

## Socioeconomic Status of Customers and Institutionalization: A Qualitative Study on Jewellery Sector

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### Extensive Summary

#### 1. Introduction

According to Hannan and Freeman (1997) researchers should focus on variety between organizations in order to conceptualize organizational actions. On the contrary new institutional theorists prefer to examine similarities among organizations (DiMaggio and Powell, 1983; 1991; North 1999; Scott, 1995). In order to survive in contemporary market conditions, organizations have to gain competitive superiority. However, almost every industry, only the market leader has a specific competitive advantage. Other firms usually don't possess that kind of advantage over potential rivals. Lack of particular competitive advantage may direct organizations to adopt most common business practices and strategies in the environment (DiMaggio and Powell, 1983; 1991). Unsuccessful organizations may gain various benefits by adopting previously successful practices, tactics and strategies (DiMaggio and Powell, 1983; Meyer and Rowan, 1977). On the other hand organizations, which operate in the same industry may internalize considerably different or conflicting activities. Environmental conditions may force organizations to interact only a specific group of customers who are members of a particular socioeconomic class. These groups and their expectations may alter and shape the institutional environment. In this respect organizations may find themselves in very different institutional environments. Organizations' adaptation efforts to their institutional environment may lead to creation of substantially differentiated business clusters. The aim of this study is to identify and elaborate implied differences.

## 2. Method

Qualitative research method has been used for gathering and analyzing data. Research pattern of this study is based on a culture analysis. All of the research data collected from primary data sources. Research data has collected with structured interview method. Ulus district (old town) in Ankara city has been chosen to examine organizations which mainly serve customers of low socio economic customers. Shopping malls near prosperous regions in Ankara city have been selected to examine organizations which generally serve to customers who have high socio economic status. Structured interviews have been conducted with jewelry firm managers in selected areas. Structured interviews have been conducted with forty-nine business managers. Thirty interviews have been conducted in Ulus district. Nineteen interviews have been executed in shopping malls. Purposeful sampling method has been used for data gathering. Interviewees were firm owners and top managers. Interviewees were informed about interview questions and general interview process. Interviewees were voluntarily participated to the study. Interview form consists of thirty-three open ended questions and thirty-three questions were asked to each interviewee. Interviews were approximately lasted one hour for each participant. Interview questions designed according to a pilot study and the relevant literature. In pilot interviews, we asked questions to the respondents such as “how are organizations adjust their action to meet their consumers demands”, “what are the customers’ expectations from products” “what are the customer purposes” In addition we asked and argued about frequently used rhetoric, routine actions, relationships with the environment, firm’s reputation, firm’s formalization level, jewelry associations, governmental agents, trust, ideals, ethic and competition ethics. Interviewees from Ulus district coded as U1, U2... Interviewees from shopping malls coded as Mall1, Mall2.

Categorical analysis -which is a sub-class of the content analysis method- applied to the research data. Categorical analysis is a qualitative research technique which involves searching similar codes, classification of codes as categories and making comparisons between categories (Saldana, 2009, p. 12). In order to ensure validity, we communicated with both experts from jewelry sector and academicians from management and organization field. Furthermore, we conducted an interview with president of the Jewelry and Watch Association in Ankara. His office was also in Ulus district. He confirmed that jewelry firms in Ulus district mostly serve to people of low socioeconomic classes. In addition, we argued about the relationship between Ulus district and low socioeconomic status classes and the relationship between shopping malls and high socioeconomic status classes with academicians from management and organization field. Academicians and jewelry sector employees both confirmed the socioeconomic class distinction between selected areas.

In this study the jewelry sector has been chosen to gather data in order to capture implied differences. Non-Turkish readers may have some questions about that decision. In jewelry business, organizations sell products both to satisfy various customers’ needs (investment, pleasure and traditionality) and to serve different customers of socioeconomic classes. In Turkey people use gold products as an investment fund. The turbulent Turkish economy and economic crises has shaken the confidence of other investment securities. As a physical and concrete product people start to rely on gold products for investment. Furthermore, gold is a traditional product in Turkey. Almost every participant should give a gold product as a marriage gifts on weddings. However,

this investment strategy is not common on people of high socio economic groups. They prefer mostly diamond and silver products for personal pleasure. They choose to invest other investment securities. Shopping malls in Turkey have great parking areas, entertainment centers, expensive coffee chain stores etc. In Western countries people of low socioeconomic status may prefer big malls - having advantage in terms of economies of scale- because of reasonable prices but in Turkey, customers' expectation from malls are very different.

In qualitative research, reliability is as important as validity. Purposive sampling has been used to ensure external reliability. Consistency analysis has been conducted for increasing internal reliability and confirmation examination has been executed for external reliability.

### 3. Findings

According to the results of the categorical analysis, high socioeconomic status classes (A, B) and low socioeconomic classes (C1, C2, C3, C4) have very distinctive purchasing purposes. Their cognitive ideals, expectations and habits are very different. This leads organizations to institutionalize their dissimilar actions even if they work in the same city. Implied differentiation will be briefly presented in the table below.

**Table 1. Categorical Comparison**

CUSTOMER EXPECTATIONS		IDEALS OF ORGANIZATIONS		ORGANIZATION STRUCTURE		ORGANIZATION ACTIVITIES	
ULUS	MALL	ULUS	MALL	ULUS	MALL	ULUS	MALL
CUSTOMER'S RELATIVES SHOULD BE WELL HOSTED	ONE TO ONE SERVICE	IDEAL EMPLOYEE IS MALE	THERE IS NO GENDER DIFFERENCE FOR IDEAL EMPLOYEE	LOW FORMALIZATION	HIGH FORMALIZATION	COMPANY NAME: FOUNDER'S NAME OR SURNAME	COMPANY NAME: WESTERN ORIGINATED NAMES
EMOTIONAL RELATION	FORMAL RELATION	IDEAL FIRM SHOULD BE HONEST AND RELIABLE	IDEAL FIRM SHOULD MATCH ITS ACTIVITIES WITH CUSTOMER DEMANDS	ONE OR TWO EMPLOYEES	FOUR AND MORE EMPLOYEES	COMPANY NAME: FOUNDER'S HOME TOWN	COMPANY NAME: DEPERSONALIZED VERSION OF FOUNDER'S NAME
PERSONAL TRUST	INSTITUTIONAL TRUST					OLD MANAGER	YOUNG MANAGER
AFFORDABLE PRICE	RARE PRODUCT					SIMPLE BUSINESS CARD	ELEGANT BUSINESS CARD
WEDDING FOCUSED CUSTOMER	BRAND FOCUSED CUSTOMER					REPUTATION OF TRUST	REPUTATION OF TRUST AND DIFFERENTIATION
PURPOSE OF INVESTMENT	PURPOSE OF PLEASURE					TRUSTED EMPLOYEE	TRUSTED AND EXPERIENCED EMPLOYEE
GOLD PRODUCTS	DIAMOND PRODUCTS					PATERNALISTIC RELATIONSHIPS WITH EMPLOYEES	FORMAL RELATIONSHIPS WITH EMPLOYEES
SALUTATION STYLE: BROTHER, SISTER	SALUTATION STYLE: MR. AND MRS.					POPULAR PRODUCTS	RARE PRODUCTS
HARD BARGAIN	SOFT BARGAIN					WELL KNOWN, FAMILIAR AND LOYAL CUSTOMER	MOSTLY RANDOM CUSTOMERS

						TRADITIONAL SALES TECHNIQUES	MODERN SALES TECHNIQUES
						FRIENDLY RELATIONS WITH SOME RIVALS	FORMAL RELATIONS WITH RIVALS
						NOT FOLLOWING BUSINESS ETHICS	FOLLOWING BUSINESS ETHICS

#### 4. Conclusion and discussion

The present study emphasizes the relationship between socioeconomic status of customers and organizations' institutionalization forms. The relationship which revealed in this study between socioeconomic status and institutionalization may contribute both to institutional theory and to management/organization literature. Institutional theory has placed great emphasis on organizational similarities (DiMaggio and Powell, 1983; 1991; Lant and Baum, 1995; Meyer and Rowan, 1977; Zucker, 1983; 1987). But institutional theory has a rich theoretical framework to explain organizational differences. Institutional theorists should be encouraged to focus on organizational differences. That kind of approach may be more valuable for future of the institutional theory. In conclusion increasing comprehensiveness of the institutional theory may be directly associated with organizational differences not organizational similarities.