular model that affects emotions is a model of antecedent for cognitive and affective experiential states (Martin, Mortimer, & Andrews, 2015).

These states are how perspectives can change how a customer feels about a website. What is described as the cognitive experiential state is to be “connected with thinking or conscious mental process”, and the affective experiential state “involves one’s affective system through the generation of moods, feeling and emotions”. These states can affect the customer’s satisfaction, repurchase intentions and perceived risks.

With customers making purchases every day, it is likely that there is going to be dissatisfied customers. This can be due to an uncertainty of product quality and expectations of face to face interactions which can be hard to change. To improve customer satisfaction, customers need to feel a sense of familiarity with a website “Familiarity is an important factor contributing towards greater online customer satisfaction” and the more people feel comfortable on the internet the more they will comfortable about making online purchases (Azar, Khan, & Shavid, 2015).

Dissatisfied customers can be used in a positive approach such as service recovery. A study has investigated the “main and interaction effect of the various dimensions of service recovery justice” on a number of different factors such as
customer satisfaction, negative word of mouth and repurchase intension.

Distributive, procedural and interaction justice has an important impact on customer satisfaction in the online retailing environment. However distributive justice also has a positive impact on repurchase intentions, and interaction justice a negative impact on word of mouth (Lin, Wang, & Chang, 2011). Fan, Wu, & Wu (2010) have suggested that both distributive and procedural justice have a positive effect on customer satisfaction. This study has researched “service recovery and customer perceived justice on recovery satisfaction and customer loyalty” in an online retailing environment (Fan, et al., 2010).

Perceived distributive and procedural justice is likely to affect service recovery. When customers receive an immediate response from an online store regarding service recovery they are likely to have a higher level of satisfaction and to also make a repurchase from that same online store. Service recovery can help form the basis of a positive relationship with online stores; customers who have a higher level of service recovery satisfaction are more likely to have quality relationships with the online store and are likely to make a repurchase. The study stated that “service recovery is related to the satisfactory resolution of problems, but also with building relationships with the customers” (Li, 2014).

Online businesses need to focus on key marketing strategies and keeping up with developing technologies, and should focus on improving e-service qualities such as information quality, the perceived risks and system quality to help improve and manage customer satisfaction (Hung, Chen, & Huang, 2014). Lloyd (2016) has stated that while technology keeps developing it is important that online stores stay up to date. One technology that is starting to be used is cognitive technology, which involves transforming qualitative data into quantitative data, which will help “develop actionable insights from customer thoughts, feelings and emotions”. This has been developed to help improve the customer online experience.

Customer loyalty is another factor that needs to be well maintained. Dharmesti & Nugroho, (2012) state that nine antecedents of online customer satisfaction were tested to see if they effected customer loyalty. Past studies had suggested that all nine antecedents contributed to customer loyalty. However, a more recent study has claimed that only customer satisfaction resolves five of the antecedents to online customer loyalty. It was discovered that there is “nonlinearity between quality dimensions, customer satisfaction and loyalty”. Quality plays a critical role in the online shopping world as it is one of the main factors that customers look for when purchasing online. Quality attracts customers and helps the successes of businesses online. There is a number of dimensions that are important to gain customer satisfaction and customer loyalty. Fault recovery has been suggested as an essential dimension and service flexibility and buying reliability are classified as attractive (Tontini, da Silva, Beduschi, Zanin, & Marcon, 2015).

Liu, (2012) suggests that the relationship between service quality, customer satisfaction, customer loyalty and repurchase intensions online are all affected by different factors. Online stores information and ease of use has a direct relationship with repurchase intentions. The information and ease of use, along with reliability and security of online service quality, has a significant relationship with online customer satisfaction.

Xu, Benbasat, & Cenfectelli, (2011) have suggested that customer loyalty can be gained in a number of different manners. One way it can be obtained is by considering what the customer is sacrificing in order to make a purchase. The “idea of service quality and sacrifice (elements of service process) impact perceived service outcome” (Zu et al., 2011) These service dimensions influence the forming of customer loyalty towards businesses supported by service technologies.

Customers that are sacrificing their time and effort to be on a website are likely to become loyal. Customer behaviour can also determine whether a customer makes a purchase and whether they choose to become a loyal customer. Understanding customer online shopping behaviours and to pay attention to the role of customer as perceived value can help businesses have satisfied customers which promotes customer loyalty, as customer satisfaction is the most powerful element in gaining loyal customers.

Perceived value also plays an important role in customer loyalty. “E-service quality plays an important role in developing the online shopper’s perceived value” (Chang Wang, 2010). Increasing and maintaining customer satisfaction and customer loyalty can be a challenging matter for online stores. To help combat this challenge, online businesses need to analyse service quality from different aspects. “Requirement fulfilment has relatively great effect on customer satisfaction and loyalty” (Sheng, Liu, 2010).

Customer satisfaction can be easily influenced by e-channel, product quality and e-services in an online context. This can then

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influence customer loyalty in the e-commerce domain (Wen, Prybutok, Blankson, & Fang, 2014).

Today's online market has become highly competitive and retaining customers has become a challenge for online businesses, but has become possible through building relationships with customer. Chung & Shin, (2010) have suggested that different factors can effect customer satisfaction and loyalty, such as a site’s characteristics, and communication of the site’s characteristics, both of which can have a positive effect on customer satisfaction. Customer satisfaction can affect e-commitment positively, more so than e-trust, it also positively affects word of mouth promotion more than e-trust. “Online shopping can satisfy customers when a website has easy to find information, is fast and is pleasurable”.

One factor that does not have vast effect on customer satisfaction is the security of a website. unless the customer has had issues with security in the past. Trust is a big factor between the consumer and the online business, partly because of the lack of the face-to-face interactions (Carter, Wright, Thatcher, & Klein, 2014). The influence of trust on the relationship between switching costs and e-loyalty for online businesses can affect customer loyalty.

Trust is a more important element of loyalty then switching costs in an online shopping environment. The impact of switching costs on customer loyalty depends on the established trust level felt by the customers. Customers are likely to continue to shop at the same online store if they were satisfied with past purchases, and that “satisfaction is a strong predictor of online shopping continuance intention”. Customers that find it easy to use a particular site will then experience a higher level of satisfaction. Online shopping continuance all depends on the level of a customer’s satisfaction; the more satisfied they are the more likely they will continue to shop at a particular online store (Mohamed, Hussein, Zamzuri, & Haghshenas, 2014).

Ha & Stoel (2011) have suggested that online shopping quality consists of four dimensions: website content/functionality, customer service, privacy and security and experiential and atmospheric qualities. Website/functionality and experiential/atmospheric qualities have a big impact on online shopping satisfaction and lead to customers making repurchases. Consumer’s online shopping habits can act as a moderator for customer satisfaction and adjusted expectations as online shopping experiences can be a major influence for customer satisfaction (Lin, & Lekhawipat, 2013). Customer satisfaction can change a customer’s expectations and repurchase intentions if they either have a negative or positive online shopping experience. Pratminingish, Lipuringtyas, and Rimenta (2013) suggests customer satisfaction effects customer loyalty. It also has a clear relationship with trust and commitment; being committed to an online shopping store will also impact a customer’s loyalty.

Customer satisfaction has a closerelationship with customer loyalty as it has a significant impact, and the existence of customer loyalty has come from consumer’s experiences. Online businesses need to focus on the customer’s online shopping experience in order to gain loyalty, trust and commitment. The number of females who are shopping online is increasing, and it is important for online stores to gain loyal female customers. Females are more likely to trust an online store if they have privacy and security. Some studies have suggested that privacy and security are the least of customers worries when shopping online unless they have had an issue with it in the past. Females find that web design and delivery times are associated with satisfaction positively. Like for everyone who shops online, female shopper’s trust and satisfaction influence customer loyalty (Chou, Chen, & Lin, 2014).

It has been said that web trust is influenced by web security, shopping experiences and availability of good services. Website security plays a critical role in customers feeling comfortable when purchasing online, and their trustworthiness towards a website. One way of getting customer feeling more comfortable with an online store is real time chatting. This helps to build customers confidence when shopping online because if they have any concerns their questions can be answered straight away (KÖksal, S. Penez, 2015). The shopping “experience moderates the relationship of performance expectancy with satisfaction” (I. Pentina, A. Amialchuk, DG. Taylor, 2011) and also with the link between customer satisfaction and repurchase intention. Performance expectancy can also depend on the customer’s experience. The better the experience, the more the customer will be satisfied, and customers who have a low level experience are not affected by performance expectancy.

Online shopping has been linked to similar experiences that are in store in the way of sensory, cognitive, relational and pragmatic according to (Pentina, Amialchuk, & Taylor, 2011). But online stores can offer a different level on customer
experiences than a physical store. When customers interact on a website, it involves different characteristics and certain characteristics can enhance a customer’s experience more than when shopping in-store, such as a wish list, social networking, or email a friend functions: these are all additional types of experiences online.

A website’s design can positively influence a customer’s enjoyment while on the website. Website design also has a direct effect on the quality of product information. The main page of a website is vital in order to increase the online stores image and to create a positive impression. The quality of the websites information can influence word of mouth undoubtedly in a good manner (Ha, Im, 2011). Behavioural intentions are affected by attitudes greatly according to Mosavi, &Ghaedi, 2012, and attitudes are a strong determinant of online shopping performance.

Perceived value is an important predictor of behavioural intention. To increase behavioural intentions, online stores need to improve perceived value. This can be done through monetary value and convenience value. Grob (2013) has found that there has been a significant increase in the use of mobile shopping over the last decade. The increase in mobile technology is a benefit to both in-store and online stores, and it is a great way to gain customer satisfaction as people can shop anywhere at any time. Online shopping is changing rapidly. With more websites becoming mobile friendly, people can make purchases from anywhere at any time (Sosa, 2016). 80% of smartphone users are making their online purchases from their mobile phone, and “mobile commerce will make up 25% of the US ecommerce sales in 2016”.

Nickson, (2016) has suggested that online shopping has become successful as they can offer more different products than a physical store could for less costs. Online shopping has a lot of advantages and offers so many products to people no matter where they are. It has been predicted that online shopping spending will increase every year.

4. Method

Participants: The type of research that has been used to conduct this research is primary research. The data has been collected through a questionnaire which resulted in 155 responses. The participants were males and females who had shopped online before, and ranged between the ages of 17-40 and above. Having a variety of ages allowed for a range of different or similar perspectives of online shopping. Some characteristics that participants have is that they enjoy shopping in general, that they are either working full or part time, and that they have some knowledge or an idea about customer satisfaction and customer loyalty. Responses were gained on a volunteer basis which helped participants to not have any pressure on them to complete the questionnaire. The sample was collected at random. The participants were the general public, which included friends and family. The participants had from the 29th August to the 30th of September to be able to take part in the survey.

Materials: There was not a large number of materials needed for this research. One requirement was the online survey generator which was freeonlinesurvey.com, and this is where the participants completed the survey. A laptop was used to analyse data from the questionnaire and was used to create the questionnaire on the freeonlinesurvey.com website. The software that was used was Microsoft Excel and Microsoft Word and the questions for the questionnaire were generated from the literature review.

Procedure: The questionnaire was created on freeonlinesurvey.com and was launched on the 29th of August. An online survey was used so participants could answer the questionnaire at any time and anywhere. The questionnaire contain 18 closed questions and two open ended questions. The questions consisted of filter questions, socio-demographic questions and then the main question in the topic areas of customer satisfaction and customer loyalty. The survey took about five minutes to complete. Once the questionnaire had been created and launched, the researcher shared the survey on their personal Facebook page to get friends and family to participate. The researcher then asked the participants who had completed the survey to share it on their Facebook page to gain more responses from the general public. To gain more responses from the general public, the researcher shared the questionnaire on a dissuasion group on Facebook which had a large number of members. The researcher had to seek permission from the admin of the Facebook group before posting on the group page. Permission was granted, then the researcher posted it. Participants clicked a link that was provided which took them directly to the survey. At the top of the survey there was a small disclaimer of introduction, explaining to the participants what the survey was about, what the data will be used for, that all information given to the researcher will remain
confidential, and that they would remain anonymous. Once shared around social media for a month, the questionnaire closed on the 30th September, 155 responses were gained. The reason that this method was used for collecting the data was because using an online service that provides surveys makes it more accessible for participants. Sharing the survey on social media allowed the survey to reach more people and the participants could take part from anywhere with a technical device. For the researcher, this was the most efficient method to collect data.

Data collection: Once the survey had finished on the 30th of September, the researcher then exported that data and the individual responses from freeonlinesurveys.com into an Excel document. A copy of the raw data was made to work from, so the researcher always had a fresh copy of the data to look back at. The researcher then did univariate analysis for each question from the survey, which was done as a pie chart, and since there were two open ended questions the researcher did a descriptive analysis of those two questions to see what was commonly been said from the responses. The researcher then went through the data to find relationships between the data to see there were any significant results. The relationships that were found from the data were then placed into a new Excel sheet and the data was sorted into categories suited for that relationship. Then a percentage was found from the data and then the data was selected and turned into a column graph or a line graph. The researcher then looked over the graphs to see which ones showed significant results that could help answer the two research questions.

Limitations & Ethics: A limitation that the research had was that three age groups, 26-30, 31-35 and 36-40, did not have enough data and were under-represented. Another limitation was that not all of the participants shopped online. There was a small number of participants who had never made an online purchase before, therefore they could not go on to complete the questionnaire. There was the limitation that there were far more female responses than male responses. This could cause different opinions because there were fewer males participating. The ethical consideration used for the research was that participants were asked for their consent before beginning the survey. They were told that all information they have given for this survey will be used for a research project from a student attending Waikato Institute of Technology and that the information would only be seen by the researcher and an academic supervisor. The participants were told that their identity would be anonymous because the researcher did not ask for any names. However, if a participant could be identified that information would not be used.

5. Results

The results from the data show that the participants came from a number of different regions nationally, and some internationally. 40.6% of the participants came from the Waikato region and 32.3% of the participants came the Auckland region. Waikato and Auckland are regions that are close to the researcher, therefore this could have been why there is large percentages for these Regions. The graph in Figure 1 allows you to see clearly the percentage of participants from each region.

The age of the participants ranged from 17-40 and above. There were a significant number of participants in the 20-25 age group, and a large number above 40. The other four age groups had fewer participants which could affect the data as they are underrepresented. The other graph shows the number of males and females who participated in the survey. There is a larger number of females than males.

6. Discussion

This research has provided some clear answers to the research questions, the information from the literature has a link with the research. When customers make online purchases, they will be influenced by their emotions which consists of two different states, the cognitive and affective experiential states. (Martin, & Martimer, & Andrews, 2015). The affective experiential state applies to a
research question as it affects the generation of moods, feelings and emotions, which supports whether customer satisfaction can be influenced by mood. The results from the research show that mood does affect purchase decisions, which would then effect customer satisfaction. The results show that females are more likely to make purchase decisions based on what kind of mood they are in when making a purchase. Male participants do agree that mood affects a purchase decision, but there were more males who were either neutral or disagreed. The affective experiential state applies to the participants. They shop either when they feel happy, sad, or their mood will dictate what they will buy or how much they spend.

With a lack of personal interactions with online stores, and the uncertainty of product quality, there needs to be a sense of familiarity to gain online satisfaction (Azar, Khan, & Shavid, 2015). This has a link to research questions such as whether customer satisfaction is affected by a lack of personal interaction, or customer satisfaction is gained through product quality. However, this literature does not support these two research questions as they do not relate to a customer need for familiarity.

Personal interactions have been structured to see if the participants felt they get better service online or better service in-store. The theory for personal interaction is that if the participants get better service in-store then they are seeking for more person to person interaction. Customer satisfaction can be affected by a lack of personal interaction but it is not the biggest factor contributing to dissatisfaction. The results show that most female and male participants feel neutral, meaning they do not mind the service online or in-store. However the results show that there are some female and male participants who think they get better service in-store than online. This shows that having a lack of personal interactions can affect customer satisfaction.

Product quality has been measured based on whether participants feel that what they spent was worth the quality of the product they received. Their shopping experience was compared with what they thought the quality of the product was worth, to see if their shopping experience matched with the expected quality of the product. Product quality can be linked partly to familiarity if the participants were familiar with the website they were shopping on. However, this cannot be measured as is was not part of the research. From the results that have been measured it shows that customer satisfaction can be gained through the quality of goods. The majority of the participants, both male and female, have agreed that the quality of the product brought was worth what was spent. The participants that have agreed that they were happy with their product, therefore that would be satisfied unless other factors played a role in resulting in dissatisfaction, such as the their shopping experience. Some participants felt that the quality of the product was worth the money but did not enjoy their shopping experience, which could lead to dissatisfied customers.

Trust is a big factor between the consumer and the online business. Because of the lack of personal interactions, trust is a more important element of loyalty and building relationships (Carter, Wright, Thatcher, & Klein, 2014). This literature supports the research question that building relationships with customers will increase customer satisfaction. Building relationships with customers was measured with how much trust participants have for online stores, and over how long they have been shopping online. This relates to the literature, as trust is an important factor to maintain relationships with customers. It is especially difficult for online stores because of the lack of personal contact. Building relationships with customers can increase both customer satisfaction and customer loyalty. The results show that the longer the participants have been shopping, the more trust they have with online stores, for both males and females. Therefore, establishing and building trust with customers will lead to satisfaction and then into loyalty. The longer that customers shop, the higher the level of satisfaction and loyalty.

As technology is developing it is important for online business to stay up to date. New technologies, such as cognitive technology, will help develop insights into customers feelings, thoughts and emotions, which will help improve the online shopping experience (Lloyd, 2016). This literature supports the research question new technologies will help improve customer satisfaction. As technology is developed, the participants have stated whether they think it will improve online shopping and their experience. The results show that the majority of the participants have agreed that the development of technology will improve online shopping, therefore new technologies will help increase customer satisfaction. This is because new technology for online shopping will improve certain areas that participants are currently unhappy with.

Dissatisfied customers can be dealt with by a positive approach using service recovery (Lin, Wang, & Chang, 2011). When customers receive
an immediate response from an online store regarding service recovery, customers are likely to have a higher level of satisfaction. Customers who have a higher level of service recovery satisfaction are more likely to have quality relationships with the online store (Li, 2014). The literature supports the research question that service recovery increases customer loyalty. Having successful service recovery, and having service recovery satisfied customers make repurchases, can make those customers loyal to that online store, and they may even become a regular customer because they know that the online store will fix any issues they may have. Service recovery has been measured by segmenting male and females and age groups and whether they will likely repurchase after service recovery. The results show that with service recovery the majority of both males and females of all age groups are likely to make a repurchase if they have had successful online service recovery. Therefore, the results have shown that service recovery can increase customer loyalty. As the literature stated, if customers have a high level of service recovery satisfaction they will likely build a quality relationship with that online store.

Customer satisfaction can affect a customer’s commitment to an online store positively and it can positively affect word of mouth (Chung, & Shin, 2010). This does support the literature for the research question word of mouth can affect customer loyalty. Having satisfied customers that can spread positive feedback about an online store is a great asset. However, unsatisfied customers can spread negative feedback which can change potential or existing customer perceptions about that online store. The research question was measured by segmenting male and females and for how long they have been making online purchases. The longer people have been shopping online, the more satisfied they may be, which makes them become loyal customers. Negative feedback may change their perceptions of online stores. The results show that the majority of participants, both males and females, strongly agree and agree that negative feedback will change their perception of an online store. The results also show that the longer the participants have been shopping for, the more likely they will be affected by negative feedback. Therefore, this shows that word of mouth can affect customer loyalty. When customers hear negative feedback then they may be less inclined to shop at that online store.

Customer satisfaction effects customer loyalty and has a clear relationship with trust and commitment. Being committed to an online store will impact a customer loyalty. Customer satisfaction has a great relationship with customer loyalty as it has a significant impact on the existence of customer loyalty (Pratminingish, Lipuringtyas, & Rimenta, 2013). This literature supports the research question regarding customer loyalty gained through customer satisfaction. To gain loyal customers online stores need to have satisfied customers, and this is related to the research because it was measured on how satisfied the participants were with their shopping experience and also if they would make a repurchase if they were satisfied. A number of different factors of satisfaction can answer this question through the research questions based on customer satisfaction. To gain the answer to this particular question, customer satisfaction questions needed to be answered first to see if customer satisfaction leads to customer loyalty. The results show that those most satisfied with their shopping experience were females living in Auckland, aged between 20-25. Overall, most of the female participants were satisfied with their shopping experience. For the male participants the majority of them were satisfied with their shopping experience. Once the satisfaction had been measured, to see if satisfaction leads to loyalty, participants were asked if they were completely satisfied would they make a repurchase. The results show that majority of the participants were very likely to make another purchase. This shows that if customers are satisfied with a number of different factors then they are likely to have repurchase intentions which lead to customer loyalty.

Website security plays a critical role in customers feeling comfortable purchasing online and their trustworthiness towards a website. (KÖksal, & Penez, 2015). Some studies have suggested that privacy and security are the least of customers concerns when shopping online, unless they have had an issue with it in the past (Chou, Chen, Lin, 2014). The literature can support this for the research question, does online stores security play an important role in customer loyalty? The question was measured based on how long participants have been shopping online; and will increase their trust in online stores security systems. If customer feel that their privacy and important information are not secure, this could because if they have had a bad experience in the past, then they will have little trust in online security systems. The results show that participants who have been shopping less longer are more trusting of online stores taking care of their privacy and
security than participants who have been shopping for longer. Participants who have less trust in online stores taking care of privacy and security may over time have had some bad experiences which makes them less trusting. Therefore, online security does play an important role in order to have and keep loyal customers.

Limitations
The limitations of this research was that those aged between 26-40 were unrepresented. The method used for this research was reliable in the way that participants could get access to the survey and basically anyone could participant if they had shopped online before. The results of the research are reliable as the graphs and the data show clearly what the participants think of their online shopping experience of what they enjoyed and what they did not like.

7. Discussion
The results of this study suggest that to gain online customer satisfaction a number of factors need to be considered in order to have successful online customer service. The results of this study also suggest that customer satisfaction plays an important role in gaining customer loyalty as well as maintaining other factors that are associated with loyalty.

In conclusion, the key determinants of satisfaction for customers of online stores are: being aware that a customer’s mood will effect whether they make a purchase or not, having a more personal connection with customers, building relationships with customers through trust to gain satisfaction and loyal customers, keeping up to date with new technologies to stay ahead of competitors and to have more satisfied customers, to ensure that the product quality is of the highest standard. These key determinants of online customer satisfaction will help online businesses to achieve a higher level of customer satisfaction. To conclude, for online stores to gain customer loyalty it is essential to provide good service recovery when a customer is unhappy, to maintain customer satisfaction in order to have a positive spread of feedback, to make sure all key determinants of customer satisfaction are taken care of in order to retain loyal customers, and to establish secure and reliable security and privacy measures to ensure customers feel comfortable and safe purchasing from online stores. This study has shown results that online customer service can be improved through maintaining customer satisfaction and customer loyalty.

For further research of this study the areas that need to be focused on is gaining more responses from people who are aged between 26-40. This needs to be done as these age groups are unrepresented and this would allow for the results to change potentially for the results that are based on age.

Another area that the researcher feels needs further research is the area of whether mood affects customer satisfaction. Although the results did show that mood does affect customer purchases decisions, the researcher thinks that there is more to be known. What needs to be known is what moods affects who more, when are they likely to be in particular mood and exactly how these moods affect the customer satisfaction levels.

8. Conclusion
The results of this study have allowed for some feasible solutions for the future of Millicent May when I move into full operation. Having an online store can make it difficult to achieve some of these areas as there is no face-to-face contact with the customers. It can be done, but a high level of maintenance is needed to ensure that all aspects are working well. Therefore the researcher recommends:

i) For the business to keep in mind that customer’s moods can affect what they buy; having an inviting website is essential, with, easy to use/navigation; having overall better information on the site may change or not change the state of the mood the customer may be in at the time of shopping.; Investing in new technologies that can gain sights into customer feelings, such as cognitive technology.

ii) To create a more personal interaction with customers, Millicent May could provide a live chat system that allows customers to ask questions at any time to a human employee while shopping online, instead of waiting for a reply from an email that would be automatically sent with no person to person contact. If live chat is not an option, then the researcher recommends that Millicent May should have a fast response rate and ensure that all inquiries are answered, and going the extra mile to have a more personal interaction with customers.

iii) To build relationships with customers who shop online, Millicent May will need to ensure that all customers are looked after well and to go the extra mile for customers,
especially if they have a specific request or if they have any issues. Building relationships can also be done through keeping in touch with customers, sending them personalised emails offering a special or giving them a discount. Building relationships is important as it will make customers feel important and will be more likely to make repurchases.

iv) Technology is forever developing and keeping up to date is important, Millicent May will need to consistently research for the latest technologies that would be of most benefit to Millicent May and to the customers. Maintaining and updating technology of the website will help build customer satisfaction if done right. Millicent May will always have to consider what will affect the customer’s satisfaction when implementing new technology.

v) Having high quality products is one of the main reasons customers will continue to make purchases. Millicent May will need to have processes in place that will help control product quality and to source the products from reliable and good represented suppliers. If there is are some poor quality items, Millicent May will need to look into why that happened and how it can be fixed without it affecting the customers.

vi) Service recovery is essential in order to keep exiting customers loyal, Millicent May will need to have service recovery procedures in place to ensure that customers always end up happy at the end of the transaction. Millicent May could offer an unhappy customer with some sort of small gesture and free returns so that the customer knows that they are being looked after and are valued by the business.

vii) Negative feedback can damage any businesses reputation, and to help spread positive feedback Millicent May needs to make sure that every customer has a good shopping experience. Customer satisfaction will lead to positive feedback, to help customer satisfaction levels Millicent May could provide an after care service for customers. Customers would receive an email were they could rate how their experience was. This would help maintain customer satisfaction levels as unresolved issues could come up and this would be a good opportunity to address them with the customer which could then lead to satisfaction which would be lead to a spread of positive feedback.

viii) In order to gain loyal customers, customers need to satisfied with their shopping experience more than once. To gain loyal customer Millicent May will need to maintain high levels of customer satisfaction which can be achieved through maintaining key factors of customer satisfaction.

ix) Security of a website and the privacy of customer’s information can be a factor in retaining loyal customers. For Millicent May to have reliable security and privacy measures, seeking well known and good represented systems is essential. They also need to do consistent research on how security and privacy can be improved, which can be done while researching for new technologies.

All of these recommendations can be done as the business is not yet in operation so there will be some time to look into these recommendations and the best ways they can be achieved. The researcher thinks that these recommendations can help Millicent May and other online stores as there is a need for improved online service.

9. References


Strategic Plan for the Lakeland Queen and its entry into the China FIT market (2017-2020)

Xianghui Sun
Waikato Institute of Technology

Dhammika Silva
Waikato Institute of Technology

Abstract

With a maximum capacity of 240 customers on both decks, Lakeland Queen is the largest vessel on Lake Rotorua. Nowadays, it provides one-hour cruises including breakfast, lunch, and dinner cruise every day. Also, well equipped with buffet and bar on both decks, it is also capable of catering for many special events and parties.

The past few years has seen a rapid growth in the number of Chinese visitors, who became the most important market for Lakeland Queen. However, behind the growing numbers of Chinese visitors every year, there is an undergoing trend from tour groups to Free Independent Travellers (FIT).

The aim of the research is to develop a strategic plan for Lakeland Queen and its entry into the Chinese FIT market.

A combination of quantitative research and qualitative research has been used. The target market for Lakeland Queen among the FIT visitors has been identified. And the customer awareness among the Chinese FIT visitors for Lakeland Queen are very low. Most importantly, the travel planning preferences of the Chinese FIT visitors have been found out.

It would be recommended that the Lakeland Queen should clarify its target market first, based on which they can develop new products and cruise options for the FIT customers. Also, family discounts and combo activities would be effective ways to attract more independent travellers. Also, a digital development plan would be recommended primarily for Lakeland Queen.

Keywords: tourism; new zealand; rotorua; cruises; independent travellers; chinese tourists; marketing

JEL Classification: M19

1. INTRODUCTION

1.1. Background

The Lakeland Queen is one of the largest vessels on Lake Rotorua. With a maximum capacity of 240 customers on two decks, it usually provides one-hour cruises with breakfast, lunch, dinner, or coffee. Also, it is well equipped to organise and cater for large parties or special events to meet the needs of customers. Cruising with Lakeland Queen is one of the best ways to enjoy the beautiful view of iconic...
Lake Rotorua, including Sulphur Point, the bird sanctuary and Mokoia Island.

The past five years have seen the quick rise of Chinese tourists in New Zealand, making China become the second largest visitor market of New Zealand (Tourism New Zealand, 2017). Within this trend, large tour groups from China have become one of the main target markets for Lakeland Queen, accounting for more than 85% of its market share. However, behind the growing number of Chinese visitors every year, there is a continuing shift from tour groups to Free Independent Travellers (FIT). Just six years ago, the tour groups have dominated the Chinese outbound travel market by 80%, but now it is half and half (TNZ China Market Development Unit, 2016, p. 4).

Relying on the tour groups for a long time, the Lakeland Queen has not developed any marketing strategies towards the Chinese FIT market. Therefore, for the first two months of 2017, there has been an obvious drop in numbers of customers compared to last year.

1.2 The aim of the research

The aim of this research is to make a strategic plan for Lakeland Queen and its entry into the China FIT market from 2017 to 2020. To achieve this aim, there are two main questions to answer:

- With the undergoing trend of the China market, what marketing strategy should Lakeland Queen choose to attract more customers?
- How can their product and services be improved to ensure customers can have a quality experience?

1.3 Scope

The scope of this research is as following:

1. Tourism in Rotorua
2. A new trend in Chinese visitor market ---- Free Independent Travellers (FIT)
3. Study of Chinese Independent traveller

1.4 Internal analysis

<table>
<thead>
<tr>
<th>Strengths</th>
<th>Weakness</th>
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<tbody>
<tr>
<td>Well equipped with necessary facilities.</td>
<td>Some of the facilities might need an upgrade.</td>
</tr>
<tr>
<td>A mature organisational structure.</td>
<td>Some problems with the training process.</td>
</tr>
<tr>
<td>Have a wide product range and can make a new design.</td>
<td>The lower efficiency of the internal information system due to the absence of a supervisor for the FOH team.</td>
</tr>
<tr>
<td>Good reputation among the local community.</td>
<td>Current product designs mainly focus on the tour groups.</td>
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<tr>
<td>Being responsive to the new market trend.</td>
<td>The ratings on some main travelling websites are not high.</td>
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<td>Effective promotions towards the current target market.</td>
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<tr>
<td>Experienced staff and effective training system.</td>
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1.4.1 Facilities

As one of the largest vessels on Lake Rotorua, the Lakeland Queen is well equipped for catering and hosting big events; most of the facilities needed can be found there. Here is a list of the main facilities they have on Lakeland Queen:

- A large vessel as well as a small fishing boat named Lakeland Princess;
- Well-decorated wheelhouse;
- Kitchen with modern cooking machine;
- Bar on both decks with fridges and sales systems;
- Necessary tables and chairs on both decks where 240 people can be seated;
- Two coffee machines;
- Enough chiffoniers and plates for setting up the buffet.

1.4.2 Human Resources

The current organisational structure of Lakeland Queen is as follows:
As is shown in the organisational structure, Lakeland Queen has built a mature business structure, keeping the daily cruises running well.

However, due to a high employee turnover rate in the Front of House (FOH) team, new staff would always be forced to work independently without proper training. As FOH staff are the team that confront the customers directly, lack of training would cause potential risks for providing a quality service (Observations of the author, 2016).

Also, without a supervisor for the whole FOH team, it is hard for the General Manager to find the potential problems and fix them, leading to lower efficiency in the management team.

1.4.3. Product Designs

Currently, the daily cruise options that Lakeland Queen provides include: Breakfast, Lunch, Coffee, and Wine Cruise, with prices for each adult ranging from $27 to $59. Among these, the Wine cruise was added from 2016, and soon became a popular choice for the European customers.

However, apart from the three main cruises with meals, the Chinese customers are not big fans for the coffee cruise or wine cruise due to the different food habits. Therefore, they seldom book a wine cruise or coffee cruise.

1.4.4. Reputation

Having been cruising on Lake Rotorua since 1986, Lakeland Queen has built a reputation among the local community. Many locals would choose it to celebrate their birthday, wedding anniversary or corporation Christmas parties, which has been a vital part of the marketing share.

However, the ratings for Lakeland Queen on the travelling websites like TripAdvisor are not high. The complaints mainly focus on the poor quality of the food and too crowded atmosphere, which is because of the marketing strategy mainly targeted on the Asian tour groups.

Figure 1: Visitor rating for Lakeland Queen (TripAdvisor, 2017).

1.5. External analysis

It is highly important for the companies to keep an eye on the marketing situation and adapt to changes, which would bring opportunities as well as threats (Kotler, Bowen, & Makens, 2012, p.86). For Lakeland Queen, a PESTEL analysis would be applied for its situational analysis.

- **Political factors**

  Political factors can exert some considerable influence on the tourism industry. In 2007, an agreement between the governments of New Zealand and China, named Approved Destination Status (ADS), was signed, under which Chinese nationals can travel to New Zealand for leisure tourism (Ministry of Tourism, 2009). With the boost of this agreement, the number of Chinese visitors into New Zealand have grown quickly over the past few years.

  In March 2017, New Zealand Prime Minister Bill English and China Premier Li Keqiang signed a series of cooperation deals spanning customs, travel, confirming that Chinese passport holders will be able to use Smart Gate entry and extending Chinese multiple-entry visas into New Zealand to five years from three years. Also, 2019 has been declared as China-New Zealand tourism year by the two countries (McBeth, 2017, para.8). As the acting chief executive of Tourism New Zealand, Brigid Kelly, said, the Year of Tourism will spark new relations and open doors for New Zealand tourism businesses (2017).

  As a main part of the economy in New Zealand, the tourism industry is so important that the government has done a lot to support its
development. In March 2017, $2.49 million have been given by the Tourism Growth Partnership to the new tourist attractions in Rotorua and Southland, in order to encourage innovation and expansion. Two tourism attractions in Rotorua, Skyfly and Rainbow Springs Kiwi Encounter have received more than $1.4 million in this project. Following this, there would be a series investments in this region, including the $2.5 million for Te Puia and $320,000 for Redwoods and so on (Arthur, 2017, para. 16).

**Economic factors**

Rotorua is one of the leading international tourism destinations, where the tourism industry has become the largest employer. Destination Rotorua has identified some opportunities for tourism sectors in Rotorua, one of which is the growing Australian conference market. It would not only provide an opportunity for high-end accommodation but for places like Lakeland Queen where support services can be provided. For tourist attractions like Lakeland Queen, who mainly target Chinese visitors, the economy of China can also influence the growth of their businesses. In large cities like Beijing, Shanghai, and Guangzhou, from where FIT customers mainly come to New Zealand, household incomes keep growing. Even though China’s GDP growth is slowing down, the current economic trends should support further growth in visitors (Tourism New Zealand, 2017, para. 9-10).

**Social factors**

One of the main social factors that would affect the Lakeland Queen is their relationship with the local community. Local bookings for birthday parties, anniversaries, and corporation annual meetings are also the main contributor to the income of the cruise ship. Māori culture has been a vital segment of the tour industry in Rotorua. Currently, the Lakeland Queen provides a Haka dance performance on some special occasions. The haka is a traditional Māori war dance which can be used both during war and peace time; nowadays, they can also use it during ceremonies and celebrations, or even use it to welcome their guests. The Haka is usually for male performers while there is another performing art called Kapa haka, which is mainly performed by the female (100% Pure New Zealand, n.d.).

There are also some other Māori cultural activities in Rotorua:

- Whakarewarewa – The living Maori village
- Aotearoa Adventure Tours
- Mitai Maori Village

- Kia Ora Guided Walks
- Rotorua Native Medicine Tours
- Tamaki Maori Village
- Hell’s Gate Geothermal Mud Bath SPA (Destination Rotorua, 2017).

**Technological factors**

Increasingly, travellers are turning to digital services for planning and booking, so technological factors have more influence on the marketing of Lakeland Queen.

Firstly, the ratings on the main travelling websites have been treated as important opinion leaders for many travellers. Also, the comments on these websites can be a good source to find out what concerns customers most, so that Lakeland Queen can improve their service and provide a quality experience.

Secondly, more and more visitors, especially independent travellers, would search information from online travelling agencies that provide planning and booking services. These online services can be even more efficient than those actual travel agencies.

Thirdly, many independent travellers are heavy users of social media. They actively share and post their travelling experiences on all social media, which can be a good way for Lakeland Queen to build its values and reputation.

**Environmental factors**

One of the most enjoyable experiences during the cruise on Lakeland Queen is the lovely and unique view on Lake Rotorua; it is one of the most important environmental factors that affect the Lakeland Queen. Good news is that some of the main sites like the bird sanctuary and Sulphur Point are strictly protected by the local council. There would be almost no chance for them to be destroyed or damaged. But sometimes these views can be easily spoiled by changes of weather, leading to a discounted experience for the customers.

On the other hand, located on Lake Rotorua, there are no other competitors who would provide the same services as Lakeland Queen, which equips Lakeland Queen with huge competitive advantage in attracting customers.

**Legal factors**

As a business in the tourism industry that provides tours as well as food and wine services, the operations of Lakeland Queen need to follow many regulations.

For example, as a tourism business, Lakeland Queen needs to follow the New Zealand Tourism Board Act 1991. For hiring staff, the Health
and Safety at Work Act 2015 also needs to be followed.

For food and wine services, there are four acts that govern food safety responsibilities:

- **Food Act 1981** (in transition) or 2014 (current)
- **Animal Products Act 1999**
- **Agricultural Compounds and Veterinary Medicines Act 1997**
- **Wine Act 2003**.

Also, there are some local acts that need to be followed, for example, Rotorua District Council (Sale of Liquor) Empowering Act 1996.

### 2. Literature review

#### 2.1. Tourism in Rotorua

The past five years have seen a sustained growth in Chinese visitor arrivals to New Zealand, which makes China the second largest visitor market of New Zealand (Tourism New Zealand, 2017). During important holidays like Chinese New Year, Chinese tourists visit in massive numbers. In February 2015, with a total number that equals the overall of American, Canadian and British visitors, Chinese holiday visitors even outnumbered Australians (Tourism New Zealand, 2017).

Among all regions, Rotorua has been a popular destination for Chinese visitors for a long time. In a report completed by the Ministry of Tourism, the areas that most visited by the Chinese visitors in North Island are the northern regions of Auckland, Rotorua and Waikato. While 75% of them would visit Rotorua and around 25% travel to the Waikato Region, no other region attracts more than 10% of the Chinese market (Ministry of Tourism, 2009). In 2015, there were around 370,000 Chinese inbound arrivals into New Zealand, and 80% of those visitors visited Rotorua (Chadwick, 2016).

The number of visitors to Rotorua from China keeps going up. In May of 2015, visitor nights in Rotorua had a huge increase by 12.4 percent compared to the same month of the previous year, of which the most outstanding growth was from the Chinese market. There have been 16,200 more visits than May last year from China, leading to an enormous growth of 56 percent (Rotorua Lakes Council, 2015).

For Rotorua, the tourism industry has always been a strong boost to the local economy. Some key facts show that in 2015 the tourism industry contributed $593 million to the economy in Rotorua, of which domestic visitors brought $298 million while the other $295 million came from international visitors. Among all this expenditure, Chinese visitors made the biggest contribution to the whole number with $64 million (Destination Rotorua, 2016).

![Figure 2: International expenditure in Rotorua (Rotorua Tourism 2015 Year Snapshot, 2016, p. 1).](image)

With a great variety of activities and a wide range of iconic attractions to enjoy for any age, Rotorua is a popular destination for travellers from all over the world. The visits to local attractions and activities keep growing. 2015 has seen around 2.8 million visits to the attractions and activities in Rotorua, of which 32% were domestic visits and the other 68% were international visits. 54% of all the travellers have enjoyed a geothermal activity during their stay in Rotorua, followed by the adventure participation at 46%. Participations in Māori culture activities were also popular; 29% of visitors that travelled to Rotorua in 2015 enjoyed at least one related activity (Destination Rotorua, 2016).

![Figure 3: Participation in activities in Rotorua (Rotorua Tourism 2015 Year Snapshot, 2016, p. 1).](image)
2.2. A new trend in the Chinese visitor market

- Free Independent Traveller (FIT)

Behind the growing numbers of Chinese visitors into New Zealand in recent years, there is a change taking place, the continuing shift from tour groups to longer-staying Free Independent Travellers (FIT).

Unlike the tour groups who would follow a guide for the beaten track, the independent travellers would plan their own travel. They decide where to go, where to eat and what to do on their own, even though they may depend on a travel agent to book their flights or accommodation (Tourism Queensland, 2013).

In the year ending February 2015, there were 215,040 holiday visitors in total, of which 144,000 were on group tours, going up by 8% from the previous year; while 73,000 were FIT, going up by 60% (Tourism New Zealand, 2017).

From the number of visas issued for Chinese visitors, fast-paced change can also be identified. Six years ago, 80% of the visitors from China were travelling on Approved Destination Status (ADS) visas (predominantly group travellers); only 20% of them travelled on General Visitor Visas (predominantly FIT travellers). However, for the year ending October 2016, Chinese visitors travelling on General Visitor Visas set a record by reaching a proportion of 50.4%, surpassing the number of those on ADS visas for the first time ever. Even though the shift is continuing, it is important to know that the Chinese outbound travelling market is still dominated by group tours (TNZ China Market Development Unit, 2016, p. 4).

Figure 4: The inexorable increase of Chinese visitors on General Visitor Visas (TNZ China Market Development Unit, 2016).

In comparison with travellers on tour groups, Chinese independent travellers visit more regions, stay for longer and spend more during their trips, making them become a major contributor to the total value of the China visitor market (Tourism New Zealand, 2017). Study of Chinese FIT also shows that their spend growth is much higher than that for tour group travellers. From 2006 to 2015, expenditure by Chinese holiday visitors grew by the equivalent of 35% per adult, while the growth for non-tour holiday visitors spend is 58% per adult.

This fast-growing market has gathered lots of attention. As the Ministry of Business, Innovation & Employment (MBIE)’s General Manager of Tourism, Sectors, Regions and Cities, Lisa Barrett, announced, “It is incredibly important that New Zealand businesses and regions are able to respond to the growing demand and optimise their marketing and product offers for these high-value visitors”.

2.3. Study of the China fit market

Nowadays, researchers on China visitors market are gradually paying close attention to the FIT market. This continuing shift of the China visitors market is happening worldwide, not just in New Zealand. One of the most popular websites for booking travel products and services in China, Qunar.com, shows that independent outbound travel accounts for 20% to 30% of the total outbound market (Trivett, 2013, p. 4). For Chinese outbound tourists, independent travel now is more popular than group travel; 62% of travellers choose to travel independently over following groups (A.B., 2013, para. 4).

Different causes contributing to this change have been identified: the growing middle-class, the increase in direct flights, and improved efficiency in visa applications (Tourism New Zealand, 2017). Also, with the prestige of buying gifts during their travel, Chinese tourists are valuable customers for many gift shops in New Zealand, which leads to an industry chain where the travel agencies rely heavily on commission from the gift shops to provide cheaper tours for the tourists. They are beginning to reject this traditional way of travelling: being dragged around on a beaten track and shovelled into gift shops (Chinese tourists turning off NZ package tours, 2015, para. 4).

Studies by the MBIE indicate that not all Chinese independent travellers are the same. The report released by Tourism New Zealand divide the China FIT into two segments: Self-driving Independent Professionals and Active Boomers. Aged from 55 to 74, the latter accounts for 31% of holiday visitors; they have more leisure time and usually travel during the off-peak season, from September to November and March to April. With a proportion of 64% of visitors, those self-driving independent professionals are aged from 25 to 54,
they desire to learn and explore new things, to take a break from daily routine (MBIE, 2015).

Many studies focus on the process of China FIT searching information and making their final decision. One stereotype finding is that Chinese FIT are heavy internet users. They would do a lot of research before travelling outside of the country and their number one information source is the internet. 90% of the independent travellers do this way. Those websites where travellers share experiences, online travel agents and search engines like Baidu.com are popular sources for them (Tourism Queensland, 2013). Also, the suggestions of Key Opinions Leaders and ratings from popular travel websites are followed by many independent travellers, which can be an opportunity as well as a risk (MBIE, 2015).

While travelling, as well as post travel, China independent travellers have proved to be prolific posters. They like to seek out unique and novel experiences that can make them stand out among their social circles (Tourism Queensland, 2013). Therefore, they would prefer to post positive comments over the negative (MBIE, 2015).

3. Method

The research methodology for this research is a mixed method, a combination of both qualitative and quantitative methods. The mixed method is one of the best ways to combine the advantages of both research methods and to avoid their disadvantages.

As in this case, quantitative research has been used to gather the numerical data, helping to understand the demographics of independent travellers, including gender, age or who they are travelling with. Also, it is a useful way to find out the main approaches they used to search information and plan their travel.

Even though quantitative research can help get an overview of the FIT market statistically, when it comes to the strategic plan, more constructive suggestions and thoughts based on the experiences in this industry is needed, which is why qualitative research has been conducted as well. With the data collected from the qualitative research, it has become easier to identify opportunities in the growing FIT market and new ideas for improving the service.

3.2. Qualitative research

- Interviews
  For the qualitative research, interviews with the management team members of Lakeland Queen have been conducted to collect data. The interviewee list is as following:
  - Participant 1 (General Manager)
  - Participant 2 (Marketing Manager)
  - Participant 3 (Executive Chef)

  All of them have been in this industry for more than 10 years, so their experience and suggestions would be important contributions to the strategic plan. The General Manager provided some background information during the interview. The interview with the marketing manager focused on the marketing strategy, while the interview with the Executive Chef is mainly about how to improve the service (see appendix).
3.3. Ethical requirements

- **Participants**
  83 participants who were chosen completely randomly were invited to finish the questionnaire, before which an agreement has been provided. The participants’ were informed of the purpose of this research. The questionnaires were completely voluntary and the participants were free to stop at any stage by returning it.

  For the participants of the interview, a consent form was signed before the interview. Before that, the interviewees were informed of the purpose of this research and possible consequences of taking part in the project.

  In addition, both the questionnaires and interviews were conducted at the participants’ convenience.

- **Data storage and protection**
  All the questionnaires were anonymous and no private information of participants was needed. The results of their response was confidential, they would be kept only to the researcher and destroyed after all the data was recorded.

  The final report will be kept by Lakeland Queen, and the results of this research would be only seen by the academic team in WINTEC and the Management Team of Lakeland Queen.

  Also, the data collected from this research would not be sold to another organisation no matter how intriguing the results turn out to be.

3.4. Limitations

- **Focus on Rotorua**
  This research focuses on a tourism business in Rotorua, while the researcher is in Hamilton, making it not easy to conduct the research. Also, to conduct the research in another city would not only added to the costs but limited the chances of meeting the potential participants for the questionnaires.

- **Time limit**
  The tourism industry is quite seasonal. For New Zealand, it is the beginning of the shoulder season in autumn. Therefore, it is not as easy then as in the peak season to find independent travellers. Therefore, it was planned to finish 50 questionnaires on the boat but at last only 27 were finished, due to lack of Chinese independent travellers.

  Also, staying in another city, there was a limited time for the researcher to work on the research.

- **Limited sample size**
  Not all the independent visitors to New Zealand are the same, and they may come at different times of the year. However, due to the limited time, there is no way to collect the data across all the seasons. Therefore, with a limited sample size, it would be difficult to have a complete understanding of all the FIT customers, which can also affect the results in a way.

4. Results

4.1. Quantitative research results

Within the quantitative research, 83 participants finished their survey in total. 56 participants were invited to join on the shore, while 27 customers were invited on the boat. The survey was divided into three parts. The results of the surveys are as below:

- **Part 1: Basic information.**

  ![Figure 5: The age groups of independent travellers.](image)

  Those aged between 24 and 39 have the largest proportion, followed by those aged between 40 and 55. But there is an obvious difference between the two groups.

  ![Figure 6: The results of "who are you travelling with".](image)

  Travelling with friends is the most popular option, followed by travelling with children, and the option of travelling with parents comes the third.
**Part 2: Trip planning**

![Figure 7](image1.png)

Figure 7: Most of the independent travellers are most interested in “nature” when choosing a destination in New Zealand. Then a good place to “rest”. Culture is in third place.

![Figure 8](image2.png)

Figure 8: When doing the research for their trip, most of the independent travellers chose the official site for Tourism New Zealand. WeChat is in second place. TripAdvisor, Mafengwo, Weiobo are also popular sites for the information searching.

**Part 3: About Lakeland Queen.**

![Figure 9](image3.png)

Figure 9: For Chinese independent travellers, the most popular site for booking activities in New Zealand is booking, followed by Ctrip. TripAdvisor, Qunar and Mafengwo have been used often as well.

![Figure 10](image4.png)

Figure 10: Results of “have you heard about Lakeland Queen before?” Amo56 participants on the shore, 45 had never heard about it. Among 11 participants who had heard of it, 3 of them heard from travelling websites, 2 of them heard from WeChat, and 2 of them heard from Weibo.

On the boat----
4.2 Qualitative research results

Table 2: Interview with Participant 1 (General Manager)

<table>
<thead>
<tr>
<th>Questions</th>
<th>Answers</th>
</tr>
</thead>
<tbody>
<tr>
<td>What is the current China FIT market like?</td>
<td>China is currently NZ’s second largest visitor market so is critically important to our industry. For China, the larger percentage of visitors coming to New Zealand have been in Group Travel, however in recent years this market is undergoing a shift towards FIT. For Lakeland Queen, FIT is about 15% and of that only around 2-3% are from China.</td>
</tr>
<tr>
<td>How is it going with the Chinese tour group market?</td>
<td>In the 2015/16 season, a very rapid growth in the Chinese Tour Group market has been noted, going up by nearly 90% on the previous year. This year to date is currently seeing about a 20% drop in this market compared to 2015/16 season.</td>
</tr>
<tr>
<td>Do you think the current trend is going to last for more than 3 years?</td>
<td>The current trends are going to continue. As the tour group market continues to bring numbers of Chinese visitors to experience our country this will continue to produce more independent travellers who then come back for return visits with other family members.</td>
</tr>
<tr>
<td>Is it feasible to sell FIT customers with combo activities?</td>
<td>This is possible. There are a lot of combo products marketed to FIT visitors in Rotorua, where there are many attractions and experiences available.</td>
</tr>
<tr>
<td>What are the booking habits of Chinese FITs?</td>
<td>This customer group does tend to not pre-book in advance too often, so many will maybe book their activities while they are in the destination. On the other hand, a lot of research is done online first, so while they may not book to far in advance they will find out about what there is to do before they arrive and have an idea of the main experiences they want to enjoy while in Rotorua.</td>
</tr>
</tbody>
</table>

Table 1: Satisfaction results from the 27 customers:

<table>
<thead>
<tr>
<th></th>
<th>Very satisfied</th>
<th>Satisfied</th>
<th>Ok</th>
<th>Dissatisfied</th>
<th>Very dissatisfied</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food</td>
<td>3</td>
<td>8</td>
<td>12</td>
<td>4</td>
<td>0</td>
</tr>
<tr>
<td>Service</td>
<td>10</td>
<td>14</td>
<td>2</td>
<td>1</td>
<td>0</td>
</tr>
<tr>
<td>Internal environment</td>
<td>7</td>
<td>13</td>
<td>7</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>View</td>
<td>6</td>
<td>10</td>
<td>10</td>
<td>1</td>
<td>0</td>
</tr>
</tbody>
</table>

Figure 11: Which factors concerns FIT if they think about booking a cruise on Lakeland Queen? Most of them chose “view”, and slightly fewer people chose price.

Figure 12: From where did you learn about the Lakeland Queen? Of 27 customers, 6 “saw it on the shore”, 5 learned of it from WeChat, 5 from travelling websites, and 5 from Official NZ Tourism website.
Table 3: Interview with Participant 2 (Executive Chef)

Generally, what do the independent visitors feel like about the product range on the cruise?

- Current menu was developed to meet the needs of tour groups. Independent visitors might have a higher expectation than that, which is also what they complained about mainly.
- The newly-launched cruise option- “Wine cruise” has been popular among the European customers, but not appeal to Chinese FIT customers.

Table 4: Interview with Participant 3 (Marketing Manager)

What do you think are the target market for Lakeland Queen?
- Those who aged over 40, with a higher income are the main customer groups. And those family groups with children or elder parents.

What do you think are the main challenges in marketing on the FIT group for Lakeland Queen?
- The biggest challenge is that they are hard to locate. Unlike the tour groups, they have different ways and information sources to plan their trip.
- The independent travellers have more expectation on the activities, sometimes they are even harder to satisfy.
- Currently, the independent travellers from China would prefer to travel in South Island instead.

What are the main ways of advertising for a tourist attraction? And what are the advantages and disadvantages?
- The most effective way would be advertising on the plane and in the airports. But this can be costly for a single tourist attraction.
- Cooperation with the Online Travel Agency (OTA). They are the main information sources for independent travellers. But they always have low rate of booking.
- Many independent travellers, especially those who travel on a family basis, would join a short tour when they come to New Zealand, this can also be a good way to connect with them.

Do you think the current product range on Lakeland Queen are attractive enough to Chinese FIT customers?
- Currently, except for the options mainly targeted on tour groups, the other options mainly appeal to European customers.
- It would be helpful if there is a cruise option that appeals to the Chinese independent travellers particularly.

5. Analysis

5.1 Demographic profile

Chinese FITs have been mainly divided into two groups by Tourism New Zealand, the self-driving independent professionals and the active boomers. (MBIE, 2015). As can be seen from Figure 5, customers aged between 24 and 39 dominate among independent travellers (38 out of...
83), followed by the age group of ‘between 40 and 55’ (22 out of 83). These two age groups are defined as the ‘independent travellers’ by Tourism New Zealand, who are also the dominant group of the Chinese independent travellers.

Also, from the comparison between those travellers on the shore and on the boat, it is shown that the main age groups of customers for the Lakeland Queen are those aged between 40 and 55, and those aged over 55 (17 out of 27).

As shown in Figure 6, most of the independent travellers travel with friends or family members. Instead of following tour groups, they prefer to organise small groups with family members or friends, so that they have more freedom to follow their own itineraries (Lu, 2015). Those who booked a cruise on Lakeland Queen, were also travelling with family members and friends, especially with children and/or parents.

5.2. Trip planning preferences

For Chinese FITs, a connection with ‘nature’ is the main reason for paying a visit to New Zealand (MBIE, 2015). As can be seen from the Figure 7, when choosing an activity in New Zealand, the factor that they are most interested in is ‘nature’, leading at 31.9%. Those who choose to ‘rest’ follow at 31.1%, as most of the Chinese FITs are trying to escape from their busy daily routine to relax.

As mentioned in the Literature Review, most Chinese FITs are heavy users of the internet. They rely very much on the internet for information searching and activities booking. The second part of the questionnaire was primarily used to find out their planning preferences.

The Chinese FITs usually have better English skills compared to tour group customers, therefore they are able to use many English sites (Tourism Queensland, 2013). Figure 8 shows that the most popular site for information searching among the Chinese FITs is the Official site for Tourism New Zealand (28%). With a proportion of 24.8%, WeChat is also an important source for Chinese FITs. As well, many of them would follow the suggestions of their friends. TripAdvisor (12%) and Chinese travelling website Mafengwo (8.8%) are also popular sources for information searching among the Chinese FITs.

When it comes to the actual activities booking stage, the most popular site is Booking (26.1%), followed by Chinese Online Travel Agency (OTA) Ctrip (21.6%), TripAdvisor (10.8%), Qunar (8.1%) as well as Mafengwo (8.1%) are also used often by Chinese independent travellers.

5.3. Customer awareness

Figure 10 shows the results of Question 12 and Question 13 in the survey, which were completed by the 56 participants on the shore. As can be seen, customer awareness for Lakeland Queen is very low, 45 out of the 56 participants (more than 80%) have never heard about the Lakeland Queen before, while only 11 of them had heard of it.

The results imply that the social media platforms are important sources for Chinese independent travellers. Among the 11 travellers who have heard about the Lakeland Queen, 4 of them learned of it from social media platforms like WeChat and Weibo, 3 of them heard from travelling websites.

As shown in Figure 11, View becomes the most concerning factor for Chinese FITs when thinking about an activity like the Lakeland Queen cruise. Price, Security issues and Menu are also important factors for many customers.

5.4. Customer satisfaction

As shown in Figure 12, among all the 27 customers who have booked a cruise on Lakeland Queen, 6 of them ‘saw it from the shore’, while 10 of them learnt about it from Chinese or English travelling websites, 5 from social media platform WeChat.

Studies on the Chinese FITs show that they don’t often give negative comments (MBIE, 2015). In Table 1, the results of customer satisfactory also show this trend. Most of them are satisfied with the Food, Service, Internal environment, and View; very few of them marked ‘Dissatisfied’, none of them commented ‘Very dissatisfied’. Among the 6 comments of ‘Dissatisfied’, 4 of them focused on the food on Lakeland Queen. One of the main reasons for this is that independent travellers have higher expectations than customers following tour groups, especially in food, which is almost an obsession (MBIE, 2015). Therefore, the Lakeland Queen should pay more attention to the food quality on board.

5.5. Marketing challenges

Rotorua has been a popular destination for Chinese visitors. Of all the Chinese visitors to New Zealand in 2015, 80% of them went to Rotorua (Chadwick, 2016). The Lakeland Queen has been benefiting from this trend. As the General Manager indicated, in the 2015/2016 season, there was a very rapid growth in the Chinese Tour Group market,
going up by 90% on the previous year. However, behind the growing numbers the undergoing trend from tour groups to FITs also sheds its influence on Lakeland Queen—this year to date has seen about 20% drop in the China market, compared to the 2015/2016 season.

It is vital to attract more Chinese FIT visitors under this trend, especially when this trend is going to last for a long time. However, the performance of Lakeland Queen in this market is not very satisfying. As the General Manager said, currently for Lakeland Queen, FITs are about 15%, among which only around 2-3% are from China.

As for the Chinese FIT market, the biggest challenge for Lakeland Queen is that they are hard to target. Unlike those following tour groups on a beaten track, there are too many ways for them to travel to New Zealand. As the marketing manager mentioned, the most effective way would be an advertisement in the airport, which however, can be costly for a single tourist attraction like Lakeland Queen.

As the Chinese FIT visitors would do the information searching and activities booking online (Tourism Queensland, 2015), cooperation with the Online Travel Agencies would be an effective way on this market. However, as the Marketing Manager indicated, one main problem for marketing online is the low Conversion Rate, even though many clicks on the information, but few bookings.

Food is important for Chinese FIT visitors. The Marketing Manager also suggested that it would be helpful to develop a cruise option that appeals to Chinese independent travellers, which should focus more on food. However, there are challenges for this. As the Executive Chef indicated, there is limited space in the kitchen on the boat. It is not easy to prepare extra food in addition to the operations for daily cruises. Besides, the assistant cooks would need to improve their skills before they can provide qualified meals independently. Most importantly, there is limited budget for him to develop new options on the buffet menu.

Also, there is another challenge for Lakeland Queen in the Chinese FIT market. Currently, most of the independent travellers would prioritise South Island in their trip, over North Island. However, located in Rotorua, which is a popular destination for Chinese customers as well, there are some advantages for the Lakeland Queen. As the General Manager indicated, there are many attractions and experiences available in Rotorua, making it easy to organise combo activities to appeal to independent travellers.

6. Conclusion

On the basis of the research findings, several conclusions concerning the business of Lakeland Queen can be drawn. Although the tour group market is still growing over all, the underlying trend from tour groups to FIT visitors should be considered seriously.

Although there are mainly two groups among the Chinese FITs, the demographic profile for the target market of Lakeland Queen in the China FIT market are those aged over 40 years old and those younger travellers who travel with children or/and parents. Most of them are from the first-tier cities, like Beijing, Shanghai, and Hong Kong. Besides, those who currently live or study in New Zealand can also become customers for Lakeland Queen, especially during the off-peak season.

Chinese independent travellers spend a lot of time on searching for information; most of them have decided their activities before they come to New Zealand. However, Lakeland Queen has not done enough in this stage; most of the travellers have never heard about it before they came to New Zealand. Therefore, it would be important for Lakeland Queen to take some measures to reach the travellers at the information searching stage.

As for independent travellers, the main information searching channels are the official site of Tourism New Zealand and TripAdvisor, and Chinese sites, including Ctrip, Qunar, and Mafengwo, are also popular. Also, social media platforms like WeChat and Weibo are also useful platforms for Lakeland Queen to spread its fame. Chinese independent travellers have proved to be active posters; therefore, Lakeland Queen should enable and encourage customers to share more positive information about their cruises, which can be a more effective way of spreading its fame.

When it comes to activity-booking stage, Online Travel Agencies are popular, like Booking, Ctrip, Qunar. Using these could also be a cost-effective way of marketing.

Compared to travellers following tour groups, independent travellers expect more from their experiences. Therefore, the Lakeland Queen should improve their quality of services and products to satisfy these valued customers, especially the food provided onboard based on the findings from the satisfaction rate. More importantly, the Lakeland Queen needs to expand their products range to offer customers more options, especially towards Chinese independent travellers. However, due to the limitations for the kitchen on the boat, the new cruise options should try to use current food materials to avoid requiring more storage.
7. Recommendations

7.1. Clarify the target market

As has been mentioned before, the Lakeland Queen should clarify its target customer groups among Chinese FIT visitors.

- Aged over 40 years old;
- Younger groups who travel with family members;
- From first-tier cities;
- Residents.

Also, even though the Chinese FIT group are growing fast, it should be clarified that the tour groups are still growing as well, just at a lower rate. Therefore, the Lakeland Queen should keep the current cruise options and buffet menu to satisfy the tour group market, based on which they can develop new products and options for the growing FIT visitors.

7.2. Improve the products and services

- New cruise options
  Due to the fact that current cruise options don't appeal to Chinese independent travellers, some new cruise options would be recommended, focus of which should be on food. Food offered should be unique and special, with visual impact, and should be set up for sharing. However, the limitations from the kitchen on the boat need to be taken into consideration, including kitchen space and skills of assistant cooks.

  Therefore, food options like seafood platters and cheese boards would be recommended. Both of these are from local recipes, and their ingredients are easy to stock on the boat.

- Expand the range of products on-board
  Bar sales make an outstanding contribution to the profit of Lakeland Queen; therefore, it would be recommended to improve bar sales by providing a wider range of drinks and souvenirs.

  Firstly, they should take full advantage of the bars on board, to provide more kind of drinks like cocktails. Also, some popular brands in China should be included, like Tsingtao beer.

  Secondly, those who are travelling with children are an important part of customer groups; there should be more children's food and drinks provided onboard.

  Thirdly, the Lakeland Queen should develop more souvenirs that are unique and special and related to itself.

- Improve staff skills
  Even though most customers are satisfied about the services provided onboard, independent travellers always have higher expectations of their experience. Lakeland Queen should focus more on staff training, especially Front of House (FOH) staff who interact with customers directly.

  Firstly, the training process should be upgraded and deeply carried out. During the busy season, more part-time FOH staff join the team., New staff should be trained by the supervisor or qualified team leaders, and they should not work independently until the supervisor acknowledges their competence.

  Secondly, new staff should be given more chances to practice. The cruise options on Lakeland Queen are abundant, the new staff need more chances to join in these cruises and learn by observation.

  Thirdly, set the management meeting regularly. Many problems can be identified during daily cruises by team leaders., These should be reported to the management team regularly so that they can come up with solutions to fix the problems.

  Fourthly, provide incentives. The FOH staff need incentives to take their job more seriously. Set a $20 prize weekly or $50 prize fortnightly for one staff member who has performed very well and gained the acknowledgement of supervisors and team leaders.

  Also, kitchen staff would need more training to improve their skills as well. Food is important for Chinese FIT customers and the reason caused most complaints for Lakeland Queen. Therefore, the skills of kitchen staff would also need improvement as well.

7.3. Price strategy

- Provide small group discounts.
  Lakeland Queen is the largest vessel on Lake Rotorua and also the only one that provides meals onboard, which is one of its main competitive advantages. Therefore, it would be recommended for Lakeland Queen to keep a Premium pricing strategy, with which they can maximize their sales and profits.

  The research has found that most of the Chinese FIT visitors would travel with families or friends, just like small tour groups except that they decide their destinations on their own. Therefore, it would be recommended that that Lakeland Queen provides small group discounts as well.

  For those bigger tour groups, Lakeland Queen provides with a low rate in order to cooperate with the travel agencies. For the small FIT visitor groups, it would be highly recommended that similar discounts can be offered as well. For example, those who book for more than 7 people at a time can have 10% off for everyone, or be free of charge for one
adult. This strategy would bring more small group bookings, and keep a certain margin of profit.

Currently, there are discounts for children and elder people offered by Lakeland Queen. It should be strictly implemented that these discounts would not apply at the same time.

- Offer lower price during the off-peak season.

The tourism industry in New Zealand is quite seasonal. From June to August every year is the off-peak season, when there would be an obvious drop on the numbers of visitors. Lakeland Queen would face this situation particularly, as the main market are those big tour groups.

Therefore, it would be recommended that Lakeland Queen can provide different seasonal prices among the year. For the quiet season of the year, a lower price can be provided to attract more independent travellers.

Also, among the Chinese FIT visitors, the Active Boomers would prefer to travel to New Zealand during the off-peak season when the flights are cheaper. Providing a lower price would help to attract more customers from this group.

7.4. Digital development plan

The Chinese independent travellers are heavy users of internet, therefore, a digital development plan would be essential for the development of Lakeland Queen in the long run.

8. References


9. Appendices

9.1. Appendix 1 Comments for Lakeland Queen from TripAdvisor.

9.2. Appendix 2 The questionnaire including the information sheet.

**Information sheet:**

Hello

My name is Xianghui Sun (Eric), a student from Waikato Institute of Technology, majoring in Strategic Management. I would like to invite you to take part in my research by completing a questionnaire about how you received the necessary information before travelling to New Zealand. Before you made any decision about whether or not to participate in this questionnaire, please read the following information carefully.

This questionnaire is part of a research project for “Strategic Plan for Lakeland Queen on China Free Independent Traveller (FIT) Market”. The aim of my project is to understand better about our Chinese FIT customers’ journey so that we can develop a digital development plan to attract more Chinese FIT customers and improve our tourism product as well as service quality.

If you are taking a journey on your own instead of following a group tour from a travel agent, then you can participate and finish a questionnaire.

There are 13 questions overall; it would take only around 10 minutes to finish this questionnaire. And of course, you can write as much or as little as you want. If there are any questions that you do not want to respond, just feel free to leave it blank.

This is an anonymous questionnaire, none of your private information will be needed. Once you have completed the questionnaire, it will be kept confidentially by the research team and will be destroyed once all the information has been recorded. As none of your personal details would be recorded, none of them would show up on any of the reports. The questionnaires would only be seen by the researcher Xianghui Sun (Eric), my Academic supervisor and the Lakeland Queen Management team will have the final report.

This questionnaire is completely voluntary and you are free to stop completing this questionnaire at any stage by returning it. Even after you have finished the questionnaire, if you have any questions please do not hesitate to contact the research team, the contact details are as follows:

Name of Researcher: Xianghui Sun (Eric)
Phone: 0273877080
Email: eric123nz@gmail.com
Date: 21 Mar. 2017

**Questionnaire:**

**Basic information:**

1. Your age is
   - Less than 24
   - between 24 and 39
   - between 40 and 55
   - over 55

2. Are you
   - Male
   - Female

3. Which city in China are you from? ______.

4. Are you travelling for
   - Leisure
   - Business
   - Meeting
   - friends and relatives
   - Honeymoon
   - other (please specify) ______

5. Who are you travelling with
   - Kids
   - parents
   - friends
   - lovers/spouses
   - co-workers
   - business partners
   - Other (please specify) ______
6. How many days will you spend in Rotorua during this travel?
   1-2  3-4  5-8  8-12  More than 12

7. Have you heard about Rotorua before?
   Yes  No
   If yes, from where?
   TV programme  travelling agencies
   Friends who have visited  online travelling
   blog  NZ tourism websites
   other (please specify) ______

Information searching:

8. What are your main interests in selecting a destination?
   Adventure  Night life  Culture
   Health  Nature  Religion  Rest
   Sports  Visiting friends/relatives  Places
   seen on TV, or in a movie set  other
   (please specify) ______

9. Which way do you choose to travel this time?
   Self-driving  find a local tour group
   hire own tour-guide  other
   (please specify) ______

10. Do you have any favourite travel website? /
     How did you get your most information about
     traveling in NZ?
     Wechat  Weibo  Mafengwo  Ctrip
     Qunar  Dazhnogdianping  Qiongyou
     Youku  iQiyi  other
     (please specify) ______

11. Which website did you use most often to book
     your trip in NZ?
     C-Trip  Qunar  ltrip  QiongYou
     Mafengwo  E-Long  Other
     (please specify) ______

About Lakeland Queen (Potential customers)

12. Have you ever heard about Lakeland Queen?
    Yes  No
    If yes, where/who did you hear it from?
    ______

13. What would you expect if you plan to take a
     cruise on Lake Rotorua?
     Food  Sightseeing  Free-Wifi  High-class service

About Lakeland Queen (Current customers)

12. What made you decide to book a cruise on
     Lakeland Queen?
     Food  Unique sight-seeing  Reasonable
     Price  other
     (please specify) ______

13. How do you find your experience on Lakeland
     Queen?
     Very Satisfied  Satisfied  OK  Dissatisfied
     Very Dissatisfied
     Food  Quality of service
     Internal  Environment
     Commentary  ______

14. Do you have any comments for Lakeland Queen?

9.3 Appendix 3 Interviewee list and questions for each participant.

Participant 1 (General Manager)

---- About current situations about China FIT market

1. What is the current China market about?
   Chinese visitors marketing trends compared to past years?

2. How many Chinese FIT customers do we have per week? Per season?

3. Which way would Chinese FIT customers use to book for our service most often?

4. Any problems or complaints from Chinese FIT customers?

5. Do you have any plans to attract more Chinese FIT customers? Or any ideas?

6. Is the current trend going to last for more than 3 years?

Participant 2 (Marketing Manager)

---- About the new digital strategy

1. What do you think is the main reason that
   cause Chinese tourists would prefer to choose
   independent travel over following tour groups?

2. What do you think their ways of planning their
   journey and booking services have become?

3. What would they expect from Lakeland Queen?

4. Any suggestions on the strategy to attract more
   Chinese FIT customers?