A longitudinal study of the middle class: Growth, size and marketing strategies

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ABSTRACT

This paper will examine how the middle class has changed in the past 50 years in economic terms (definitions/measures and growth patterns) and the changes in marketing strategies to the middle class. The authors focus on three major questions: 1) Is the middle class growing and sustainable throughout the world as seen in the past 50 years?; 2) Are there major differences in the way the middle class has been defined and measured over the past 50 years?; and 3) Are there major differences in the way the middle class has been marketed to in the past 50 years and what will be successful in the future?

Keywords: Middle class, socio-economic class, ownership of goods, income, marketing strategies

INTRODUCTION

Consumerism grew tremendously with the turn of the century technology that resulted in mass production in the early industrial revolution. In the 1920s, mass marketing had its beginnings spurred by the use of mass radio (Smith, 2005, 24). Companies had the opportunity to appeal to a wide variety of potential customers and their marketing had to be changed in order to persuade a wide audience with different needs into buying the same thing. Over the years, mass marketing has burgeoned into a worldwide multi-billion dollar industry. For most of the twentieth century, major consumer-products companies held fast to mass marketing, mass producing, mass distributing and mass promoting products to all consumers. Mass marketing creates the largest potential market, which has translated to lowered costs and thus a very efficient strategy for corporations, during the past century. This paper examines the global trends on the patterns of middle class growth, different ways to define and measure the middle class such as income distribution, ownership of goods or self-assessment metrics and the changes in marketing strategies that are successfully being used with middle class populations throughout the world over the past 50 years. Mixon (2010, 327) believes, it is the middle class, who share common values of honesty, hard work, integrity, belief in justice and fairness, and community morality, who are really responsible for the 20th century's economic and institutional success. For this reason, an in-depth and longitudinal look at the patterns and trends of the global middle class is important to the world and provided in this research.

GROWTH OF THE MIDDLE CLASS

In 20th century US, transportation advances allowed for wider distribution, and a growing population, spurred by massive immigration, expanded market potential and the growth of a strong middle class (Smith, 2005, 23; Lott, 2012). Relationships between wholesalers, manufacturers, and retailers radically shifted. Mail order houses such as Sears and Roebuck, early chain stores such as Woolworth's, and nationally distributed brand products such as Buster Brown Shoes, threatened local merchants and altered customer-purchasing patterns (Seiter, 1993, 52). Most local retailers were "forced to concede their independence to national corporations" (Strasser, 1989, 10). The same technological forces that produced affordable manufactured goods also generated an explosion of media including magazines, newspapers, and catalogs that fueled the mass marketing engine. Across the country, and at the same time, Americans received the same information, regardless of their location (Chandler, 1977).

Printing advances allowed for greater and cheaper production. Rural free delivery linked the agricultural sector faster to national markets and broke down local alliances (Strasser, 1989). With public school expansion, an increasingly literate America would read news of the country's economic revolution, editorials from reformers, and Buster Brown's antics in the newspaper's funnies section. But they also read "scores of advertisements for commodities such as Buster Brown Shoes that promised convenience, consistence, quality, and even transcendence" (Strasser, 1989, 12). Advertising and the national markets that propelled Buster Brown into a popular culture icon matured together during the early twentieth century. Much of consumerism research focused on how advertising and the development of national markets went hand-in-hand. Ownership of mass marketed material goods became increasingly the key to a dream of upward mobility, respectability, and the very definition of what it meant to be American and 'middle class'. In the next section, the authors look at the causes of the growth of the middle

class to learn if the 'global middle class' has grown over the past 50 years and if it is still growing as a world phenomenon. The researchers posit the following hypothesis:

H1. The global middle class has grown throughout the world over the past 50 years and will continue this trend in the future.

Social Values

The continued growth of a strong world middle class has been influenced by many variables, including the social values of this group, new technological developments and the increase of mass media outlets in the global marketplace. Governments also influence the growth in the global middle class due to their ability to make policy decisions that can maintain or grow the size of the middle class in their countries. Research, in the social class phenomenon, has shown the link between social class, lifestyle choices, and media habits. These studies commonly assert, that "individuals are similar to their neighbors and share many demographic and social-economic status characteristics" (Sivadas, 1997, 463). In fact, social class even outranks the importance of ethnic classification. For example, in the US, Hooks (2000) found that most privileged African American believe that they have nothing in common with the African American poor. Lacy (2007, 35) also suggested that middle-class black families more often mimic their white middleclass counterparts' socialization strategies by emphasizing social values of the "nuclear family structure, home ownership, importance of education, and self-reliance". These studies, therefore, support the idea of a sustainable and growing 'global' middle class.

Mass Media

The mass media trend in the US and other developed countries, which grew the middle class, happened at the beginning of the 20th century but in newly developing countries, this is a more recent trend. In many of the developing countries, the media was constrained by censorship and control. As these restrictions are lifted, mass media strategies become more effective around the world and stimulate the growth of the global middle class in these economies. For instance, since 1992, the Middle East has undergone tremendous changes in the region's mass media landscape including: 1) moving from a few television stations restricted by their governments to a multitude of television stations; 2) radio advertising resources have increased substantially to over 44 radio broadcasting channels, 21 of them in the UAE; and 3) an explosion of over 40 new magazines since magazines have limited political content and enjoy more freedom than newspapers and televisions, which had already impacted middle class growth (Barkho, 2007).

Technological Developments

The past decade has witnessed increased commercial use of data obtained unobtrusively from large-scale geodemographic (GD) systems. Sivadas (1997, 469) exemplifies how large-scale, secondary databases can be applied in consumer research and refine social class measurement techniques. Technological delivery of media messages through social media platforms such as Facebook, LinkedIn, MySpace, Pinterest and Twitter have changed the ways of doing business around the world as well.

New technologies fueled by the growing usage of the internet have increased access to consumers around the world. In the US and developed countries, this trend has been active for

more than 15 years, but in the newly developing world it is a more recent (5-10 years only) phenomenon reaching large groups of middle class consumers. The internet tends to change the way "people behave, feel, think and live" (Carter, 2007, 6). Through the internet, customers have access to current, up-to-date information about products and services around the globe thus creating a 'global middle class'. For example, in the Middle East, the retail industry doubled to $400 billion from 2003-2008 alone. This changing consumer demand makes the Middle East a high growth market for advertising "due to the various changes in marketing communications particularly web-based media where virtual communities share, exchange, and participate in social groups" (De Rose et al., 2007). The impact of new technologies on the growth of the "consumer- minded" global middle class is also illustrated in the increased use of the internet in various regions/countries around the world (see Table 1 in Appendix).

The Impact of Consumerism

For nearly 35 years (1965-2004), the G7 economies accounted for an average of 65 per cent of global gross domestic product (GDP) measured at market exchange rates. This remarkable stability during the period called the 'Great Moderation' is built upon a large middle class. Society's success then is dependent on a sustained middle class. So what does middle class mean exactly? Although it is an ambiguous social classification, being middle class means that the person is able to lead a 'comfortable life'. They have stable housing, healthcare and educational opportunities (including college) for their children, reasonable retirement and job security, and discretionary income that can be spent on vacation and leisure pursuits. Kuhl (2012, 83) uses the definition of the U.S. middle class in the Golden Age (1950-1972) as a family of four, with one wage earner who was able to "own a modest home, send two children to college, have adequate health care, and retire comfortably at age 65 on 80% of his salary".

It is estimated that every year more than 70 million people join the middle class around the world (Foroohar & Margolis, 2010). In emerging markets, this is defined as people with yearly incomes between $6,000 and $30,000 (Foroohar et al, 2010, 42). Experts believe the Asian Pacific middle class will surpass their Western peers in global spending power within two decades and that within five to 10 years, the "Asian middle class alone could make up the slack left by overspent American consumers" (p. 43) especially considering the population differences with US at 300 million and China and India alone nearly 3 billion (bea.gov). Chinese bought more cars than Americans did last year, and India has as many internet users as the United States. By 2030, more than "nine of every 10 mobile phones will be owned" by people in the developing world, with India and China leading the way (Foroohar et al., 2010, 44).

In China, the new middle class is coming from "country towns," defined as cities with a million or more inhabitants presently. This market will increase even more as 300 million more Chinese move into urban areas over the next 10 years in a continuing mass population shift that will see 100 cities grow to a population of more than 3 million (Magni and Poh, 2013, 61). This migration in China (from 2010-2020) mirrors the move from the countryside to the cities in the US during the industrial revolution. The bulk of these new urbanites, predicted to be 700 million by 2020 (Ford, 2007), will become members of the middle class, though their incomes - around $5,000 a year (but a "10-fold increase" since 1980) will be modest to start with (Censky, 2012).

Why does the growth of a global middle class matter? The middle class is important as a source for: 1) entrepreneurship and innovative small business ideas (based on education, hard work and thrift values) that help an economy thrive and 2) consumerism. Juliet Schor (1999, 43)

defines middle-class behavior as: a constant, "upscaling of lifestyle norms; the pervasiveness of conspicuous, status goods and of competition for acquiring them; and the growing disconnect between consumer desires and incomes." Murphy, Shleifer and Vishny (1989) emphasize that the middle class consumer is willing to pay a little extra for quality which encourages product differentiation and more development of new goods.

In the world of the 21st century, the middle class consumers of North America and Europe have been the source of demand, while low and middle income countries in Asia have been the source of supply. This trend, however, is dynamic and China is leading the way to develop a huge and solid middle class. See Table 2 (Appendix) for the actual and predicted growth patterns in spending by Asian Pacific middle class consumers in the next 15 years (from 23% spending in 2009 to nearly 60% in 2030) and confirmation of the growth in spending by the global middle class over the past 5 years and predictions to 2020 from 21 to 55 billion 2005 PPP (purchasing power parity) dollars (Ford, 2007). The trends of increased consumerism, trade, transportation, technology usage and the need for economic all point to a sustained growth of the global middle class well into the future.

DEFINING AND MEASURING THE MIDDLE CLASS

As previously discussed, the middle class has been defined by characteristics such as social values, consumerism, spending patterns, purchasing power parity and having a 'comfort-able life', but there are also those who define the middle class qualitatively by their behaviors, their ability to stabilize society and self-reported assessments of what it means to be middle class. Many researchers also use the measure of income or ownership of goods to quantify the middle class and compare countries throughout the world. However, even the use of an objec-tive measure such as disposable income is open to definition and measurement variations. This research addresses the issue of measuring and defining the middle class in the next hypothesis:

H2. There have been major differences in defining and measuring the middle class in the past 50 years.

Qualitative Definitions and Measures - Behaviors of the Middle Class

When defining the middle class, some researchers prefer to look at the behaviors of the middle class. With more financial resources come opportunities such as choice of a career or job matching one's interests and abilities (Langston, 1988). For those in the working class, employ-ment is not a matter of choice but more of survival. Leisure time, a middle-class privilege and expectation, gives time for exercise, recreation, a holiday, and having time to attend children's hobbies and interests. Liu, Pickett, and Ivey (2007) suggest that the essence of middle-class expectation is that one will get what one needs and wants, that one will be treated fairly, and that local government services will be available to help maintain the community. According to Lareau (2003), middle-class parents typically focus on "developing" their children to cultivate their talents, opinions, and skills in a concerted fashion. Through this approach, parents promote strong language skills, independence, and confidence in personal creativity, which are characteristics valued in white collar work/middle-class lifestyle (Butler-Sweet, 2011, 197). Working-class parents, however, emphasize the importance of directives and obedience, characteristics necessary to blue collar workers and the working class lifestyle. This results in

differential opportunities which provide middle-class children "better preparation to excel in the workforce and reproduce or even exceed their middle-class status" (Lareau, 2003, 5).

Qualitative Definitions and Measures - Society Stabilizer

Other researchers find it difficult to use quantitative measures to define the middle class in their countries. For instance, Samson and Krasil'nikova (2012, 3) prove the "emergence of a new middle class in Russia", but find contradictory sizes, beliefs and definitions, so they recommend a population's ability to "adapt to global economic forces" and the middle class's ability to be a "socioeconomic stabilizer" should be the basis for determining if the society has an adequate middle class. Belieava (2008, 44) confirms that the middle class in Russia is a socially formatted group that is "professionally trained and relatively well-off in material terms" and is an "active agent in the socioeconomic development of Russia". South Africa's middle class moderated society by decreasing radicalism (Chunlong, 2005). In Brazil, the middle class grew to 54% as the government stabilized its economic growth, increased the minimum wage and helped the poor (Block, 2013).

Qualitative Definitions and Measures - Self-Assessment

In many studies, two groups of factors are used to determine membership in the middle class: 1) objective factors of income, the consumption of goods and services, and education; and 2) subjective factors of self-assessment (Ganske, 2007; Samson et al., 2012; Zechmeister, Sellers & Seligson, 2012). In the area of self-assessment, countries vary in their viewpoint considerably. In the countries of Western Europe, for example, about 45% of the population believes that they have a middle class income, while in the United States about 70% of the population holds that opinion. In Russia, however, only 22 percent of the population considers themselves sufficiently well off to belong to the "middle class" (Samson et al., 2012).

While there are many ways to define and measure the middle class, Zechmeister et al.'s (2012, 74) comparisons of survey research data indicate that individuals across Central and South America tend to qualify themselves as middle class at a greater rate than do objective measures such as income or possession of electronic consumer goods. Their research in Latin America also showed a link between urbanization and the middle class - those living in urban areas were more likely to identify themselves as middle class (45.2%) than those in rural areas (34.8%) (Zechmeister et al., 2012, 76) These examples show the significant differences in measuring and defining the middle class over the past 50 years as well as the different perceptions that people have about their own status in varying countries around the world.

Quantitative Definitions and Measures-Income

When conducting research, there is a tendency to search for a common or most acceptable definition and measurement of a concept. For this reason, the quantitative measures emerge as the most used definitions of the middle class in the research literature and serve as way to fairly and objectively assess all countries on the same basis. Also researchers can then repeat the research or rely on global databases such as the Luxembourg Income Study (LIS) or Chinese Household Income Project (CHIP) for greater accuracy, consistency and longitudinal

study. In the past, some countries' individual reports have been found to be inaccurate or exaggerated for political reasons. The database studies take great care to assure accuracy.

However, the quantitative measures used in meta-studies may reflect negatively on newly developing countries and not be a good predictor of their future potential. That's why researchers argue the importance of purchasing power parity (PPP). In China, for example, a modest $5,000 USD paycheck buys a lifestyle that would cost $20,000 in America. Magni and Poh (2013) report a bifurcated middle class in China with the upper middle class being more affluent and choosy (income between $16,000 to $34,000 USD coming from the coastal and big cities) and the mass middle class coming from inland cities and the rural areas, and predict that 75% of all Chinese urban households will be middle class based on purchasing power parity (PPP). So definitions do matter. Even the definition and measurement of 'income' itself may vary. Many researchers define middle class households as those households whose adjusted household disposable income falls between 75% and 125% of the median income, which includes skilled trades, middle managerial, professional or white collar jobs (Mixon, 2010; Champlin & Knoedler, 2008; Pressman, 2007; Thurow, 1985, Zhang, Wan, & Khor, 2012). Others use the quintile approach and define the middle class as being in the 3rd and 4th quintiles (20% segments) of average per capita income (Burkhauser, Larrimore and Simon, 2012; Mitrokhin, 2010).

Using actual income ranges, Samson et al. (2003, 4) reported that the Russian middle class had the following segments: 1) income from $150 to $200 per month (lower), 2) $300 to $600 income per month (middle), and 3) those who earn more than $1,800 per month (upper middle professionals and families of directors). The current productivity gains and disruptive innovations create overwhelmingly positive results in the poorer parts of the world; in India and China, as an example, between 1820 and 1950, per capita income in those two countries was basically flat, from 1950 to 1973, it increased by 68 percent and between 1973 and 2002, it grew by 245 percent, and continues to grow strongly despite the global financial crisis. Cunha, Cheng and Abida (2013, online) from BCG predict that by 2020 some 5.3 million will join the Brazilian "emergent" middle class (defined as $15,000 to $30,000/year), an income segment that tends to trade up, 2.5 million families will be "middle" class ($30,000 to $45,000/year), buying new products such as mutual funds, private education, and air travel and affluent families (above $45,000/year) will be "37% of Brazil's 60 million households by 2020, compared with 29% now and 24% a decade ago".

In Table 3 (in Appendix), countries are compared along the 75%-125% adjusted household disposable income range from 1960 to 2010 (50 years in 5 year increments called 'waves'), using the Luxembourg Income Study (LIS) data. Even if wider ranges are used (i.e. 75% - 150% or 75%-175%), the relative positioning of the countries is actually fairly stable over time (Pressman, 2007). In the data, household incomes are adjusted using the EU (European Union) recommendations regarding equivalence scales for household size. According to this standard, income requirements for children are 50% of the requirements of the household head, and additional adults in the household are 70% of the requirements of the household head income, which closely match the equivalence scale in the set of poverty lines (Orshansky, 1969). Mixon (2010) found on average, global middle class households comprise between 35% and 40% of all households. Individual countries fall into several distinct groupings. The Scandinavian nations of Denmark, Finland, Norway and Sweden have the largest middle class. In these countries, the middle class is nearly 50% of all households. At the bottom is India, followed by China, Israel, Spain, and the United States. In these four countries, the middle class is close to one third of the entire population. Russia, Canada, Taiwan and the United Kingdom

all are hovering around 35%. The overall average for the global middle class in 2010 is nearly 38% (see Table 3 in Appendix). Zhang, Wan, & Khor (2012) showed that the Chinese middle class size was 37.30 percent in Wave #2. But this percentage declined over time, reaching 32.7% by the end of Wave #5 and 29.2% in Wave #6. The shrinking middle class and the expansion of the poor and rich classes imply possible polarization in rural China (Zhang et al., 2012, 37).

In their study, Gilbert and Kahl (1982) divided the Russian middle class into two segments including: 1) the upper middle class, consisting of qualified specialists with high levels of education and higher level managers (15–20% of households) and 2) the lower middle class, which includes moderately qualified people, craftspeople and middle managers (33% of households). Both segments have a good standard of living, real economic security, and a strong work autonomy. The Russian "middle class" is measured by Mitrokhin (2010) as the third and fourth twenty percentile groups (quintiles) in the distribution of the population with respect to average per capita income levels (see Table 4 in Appendix). This 20-year trend shows Russia's greater concentration of incomes with the doubling of the Gini coefficient (a measure of the income distribution in a society – closer to 0 means more equality) and about 5% deterioration of the middle class (from 42% in 1990 to 37% in 2010) using the quintile income measure (Mitrokhin, 2010, 21). Researchers traditionally measure the pre-tax cash income of tax units or the pre-tax, post-transfer, size-adjusted income of households. Choices regarding the income measure, unit, and other factors, affect assessment of income trends and the Gini coefficient.

For example, Table 5 (in Appendix) shows that focusing on tax units rather than households and not adjusting for sharing unit size greatly reduces measured growth in middle class income, as does excluding the effect of taxes and the value of in-kind benefits such as the tax exclusion of employer provided health insurance (Burkhauser et al., 2012). Dunn (2012) reports that, due to the decline of manufacturing in the US over the past 60 years, there has been a drop in family income and greater class inequality. In 1950, the top 20% had 17.3% of family income, whereas in 2010 it was 20%. The Gini coefficient moved from .379 to .440 (assuming size-adjusted pre-tax post-transfer household) over the same time frame from 1950 to 2010 (meaning greater income inequity). It is easy to see that the definition and measure one uses does make a significant difference in the size of the middle class in each country.

Quantitative Definitions and Measures - Ownership of Goods

Another objective way to define the middle class is to use the rate that durable goods are owned by households. For this purpose, Zhang et al. (2012), in their study on rural China, compiled information on five types of durable goods and divided these goods into two classifications: 1) luxury durables (air conditioner, refrigerator, and washing machine) and ordinary durables (TV and bicycle). As expected, ownership rates of luxury goods are far lower than ordinary goods. For example, less than 3 percent of households owned an air conditioner while 93 percent of rural households owned TV. The lower ownership rate of bicycles shows that many rural households do not have working age adults who are migrant workers (see Table 6 in Appendix). Zhang et al. (2012) defined a household middle class if it possessed at least two luxury durables, poor if they owned less than two ordinary durables, low class if owned at least two ordinary durables and no more than one luxury goods and rich if they owned three or more luxury goods. Based on these definitions, almost 10% of Chinese rural households in 2002 are middle class. This is 5% lower than the income-based estimate. Nearly 65% of households of rural China were

poor in 2002, reflecting the dramatic difference between income- and asset-based measures of class status as shown in Table 7 (Please see Appendix).

In their research of Latin and South America, Zechmeister et al. (2012) also measured class by ownership of specific products and services, called the index of "consumer electronic goods." Similar to the previous study by Zhang et al. (2012) in rural China, Zechmeister et al. (2012) chose goods that were suitable for assessing the middle class in their specific region and countries; specifically, did they own a flat panel/LCD television, a computer and/or have access to the internet at home. Middle class status was measured by ownership of 2 or more of these "consumer electronic goods." In addition, there was a significant relationship between the self-reported measure of social class and their ownership of electronic goods. In short, "to have is to be" (or at least "feel") middle class in the Americas (Zechmeister et al., 2012, 75).

Government Intervention Impacts Size of the Middle Class

Many governments are aware that they can have an impact on the size of the middle class as well. In their research, Sawhill, Winship and Grannis (2013) recommend pathways to keep people in the middle class or to move up to the middle class. The major ways to change socio-economic circumstances are through educational interventions (pre-school, grade school, high school and college) and life interventions such as prenatal care for at risk single mothers. Pressman (2007) argues that the percentage of households that is middle class across nations and longitudinally (50 years) is due mainly to government tax and spending policies. One main conclusion of the literature is that generous public safety nets and social services result in greater equality for the middle class around the globe (Bradley et al. 2003; Western and Healy 1999).

Pressman (2007) proves in his research that generous social benefits, a broad safety net, and a progressive tax structure ensure a broad based middle class segment in the society. For most middle class households, the social insurance programs (such as unemployment insurance, disability insurance, maternity benefits, old-age pensions and child allowances) are most important since the number and the generosity of these programs impact directly the size of the middle class in each country (Pressman, 2007). Cornia (2003) reports changes in within-country income inequality over the last forty years, with particular attention to the years of 1980-2000, against the background of the inequality shifts intervened during the globalization of 1870-1914. Within-country inequality appears to have risen to different extents in two thirds of the 73 countries analyzed, reversing in some cases prior trends towards lower inequality. In the majority of the countries studied, Cornia (2003) found that the worsening of inequality was caused by policy changes to increase domestic deregulation and external liberalization and not through traditional means such as high land concentration and inequality in education, or to technological changes. Basically this means that government policies do have a significant impact on the income equality of any country, which in turn, relates to the size of the 'global middle class'.

LONGITUDINAL MARKETING STRATEGIES GEARED TO MIDDLE CLASS

Historically over the past 50 years, mass media marketing was successfully developed in the G7 countries and is touted as a major impetus to the "consumerism" of the middle class and its growth. While this marketing strategy has worked in the past, is it continuing to work with the new global middle class? The authors examine the historical and current strategies to see if they are indeed changing. To this end, the following hypothesis will be researched:

H3. There are major differences in the way the middle class has been marketed to in the past 50 years and what will work in the next 50 years.

Because of difficulties of defining the term "middle class", selecting a comprehensive marketing strategy for this group may not be possible. The term has been overused by marketers, generalized by the media, and prostituted by politicians. Most consumer goods are aimed at this market. But because of the diversity of subgroups within the "middle class" no one strategy is easily able to reach these groups in a unified campaign with universal appeal. Coca Cola is a notable exception with their "I'd like to buy the world a Coke" campaign with children in native dress lined up along a hilltop, using a classless, universal message (Bellis, 2014).

A more recent development has been the growth of mobile personal electronics. Advances in technology pulled the market along. Entertainment started with portable tape players (boom boxes) whose increasing size became a measure of social acceptance. Then the market changed and smaller became better. Personal tape players flooded the market. A person could now select the music he or she preferred to listen to. The next advancement was the compact disk (CD). The most recent development has been the MP-3 player. Now it was possible to hear the individual songs a person preferred. A unique feature of this phenomenon was the demographic identification of the user group. They were, by and large, teenagers. But as they matured and aged, the sight of ear buds being worn by twenty-somethings had become more common. Just as the personal entertainment media was initiated by teenagers and then migrated to an older audience, so went the growth of personal media devices. Pagers were all the rage for a period of time. At first it was a status symbol for teens. Then it became socially unacceptable as teen-aged drug dealers co-opted their use. With the demise of the pager, the stage was set for the next step in personal communication devices: the cellular or mobile phone.

Initially it was marketed as a safety device for women, a way to quickly summon help in case of car breakdown or worse. The initial price (and size) was a deterrent to teens but not so to working women, primarily middle class working women. Now the cell phone has morphed into the smart phone, allowing the user to employ the internet from a mobile device. (You can even make phone calls from it, although most teens prefer to send a text message.) According to recent data from Mobile Metrix (www.comscore.com), "smartphone penetration has climbed to 70% of all adults in the United States (169 million people) in May" (Nanji, 2014, online) and globally to 50% (Smartphone…,www.emarketer.com). The International Telecommunications Union (2012, www.itu.int) showed the global pervasiveness of mobile phones: The country with the highest rate was Macau with 289.8 mobile phones per 100 users, followed by South Africa, Hong Kong, Italy, and United Arab Emirates, all with rates above 150 mobile phones/100 people; Brazil, Australia, South Korea, and New Zealand had the second highest subscriber rates behind Europe-Brazil's was 125, New Zealand's rate was 110.4 followed by Japan at 110.9 and South Korea with 109.4 and Australia at 105.6; surprisingly, the US rate was only 95.5 and China was at 80.8. The marketing strategy used by mobile phone manufacturers was remarkably effective. It began with the belief that people love gadgets.

A Hungarian sculptor and professor of architecture invented a small 6 sided cube with varying colors. Sold to a toy company, it soon became known (and marketed) as Rubik's Cube. As of January, 2009, 350 million of Erno Rubik's cube had been sold around the world. It was wildly popular in the 1980s. Tournaments were held to determine the fastest times for solving the puzzle. Books detailing methods of solving the cube appeared. The marketing theory that explains this phenomenon is quite simple: Build a better mousetrap and people will beat a path to

your door. Rubik's Cube was new, seemingly impossible, and wildly addictive. It spread by word of mouth. Once the news media got wind of it, its popularity was assured (Adam, 2009).

How is it that a coffee enthusiast built a coffee shop empire, where people willingly pay outrageous prices for a cup of coffee? Starbucks started with one location in Seattle's Pike Place Market. After Howard Schultz worked there and purchased the chain in 1987, it became enormously successful. It wasn't just the coffee. It had ambience, and appealed to a middle class/upper middle class ideal of a place to go have coffee and meet, study, and be seen. It was nonalcoholic but equally addictive. In short, it became "hip." More than 18,000 Starbucks coffee shops in 62 countries prove its global appeal. And it has beaten off challenges from numerous competitors, most recently-McDonalds, due to Schultz's unique viral marketing and high quality "experience" strategy (Starbucks success …, www.sosmarketing.com).

Mass Marketing Technique and Building Brand Loyalty

Just as mass media increased exponentially in the US during the biggest growth of the middle class in the past 50 years, mass media access to people around the world (particularly emerging markets) is contributing to the increased purchasing power and consumption by the 'global middle class' around the world today. In places like Brazil, Russia, India and China (BRIC) as well as the Middle East, the use of mass media, such as TV and print, is still an effective tool for marketing to 'global middle class' customers at the lower end of the income scale, who want low prices yet standardized quality (Madden, 2013, Magni & Poh, 2013). Cross border advertising through international TV channels can build a global brand awareness; many Eastern European consumers learned of brands offered in Western Europe before the liberaliza-tion of the economies in the early1990s through this mass media channel (Saxena, 2012).

Greater Segmentation with Brands

Madden (2013) tells us that US middle class purchasing power is decreasing while the purchasing power in the emerging countries is on the rise. Companies like Proctor and Gamble are revamping their US marketing strategies by developing an hourglass-shaped approach to brand portfolio strategy which includes "polarizing your product range" to appeal to 'aspirant' customers and the "penny-counting masses" (Madden, 2013, 20). In their research, Magni and Poh (2013, 61) also focused on how marketers must make distinctions between the "mass middle class" and the "upper middle class" in China by using "aspirational branding, social media in marketing, and geographically differentiated marketing programs" on the upper level segment. Marketers can capture new segments of the upcoming middle class by offering lower priced luxury goods on a limited basis to the masses. Since conformity plays a role in motivating consumers' purchasing intentions, marketers can use buzz marketing tools to promote their brands among the "right crowd". Hiring members of the social elite as buzz agents can be beneficial as these opinion leaders influence their peer groups by wearing the latest fashion styles and thus stimulate the diffusion of the brands` new collections. As a result, the relatively new middle class segment gets hooked on the 'value' of brands.

For example, SAS, a major snack manufacturer in China, which successfully increased its revenues by 15% over the past 3 years, uses cheap entry-level mass-market products while saving higher-margin offerings to those who trade up. To avoid cannibalization, they distribute the products by different geographical segments: low cost products go to "third tier" cities in

"mom and pop" stores to the lowest average income customers, whereas the more middle level snacks go to "second tier" cities in more modern retail stores with customers of middle incomes and premium products are reserved for "first tier" coastal big cities for higher income and higher aspirational level shoppers, who see the higher priced snacks as a way to reward themselves (Magni and Poh, 2013, 63). Unilever also talks about "aspirational branding" and says it is even more important than the traditional "luxury class of consumers" in China but they continue to use traditional mass marketing in rural China and lower-tiered cities as does Wrigley (Magni and Poh, 2013, 64). Likewise in Brazil, smart companies will target new geographic regions, the less-developed north, northeast and the country's interior, as cities with less than 500,000 people will be 2/3 of incremental consumption in Brazil by 2020. Cunha et al. (2013, online) recommend a stronger presence in these mid-size Brazilian cities and a "full range of on-the-ground capabilities in order to tailor go-to-market strategies to local differences".

South Africa is poised to become a "loyalty marketing gem" reports Deon Olivier (2007, 180), as demonstrated by the success of loyalty-based, frequent flyer mile programs with Black Diamonds-the new emerging black middle class in South Africa. In a study of Unilever, Olivier (2007) found the company successfully used four Black Diamond segments: Established ("wealthy, educated, employed and stable"), Young Family ("new, sometimes single parents"), Start Me Ups ("youngsters starting out and on the way up"), and Mzansi Youth ("young, single students") emphasizing luxury brands to the established middle class and discounting luxury brands to lure middle class customers such as the young families, young students and on the way up young people to increase customer future loyalty.

During the past few years, the tendency towards the consumption of luxury brands has increased tremendously worldwide (Husic and Cicic, 2009). In 2007, according to *Fortune Magazine,* the market was estimated at over $220 billion with an increase of over 250% (Gumbel and Peter, 2007). The global expansion of luxury brands has been largely related to the rising consumers` demands as a result of economic growth in many countries accompanied by increase in disposable income and accelerated globalization (Bryck, 2003). In addition, many luxury brands started offering lower prices on new luxury goods to cater to the rising middle-class consumers, called the "Democratization of Luxury" (Silverstein & Fiske, 2003). The media has also played a major role through promoting Western individualistic values of self-indulgence and pleasure which in turn aroused consumers` desire for status and recognition. On the business side, many foreign (European and American) luxury brands faced with saturated demand and intense competition in their home markets started seeking foreign markets for future growth opportunities (Holt et al., 2004) which shows the changing middle class focus.

Egypt's luxury industry has been developing steadily in the past three years especially in the hotels, spa and cars sectors. Although the Egyptian luxury market is still in its infant stage, it`s expected to witness significant growth in the future due to improved economic conditions. In their research, El Din and El Sahn (2013) show Egypt as one of the top countries in the world undertaking economic reforms, resulting in an expanded market opportunity. For the Indian market, Teck-Yong and Bogaert (2010, 55) found that luxury reflects conspicuous consumption and status, signals wealth for individuals, and conveys "social identity and status in Indian society" but marketers need to be careful to advertise with cultural differences in mind (i.e. using 'Bollywood' celebrities to market a luxury brand). Segmentation strategies are essential and recommended in Gilbert et al.'s (1982) stratification theory of the middle class.

Promotion and Pricing Strategies

The findings of Jackson and Shaw's (2009) study have significant implications for marketers in the development of promotion and pricing strategies for their products as well. Globalization strategies can work on the mass middle class but more selective and matching promotion/pricing strategies are called for with the upper middle class group. Organizations like Starbucks grasp this concept by pricing a regular cup of coffee competitively with mass competitors, but asking a premium for specialty drinks as a one-time indulgence. Global luxury brand marketers should focus on developing high status prestigious images for their brands to meet consumers` materialistic needs. In addition, they should rely heavily on marketing communications to emphasize the pleasure of ownership and to communicate the values of their brands and thus create desire for their acquisition. Celebrity endorsements can also be used on the global middle class to increase prestige and status value (eg. Europe's JTM branded Nestle coffee using George Clooney as spokesperson) (Morris, 2013, 10). Moreover, companies can offer customization and personalization options to satisfy consumers` need for uniqueness. Selective distribution through limited stores can also be beneficial in limiting access to the brands and premium prices should be charged as way to enhance the exclusivity and scarcity value. Public relations can be used wisely through organizing exclusive fashion shows and lavish parties with invitations for VIP customers. Luxury brand marketers should use niche marketing by focusing mainly on small segments of wealthy consumers, also known as 'Cherry Picking Marketing' (Jackson et al., 2009, 55). The Korean automobile company Hyundai Eon effectively used the idea of 'being global but acting local' to succeed in the Indian market by "focusing on local promotions, local products, pricing strategies as per local requirements and local distribution for Indian markets instead of using a global marketing communications mix" (Saxena, 2012, 41).

Social Media Strategies

Viral marketing campaigns through online communities such as Facebook can also be utilized to create awareness among the masses and communicate the latest news. Mobile phone manufacturers paid attention and employed much the same methods. They had a product which freed people from the necessity of finding a telephone booth in order to make a call. The mobile phone went through several iterations. The early models were big and bulky, looking like World War II walkie-talkies. Then they got smaller. Flip phones became the rule of the day. Then smart phones were introduced and those carrying flip phones were looked at as obsolete. Associated with the smart phones was the texting of messages as opposed to telephone conversation. The early mobile phone manufacturers (initially Motorola) used word-of-mouth advertising. Their initial target market was women, who used it to summon help for a car breakdown or other emergency. But once the phones became sexy, they were adopted by teenagers. Mobile phones became as necessary as backpacks. The spread of mobile phones is a classic example of viral marketing. Let one teen see another with this new device and the second teen needs to have it. Let 50 teens see that device and now you have 50 more ready customers. Thus teens start the diffusion of the technology as "innovators" and "early adopters" as categorized in Rogers' (2003) marketing adoption theory of the product lifecycle. Next came the iPhones. Steve Jobs at Apple had a brilliant idea. Cell phones that could connect to the Internet, receive and send e-mail, all in a relatively compact device. The unveiling of the first iPhone was the media event of the year. Each successive iteration of the iPhone was introduced at worldwide press conferences

hosted by Steve Jobs. The iPhones crushed Blackberry keyboard phones. New technology has challenged Apple as the android phones (Motorola again and now Samsung) have taken advantage of Apple's skimming pricing policy and introduced lower-priced competitors. This competition has resulted in the establishment and spread of a number of rival networks each touting its faster speeds of technology. In each case the marketing strategy was the same. Alert the public to "the next new thing." After the techies review the product, the public takes over and this approach became a phenomenon in countries around the globe. Sheth (2009, online) has described a new group in India, the Call Center Couple (CCC), which is a symbol for the new middle class (NMC) similar to dual income no kids (DINKs) in the US, as a married couple, both of whom have college degrees, both working to economically survive and achieve their aspirations: "They cannot live without a personal cell phone of their own. They communicate by instant text messages to each other continuously… What were wants, desires, and dreams of past generations are all at once becoming necessities of this NMC. The CCC cannot live without cell phones, credit cards, flat screen televisions, laptop computers and a motorized vehicle such as a motorcycle or a scooter, but preferably a car". This description of new global middle class consumption aptly shows the existence of a global middle class, no matter how defined or country of origin and the impact of the social media marketing strategy.

In their study in Jordan, Lebanon, and Dubai - United Arab Emirates (UAE), Assaf, Noormohamed and Sourli (2012, 112) recommend allocating sufficient resources to the preferred social media outlets of consumers using better targeting techniques. According to Abu-Fadil (2012) in the Arab Media Outlook 2008-2012, 75% of the population of Lebanon and the UAE use such social media platforms. In China, L'Oreal successfully launched a social platform called "Rose Beauty by Lancôme" where Chinese women share beauty tips and get expert advice. The community is a million strong in just 5 years (2006-2011) and is used as both a promotional tool and a valuable source of information for the company to tailor its products to Chinese women's expectations (Magni and Poh, 2013, 68). The global middle class described here is, in large part, a study of personal product consumption. These products have seen their target markets swell as more and more people have defined themselves as the upwardly mobile middle class, as opposed to the downwardly mobile lower middle class, or blue-collar workers. The penetration of the global middle class will increase with both mass media marketing advertising campaigns, as well as word of mouth networks and social media viral campaigns.

CONCLUSIONS

In H1, regarding the growth of the 'global middle class', there is strong evidence to support the growth in numbers (size), spending power and growing usage of the internet in the world. However, it is noted that this growth is not evenly distributed to all countries and that there are "winners" and "losers" in the process. The developed countries are experiencing some decreases in the size and influence of their middle classes, whereas, most of the emerging markets are experiencing strong increases in the numbers and consumption of their middle classes. Regarding H2, which focused on the definitions and measurements of the middle class, there is ample evidence that the 'middle class' is defined in many ways and measured by a number of different factors. These differences are significant and result in big discrepancies across countries and across measures depending on which ones are used. On the other hand, most researchers do use quantitative definitions and measures related to income to study and compare the 'global middle class', which gives a relatively stable idea of the 'global middle class' when

looked at longitudinally and across the literature. For the most part, people classify themselves (self-reporting measures and definitions) as "middle class" at higher percentages than the quantitative measures actually calculate their class level (including the two most often used measures of 75%-125% median adjusted income per household and the 3rd and 4th quintile percentages of income). Databases of these two quantitative measures provide more accurate and consistent information to study the middle class around the globe, resulting in an average of between 35-40% of the world's population being the "global middle class". Governments can track progress and intervene successfully to ameliorate inequity problems in the future.

Lastly, in H3, the marketing strategies in the past 50 years and the next 50 years are being scrutinized by companies. Are they the same or different? The answer is yes and no. Mass marketing, the preferred method in the past 50 years, is still being used and will most likely be used for the next 50 years as it provides a low cost way to advertise and communicate with a large group of customers. Such volume based, low priced goods will always have a lure to companies as they build on efficiency and manufacturing strategies, which appeal to the largest lower middle class customers. The developed countries successfully built their economic growth on mass marketing to the middle classes over the previous 50 years. With the rapid changes in income and purchasing power of customers around the world and predicted for the next 50 years, especially in the emerging markets of Asia Pacific, South America and the Middle East, there will be a need for more differentiated marketing strategies, which rely more heavily on social media, aspirational branding, geographical segmentation, luxury branding, data analysis and complex pricing and distribution strategies for middle class groups than on mass marketing.

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APPENDIX

Table 1: Internet Usage Growth Rate, 2000-2009

Countries/Regions	Growth Rate
Middle East	1,648.2%
Africa	1,359.9%
Asia	516%
Europe	282%
U.S.	132%

Source: www.Internetworldstat.com

Table 2. Spending by the Global Middle Class, 2009 to 2030 (millions of 2005 PPP dollars)

Countries	2009	%	2020	%	2030	%
North America	5602	26%	5863	17%	5837	10%
Europe	8138	38%	10301	29%	11337	20%
Central and South America	1534	7%	2315	7%	3117	6%
Asia Pacific	4952	23%	14798	42%	32596	59%
Sub-Saharan Africa	256	1%	448	1%	827	1%
Middle East and North Africa	1321	4%	1966	4%	796	4%
World	21278	100%	35045	100%	55680	100%

Source: Peter Ford, Tidal Wave article, 2007, *Christian Monitor*.

Table 3. Comparisons of Country's Middle Class Households by 75%-125% Adjusted Household Disposable Income Measure, 1960-2005 (as a Percentage of all Households)

Country	Pre-wave 1960-1980	Wave #1 1980-1984	Wave #2 1985-1989	Wave #3 1990-1994	Wave #4 1995-1999	Wave #5 2000-2005	Wave #6 2006-2010
Brazil	15.9%	29.1%	34.2%	39.0%	44.5%	49.4%	52.3%
Canada	28.1%	33.0%	35.1%	36.3%	35.8%	37.0%	34.9%
China	N.A.	N.A.	37.3%	30.9%	30.8%	32.7%	29.2%
Germany	40.5%	41.5%	43.1%	51.4%	43.9%	42.6%	52.1%
India	N.A.	N.A.	N.A.	N.A.	5.0%	4.1%	5.88%
Israel	N.A.	28.6%	31.1%	32.1%	28.7%	27.9%	27.6%

Mexico	36.7%	50.0%	51.3%	52.7%	53.1%	53.4%	60.1%
Netherlands	N.A.	41.0%	43.4%	39.0%	38.7%	39.7%	40.1%
Norway	N.A.	41.4%	44.2%	45.7%	45.3%	46.3%	46.5%
xCountry	Pre-Wave 1960-1980	Wave #1 1980-1984	Wave #2 1985-1989	Wave #3 1990-1994	Wave #4 1995-2000	Wave #5 2001-2004	Wave #6 2005-2010
Russia	N.A.	N.A.	N.A.	40.9%	39.5%	38.1%	36.9%
Spain	N.A.	35.5%	N.A.	37.7%	35.8%	33.3%	32.8%
Sweden	32.5%	54.0%	48.6%	47.8%	52.7%	46.9%	48.5%
Switzerland	N.A.	36.9%	N.A.	37.9%	N.A.	37.8%	N.A.
Taiwan	N.A.	41.1%	42.1%	39.9%	39.0%	36.6%	34.8%
UK	35.2%	36.5%	38.2%	29.6%	32.6%	32.0%	34.8%
US	31.5%	31.7%	29.3%	29.7%	27.3%	29.3%	25.7%
AVERAGES	27.0%	38.5%	39.8%	39.4%	36.8%	36.7%	37.5%

Sources: Luxembourg Income Study (LIS) and Chinese Household Income Project (CHIP) data, Note: Middle class is defined as households with between 75% and 125% of median adjusted household income. *Historical data is from the late 1960s and early 1970s, except for the US, where data is for 1974.

Table 4. Distribution of Incomes by Quintiles and Gini Coefficient in Russia (Past 20 Years)

Population	1990	1995	2000	2005	2010
Top 20%	9.8	6.1	5.9	5.4	5.1
2nd 20%	14.9	10.8	10.4	10.1	9.7
3rd 20%	18.8	15.2	15.1	15.1	14.8
4th 20%	23.8	21.6	21.9	22.7	22.5
Bottom 20%	32.7	46.3	46.7	46.7	47.9
Gini Coefficients	1990	1995	2000	2005	2010
Gini	0.26	0.38	0.39	0.41	0.42

Source: Rosstat 2010, www.gks.ru/wps/wcm/connect/rosstat/rosstatsite/main/population/level
Note: The Gini coefficient measures inequality in the distribution of incomes in society. It ranges in value from 0 in the case of full equality to 1 in the case of full inequality.

Table 5. Mean Income Growth (%), by Income Percentile and Gini Coefficients for US from 1979–2007 (28 years)

Tax Unit/ Income%	Pre-Tax Pre- Trans Hshd	Pre-Tax Post-Trans Hshd	Size Adjusted Pre-Tax Post-Trans Hshd	Size Adjusted Post-Tax Post-Trans Hshd	Size-Adjusted Post-Tax Post-Trans + Health Insurance*
Top 20%	32.7	34.6	42.0	49.4	52.6
2nd 20%	12.3	23.0	29.2	34.6	40.4
3rd 20%	2.2	5.3	22.8	29.5	36.9

4th 20%	-5.5	4.3	8.6	15.0	25.0
Bottom 20%	-33.0	9.5	9.9	15.0	26.4
Gini Coeffients	Pre-Tax Pre- Trans Hshd	Pre-Tax Post-Trans Hshd	Size Adjusted Pre-Tax Post-Trans Hshd	Size Adjusted Post-Tax Post-Trans Hshd	Size-Adjusted Post-Tax Post-Trans + Health Insurance*
1979 Gini	0.515	0.424	0.384	0.349	0.330
1989 Gini	0.547	0.451	0.423	0.394	0.372
2000 Gini	0.556	0.459	0.427	0.390	0.364
2007 Gini	0.566	0.462	0.430	0.396	0.362

Note *: Health insurance information is not available prior to 1988. The rate of growth in the value of health insurance from 1979–1989 is assumed to match that of post-tax, post-transfer income, Source: Burkhauser, R. V., Larrimore, J., & Simon, K. I. (2012). A "second opinion" on the economic health of the American middle class. *National Tax Journal, 65*(1), 7-32.

Table 6. Rate of Ownership (%) of Durable Goods in Rural China

Luxury durables	Rate of ownership (%)
Air conditioner	2.42
Refrigerator	14.62
Washing machine	32.85
Ordinary durables	
TV	92.79
Bicycle	79.32

Source: Chinese Household Income Project (CHIP) data from 2002

Table 7. Size of Middle Class By Asset Ownership of Luxury and Ordinary Durable Goods in Rural China

No. of luxury durables	No. of ordinary durables	Economic group	Ratio of households (%)
0	1 or 0	Poor class	64.75
1	2 or more	Low class	23.15
2	2 or more	Middle class	9.42
3 or more	3 or more	Rich class	2.69

Source: Calculated from Chinese Household Income Project (CHIP) 2002 Rural China sample