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THE NEW MIDDLE CLASS IN EMERGING MARKETS: HOW VALUES AND DEMOGRAPHICS INFLUENCE DISCRETIONARY CONSUMPTION

Executive Summary

The rise of new middle-class consumers in rapidly transforming emerging markets has attracted the attention of western business executives. What they know about this growing segment of customers will determine whether they succeed or fail in these markets. The present study examines the factors that drive the discretionary consumption of this new middle class, including the effects of consumerist values, religious values, occupation, education levels and ownership of fixed assets. The study draws its insights from data gathered from 391 new middle-class consumers in Ankara, the second largest city in Turkey. The findings provide important implications for businesses, indigenous and foreign firms. An overall implication is that managers ought to understand and qualify the new middle class in emerging markets not simply by their access to disposable income, but deeper attitudinal and behavioral characteristics.

Keywords: New middle class, consumerist values, religious values, emerging markets, Iceberg model, Turkey.

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1. INTRODUCTION

While the concept of middle-class goes back several centuries, and middle-class households have always existed in modern societies, the concept of the new middle class is closely linked with the most recent phase of globalization and market liberalization in emerging markets. As such, the new middle class refers to individuals who have joined the ranks of 'middle income' consumers in emerging markets since the 1980s – the beginnings of a remarkable transformation in some 25 rapidly developing economies around the world. While members of the new middle class share similarities in terms of purchasing power with the traditional middle class, they tend to be distinct in terms of political attitudes, social habits, and educational achievement.

Globally, it is expected that some 1.6 billion people will join the middle class by 2030, and this number should increase to 2.6 billion by 2050, constituting some one-third of the world population (Ward and Neumann, 2012). Over the past three decades, new consumer markets flourished in emerging market economies, with millions of people joining the global middle class. A rapidly growing and increasingly affluent middle class should generate enhanced demand for consumer goods (Cavusgil et al., 2013). This group presents new and highly attractive opportunities for western businesses.

Turkey is a prime example of a rapidly transforming and liberalizing market, and examining its new middle class is instructive. Studies in the Turkish context have so far presented the new middle class as individuals who break their traditional habits, and maintain lifestyles and identities that are closely related to consumption (Karademir, 2009).

The purpose of the present study is to examine the effects of consumerist values, religious values, occupational backgrounds, educational achievement, and ownership of fixed assets of the new middle class on their discretionary consumption. Specific research questions are as follows: How does the new middle class identify itself? How are the consumption expenditures of the new middle class aligned? Which consumption groups are discretionary for the new middle class? What are the educational and occupational, and asset ownership characteristics of the new middle class? What are the consumerist and religious values of the new middle class? And, finally, how do these characteristics of the new middle class affect their discretionary consumption?

We seek to contribute to the literature by examining the new middle class in a key emerging market from a multi-disciplinary perspective – drawing from such disciplines as sociology, economics, history, and political science. As such, this current study is novel in its examination of a distinct customer group in emerging markets. The remainder of this paper is structured as follows. After providing a brief overview of the Turkish context, we clarify the concepts of 'middle-class' and 'the new middle class.' In the following sections, we present our method and then examine the relationships between endogenous and exogenous variables with structural equation modelling. Next, we interpret our findings about the new middle class consumers in Turkey from a marketing perspective and we conclude with a discussion of future research topics.

2. BACKGROUND

2.1 Brief history of Turkish market liberalization

Emerging markets refer to a subset of former developing countries that have achieved substantial industrialization, modernization and rapid economic growth since the 1980s (Cavusgil et al., 2012), and Turkey is one of them. Most emerging markets are characterized by their growing middle classes, which have seen vast improvements in their life standards

and economic situation. The 1980s brought neoliberal policies to Turkey, and the middle class was strengthened thanks to the liberalization efforts of Prime Minister Turgut Ozal, which coincided with a robust new phase of globalization in the world economy. Turkish market liberalization led to a closer economic integration with the global marketplace and, in particular, with the European Union's customs union. Consequently, a consumer culture took root in the country. At the same time, Turkish society experienced the rise of capitalism with strong Islamic undercurrents. Islamic television channels, Independent Industrialists and Businessmen's Association (MÜSİAD), religious music, green[i] pop music, and hotels that segregate men and women all emerged during this era. Because of political Islam, a more Islamic middle class began to gradually emerge. Since 2002, the Justice and Development Party (AK Parti) has been in power in Turkey, further promoting Islamic values in commerce and in society. Many businesses catering to this new pious middle class have also sprung up. For example, consumers in Turkey can now make VIP arrangements for pilgrimages to Mecca, using one of many new travel agencies.

2.2 Middle-class and the New Middle Class

The term middle-class, is often defined in economic terms. For example, those who have daily expenditures $10 to $100 per person (Kharas, 2010), or those who have an annual income between $6,000 and $30,000 (Foroohar and Margolis, 2010). In a rare quantification of the emerging market middle class, Cavusgil and Kardes (2013a and 2013b) employ two indicators for estimating the size of middle class in some two dozen emerging markets. Their calculation of the GSU Middle Class Scorecard reflects: (i) household disposable income; and (ii) household expenditures. They further breakdown the middle class as affluent (upper) middle class (income and expenditure deciles of 7–9) and mass (lower) middle class (income and expenditure deciles of 3–6). Fukuyama (2013) adds education, occupation and ownership of assets to the key characteristic of the middle classes. Cavusgil and Kardes (2013b) also

include values, expectations, and attitudes among the distinctive dimensions of the middle class in emerging markets, and suggest the Iceberg metaphor in better understanding this group.

The concept of the new middle class: Mills (1951) was the first to use the term "new middle-class" in the 1950s, by describing this group as white collar professionals, such as managers, engineers, lawyers and people who work in education, science and technology, health and personal care sectors. Market liberalization and reforms in emerging markets, beginning in the 1980s, enabled an increasing number of households to gain a substantial disposable income which then triggered discretionary consumption. Hence, a new middle class was ushered in, distinct from the traditional middle class. This new middle class in rapidly transforming economies now enjoys disposable income that can be used for discretionary consumption, such as leisure activities, better healthcare, automobiles, private education for children, and household durables. The new middle class also has an appetite for Western brands, comfort and lifestyles (Cavusgil and Kardes, 2013b; Cavusgil, 2013; Balkan and Oncu, 2014; Cavusgil and Guercini, 2014; Erdem, 2010; Kravets and Sandikci, 2014).[ii]

The structure of the new middle class in Turkey has altered along with its spread to central Anatolia (Keyman, 2012) along with big cities of Istanbul, Ankara and İzmir. The new middle class in Turkey is similar to others in the world; they are generally urbanite, well-educated, white collar professionals who own a number of assets and are highly engaged in consumption (Ayata, 2007; Balkan and Oncu, 2014; Keyman, 2012; Kravets and Sandıkcı, 2014; Ipsos KMG, 2012; Turkishtime magazine, 2013; Karademir, 2009; Simsek, 2005; Erdem, 2010; Erkal et al., 1997). What sets them apart from other emerging markets is that the new Turkish middle class possesses both secular and conservative elements (Balkan and Oncu, 2014; Karademir, 2009; Kravets and Sandıkcı, 2014; Sandıkcı and Ger, 2007; Ustuner

and Holt, 2010), and are mainly conservative in religious terms (Erdem, 2010; Ipsos KMG, 2012; Keyman, 2012; Turkishtime magazine, 2013; Yılmaz, 2007).

3. CONCEPTUAL FRAMEWORK: THE ICEBERG MODEL

The most comprehensive and applicable framework for understanding the new middle classes from a business perspective is the Iceberg Model, proposed by Cavusgil and Kardes (2013a) as shown in Figure 1. The Iceberg model illustrates that the discretionary consumption by the middle class consumers is affected by their education, occupation, ownership of assets, values, expectations and attitudes. Discretionary consumption is made possible with disposable income, which amounts to the income left after taxes and pension savings (Diamond, 2006; Sekulic and Sibley, 2007). Discretionary consumption can be directed towards the purchase of new products and services, such as automobiles, better healthcare, and homes.

The iceberg model also argues for defining the middle class consumers in terms of their education, occupation and ownership of assets. New middle-class individuals tend to have a university degree, and prefer to send their children to private schools (Ayata, 2007; Balkan and Oncu, 2014; Keyder, 2014; Kravets and Sandikci, 2014; Rutz and Balkan, 2010). They are also likely to be white-collar professionals (Erdem, 2010; Erkal et al., 1997; Karademir, 2009; Simsek, 2005). Ownership of assets include household appliances, motor vehicles, apartments or homes, and electronic gadgets (Euromonitor, 2013; Kravets and Sandikci, 2014; Ipsos KMG, 2012; Yılmaz, 2012; Turkishtime, 2013).

Values, expectations, attitudes are the deepest invisible part of the Iceberg Model. In the current study we focus on values -- as they are more consistent than attitudes -- to define differences and similarities among individuals, groups and cultures. In this context, we examine the consumerist and religious values of the new middle class.

The term “consumerist” reflects newfound preferences for specific products by individuals, and purchases that match their individual identities (Wei and Pan, 1999; Paek and Pan, 2004). The term is characterized by a preoccupation with the acquisition of consumer goods (Oxford Dictionary, 2017). Consumerism is defined as an active ideology in which the meaning of life is to be found in buying things (Bocock, 2009). Goodwin et al. (2008) note that some people who have consumerist values, find meaning and satisfaction in life by purchasing new consumer goods. This meaning differs from another usage, where consumerism refers to being critical of consumption, or suspicious of goods - as in consumer movements (Ger and Belk, 1996).

The consumerist values scale was developed by Wei and Pan (1999). This scale consists of three dimensions; conspicuous consumption, aspirations for self-fulfillment and indulgence, and reverence (worship) for Western lifestyles. Several studies (Aydın, 2006; Orcan, 2008; Odabasi, 2013; Kravets and Sandikci, 2014; Demirezen, 2015) indicated that consumption in Turkey has become conspicuous. The concept of conspicuous consumption was also raised by Veblen (2015) and is known as the purchase of goods and services primarily for the purpose of gaining social symbols and status (Wei and Pan, 1999). Turkish consumers’ aspirations for self-fulfillment and indulgence are noted in such studies as Kravets and Sandikci, 2014; Rutz and Balkan, 2010; Demirezen, 2015. Aspirations for self-fulfillment and indulgence are related with self-actualization and are defined as the desire to fulfill ones’ inner-self (Wei and Pan, 1999). The reverence for Western lifestyles by Turkish consumers is highlighted in the studies of Orcan (2008); Arslan (2012); Odabasi (2013); Kravets and Sandikci (2014), and reflects the consumers’ desire for Western and foreign brands over national brands (Wei and Pan, 1999).

We chose religious values as a distinctive feature of the new middle class in Turkey (Yılmaz, 2007; Erdem, 2010; Ipsos KMG, 2012; Keyman, 2012; Sandikci and Ger, 2007;

Balkan and Oncu, 2014). Religion is seen as a transmitter of values at a macro level (Engel et al., 1982). Although religiosity is frequently measured with Allport and Ross (1967)'s Religious Orientation scale, which builds on Christianity, this scale is often critized by scholars. In the current study, we used the scale developed by Rehman and Shabbir (2010) -- Islamic Religiosity Index -- to measure the religious values of consumers in our sample. This index is appropriate given that the majority of our study subjects are Muslims. Rehman and Shabbir (2010) measure religiosity on five dimensions: ideological, ritualistic, intellectual, consequential, and experimental. The ideological dimension includes the overall beliefs associated with religion, such as beliefs about God, Prophet, fate, etc. The ritualistic dimension includes the actions prescribed by the religion, such as prayer and fasting. The intellectual dimension is a measure of the individuals' knowledge about religion. The consequential dimension measures the importance of the religion, and the experiential dimension describes the feelings associated with religion (Rehman and Shabbir, 2010).

***** Please Insert Figure 1 about here *****

4. HYPOTHESES

Religiosity and Consumerist Values. Dimensions of consumerist values like conspicuous consumption, aspirations for self-fulfillment and indulgence, as well as reverence for Western lifestyles, are at odds with the religion of Islam, which preaches its followers to be modest, to do with less, and not to overindulgence in consumption.

Consumerist values and consumption of material goods are closely associated with the identity of the individual, and therefore reinforce individualization. Consumerist values tend to enhance materialism. Religious orientation reduces conspicuous consumption (Stillman et al., 2012; Schwartz, 1992, 1994). Schwartz (1992, 1994) has explored the differences and similarities in human values among cultures and found that self-enhancement values (values such as conspicuous consumption and desire for materialistic goods) and self-transcendence

(values that are represented by religion and religiosity) are opposite and contradictory. It is expected that an individual cannot pursue both simultaneously.

Religious symbols are reflected in consumption in two ways. First, religious symbols and values are abstracted from their meaning through the integration with consumer goods, products and services, such as religious music, green pop, conservative fashion/branding, V.I.P. hajj and umrah tours, etc. Second, individuals who grew up in materialistic societies and internalized consumption habits approach religious beliefs and practices the same as they would consumer products/services. This situation can be seen in cultural and religious tourism, and the interpretation of religious texts (Demirezen, 2015). Therefore:

H1: There is a significant negative relationship between religiosity and consumerist values.

Discretionary consumption and religiosity: The Iceberg Model specifies that values are elements which affect discretionary consumption. In the current study, we examine values as religious and consumerist values. Islamic religion advises its followers not to consume more than needed. Consequently, believers of Islam should theoretically consume fewer discretionary goods and services. Research has previously found that more religious individuals prefer bargain prices and do not consume lavishly (Stillman et al., 2012), although some middle class Muslims do occasionally enjoy the products of capitalism while remaining loyal to their religion (Bocock, 2009). Therefore, we propose:

H2: There is a significant negative relationship between religiosity and discretionary consumption.

Discretionary consumption and consumerist values: Consumerist values consist of three dimensions; conspicuous consumption, aspirations for self-fulfillment and indulgence, and aspiration for Western lifestyles. All three are positively correlated with discretionary consumption. Kravets and Sandikci (2014) refer to the word “comfort” frequently in their

study of the new middle classes, which suggests that they want a comfortable life, a comfortable income, comfortable attire, and a comfortable consumerist lifestyle. They also point out that new middle-class consumers are exposed to Western lifestyles and brands but may initially balance conspicuous consumption by limiting their purchase of well-known brands (for example, wearing only a Burberry scarf instead of a full outfit from the same designer). Therefore, we propose:

H3: There is a significant positive relationship between consumerist values and discretionary consumption.

Discretionary consumption and occupation, education and ownership of assets: Based on the Iceberg Model, education, occupation and ownership of assets have a direct effect on discretionary consumption. To simplify the occupation variable, we made a distinction between public and private sector employees. In Turkey, those who choose to work in the public sector tend to be more conservative in relation to those in the private sector. We suspect that those working in the public sector may exhibit different discretionary consumption patterns than those working in the private sector. There is some evidence that some prominent individuals in the private sector (e.g., those in entertainment, tourism, or advertising sectors) may influence lifestyles of the new middle class (Rutz and Balkan, 2010). Working in the private sector, especially in professions related to marketing, and/or sales personnel working in shopping centers may serve as influential role models. Therefore, we propose:

H4: There is a significant negative relationship between working in the public sector and engaging in discretionary consumption.

Discretionary consumption and education. Ass the new middle class is better educated than other classes (Ayata, 2007; Balkan and Oncu, 2014; Keyder, 2014; Kravets and Sandikci, 2014; Rutz and Balkan, 2010), educational background may influence discretionary

consumption. It is safe to assume that those with higher educational achievement tend to have a broader consumption portfolio and have greater means to afford it. Thus:

H5: There is a significant positive relationship between education and discretionary consumption.

Discretionary consumption and ownership of fixed assets. In Turkey, consumers tend to invest in a house or an automobile before making discretionary expenditures (e.g., luxury items) (Yilmaz, 2007). Thus, the ownership of a house or an automobile provides a degree of financial security to the consumers about their economic future. Therefore, they make discretionary expenditures more comfortably. Thus, we propose:

H6: There is a significant positive relationship between ownership of a house and discretionary consumption.

H7: There is a significant positive relationship between ownership of an automobile and discretionary consumption.

Consumerist values and occupation. Public versus private sector employment may affect the consumerist values of individuals. Conspicuous consumption as a consumerist value suggests possessing items that are status symbols. Those in the private sector may engage in conspicuous consumption as a requirement of their profession. On the other hand, the public sector tends to encourage employees to dress more formally and conservatively. Aspirations for self-fulfillment and indulgence relates to conformity which can be influenced by the type of occupation. Reverence for Western lifestyles mostly indicates purchasing foreign products. Seshadri (2006) cites evidence suggesting that occupation correlates with urban consumers' preference to foreign products. Thus:

H8: There is a significant negative relationship between public sector occupation and consumerist values.

Consumerist values and ownership of fixed assets. Middle class consumers value products that serve as status symbols and communicate self-expression (Nonis and Relyea, 2012). As mentioned, consumerist values motivate the ownership of automobiles in emerging markets, which is perceived as a status symbol reflecting the owner's class, wealth and prestige. Similarly, owning a house, especially in an upscale neighborhood, is a reflection of the owners' class and wealth. Thus:

H9: There is a significant positive relationship between ownership of an automobile and consumerist values.

H10: There is a significant positive relationship between ownership of a house and consumerist values.

Consumerist values and education. Education is an important indicator of the new middle class (Ayata, 2007; Balkan and Oncu, 2014; Keyder, 2014; Kravets and Sandikci, 2014; Rutz and Balkan, 2010). The new middle class members tend to be more educated than other groups and enjoy greater discretionary consumption. Thus:

H11: There is a significant positive relationship between education and consumerist values.

5. METHODOLOGY

5.1. Data Collection

Study Sample: The study aimed at surveying individuals who would be considered middle class consumers. Consistent with our conceptualization, we wished to reach well-educated, urban households who appeared to join the middle class over the past several decades, subsequent to the market liberalization reforms which commenced in the 1980s. Three districts in Ankara appeared ideal in terms of concentration of the middle class households: Cankaya, Kecioren and Yenimahalle. Subjects were chosen from these neighborhoods based on systematic sampling. We carried face-to-face interviews with study

subjects once their participation was gained. The interviews lasted about 20-30 minutes, and the interviewer recorded the responses on paper. The final sample consisted of 391 consumers. In terms of income, participants tended to fall into the second, third, and fourth quintiles based on the Turkish Statistical Institute (TUIK) classification – representing middle income households according to TUIK (2013).

The results of the frequency analysis indicate that the sample is representative of the profile of new middle class consumers in Turkey. Participants are primarily white collar professionals; between the age of 25 and 30 (36.6 %); and married (97.4 %). The sample is well balanced in terms of gender (51 % female). Participants consider themselves right wing (26%) and conservative (38 %); have college degrees (85.4%); own a house (50%); an automobile (54.5 %); and a smart phone (100%). Typical participant had one child (32.2%); lives in a three-member household (32%); goes on vacation every year (61%); works in the private sector (69.1%); and speaks English (65.2%).

Measures: In the current study, discretionary consumption and consumerist values are endogenous variables. Religiosity, occupation, education, ownership of possessions (ownership of an automobile and a house) are exogenous variables as they are not affected by the other variables in the model. While education may explain religiosity in some studies (Schuman, 1971; Welch, 1981), we ignored this small effect in the model.

To measure the values in the Iceberg Model, we utilized consumerist values (Paek and Pan, 2004) and religiosity (Rehman and Shabbir, 2010) and excluded attitudes and expectations from the model, in favor of simplifying the model. Given that an individual has fewer values than attitudes, using the value concept is a more consistent way to define and explain the differences and similarities between individuals, groups or cultures (Rokeach, 1968; Long and Schiffman, 2000; cited by, Xiao and Kim, 2009). The Appendix details the scales used in this study.

Data Analysis: We employed SPSS 18.0 and AMOS 18 for data analysis. First, we carried out a pilot test with 100 responses for reliability concerns. We found that both scales are reliable (Consumerist values scale Cronbach Alpha=0.953; Islamic religiosity index scale Cronbach Alpha= 0.935). To identify discretionary consumption groups for our endogenous variable "discretionary consumption," we first obtained Household Budget Survey microdata set from the Turkish Statistical Institute. We measured income elasticity with the help of this database, and determined the discretionary consumption groups. Second, we carried out exploratory and confirmatory factor analysis for Consumerist Values scale and Islamic Religiosity scale[iii]. Third, we analyzed the Pearson correlation analysis, discriminant and convergent validity, composite reliability and Cronbach Alpha reliability[iv]. Lastly, we carried out structural equation modelling to examine the relationship between endogenous and exogenous variables.

6. FINDINGS

6.1. Consumer Expenditures

The new middle class consumers expend their budget on variety of household needs. These include: food, non-alcoholic drinks, clothing, shoes, transportation, housing and rent, communication, entertainment and culture, tobacco, restaurants and hotels, education, furniture, household appliances, and health care. They tend to save about ten percent of their disposable income. Savings often represent delayed consumption of big-ticket items (e.g., household appliances or furniture) at some point in the future (Boratav, 2005).

6.2. How Do Respondents Perceive Themselves?

Interestingly, most participants in our study (56.2 %) classify themselves as middle class. Some 29.4 percent see themselves as upper middle class in the social hierarchy; and 8.43 perceive themselves as lower middle class. Finally, some 1.79 percent consider themselves as low-income class; and 4.09 percent perceive themselves as affluent.

Importantly, participants tend to characterize themselves as having access to some disposable income, confirming that they largely represent the new middle class. They identify themselves as cultured or highbrow; educated; living a comfortable life; having a regular monthly salary; having a moderate standard of living. They are employed, and own a home an automobile. They can afford to dress stylishly; possess a worldview and values; consume branded products; and adhere to religious beliefs. Top three leisure activities of the new middle class tend to be television viewing, visiting shopping centers, and reading books.

6.3. Discretionary Consumption Patterns of Respondents

In the current study, discretionary consumption is an endogenous variable. For identifying discretionary consumption groups, we used Extended Linear Expenditure System (ELES) (Lluch, 1973). Based on TUIK's (2013) Household Budget Survey database, we estimated income elasticities for second, third and fourth income quintiles in Turkey according to the 12 groups[v]. The ELES is based on 'benefit maximization of households' in this system (Saracoglu et al., 2001). We find that the demand for various discretionary consumption groups is sensitive to changes in income (indicating an income elasticity of greater than 1). These include: entertainment and culture; clothing and shoes; furniture, household appliances, and house-care services; health care; and transportation. In the present analysis, we focused on the "entertainment and culture" as an indicator of discretionary consumption in order to simplify the model. This category has seen substantial growth among the new middle class. Expenditures on entertainment and culture consist of: audiovisual systems, photography and data processing, and entertainment and cultural services such as going out to cinemas or theatres; and purchase of books, newspapers, stationery (TUIK, 2013).

Ward and Neumann (2012) expect the fastest growing sectors for the middle class in Turkey to be "leisure time and culture" and "restaurants and hotels" Furthermore,

consumption of cultural products and services has served as an effective indicator of belonging to middle class (see more in Bourdieu, 1984). This in harmony with our finding that many of our respondents identify themselves as 'cultured.'

6.4. Analysis of Consumerist Values and the Islamic Religiosity

We carried out exploratory factor analysis in order to construct the scales for Consumerist Values and the Islamic Religiosity Index. For the Consumerist Value Scale, we examined three factors that were found in the original scale[vi]: conspicuous consumption, reverence for Western lifestyles, and aspirations for self-fulfillment and indulgence. For the Islamic Religiosity scale, we examined three dimensions: intellectual and consequential; ritualistic; and ideological and experiential [vii].

Subsequent to carrying out exploratory factor analyses, we conducted a first and second order confirmatory factor analyses for the two scales. Paek and Pan (2004) note that the three components of Consumerist Values scale can be combined into a single dimension, titled 'westernization,' based on the common emphasis on individualism and the high correlation among the three dimensions. The authors indicated that the one-dimension model has low fit-indices, so they continued with the three-dimensional model in their analysis. Accordingly, we first tested the one-dimension model for the Consumerist Values Scale, but. due to the low fit-indices[viii], we continued the confirmatory factor analysis with three dimensions, based on the EFA results. According to the CFA, all parameters are significant at the 0.05 level ($t > 1.96$). The latent variable 'consumerist values' is best explained by the "self-fulfillment and indulgence" item ($R^2=0.46$). Fit indices suggest that the model is acceptable[ix]. We also carried out a second-order factor analysis for the consumerist values scale. All results are significant at the 0.05 level ($t > 1.96$) and the fit indices are acceptable[x].

For the first-order confirmatory factor analysis of the Islamic Religiosity Index Scale, we first employed a one-factor model with the Islamic Religiosity Index scale, and found the

fit indices to be low[xi]. Hence, we continued our analysis with the three-dimensional model, per the EFA analysis, which resulted in acceptable fit indices[xii]. We also carried out a second-order factor analysis for the Islamic Religiosity Index scale. The latent variable 'religious values' is best explained by the "ideological and experiential" variable (R^2=0.85). All results are significant at the 0.05 level (t >1.96) and the fit indices are acceptable[xiii]. Final versions of the Consumerist Values and Islamic Religiosity Index scales can be found in the Appendix.

Finally, we carried out a reliability analysis, a Pearson correlation analysis, and convergent and discriminant validity analysis. These tests confirm that both scales are reliable and valid. The results are presented in Table 1.

6.5. Results of the Structural Equations Modeling

With the SEM analysis, we first tested the significance of paths and removed non-significant paths. The final research model, as well as the causality relationships between variables and fit indices, are shown in Table 2. All results are significant at the 0.05 level (t >1.96) and the fit indices are acceptable.

***** Please insert Figure 2, and Tables 1 & 2 about here *****

Based on the structural equations modeling (SEM) analysis, the following hypotheses are confirmed: H1, H3, H4, H6, H7 and H9. The following hypotheses are rejected: H2, H5, H8, H10, H11. Discretionary consumption is represented by entertainment and cultural expenditures in the model. Our revised research model based on the SEM analysis is depicted in Figure 2.

Per the SEM model, when religious values (REL) increases by 1 standard deviation, consumerist values (CONSUMERIST) is reduced by 0.174 standard deviations. Owning an automobile (coded as: 1=yes 0=no) raises the average of consumerist values by 0.219 standard deviations (sd). Owning a house (coded as: 1=yes, 0=no) decreases the average of consumerist values by 0.115 versus not owning a house. The most effective exogenous

variable on consumerist values is the ownership of an automobile (Standardized β = 0.219). Both religious values (Standardized β= - 0.174) and ownership of a house (Standardized β= - 0.115) have a significant but negative effect on consumerist values.

Furthermore, when consumerist values are increased by 1 standard deviation, the entertainment and culture (EC) variable – our proxy for discretionary consumption – is increased by 0.115 standard deviations (sd). Owning an automobile (coded as: 1=yes 0=no) raises the average of entertainment and culture expenditures by 0.130 sd versus not owning an automobile. Owning a house (coded as: 1=yes, 0=no) increases the average of entertainment and culture expenditures by 0.207 sd versus not owning a house. When it comes to occupation (coded as: 1=public sector, 0=private sector), a public-sector employee's average of entertainment and culture expenditures are reduced by 0.135 sd, as compared to someone working in the private sector.

The most effective exogenous variable on entertainment and culture expenditures is the ownership of a house (Standardized β=0.207). The others include occupation (Standardized β=-0.135), ownership of an automobile (Standardized β= 0.130) and consumerist values (Standardized β=0.115).

In summary, consumerist values, ownership of a house and ownership of an automobile all have significant positive effects on discretionary consumption, as operationalized by entertainment and cultural expenditures. When it comes to occupation, working in the public sector has a significant negative effect on entertainment and cultural expenditures. Religious values do not have a significant effect on entertainment and culture expenditures. Nevertheless, religious values have a negative effect on consumerist values. Furthermore, ownership of an automobile has a significant positive relationship and ownership of a house has a significant negative relationship with consumerist values.

7. DISCUSSION

About one-third of the population in Turkey now belong to the middle class in Turkey (Cavusgil et al., 2014). Given their possession of a substantial disposable income, they have energized the economy, and have attracted numerous foreign companies to do business in the country. Yet, to develop effective marketing strategies for this market segment, companies first need to understand these consumers' behavioral characteristics and consumption patterns. In this study, we examined the factors that drive the discretionary consumption of the new middle class, including the effects of consumerist values, religious values, occupation, educational background, and ownership of fixed assets.

Consistent with the findings of previous studies of the middle class in Turkey (e.g., Kravets and Sandikci, 2014; Cavusgil and Kardes, 2013a; Uner and Gungordu, 2016), we find that the middle class is well represented in large, urban areas. They tend to be well-educated, possess white-collar jobs, and many speak English. A typical middle-class consumer has a single child, lives in a three-member household, owns an apartment, an automobile, and goes on vacation every year, including foreign travel. On average, they save about ten percent of their household income and spend the highest percentage of their income on food and non-alcoholic drinks. They see clothing and shoes, entertainment and culture, furniture, health and transportation as discretionary consumption. Self-fulfillment or indulgence is a reflection of their consumerist values. Our empirical findings indeed reveal a strong link between consumerist or material values and discretionary consumption, as measured by expenditures for entertainment and cultural activities.

One of the most interesting findings of the study is the negative relationship between religious values and consumerist values. It is generally expected that consumers become more materialistic and individualistic through economic growth. Thus, we find confirmation that

consumerist values are interlaced with individualism and materialism, and have a significant negative relationship with religious values.

What is surprising, however, is that we did not find a statistically significant relationship between religious values and discretionary consumption. In a dominantly religious country such as Turkey, we expected this relationship to be negative. Yet our study shows that religious values do not have a direct effect on entertainment and cultural expenditures. Why? One plausible explanation is that, in the contemporary society, materialistic consumption and strong religious values have become more compatible. The modern, urban consumer may have found new justification for being a devout religious person and engage in materialistic consumption, simultaneously.

Indeed, there is some evidence that supports this explanation in the Turkish context. It has been suggested that the internal negotiation process of the religious classes can allow a person to be both modern and Muslim -- to a degree (Ozbolat, 2014). As such, they feel uninhibited when it comes to conspicuous consumption, and feel free to participate in social activities and entertainment. Thus, consumption is legitimized even in the presence of strong religious codes.

Another interesting finding is the weak but statistically significant negative relationship between religious and consumerist values (Table 2, path coefficient = - 0.174). Contributing to this is the new environment we find in Turkey and other emerging markets. Widespread use of media, dominance of advertising and commercials, and shopping in modern malls featuring merchandise and fashion from the West, have all transformed the emerging markets into consumerist societies. In Turkey, this new environment has led religion to be integrated into the system of commodities (Demirezen, 2015). Viewing religion as a commodity creates a weak negative relationship between religiosity and consumerist values for the new middle-class consumers. The internal negotiation process described above also allows consumers to

justify this apparent contradiction between religious values and consumerism. As such, the consumption ideology is transferred into cultural and religious codes in the context of identity construction, and consumption is legitimized (Ozbolat, 2014).

The above findings point to an interesting contradiction in the Turkish context. While the Turkish society identifies closely with religion and acknowledges that religion effects consumption, ultimately, this is not reflected in their actual consumption habits. This is an important implication for western businesses.

What are, then, key determinants of discretionary consumption? The statistical analysis reveals the following factors to be prominent influences on entertainment and cultural consumption (proxy for discretionary consumption): reverence for western lifestyles, aspirations for self-fulfillment and indulgence, and conspicuous consumption. It appears that the new middle class: values having choice of products and services to purchase; appreciates symbolic values represented in their consumption; and strives to build its identity. This may be their way of accessing happiness through discretionary consumption.

Is there a hierarchy or natural order in terms of discretionary consumption by the new middle class? The finding that the ownership of an apartment and an automobile enhances the likelihood of discretionary consumption is very revealing. From other studies, we know that ownership of a home and a personal vehicle is highly treasured among the new middle class. In fact, Cavusgil and Kardes (2013a) find that the most significant commonality of all emerging market households is that they all identify the ownership of an automobile as the sign of 'having arrived.' Our finding that the ownership of such fixed assets serves as a facilitator of cultural and entertainment consumption is very much in harmony with the literature. It may be argued that the new middle class may postpone its consumption of cultural products and services only after these fixed assets (home and automobile) have been secured.

What about the effects of occupation on discretionary consumption? Our results suggest that working in the public sector is negatively associated with discretionary consumption. This finding may be explained with the widely-accepted image of public sector workers -- so called civil servants. Recognizable even from their strictly standard (and dull) attire, public sector employees may be more restrained in their discretionary consumption. When it comes to consumption of cultural products, they may even be more conservative. Most public enterprises do not necessarily promote entertainment and cultural activities.

A final interesting finding relates to contradictory effects of owning a home versus an automobile on consumerist values. Ownership of a home is negatively associated with consumerist values, whereas owning an automobile is positively associated with consumerist values. Why?

One explanation may lie in the nature of how these two competing expenditures are traditionally viewed among Turkish families. An apartment or a home is certainly much more expensive asset a family would own in their lifetimes. Middle class households typically perceive home ownership as an investment, as well as a valuable gift to pass on to their heirs. A home provides confidence, an economic insurance to its owner that can create an illusion she is actually moving up to a higher class. In contrast, automobiles typically serve as status symbols and a signal to her social circles that she 'has now arrived.'

8. MANAGERIAL IMPLICATIONS

The study findings provide important implications for businesses, indigenous and foreign firms. Naturally, given their stepped-up consumption patterns, middle class consumers represent the prime targets for any marketer. An overall implication is that managers ought to understand and qualify the new middle class in emerging markets not simply by their access to disposable income, but deeper attitudinal and behavioral characteristics. Recalling the Iceberg metaphor, defining the new middle class only in terms of their new spending capacity

and consumption would provide only an incomplete understanding. A more comprehensive understanding of how and why the new middle-class consumer expends their newly acquired disposable income is possible only by delving into their complex aspirations, value systems, and demographics. This conclusion suggests a more thoughtful, research based approach to delineating and targeting consumers. Marketers can no longer afford to segment markets by demographics alone.

Second, to reach the new middle-class consumers, marketers need to employ a variety of social networks, given their attraction to western lifestyles and shared experiences which, in turn, lead to self-fulfillment. As an example, they can offer discounts, free tickets, gift cards or run other types of promotion to consumers who are willing to share their story and insights about their experiences with a product or brand. In this context, social media is a powerful tool for reaching middle class consumers. Although it was not a planned aspect of our interviews, research suggested that the new middle class consumers are ardent users of social media. Interestingly, a considerable portion of their purchases has also shifted to online shopping.

Third, businesses ought to personalize marketing efforts. Consumers are attracted to brands that allow them to express their individuality, especially as it relates to culture and entertainment. Brand ambassadors could further help this effort by telling stories that appeal to different categories of consumers. It is interesting to observe how many new fashion consultants have emerged in recent years, influencing their followers with advice on brands ranging from shoes to apparel.

Fourth, firms may develop mobile applications where cultural and entertainment experiences can be shared. For example, the Istanbul City Guide app can ask personal questions about one's age, gender, education, nationality, budget, companions, food preferences, hobbies, and the duration of their visit, in order to make individualized

recommendations to visitors. Given the widespread use of mobile devices and availability of internet connections, marketers are advised to develop such applications so as to create a loyal following.

Finally, customization of experiences is a powerful marketing tool a marketer has at its disposal in order to attract and please the new middle-class consumer. In the contemporary marketplace, those businesses that can tell a good story, either directly or through the use of third-party advocates, are likely to gain a superior competitive advantage. Increasingly, the new middle class consumers are searching for consumption experiences rather than simply products or services.

9. LIMITATIONS AND SUGGESTIONS FOR FUTURE RESEARCH

Naturally, the study was limited to a single country, and three districts in a single city in Turkey. Furthermore, only the adult members of the new middle-class were surveyed in the study, without any comparison to members of the lower and upper-income classes. Therefore, the generalizability of the research findings is a limitation. It would be highly desirable to contrast our findings with those of other emerging markets such as Brazil, Mexico and South Korea.

The current study explored the effects of materialistic and religious values on discretionary consumption. Future research can examine other attitudinal, social, and behavioral determinants of middle-class consumption. Similarly, discretionary consumption was operationalized in a single expenditure category in our study – entertainment and cultural expenditures. Scholars ought to employ other categories of discretionary consumption. These can include such interesting sectors as: credit card usage, demand for halal food, demand for daycare and recreational centers, need for dental services, and applications for passports.

Finally, future scholarly work can benefit from the use of different data collection methods, variables and their operationalization, and varied data analysis techniques. For

example, in-depth interviews with the members of the new middle-class may produce deeper insights explaining discretionary consumption. It is hoped that the present study and its findings will motivate other scholars to examine this important phenomenon.

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Figure 1. Iceberg Conceptualization of Middle Class (adapted from Cavusgil & Kardes, 2013)

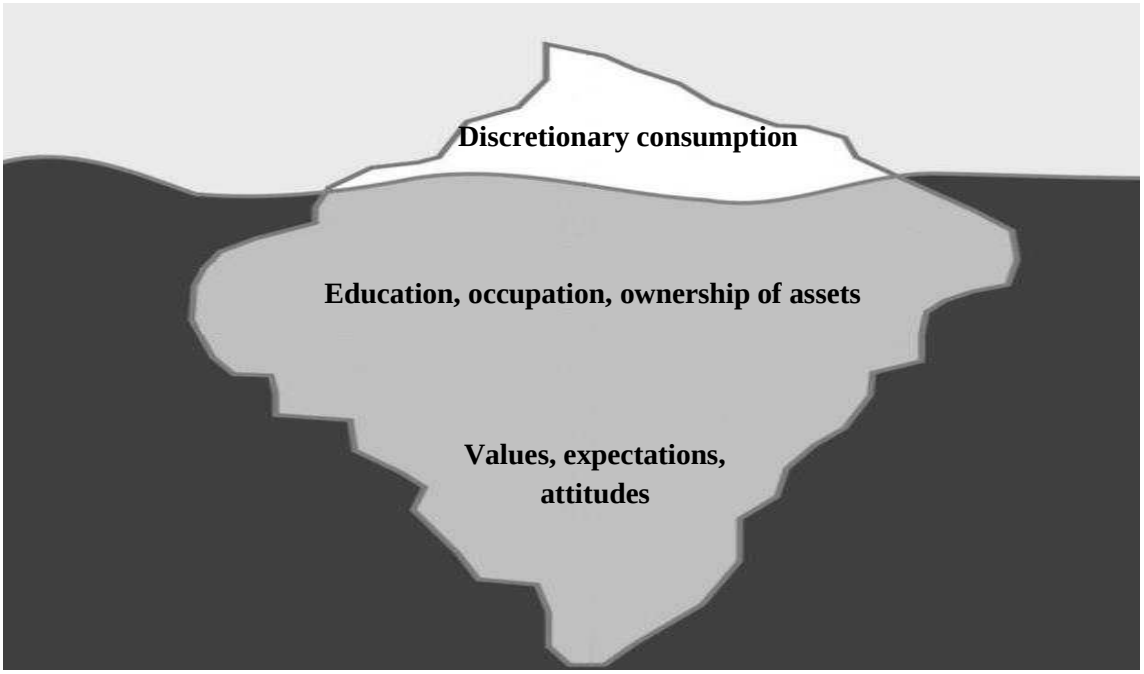

Figure 2. Revised research model

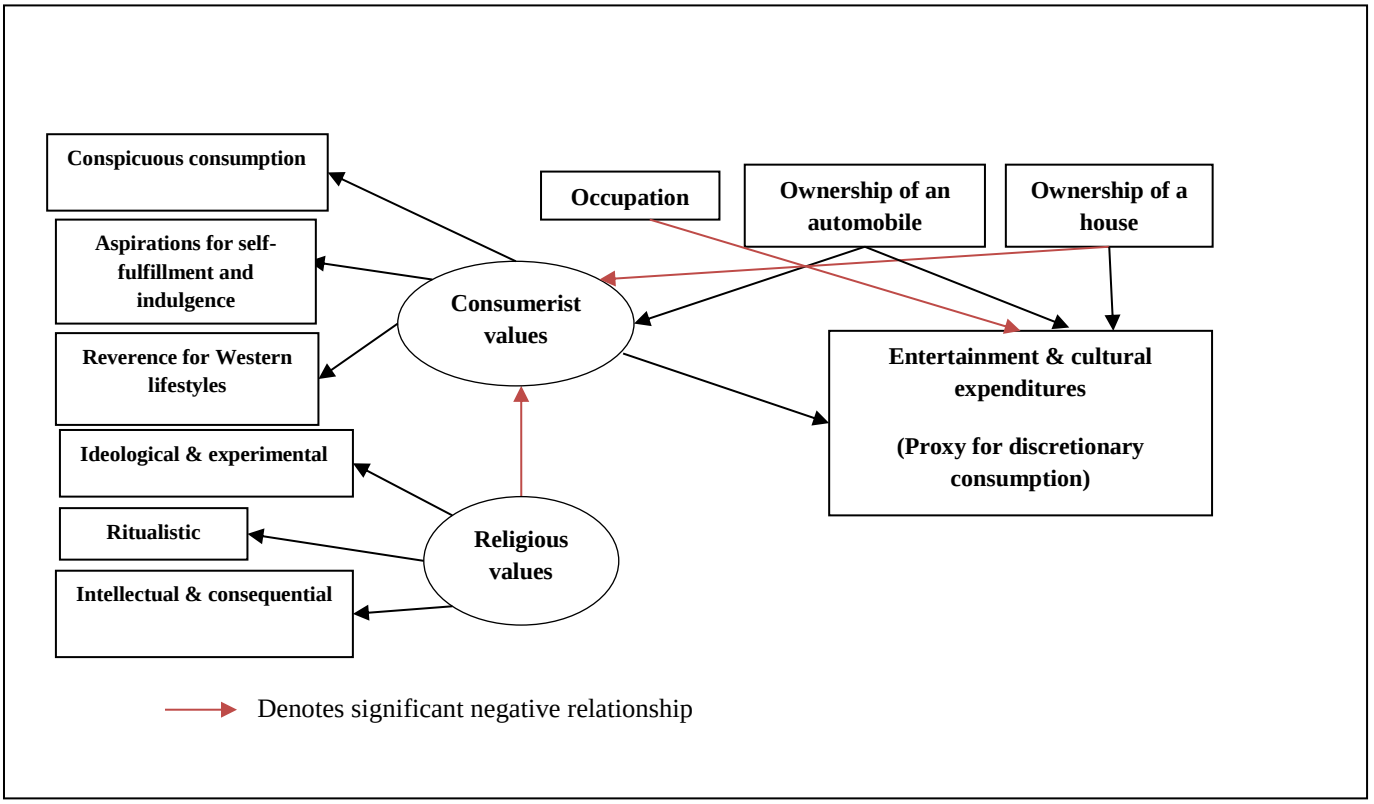

Table 1. Pearson Correlation Results, Reliability analysis, AVE, CR, Mean

	SELF	WEST	CONS	RIT	INCON	IDEX	EC	OH	OA	E	O
SELF	1										
WEST	.183**	1									
CONS	.317**	.636**	1								
RIT	-.124*	-.265**	-.148**	1							
INCON	.027	-.108*	-.033	.442**	1						
IDEX	.056	-.188**	-.138**	.509**	.617**	1					
EC	.091	.079	.138**	.013	-.080	-.097	1				
OH	.089	-.022	-.049	.021	-.091	-.002	.245**	1			
OA	.077	.091	.182**	.054	-.030	-.037	.215**	.295**	1		
E	-.027	.105*	.005	-.151**	-.121*	-.057	-.001	-.099*	-.180**	1	
O	-.136**	-.119*	-.102*	.157**	.266**	.233**	-.157**	-.034	-.014	-.104*	1
Mean	4.08	2.69	3.04	3.40	4.39	4.39	-	-	-	-	-
Cronbach Alpha	0.826	0.96	0.91	0.87	0.88	0.80	-	-	-	-	-
AVE	0.59	0.83	0.58	0.71	0.62	0.60	-	-	-	-	-
CR	0.84	0.95	0.90	0.87	0.88	0.81	-	-	-	-	-

*p<0.05, **p<0.01. CONS: conspicuous consumption, SELF: self-fulfillment and indulgence, WEST: reverence for Western lifestyles, RIT: ritualistic, IDEX: ideological and experimental, INCON: intellectual and consequential, EC=entertainment and culture, OH= ownership of a house, OA= ownership of an automobile, E=education, O=occupation, AVE: average variance extracted, CR: composite reliability.

Table 2. Structural Equations Modeling Results

Path			Standardized regression weights	SE	t	p
Consumerist values	<---	Religious values	-.174	.032	-2.683	.007
Consumerist values	<---	Ownership of an automobile	.219	.032	3.380	***
Consumerist values	<---	Ownership of a house	-.115	.028	-2.006	.045
Conspicuous consumption	<---	Consumerist values	.934	.608	6.183	***
Entertainment and culture	<---	Consumerist values	.115	.614	2.094	.036
Entertainment and culture	<---	Ownership of an automobile	.130	.287	2.546	.011
Entertainment and culture	<---	Occupation	-.135	.285	-2.820	.005
Self-fulfillment and indulgence	<---	Consumerist values	.328			
Reverence for Western lifestyles	<---	Consumerist values	.690	.608	6.183	***
Entertainment and culture	<---	Ownership of a house	.207	.277	4.116	***
Ideological and experimental	<---	Religious values	.833	.117	11.340	***
Intellectual and consequential	<---	Religious values	.739			
Ritualistic	<---	Religious values	.608	.158	10.433	***
CMIN/ (DF=27) = 2.77, RMSEA=0.067, NFI=0.903, CFI=0.934; GFI=0,965; AGFI=0,928; IFI=0,936 ***** = p<0.001**						

APPENDIX

ISLAMIC RELIGIOSITY INDEX SCALE	
Item No	Item
Intellectual and consequential	
75	I try to avoid any activity, which hurts others.
76	I always try to help those who need my help.
77	I try to be honest and fair with others.
70	I always keep myself earning through haram (prohibited) means.
72	I know the basic and necessary knowledge about my religion.
Ritualistic	
67	I regularly recite the Holy Quran.
65	I regularly offer prayer five times a day.
66	I fast regularly during Ramadan.
Ideological and experimental	
62	I have firm belief in all basic ideological dimensions of Islam.
81	I have a feeling of being punished by Allah for something doing wrong.
82	I feel pleasure by seeing others following Islamic teaching.
CONSUMERIST VALUES SCALE	
Conspicuous consumption	
37	Stylish dresses give me a great deal of pleasure.
34	I take pleasure in trying new and fashionable products.
36	I prefer fashionable to practical outfits.
38	Fancy and distinctive living is attractive to me.
39	I play close attention to trends in fashion.
40	I enjoy trying the latest hair styles.
35	The way I dress is a reflection of my personality.
Reverence for Western Lifestyles	
52	Although being expensive, I prefer Western products.
53	Western products give me a lot of satisfaction.
51	I prefer Western culture and arts.
50	I desire a lifestyle modeled on the West.
Aspirations for Self-Fulfillment and Indulgence	
42	Life means taking on risks and challenges.
43	I have great expectations of what I can accomplish.
44	I want to lead my life in my own way.
45	Pleasure comes from what I enjoy doing.

Endnotes

[i] Green is the holy color of Islamic faith.

[ii] The literature on the middle class is increasingly more prevalent. Sociological works include: (Marx, 1968; Weber, 1978; Kiray, 2005; Warner, 1949; Mills, 1951; Goldthorpe, 1987; Bourdieu, 1984; Kongar, 1999; Harvey, 2005; Ayata, 2007; Karademir, 2009; Keyder, 2013, 2014; Karpat, 2009; Keyman, 2010, 2012, 2014; Arslan, 2011; Balkan and Oncu, 2014; Erdem, 2010; Rutz and Balkan, 2010; Savage, 2013) and economic (Birdsall et al., 2000; Easterly, 2001; Milanovic and Yitzhaki, 2002; Banerjee and Duflo, 2008; Ravallion, 2009; Foroohar and Margolis, 2010; Kharas, 2010; Kharas and Gertz, 2010; Birdsall, 2010, 2012a, 2012b; Lopez-Calva et al., 2012; Ward and Neumann, 2012; Azevedo and Atamanov, 2014)

Works representing marketing or business perspectives are relatively limited: Martineau, 1957-1958; Rich and Jain, 1968; Cunningham et al., 1974; Griffin and Sturdivant, 1973; Coleman, 1983; Oluc, 1987; Williams, 2002; Sandikci and Ger, 2007; Yılmaz, 2007; Ustuner and Holt, 2010; Ipsos KMG, 2012; Euromonitor, 2013; Turkishtime, 2013; Cavusgil, 2013; Cavusgil and Kardes, 2013a; Cavusgil and Kardes, 2013b; Gao, 2013; Kravets and Sandikci, 2014, Goueva et al.,2016 and Uner and Gungordu, 2016.

[iii] While carrying out exploratory factor analyses we used Maximum Likelihood and Direct Oblimin Rotation. Eigenvalues above 1.0 were considered in the analyses. According to the confirmatory factor analyses, suggested standards for fit indexes are such as CMIN/DF must be below and equal to 5 (Marsh and Hocevar, 1985). RMSEA which is below and equal to 0.08 is found acceptable and if it is between and equal to 0.08 and 0.10, it is found mediocre (Maccallum et al., 2001; Byrne, 2010). GFI, CFI and IFI which are above and equal to 0.90 are found acceptable (Bollen, 1989; Bentler, 1992; Engel et al., 2003).

[iv] We calculated composite reliability for all dimensions and these are reliable as they are above 0.70 suggested by Nunnally and Bernstein (1994). As for convergent validity, AVE values are above 0.50 (Hair et al., 1998; Bagozzi and Yi, 1988). For discriminant validity, square root of each variable's AVE value is greater than the correlation of each dimension with other dimensions (Fornel and Larcker, 1981).

[v] These groups are which are food and non-alcoholic drinks; alcoholic drinks; cigarette and tobacco; clothing and shoes; housing and rent; furniture, household appliances and house-care services; health; transportation; communication; entertainment and culture; education; restaurants and hotels; various goods and services.

[vi] For the Consumerist Values scale, KMO is above 0.7 and Bartlett's test of Sphericity is significant which means that the dataset is appropriate for factor analysis (Explained variance: 63.600, KMO: 0.910, Bartlett Bartlett's test of Sphericity Approximate Chi-Square: 6050.789, df: 210, p: 0.00). Factor loadings vary between 0.45 and 0.98.

[vii] According to the Islamic Religiosity Index scale, KMO is above 0.7 and Bartlett's test of Sphericity is significant (Explained variance: 63.236, KMO: 0.896, Bartlett Bartlett's test of Sphericity Approximate Chi-Square: 5540.668, df: 190, p: 0.00). Factor loadings vary between 0.42 and 0.92.

[viii] CMIN= 2259.933; CMIN/DF= 16.74; RMSEA = 0.2; GFI = 0.507

[ix] Items 33, 41 and 46 removed from the analysis as they loaded on more than one factor. Items 37, 42 and 57 are reference variables. For improving fit indices, we made a modification between the errors of item 44 and 45, 52 and 53. Standardized regression weights vary between 0.552 and 0.953. Fit indices are: CMIN (p=0.00) =338.406, CMIN/ (DF= 87) = 3.890, RMSEA=0.086, NFI=0.928, CFI=0.945, GFI=0.896, AGFI=0.857, IFI=0.946

[x] Fit indices are: CMIN (p=0.00) =339.257, CMIN/ (DF= 87) =3.900, RMSEA=0.086, NFI=0.928, CFI=0.945, GFI=0.895, AGFI=0.856, IFI=0.945

[xi] CMIN/DF= 11.908, RMSEA = 0.167, GFI = 0.641

[xii] We excluded items 63, 64, 71, 73, 74, 78 as they loaded on more than one factor. Items 62, 67 and 75 are reference variables. All of the results are significant at the 0.05 level (t>1.96) and the fit indices are acceptable (CMIN/ (DF=41) = 4.023; RMSEA= 0.088; NFI= 0.936; CFI=0.951; GFI=0.928; AGFI=0.884; IFI=0.951). Standardized regression weights vary between 0.672 and 0.918

[xiii] Fit indices are: CMIN/ (DF=41) =4.023, RMSEA=0.088, NFI=0.936, CFI=0.951, GFI=0.928, AGFI=0.884, IFI=0.951