

An Alternative to "Preaching to the Choir"

Communicating Sustainable Lifestyle Options to a Low Interest Target Group

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Macromarketing and Development: Building Bridges and Forging Alliances



Washington DC, 2 - 5 June 2007

Proceedings of a Joint Conference of
The International Society of Marketing and Development
and
The Macromarketing Society

Editors
Stacey Menzel Baker, University of Wyoming
Daniel Westbrook, Georgetown University

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Laurie Meamber, George Mason University

Competition, Trade, and Comparative Advantage

Bill Redmond, Bowling Green State University
Stanley Nollen, Georgetown University

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International Society for Marketing and Development

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Macromarketing and Development: Building Bridges and Forging Alliances

PROGRAM GRID

Date & Time	Session A	Session B	Session C	Session D
June 2				
3:00 – 5:00 Session 1	100 – Plenary Session: JPPM and JMM: Twin Sons of Different Mothers			
June 3				
8:30 – 10:00 Session 2	200 – Plenary Session: What is the Nature of the Market?			
10:30 – 12:00 Session 3	300 – Plenary Session: Ethical Issues & Distributive Justice in Macromarketing			
2:00 – 3:30 Session 4	410 – Subsistence Markets	420 – Quality of Life & Family	430 – Ethics, Corporate Social Responsibility, & Distributive Justice	440 – Health Care
4:00 – 5:30 Session 5	510 – Subsistence Markets	520 – Family – Globally	530 – Food, Agribusiness, & Aquaculture	540 – Sustainable Development
June 4				
8:30 – 10:00 Session 6	610 – What is Putin's Economic Model? The Market versus the Service State	620 – Emerging Tools for Urban Development and Decision Making	630 – Economic Development	640 – Macromarketing Issues in Advertising, Branding, and Packaging
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Macromarketing and Development: Building Bridges and Forging Alliances

PROGRAM GRID (Continued)

Date & Time	Session A	Session B	Session C	Session D
June 5				
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10:30 – 12:00 Session 9	810/910 – Twenty Years after Vietnam's Doi Moi	920 – The Realities of Fake: Discovering the Complexities of Consumption of Counterfeits	930 – Credit Markets & Banking	940 – Development: Dilemmas, Effects, and Strategies
2:00 – 3:30 Session 10	1010 – Islam and Free Markets	1020 – Systems and Modeling	1030 – Economic Development	1040 – Marketing and Society

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Macromarketing and Development: Building Bridges and Forging Alliances

MEETING ROOMS

The Opening Reception will be in Doyle A.
 The Awards Dinner on Monday will be in Doyle A.
 All other meals and breaks will be in Burlington A.

Date & Time	Session A	Session B	Session C	Session D
June 2	Hilton			
3:00 – 5:00 Session 1	100 – Plenary Session: JPPM and JMM: Twin Sons of Different Mothers			
June 3	Doyle A			
8:30 – 10:00 Session 2	200 – Plenary Session: What is the Nature of the Market?			
10:30 – 12:00 Session 3	300 – Plenary Session: Ethical Issues & Distributive Justice			
	Doyle B	Westbury A	Westbury BC	Burlington B
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2:00 – 3:30 Session 10	1010 – Islam and Free Markets	1020 – Systems and Modeling	1030 – Economic Development	1040 – Marketing and Society

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PROGRAM SUMMARY

Saturday, June 2

3:00 – 5:00 pm **Session 1**

**100 Plenary Session: JPPM and JMM: Twin Sons of Different Mothers
A Double Session Based on Special Issues of the Journals**

Bridge Session, Public Policy & Marketing Conference Site, Washington Hilton

Co-chairs: Ron Hill, Editor JPPM
Cliff Shultz, Editor JMM

6:00 – 8:00 pm **Cocktail Reception and Conference Registration, Jury's Hotel**

Note: All conference events, receptions, and meals listed at Jury's Hotel, excursions, and proceedings are covered in the registration fee.

International Society for Marketing and Development (ISMD) Board Meeting

Sunday, June 3

Breakfast at Jury's Hotel

8:15 – 8:30 am **Welcome and Conference Overview**

Stacey Baker, University of Wyoming
Dan Westbrook, Georgetown University

8:30 – 10:00 am **Session 2**

200 Plenary Session: What is the Nature of the Market?

Dr. Jekyll and Mr. Hyde: The Nature of the Market, Paul Stiles

Moderator: Mark Peterson, University of Wyoming

10:00 – 10:30 am **Break**

Sunday 10:30 – Noon **Session 3**

300 Plenary Session: Ethical Issues and Distributive Justice in Macromarketing: Present and Future, Part II

Co-chairs: Cliff Shultz, Arizona State University
Gene Lacznia, Marquette University

Noon – 1:30 pm **Lunch at Jury's Hotel**

Keynote Speaker: Nik Dholakia, President of ISMD

“Bottoms Up: The Inverting of Global Markets”

1:30 – 2:00 pm **Break**

2:00 – 3:30 pm **Session 4 – Overlapping Sessions:**

410 Special Session: Subsistence Markets

Chair: Ronald Paul Hill, Villanova University

420 Competitive Paper Session: Quality of Life and Family

Chair: Mark Peterson, University of Wyoming

430 Competitive Paper Session: Ethics, Corporate Social Responsibility, and Distributive Justice

Chair: Anusorn Singhapakdi, Old Dominion University

440 Working Paper Session: Health Care

Chair: Pia Polska, Swedish School of Economics and Business Administration

3:30 – 4:00 pm **Break**

4:00 – 5:30 pm **Session 5 - Overlapping Sessions**

510 Special Session: Subsistence Markets

Chair: Madhu Viswanathan, University of Illinois at Urbana-Champaign

520 Special Session: Family – Globally

Co-chairs: James W. Gentry, University of Nebraska-Lincoln
Suraj Commuri, University of Missouri-Columbia

530 Competitive Paper Session: Food, Agribusiness and Aquaculture

Co-chairs: Tim Burkink, University of Nebraska-Kearney
Sylvain Charlebois, University of Regina

540 Competitive Paper Session: Sustainable Development

Chair: Terri Rittenburg, University of Wyoming

Sunday Evening:

Macromarketing Society Policy Board Meeting

Monday, June 4

Breakfast at Jury's Hotel

8:30 – 10:00 am **Session 6**

610 Special Session: Free Markets in the New Russia

What is Putin's Economic Model? The Market versus the Service State
James R. Millar, George Washington University

Moderator: Johny K. Johansson, Georgetown University

620 Special Session: Emerging Tools for Urban Development and Decision Making

Chair: Deirdre Hahn, Arizona State University

630 Competitive Paper Session: Economic Development

Chair: Ken Yap, University of Western Australia

640 Working Paper Session: Macromarketing Issues in Advertising, Branding, and Packaging

Chair: Yorgos Zotos, Aristotle's University of Thessalonik

10:00 – 10:30 am **Break**

10:30 – Noon **Session 7 – Overlapping Sessions**

710 Special Session: Social Entrepreneurship and Macromarketing

Chair: Mark Peterson, University of Wyoming

720 Special Session: Macromarketing and Business Curricula in the 21st Century

Co-Chairs: David Hunt, University of Wyoming
Scott Radford, University of Calgary

730 Competitive Paper Session: Food, Agribusiness and Aquaculture

Co-Chairs: Tim Burkink, University of Nebraska-Kearney
Sylvain Charlebois, University of Regina

740 Competitive Paper Session: Health Care

Chair: Pia Polsa, Swedish School of Economics and Business Administration

Monday Noon

Lunch at Jury's Hotel

1:00 pm

Depart Hotel for Tours and Talks at World Bank and IMF

6:00 – 8:00 pm

Dinner at Jury's Hotel

Keynote Speaker: George Fisk on The State of Macromarketing

Remarks: Bob Nason, President of the Macromarketing Society

Remarks: Cliff Shultz on the *Journal of Macromarketing*

Awards presentations

George Fisk Best Conference Paper Award – Macro

Erdoğan Kumcu Award for Best Conference Paper – ISMD

Charles S. Slater Award for *JMM*

8:00 pm

Night Tour of National Monuments

Tuesday, June 5

Breakfast at Jury's Hotel

8:30 – 10:00 am **Session 8 – Overlapping Sessions**

810 Special Double Session: Twenty Years after Vietnam's Doi Moi: Toward More Elastic, Comprehensive and Meaningful Measures and Interpretations of Socioeconomic Development – See also Session 910

Chair: Clifford J. Shultz, II, Arizona State University

820 Competitive Paper Session – Macromarketing in a Changing World

Co-Chairs: David Hunt, University of Wyoming

Scott Radford, University of Calgary

830 Competitive Paper Session: Art & Culture

Co-Chairs: Kent Drummond, University of Wyoming

Laurie Meamber, George Mason University

840 Competitive Paper Session: Technology and Marketing

Chair: Detlev Zwick, York University

Tuesday 10:00 – 10:30 am **Break**

10:30 – Noon **Session 9 – Overlapping Sessions**

910 Special Double Session: Twenty Years after Vietnam's Doi Moi: Toward More Elastic, Comprehensive and Meaningful Measures and Interpretations of Socioeconomic Development – See also Session 810

Chair: Clifford J. Shultz, II, Arizona State University

920 Special Session: The Realities of Fake: Discovering the Complexities of Consumption of Counterfeits

Co-Chairs: Suraj Commuri, University of Missouri-Columbia
James W. Gentry, University of Nebraska-Lincoln

930 Competitive Paper Session: Credit Markets & Banking

Chair: Garance Genicot, Georgetown University

940 Competitive Paper Session: Development: Dilemmas, Effects, and Strategies

Chair: David Hunt, The University of Wyoming

Noon – 1:30 pm

Lunch at Jury's Hotel

Conference Wrap Up

Stacey Baker, Dan Westbrook, and Others

1:30 – 2:00 pm **Break**

2:00 – 3:30 pm **Session 10 – Overlapping Sessions**

1010 Special Panel Session: Islam and Free Markets

Moderator: Johny K. Johansson, Georgetown University

1020 Competitive Paper Session: Systems and Modeling

Chair: Ben Wooliscroft, University of Otago

1030 Competitive Paper Session: Economic Development

Chair: Kenneth Yap, University of Western Australia

1040 Working Paper Session: Marketing and Society

Co-Chairs: Marilyn Liebrezn-Himes, The George Washington University

Robert F. Dyer, The George Washington University

Hamed Shamma, The George Washington University

Please note that session chairs will lead discussions. Papers will be presented one right after the other with questions held until the end. When there are three papers in a session, the speakers have 20 minutes for their presentations; when there are four papers in a session, each speaker has 15 minutes. In the tradition of Macro/ISMD Conferences, thirty minutes is reserved for discussion.

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Table of Contents Session Details

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Co-chairs: Ronald Paul Hill, Editor of the JPPM
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Understanding the Complex Terrain of Obesity Research
Betsy Moore, University of Notre Dame

Quality of Life Research on the Cutting-Edge
Joe Sirgy, Virginia Tech
Don Rahtz, College of William and Mary
Dong-Jin Lee, Yonsei University

Human Solutions to Consumption Dilemmas of Natural Disasters
John Mittlestaedt, Clemson University

Marketing Ethics and Distributive Justice
Gene Laczniaak, Marquette University
Patrick Murphy, University of Notre Dame

Ethical and Public Policy Implications of Covert Marketing
David Sprott, Washington State University

Marketing and Information Technology
Nik Dholakia, University of Rhode Island
Detlev Zwick, York University

Metric and Interpretive Explorations in Macromarketing
Don Lehmann, Columbia University
Morris Holbrook, Columbia University
Clifford J. Shultz, II, Arizona State University

Discussants: Stacey Menzel Baker, University of Wyoming
 James W. Gentry, University of Nebraska

Sunday, June 3

8:30 – 10:00 **Session 2**

200 Plenary Session: What is the Nature of the Market?

Dr. Jekyll and Mr. Hyde: The Nature of the Market

Paul Stiles, author of *Is the American Dream Killing You?*, New York: Collins, 2005.

Discussants: Dawn Iacobucci, University of Pennsylvania
Ronald Paul Hill, Villanova University

Moderator: Mark Peterson, University of Wyoming

Sunday, June 3

10:30 – Noon **Session 3**

300 Plenary Session: Ethical Issues and Distributive Justice in Macromarketing: Present and Future, Part II

Co-chairs: Clifford J. Shultz, II, Arizona State University
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Panelists: Kevin D. Bradford, Notre Dame University
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Gregory Gundlach, University of North Florida
Ronald Paul Hill, Villanova University
Tom Klein, University of Toledo
Eugene Lacznia, Marquette University
Stacey Menzel Baker, University of Wyoming
John Mittelstaedt, Clemson University
Clifford J. Shultz, II, Arizona State University
William L. Wilkie, Notre Dame University

Noon – 1:30 pm **Lunch at Jury's Hotel**

Keynote Speaker: Nik Dholakia, President of ISMD
"Bottoms Up: The Inverting of Global Markets"

Editor's Address: Cliff Shultz, Editor, Journal of Macromarketing
"On the Journal of Macromarketing"

Sunday, June 3

2:00 – 3:30 **Session 4 – Overlapping Sessions**

410 Special Session: Subsistence Markets

Chair: Ronald Paul Hill, Villanova University

411 - *Understanding Subsistence Marketplaces*

Madhu Viswanathan, University of Illinois at Urbana-Champaign

412 - *Asset-Limited, Income Constrained Consumers: A Macromarketing Perspective*

John D. Mittelstaedt, Clemson University

James C. Witte, Clemson University

Robert Hoopes, Hoopes Strategies, LLC

Jeffrey Weiss, Dollar Financial Corporation

413 - *Homeless Persons in the Downtown: Implications for Marketing Systems-Oriented Research on Marketplaces*

Sandy Grossbart, University of Nebraska-Lincoln

Susie Pryor, Washburn University

414 - *Resource Constraints in a Boom and Bust Economy: Sustaining Organizations Through Macroeconomic Cycles*

David M. Hunt, University of Wyoming

Stacey Menzel Baker, University of Wyoming

420 Competitive Paper Session: Quality of Life and Family

Chair: Mark Peterson, University of Wyoming

421 - *The Dominant Social Paradigm and its Relationship to Quality of Life Perceptions: A Cross-Cultural Comparison*

William Kilbourne, Clemson University

Bertrand Urien, Université de Bretagne Occidentale

422 - *Measuring Material Well-Being: Scale Development and Validation*

Ada Leung, University of Nebraska at Kearney

423 - *Consumer Attitude Toward Marketing and Subjective Quality-of-Life in the Context of a Developing Country*

Mark Peterson, University of Wyoming & Ahmet Ekici, Bilkent University

424 - *Intergenerational Transmission of Values, Attitudes and Behaviours in the Environmental Domain*

Alice Grønhøj & John Thøgersen, Aarhus School of Business

Sunday, June 3

2:00 – 3:30 Session 4 – Overlapping Sessions

430 Competitive Paper Session: Ethics, Corporate Social Responsibility, and Distributive Justice

Chair: Anusorn Singhapakdi, Old Dominion University

431 - *Are Small & Medium Industries Agents of Distributive Justice in the Market?*
N.R.Govinda Sharma, Nitte Meenakshi Institute of Technology

432 - *Exploring Ethical Consumerism: The Case of Charity-linked Products*
João F. Proença, University of Porto, Portugal
Inês V. Pereira, Porto Polytechnical Institute – ISCAP

433 - *Relationship Marketing—All in the Family: Perspectives on the Diverse Roles of Myriad Stakeholders*
Marilyn Liebreinz-Himes, The George Washington University
Hamed Shamma, The George Washington University
Robert F. Dyer, The George Washington University

434 - *Ethics in International Marketing: Evaluation of Institutions in International Value Chain Networks*
Andreas W. Falkenberg, Agder University

440 Working Paper Session: Health Care

Chair: Pia Polsa, Swedish School of Economics and Business Administration

441 - *Facets of Patients' Trust in Hospitals - A Qualitative Approach to Understanding the Market of Health Care Services*
Vanessa Hessenkamp, University of Dortmund
Hartmut Holzmüller, University of Dortmund
Debra Neumann, University of Dortmund

442 - *Comparing Supply Chains for Food and Pharmaceuticals in Africa: Implications for Risk and Control*
Imoh Antai, Swedish School of Economics and Business Administration
Richard Owusu, Swedish School of Economics and Business Administration

Sunday, June 3

4:00 – 5:30 **Session 5 - Overlapping Sessions**

510 Special Session: Subsistence Markets

Chair: Madhu Viswanathan, University of Illinois at Urbana-Champaign

511 - *The Role of Social Capital in Enhancing Marketing and Entrepreneurial Effectiveness in Subsistence Markets: An Empirical Investigation*
Srinivas Sridharan, The University of Western Ontario
Robin Ritchie, The University of Western Ontario

512 - *Participatory Research Methods for Subsistence Consumers*
Sharmin Attaran, University of Illinois at Chicago
Edward McKenzie Abbey, Plan International

513 - *Changing Consumption Patterns in Subsistence Markets*
S. Chandrasekhar, Indira Gandhi Institute of Development Research, Mumbai, India
S. Jayaraman, International School of Business and Media, Pune, India

514 - *Long Run Price Integration in the Nigerian Fresh Fish Market: Implications for Marketing and Development*
T. E. Mafimisebi, The Federal University of Technology, Akure, Nigeria

520 Special Session: Family – Globally

Co-Chairs: James W. Gentry, University of Nebraska-Lincoln
 Suraj Commuri, University of Missouri-Columbia

Topics and Panel Participants:

United States, James W. Gentry, University of Nebraska-Lincoln

India, Suraj Commuri, University of Missouri-Columbia

Sweden and Finland, Pia Polsa, Swedish School of Economics and Business Administration

Australian Aborigines, Ronald Paul Hill, Villanova University

Ghana, Sammy Bonsu, York University

Turkey, Ahmet Ekici, Bilkent University

Overseas Chinese and Malaysians, Ken Yap, University of Western Australia

Ireland, Miriam Catterall, Queen's University, UK

Sunday, June 3

4:00 – 5:30 **Session 5 – Overlapping Sessions**

530 Competitive Paper Session: Food, Agribusiness, and Aquaculture

Co-Chairs: Tim Burkink, University of Nebraska-Kearney
 Sylvain Charlebois, University of Regina

531 - *An Overview of the U.S. Ethanol Industry: Implications for Agriculture, Energy, Rural Development and the Environment*

Tim Burkink, University of Nebraska – Kearney

Ray Marquardt, Arizona State University

Ted Axland, Phoenix Agricultural Club

532 - *Marketing Agricultural Commodities on Global Markets: A Conceptual Model for Political Economies and Food-safety Standard Asymmetries Related to Mad Cow*

Sylvain Charlebois, University of Regina

533 - *Fish, Methylmercury and Health: Exploring a Market-Oriented Public Advisory*

Renée Shaw Hughner, Arizona State University

Jill Kurp Maher, Saint Joseph's University

Robert Morris University, Saint Joseph's University

Nancy M. Childs, Saint Joseph's University

540 Competitive Paper Session: Sustainable Development

Chair: Terri Rittenburg, The University of Wyoming

541 - *An Alternative to 'Preaching to the Choir': Communicating Sustainable Lifestyle Options to a Low Interest Target Group*

Lucia A. Reisch, Copenhagen Business School

S. Bietz, University of Witten & M. Kreeb, University of Witten

542 - *Conceptual Framework of the Precautionary Principle Approach in the Decision-Making Process*

Clare D'Souza, La Trobe University & Mehdi Taghian, Deakin University

Rajive Khosla, La Trobe University

543 - *Research Agenda on Marketing for Sustainable Development in a Typical Sub-Sahara African (SSA) Context*

Anayo D Nkamnebe, Nnamdi Azikiwe University, Nigeria

Monday, June 4

8:30 – 10:00 Session 6

610 Special Session: Free Markets in the New Russia

This panel focuses on the perceived problems in converting Russia's economy to a free market system, and the difficulty for managers to adopt a market-oriented perspective. The main speaker is a well-known academic authority on marketing in Russia, and two business executives with long experience “on the ground” in Russia will offer their perspectives.

What is Putin's Economic Model? The Market versus the Service State

James R. Millar, George Washington University

Discussants: Nicholas Lugansky, Manager, Government and Corporate Affairs, Bechtel National, Inc.
Dr. Trevor Gunn, Director, International Relations and Project Management, Medtronic Inc.

Moderator: Johny K. Johansson, Georgetown University

620 Special Session: Emerging Tools for Urban Development and Decision Making

Chair: Deirdre Hahn, Arizona State University

Topics and Panel Participants:

Stability Operations in Re-Urbanizing Environments

David Warner, MindTel

Project Management, Business Development, and Collaborative Policy Decision-making: The Decision Theater in Practice

Deirdre Hahn, Arizona State University

Monday, June 4

8:30 – 10:00 Session 6

630 Competitive Paper Session: Economic Development

Chair: Ken Yap, University of Western Australia

- 631 - *Do Local SMEs Value International Support in Transitional Countries and Why?*
Maya Velmuradova, Université du Sud - Toulon – France
- 632 - *The Application of Guanxi to Modern Management*
Hongping Fei, Shanghai University
Anthony Pecotich, University of Western Australia and University of Split, Croatia
- 633 - *Class Stratification and Women's Market Involvement in Croatia*
Katherine Sredl, University of Illinois Urbana-Champaign
Natasa Renko, University of Zagreb
Anthony Pecotich, University of Western Australia and University of Split, Croatia
- 634 - *Dynamics of Entry Mode Choice in Transition Economies: The Theory and Practice of Conversion of FDI in Vietnam*
Bui Huy Nhung, National Economics University, Hanoi
Michael W. Hansen, Copenhagen Business School

640 Working Paper Session: Macromarketing Issues in Advertising, Branding, and Packaging

Chair: Yorgos Zotos, Aristotle's University of Thessaloniki

- 641 - *Do Consumers Hold the 'Large Economy Size' Belief?*
Polixeni Palla & Christina Boutsouki, Aristotle's University of Thessaloniki
Yorgos Zotos & Maria Archontoulaki, Aristotle's University of Thessaloniki
- 642 - *Psychic Distance and Brand Convergence: A New Analysis*
Pandora L. Patton, The University of the Nations
Charles R. Patton, The University of Texas, Emeritus
- 643 - *Men Portrayals in Print Advertising: Insights from the Greek Context*
Emmanuella Plakoyiannaki, Aristotle's University of Thessaloniki
Christina Boutsouki, Aristotle's University of Thessaloniki
Yorgos Zotos, Aristotle's University of Thessaloniki
- 644 - *Young Women's Perceptions and Attitudes towards Print Advertisements in the Post-Feminism Era in Greece*
Athena Zotos & George Tsourvakas, Aristotle's University of Thessaloniki

Monday, June 4

10:30 a.m. – Noon **Session 7 - Overlapping Sessions**

710 Special Session: Social Entrepreneurship and Macromarketing

Chair: Mark Peterson, University of Wyoming

Social entrepreneurs are individuals with innovative solutions to society's most pressing social problems (Bornstein 2004). They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change. Rather than leaving societal needs to the government or business sectors, social entrepreneurs find what is not working and solve the problem by changing the system, spreading the solution, and persuading entire societies to take new leaps. In this way, they serve as a linchpin of the growing "citizen sector". Social entrepreneurs represent the embodiment of applied macromarketing in their societal focus, their harnessing of business skills, their systems view of complex phenomena, and their cross-disciplinary approach. Because of the context of developing countries where many social entrepreneurs have succeeded in inspiring broader movements, social entrepreneurs demonstrate how marketing can be used in the development of societies.

Panel: Trabian Shorters, Ashoka-US Director
Ashoka social entrepreneur, TBA
Mark Peterson, University of Wyoming
Elten Briggs, University of Texas at Arlington

Moderator: Mark Peterson, University of Wyoming

720 Special Session: Macromarketing and Business Curricula in the 21st Century

Co-Chairs: David M. Hunt, University of Wyoming
Scott K. Radford, University of Calgary

721 - *How Macro Should Macromarketing Education Be?*
William E. Kilbourne, Clemson University

722 - *Marketing, Society, and Controversy: An Online Course from a Macromarketing Perspective*
Stanley J. Shapiro, Simon Fraser University

723 - *Marketing, Society, and Government: Reflections on an Undergraduate Elective,*
David M. Hunt, University of Wyoming
Scott K. Radford, University of Calgary

724 - *Integrating Macromarketing into a Managerial Marketing Curriculum*
Robert A. Mittelstaedt, University of Nebraska-Lincoln

Monday, June 4

10:30 a.m. – Noon **Session 7 - Overlapping Sessions**

730 Competitive Paper Session: Food, Agribusiness and Aquaculture

Co-chairs: Tim Burkink, University of Nebraska – Kearney
Sylvain Charlebois, University of Regina

731 - *Alternatives to Mass-Consumption: The Desire for Relationships and Information Disclosure*
Melea Press, Penn State University

732 - *The Big “O”: Organic Food Aesthetics in American Everyday Life*
Renée Shaw Hughner, Arizona State University
Pierre McDonagh, Dublin City University
Andrea Prothero, Dublin City University
Clifford J. Shultz II, Arizona State University
Julie Stanton, St. Joseph’s University

733 - *Organic Foods and Advertising: Are Consumers Well-Informed?*
Julie Stanton, Saint Joseph’s University
Deirdre Guion, Saint Joseph's University

740 Competitive Paper Session: Health Care

Chair: Pia Polsa, Swedish School of Economics and Business Administration

741 - *Criteria and Motivation of Women When Choosing a Maternity Clinic – A Qualitative Investigation*
Vanessa Hessenkamp, University of Dortmund
Hartmut Holzmüller, University of Dortmund
Debra Neumann, University of Dortmund

742 - *A Comparison of Health Systems in Finland, The People's Republic of China and Nigeria*
Wei Fuxiang, Tianjin Normal University
Pia Polsa, Swedish School of Economics and Business Administration
Karen Spens, Swedish School of Economics and Business Administration
Imoh Antai, Swedish School of Economics and Business Administration

743 - *Intellectual Property and Pharmaceuticals: What Type of Failure?*
William H. Redmond, Bowling Green State University

Tuesday, June 5

8:30 – 10:00 Session 8 – Overlapping Sessions

810 Special Double Session: Twenty Years after Vietnam's Doi Moi: Toward More Elastic, Comprehensive and Meaningful Measures and Interpretations of Socioeconomic Development See also Session 910.

Chair: Clifford J. Shultz, II, Arizona State University

811 - *Success Criteria and Factors for Development Projects: A Life Cycle-based Framework*
Do Ba Khang, Asian Institute of Technology & Tun Lin Moe, Universität Karlsruhe

812 - *Vietnam and the WTO: Vietnamese Perceptions and Implications for Markets, Marketing, and Society*
Steven A. Schulz, The Gallup Organization
Clifford J. Shultz, II & Raymond Marquardt, Arizona State University

813 - *New Meanings of Development-Consumption Nexus? A Manifestation in Vietnamese Weddings*
Thuc-Doan T. Nguyen, University of Utah
Russell W. Belk, York University

814 - *Life Gets Better, Much Better: Vietnam's Successful Transition*
Clifford J. Shultz, II, Arizona State University
M. Daniel Westbrook, Georgetown University
Nguyen Dinh Tho, Ho Chi Minh City Economics Univ. & Univ. of Technology - Sydney

820 Competitive Paper Session – Macromarketing in a Changing World

Co-Chairs: David M. Hunt, University of Wyoming
Scott K. Radford, University of Calgary

821 - *Open Range and Open Sources: Establishing and Maintaining Property Rights in the Public Domain*
Robert A. Mittelstaedt, University of Nebraska-Lincoln
John D. Mittelstaedt, Clemson University

822 - *From Univservqual to Educational Excellence – The Malaysian Dream*
Aliah Hanim M. Salleh, The National University of Malaysia

823 - *Marketing Sustainability in Higher Education*
G. Scott Erickson & Bonnie O'Hara, Ithaca College

Tuesday, June 5

8:30 – 10:00 **Session 8 – Overlapping Sessions**

830 Competitive Paper Session: Art & Culture

Co-Chairs: Kent Drummond, University of Wyoming & Laurie Meamber, George Mason University

831 - *Mount Vernon and the Disneyfication of the Marketing of History*
Laurie Meamber, George Mason University

832 - *Tracking the Da Vinci Code Tours: Target Markets and Cultural Capital*
Kent Drummond, University of Wyoming

833 - *Anthropology and Marketing: Notes on Business Ethnography*
Melissa S. Fisher, Georgetown University
Tara Susman-Peña, Jefferson Consulting Group

834 - *Motion Picture as a Total Product: The Effect of Movie Theatre Atmospherics on the Word of Mouth for Motion Pictures*
Hatzithomas Leonidas, Aristotle's University of Thessaloniki
Athena Zotou, London Metropolitan University
Tsourvakas George, Aristotle's University of Thessaloniki
Nikoleta Koutsia, Division of Transportation and Hydraulic Constructions, Greece

840 Competitive Paper Session: Technology and Marketing

Chair: Detlev Zwick, York University

841 - *Weblogs and Trade Secrets: Private Property vs. Freedom of Expression*
G. Scott Erickson, Ithaca College

842 - *The Reach and Richness of Wikinomics: Is the Free Web-based Encyclopedia Wikipedia Only for the Rich Countries?*
Morten Rask, Aarhus School of Business

843 - *Customer Databases as Customer Exploitation? Technologies for 'NewMarketing*
Detlev Zwick, York University

844 - *Durable Acquisition Patterns Over Time: Empirical Evidence from India,*
Ruby Roy Dholakia, The University of Rhode Island
Syagnik (Sy) Banerjee, The University of Rhode Island
Narasimhan Srinivasan, University of Connecticut

Tuesday, June 5

10:30 – Noon **Session 9 – Overlapping Sessions**

910 Special Double Session: Twenty Years after Vietnam's Doi Moi: Toward More Elastic, Comprehensive and Meaningful Measures and Interpretations of Socioeconomic Development See also Session 810.

Chair: Clifford J. Shultz, II, Arizona State University

915 - *Education, Household Welfare, and Marketization in Vietnam: 1993 – 2004*

M. Daniel Westbrook, Georgetown University

Hoang Van Kinh, Foreign Trade University – Hanoi

916 - *Doi Moi, the Mekong Region and the Cambodians Next Door: The Death of Transitional Trickle Down and Implications for Regional Well-Being*

Don R. Rahtz, The College of William and Mary

Clifford J. Shultz, II, Arizona State University

917 - *Social Marketing, Banking Knowledge and Economic Progress: Measuring Financial Literacy in Vietnam*

William Ardrey, University of Western Australia

Michael Keane, University of California-Los Angeles

920 Special Session: The Realities of Fake: Discovering the Complexities of Consumption of Counterfeits

Co-Chairs: Suraj Commuri, University of Missouri-Columbia

James W. Gentry, University of Nebraska-Lincoln

Participants: James W. Gentry, University of Nebraska-Lincoln

Sanjay Putrevu, University at Albany, SUNY

Stephanie Oneto, University of Wyoming

Betsy D. Gelb, University of Houston

Ali Utku Akkoc, Bilkent University

Ahmet Ekici, Bilkent University

Ozlem Sandikci, Bilkent University

Suraj Commuri, University of Missouri-Columbia

Tuesday, June 5

10:30 – Noon **Session 9 – Overlapping Sessions**

930 Competitive Paper Session: Credit Markets & Banking

Chair: Garance Genicot, Georgetown University

- 931 - *Growth and Risk at the Industry Level: the Real Effects of Financial Liberalization*
Andrei Levchenko, IMF
Romain Ranciere, IMF
Mathias Thoenig, CEPR Research Affiliate
- 932 - *Coping with Production Risk using Rainfall Insurance in Semi-Arid India*
Xavier Giné, World Bank
Donald Larson, World Bank
Robert M. Townsend, University of Chicago
James Vickery, New York Federal Reserve Board
- 933 - *Determinants of Productivity in Indian Banking: What Has Changed in the Post-Reform Period?*
Paroma Sanyal, Brandeis University
Rashmi Shankar, Brandeis University

940 Competitive Paper Session: Development: Dilemmas, Effects, and Strategies

Chair: David Hunt, The University of Wyoming

- 941 - *To Replant or Not to Replant Natural Barriers? Perhaps That is the Wrong Question*
Edward B. Barbier, University of Wyoming
- 943 - *Currencies and the Dilemma of the Commons: The Construction of New Markets as a Management Tool*
Jenny Mish, University of Utah
- 944 - *Innovation and Electricity Market Restructuring in the U.S.*
Paroma Sanyal, Brandeis University

Tuesday, June 5

2:00 – 3:30 **Session 10 – Overlapping Sessions**

1010 Special Panel Session: Islam and Free Markets

Moderator: Johny K. Johansson, Georgetown University

The panel draws on experts on the economies and political systems in several Islamic countries, including Iran and other Middle East countries. This panel will discuss the relationship between Islam thinking and the free market system. The emphasis is on the identification of key differences and similarities between Eastern business and Western capitalism, and how these factors may obstruct or facilitate a conversion to open markets.

Topics and Panel Participants:

1011 - *Islam, Marketing and Modernization: Can Marketing Help Modernize Islamic Countries?*
Masoud Kavoossi, Howard University

Doing Business in Islamic Countries
Lobna “Luby” Ismail, Founder and President of Connecting Cultures, Inc.

FDI and the Modern Middle East Industry
Liesl Anna Riddle, George Washington University

Moderator: Johny K. Johansson, Georgetown University

1020 Competitive Paper Session: Systems and Modeling

Chair: Ben Wooliscroft, University of Otago

1021 - *Marketing Systems and the Search for a Dominant Logic*
Roger Layton, University of New South Wales

1022 - *The Impact of Tautological Structures on Interpretation Equivalence in Cross-Cultural Business Negotiations*
Antonis C Simintiras & Adrian Palmer, Swansea University
Antonis Georgopoulos, University of Patras

1023 - *Why Was Marketing Afraid of Systems? And Why It Should Be*
Ben Wooliscroft, University of Otago

Tuesday, June 5

2:00 – 3:30 **Session 10 – Overlapping Sessions**

1030 Competitive Paper Session: Economic Development

Chair: Kenneth Yap, University of Western Australia

1031 - *Rethinking Development: Can Marketing Help? Insights from Postmodernity and the Third World*

A. Fuat Firat, University of Texas – Pan American

1032 - *Population Collapse: Why that Might Happen in the Developed World and What Can We Do About It?*

Abhijit Roy, University of Scranton

Mousumi Roy, Penn State University Worthington

1033 - *Remittances as Social Exchange: The Critical, Changing Role of Family as the Social Network*

James W. Gentry, University of Nebraska-Lincoln

Robert A. Mittelstaedt, University of Nebraska-Lincoln

1034 - *National Identity and Memorabilia*

Anthony Pecotich, University of Western Australia

Bradley Turner, Curtin University

Kenneth Beng Yap, University of Western Australia

1040 Working Paper Session: Marketing and Society

Co-Chairs: Marilyn Liebrez-Himes, The George Washington University

Robert F. Dyer, The George Washington University

Hamed Shamma, The George Washington University

1041 - *Ethical Fashion or Fashionable Ethics: Towards a Taxonomy of High Fashion Clothing Organisations*

Kellie Dalton & Pierre McDonagh, Dublin City University

1042 - *Ethics of the Beautiful Game: Football Clubs in Crisis?*

Jason Healy, Dublin City University

Pierre McDonagh, Dublin City University

1044 - *A Cross-Cultural Analysis of Humorous Print Advertising in the UK and Greece*

Leonidas Hatzithomas, Aristotle's University of Thessaloniki

Christina Boutsouki, Aristotle's University of Thessaloniki

Yorgos Zotos, Aristotle's University of Thessaloniki

Saturday, June 2

3:00 – 5:00 **Session 1**

100 Plenary Session: JPPM and JMM: Twin Sons of Different Mothers – A Double Session Based on Special Issues of the Journals

Co-chairs: Ron Hill, Editor of the JPPM
 Cliff Shultz, Editor of the JMM

Understanding the Complex Terrain of Obesity Research
Betsy Moore, University of Notre Dame

Quality of Life Research on the Cutting-Edge
Joe Sirgy, Virginia Tech
Don Rahtz, College of William and Mary
Dong-Jin Lee, Yonsei University

Human Solutions to Consumption Dilemmas of Natural Disasters
John Mittlestaedt, Clemson University

Marketing Ethics and Distributive Justice
Gene Laczniak, Marquette University
Patrick Murphy, University of Notre Dame

Ethical and Public Policy Implications of Covert Marketing
David Sprott, Washington State University

Marketing and Information Technolog
Nik Dholakia, University of Rhode Island
Detlev Zwick, York University

Metric and Interpretive Explorations in Macromarketing
Don Lehmann, Columbia University
Morris Holbrook, Columbia University
Cliff Shultz, Arizona State University

Discussants: Stacey Baker, University of Wyoming
 Jim Gentry, University of Nebraska

Sunday, June 3

8:30 – 10:00 **Session 2**

200 Plenary Session: What is the Nature of the Market?

Dr. Jekyll and Mr. Hyde: The Nature of the Market

Paul Stiles, author of *Is the American Dream Killing You?*, New York: Collins, 2005.

Discussants: Dawn Iacobucci, University of Pennsylvania
Ronald Paul Hill, Villanova University

Moderator: Mark Peterson, University of Wyoming

**Is the American Dream Killing You?:
How “The Market” Rules Our Lives, by Paul Stiles**

Book Review by Mark Peterson, University of Texas at Arlington, USA

This might be the most important macromarketing book that has been written in the last 30 years. Using tight prose and detailed support, Paul Stiles makes a compelling case that “the Market” is more than just an economic means of distribution, but now constitutes a belief system in itself. According to Stiles, both the materialistic ethos of the Market (characterized by the assumption that “more is better”) and the Market are actually innately opposed to the traditional foundation of American life that values opportunity and access for all citizens.

Stiles can be said to be a defector from not only the military-industrial complex (He served as an intelligence officer in the NSA during the latter part of the Cold War.), but also from Wall Street, itself (He later worked in the mid-1990’s as a bond trader for Merrill Lynch). Stiles’ memoir *Riding the Bull: My Year in the Madness at Merrill Lynch* (Stiles 1998) exposed deep corruption in the financial system before the recent years of corporate scandals. Not surprisingly, Stiles is at his best when criticizing corruption not only in the for-profit sector, but in the not-for-profit sector, as well.

Stiles skewers corporate greed, but also does the same for greed in the lives of individuals. For example, he not only criticizes the production of vacuous or harmful media content, but also criticizes the choices individuals make in consuming such media on a repetitive basis. In the end, Stiles’ willingness to broadly consider macromarketing phenomena, and his incisive ability to identify the role of individuals who comprise society in accepting or contributing to each of these macro phenomena make him a social critic to watch in the future.

Stiles gives treatment to nine different macromarketing phenomena in the nine chapters of his book. Stiles coins a phrase for each chapter that represents the idea of the macromarketing phenomena to which he speaks. For example, the third chapter is about our media saturated world and receives the title “The Bubble”. Table 1 presents the chapter organization for Stiles’ book and includes both the organizing idea for the chapter (the title for the chapter) and the macromarketing phenomena addressed.

TABLE 1
IS THE AMERICAN DREAM KILLING YOU? ORGANIZATION OF CHAPTERS

<i>Organizing Idea</i>	<i>Macromarketing Phenomena</i>
1. Burnout	The Market vs. Human Health
2. Meltdown	The Market vs. the Nuclear Family
3. The Bubble	The Market vs. Reality
4. Flatland	The Market vs. the Good
5. Jolts per Second	The Market vs. Culture
6. Borrowed Time	The Market vs. the Environment
7. The Ozone Hole	The Market vs. Business
8. The Modern God	The Market vs. God
9. The Market Curve	The Market vs. America

The organizing ideas presented in Table 1 should pique the interest of readers. Additionally, each organizing idea should serve as a powerful metaphor that will draw many readers into the realm of macromarketing thought. In such use of metaphorical labels for complex phenomena, Stiles is similar to Thomas L. Friedman author of *The Lexus and the Olive Tree*, and *The World is Flat*. But unlike Friedman, Stiles' broad scope is likely to unsettle just about everyone across the spectrum of politics and culture. Expect to find yourself feeling challenged by some of Stiles' criticisms in *Is the American Dream Killing You?* In this way, Stiles will make a worthy contribution to the intellectual life of all thinking readers.

In many ways, Stiles' ideas resonate with macromarketing scholarship. For example, he applies systems theory to understand that the Market is not synonymous with the economy. In Stiles' view, the Market is a part of the whole economy. Stiles recognizes this as a critical distinction and then goes on to assert that the economy has two levels - individuals and the Market.

When buyers and sellers trade, they impact the market price of what they trade. At the same time, the market price influences their behavior. It is this feedback loop that makes the market economy "self-adjusting" or "self-governing" its very essence... While each of us shapes our society in some way, we are all undeniably shaped by it as well, from our accent to our worldview. Each man makes his small contribution, but is subject to the whole. (P. 26)

Another example of Stiles' resonance with macromarketing scholarship can be seen in his treatment of moral philosophy. For those familiar with macromarketing, Stiles' book will be seen as the applied

version of Bill Kilbourne's criticism of the Dominant Social Paradigm.

While a human being is defined by his ability to distinguish between good and evil, to the Market good and evil are nothing but profit and loss – a very different standard. The Market may represent one side of human life – the collective judgment of people acting as traders – but it is not the voice of mankind. (P. 27)

Stiles makes his arguments compelling to the reader because he uses a broad lens in the best tradition of macromarketers. For example, Stiles is not afraid to acknowledge the success of the market economy for providing the material needs of mankind ("It works!" Stiles writes.). In this way, Stiles avoids the trap of presenting a one-sided diatribe against the Market.

Additionally, the arguments in *Is the American Dream Killing You?* gain power through the comparisons Stiles sees possible when looking at phenomena with a broad lens. For example, in discussing The Market vs. the Nuclear Family, Stiles notes that the qualities the Market rewards, such as 1) the ability to look out for oneself, and 2) opportunism - are deadly when applied in intimate relationships because such qualities are fundamentally based on a lack of trust. Stiles goes on to declare that love is not a market principle.

Reading thoughts like these led me to reflect that love is not a Marxist principle, either (in theory or practice). Therefore, the importance of religion and spirituality to the important tasks of reinforcing both the nuclear family and love is put in higher relief. The best of religion and spirituality encourages families and love. This is the kind of perspective a reader can gain by reading Stiles and then reflecting on the implications of his consistently well-grounded assertions.

Stiles' well-chosen graphs and illustrations will connect with students and non-academic readers. His points are well-researched and supported. As a result, Stiles' book earns a well-deserved place in the reading list of macromarketing and would serve valuably as the cornerstone for any course that considers the social aspects of consumption and ethics.

Stiles perceives a duality regarding the Market. According to Stiles, it carries aspects of Jekyll and Hyde. If the Market is surrounded with the right values – it is a good physician. However, if it isn't, it is likely to become a predator. Stiles is clear about how the right moral sensibilities are developed outside the market. He is bold in pointing to the spiritual lives of humans as providing the source of such right values. Without these values, individuals can degrade themselves and their environment through their consumption.

In Stiles' view, this scenario is currently being played out. More and more individuals unthinkingly accept the market as the principal arbiter of life's decision. To Stiles, society's hold on the right values is dangerously weakening. Stiles asserts that a deadly metaphysical conflict is under way driven by the Market's adoption of pure materialism – which regards the soul as non-existent, or irrelevant.

In Stiles view, meaning in the market is derived from “doing” while the spiritual is about “being”. In this way, referring to “human beings” makes sense, while referring to “human doings” does not. Such provocative ideas should serve macromarketers well not only in advancing their own thinking, but also in engaging others – both scholars and students alike – in considering the personal relevance and importance of macromarketing phenomena. In these ways, *Is the American Dream Killing You?* should become a touchstone of macromarketing thought and teaching in the years to come.

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- Friedman, Thomas. 1999. *The Lexus and the olive tree: Understanding globalization*. New York: Anchor Books.
- _____. 2005. *The world is flat: A brief history of the twenty-first century*. New York: Farrar Straus Giroux.

Sunday, June 3

10:30 – Noon **Session 3**

300 Plenary Session: Ethical Issues and Distributive Justice in Macromarketing: Present and Future, Part II

Co-chairs: Cliff Shultz, Arizona State University
Gene Lacznia, Marquette University

Panelists: Kevin D. Bradford, Notre Dame University
O.C. Ferrell, University of New Mexico
Gregory Gundlach, University of North Florida
Ronald Paul Hill, Villanova University
Tom Klein, University of Toledo
Eugene Lacznia, Marquette University
Stacey Menzel Baker, University of Wyoming
John Mittelstaedt, Clemson University
Clifford J. Shultz, II, Arizona State University
William L. Wilkie, Notre Dame University

This special session, organized by Gene Lacznia and Cliff Shultz, is intended to revisit and to expand a special session featured at the 2007 AMA Winter Educators' Conference, with the overarching objective to stimulate new thinking in the broad area of marketing ethics. The study of marketing ethics is integral to marketing research, teaching, and practice. A review of publications the last two decades reveals that most of the research in marketing ethics has examined issues of "right and wrong" in marketing practice, at the level of the firm and/or buyer-seller dynamics. In other words, the focus has been directed toward micromarketing. There has been considerably less examination of marketing ethics at the systemic or macromarketing level, especially the effects of marketing activities on the numerous and disparate stakeholders of those activities. The purpose of this special session is to assemble scholars with interests in both ethics and macromarketing, to discuss the current state of marketing ethics research, and to explore macromarketing directions for future research.

A macromarketing direction implies systemic, holistic examination of complex, multifaceted forces; with concern for ethical decision-making, distributive justice and enhanced quality of life for marketing's stakeholders. We believe this tack is imperative if marketing scholars are to engage relevant marketing research likely to have

meaningful impact on policies and marketing practices, to address humanity's most pressing challenges. A few obvious examples of challenges include globalization, environmental degradation, war, poverty, vulnerable populations, corruption, exploitation, resource-allocation, socio-economic disenfranchisement and injustice, pandemics, and natural disasters. Marketing has the potential to compound or to ameliorate them. Marketing researchers therefore have opportunities to be the vanguard of important research.

The scope, complexity and interconnectedness of the aforementioned issues however raise myriad concerns for marketing scholars. Principal among them are choice of methods and access to data, units of analysis, funding, the possible need for longitudinal studies and researcher staying-power, teleological vs. deontological considerations, inevitable trade-offs, and suboptimal policies and outcomes in the eyes of many stakeholders, and concerns about publishing (and demanding editors, reviewers and P&T committees). A broader objective of the session therefore is to share ideas and to inspire scholars to direct their research toward scholarly examination of complex socio-economic processes, ethical dilemmas and social injustice, vis-à-vis markets, marketing and policy -- i.e., macromarketing -- and to share helpful suggestions on ways to effect valuable research outcomes.

Sunday, June 3

2:00 – 3:30 **Session 4 – Overlapping Sessions**

410 Special Session: Subsistence Markets

Chair: Ronald Paul Hill, Villanova University

411 - *Understanding Subsistence Marketplaces*

Madhu Viswanathan, University of Illinois at Urbana-Champaign

412 - *Asset-Limited, Income Constrained Consumers: A Macromarketing Perspective*

John D. Mittelstaedt, Clemson University

James C. Witte, Clemson University

Robert Hoopes, Hoopes Strategies, LLC

Jeffrey Weiss, Dollar Financial Corporation

413 - *Homeless Persons in the Downtown: Implications for Marketing Systems-Oriented Research on Marketplaces*

Sandy Grossbart, University of Nebraska-Lincoln

Susie Pryor, Washburn University

414 - *Resource Constraints in a Boom and Bust Economy: Sustaining Organizations Through Macroeconomic Cycles*

David M. Hunt, University of Wyoming

Stacey Menzel Baker, University of Wyoming

Understanding Subsistence Marketplaces: Implications for Marketing and Society

Madhu Viswanathan, University of Illinois, USA

Whereas, research and practice in Marketing is predominantly based on relatively resource-rich, literate individuals and societies, this work examines marketplaces across literacy and resource barriers. The presentation will draw from a number of sources that provides a bottom-up understanding of buyers, sellers, and marketplaces in subsistence context to describe subsistence marketplaces and discuss implications for marketing and society. These sources include a research program using qualitative and quantitative research to understand buyers, sellers, and marketplaces in subsistence contexts, a teaching initiative on product and market development for subsistence marketplaces

(<http://www.business.uiuc.edu/~madhuv/submktcoursemainpage.html>), and a social initiative on providing consumer and entrepreneurial literacy education in subsistence contexts (www.marketplaceliteracy.org). At the broadest level, implications for marketing and society relate to the need to learn *from* subsistence marketplaces. Implications for research and practice also relate to the need for a fundamentally different mindset to understand subsistence buyers, sellers, and marketplaces. Specific implications cover issues relating to consumption, entrepreneurship, business practice and societal welfare. Implications for marketing and management relate to the need to fundamentally reexamine the definition of a business in subsistence contexts.

Asset-Limited, Income-Constrained Consumers: A Macromarketing Perspective

John D. Mittelstaedt, Clemson University, USA

James C. Witte, Clemson University, USA

Robert Hoopes, Hoopes Strategies, LLC, USA

Jeffrey Weiss, Dollar Financial Corporation, USA

The purpose of this paper is to report on an ongoing study to understand the production, consumption and family life cycle of households that possess limited assets, and face limited prospects for income growth. In this paper we apply a macromarketing perspective to understanding the family structure and consumption contexts of households with income between \$25,000 and \$45,000, with heads of households between 25 and 55 years of age. Based on data from the US Bureau of Labor Statistics, preliminary findings suggest that these asset limited, income constrained (ALIC) households differ from higher and lower income households in terms of household structure, employment and consumption. Macromarketing frameworks are used to elaborate on these findings.

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Macromarketing has long had an interest in the lifestyles and consumption patterns of the poor (Alwitt and Donley 1996; Hill and Stephens 1997) and very poor (Hill and Stamey 1990). Poverty limits mobility and opportunity, and the poor often pay more, in real and absolute terms, for goods and services (Calpovitz 1963). Similarly, macromarketing efforts have addressed the necessary economic and political conditions for economic development (Cox 1965; Carman 1983; Sybrandt, Pirog

and Tuninga 1991). While much research exists to understand the effects of marketing systems and public policy on the wealthiest and poorest among us, less is known about the effects of changing economic circumstances on the lower middle class, with modest skill sets and few assets to draw upon to improve their economic position. Increasingly, opportunities in high income economics flow to those Richard Florida (2002) calls the "creative class" – well-educated and able to engage in economic advancement through the creation and management of ideas. As Levy and Murnane (2005) point out, "Good jobs will increasingly require expert thinking and complex thinking. Jobs that do not require these tasks will not pay a living wage." Those stuck along the second and third quintile of the income distribution, above the poverty line but below the rising incomes of the upper middle class, lack the attention policy makers or marketing infrastructure afforded the income-deprived or the asset-endowed. They have sufficient income to keep themselves above the poverty line, but are constrained in their ability to turn income into future assets. ALIC is not poor, but neither does he/she have prospects for an upper middle class lifestyle. In America today, households earning between \$25,000 and \$45,000 get by, but don't get ahead.

THE ALIC PROJECT

The ALIC Project addresses two broad questions. First, what do we know about asset-limited, income constrained households in the aggregate? Second, how do the production and consumption patterns of ALIC differ from the population as a whole? In the initial stage of this project, these questions are addressed by examining the demographic, economic and consumption patterns of ALIC are compared to median patterns, and to those with higher and lower incomes. Findings in the study are based on data from the Bureau of Labor Statistics' Consumer Expenditure Survey program (U.S. Bureau of Labor Statistics 2004), an annual survey of 7,500 US households. Currently, findings from these data serve as the basis for follow-up interviews and focus groups conducted in Tampa, Florida, and Las Vegas, Nevada.

For purposes of this study, ALIC households are defined as those making between \$25,000 and \$45,000 annually, with heads of households between 25 and 55 years of age. ALICs are individuals and households with limited ability to access current (income) and future (asset) resources. For ALIC, this is not a transient state: they are not college students with limited income but substantial future assets; nor are they the retired households, with limited current earnings, but a pension or nest egg of previously earned assets off of which they live. ALIC can expect to spend his/her working career above the poverty line, but below the tide that raises others in the middle class (Baumol, Blinder and Wolf 2003).

ALIC AND MACROMARKETING

Macromarketing is the study of the effects of marketing systems on society, and the effects of society on marketing systems (Hunt 1981). Macromarketing differs from its managerial counterpart in its recognition of the marketing system as the unit of analysis (rather than dyadic exchanges), and in its consideration of the external causes and effects of exchange and exchange systems. Unlike managerial marketing, which is interested in the causes or outcomes of a particular buyer-seller interaction, macromarketing is interested in the social, political or economic context that makes exchange desirable in the first place, and the effects of the aggregated exchanges on society. What light can macromarketing shed on our understanding of asset limited, income-constrained households? Two perspectives are offered here: a functionalist perspective and a systems perspective. Each offers insight into the life of ALIC.

The Functionalist Perspective

Fisk (1967) argued that five basic functions flow within any transaction network: communication; title; possession; finance; and risk. In cases of heterogeneous demand, markets will allocate these flows differently. For example, in some cases, consumers take on the function of financing, while in other cases credit will be borne by the seller. In some cases risk will be outsourced to insurance companies, while in other cases firms will self-insure. Cox (1965) and Layton (1981a; 1981b; 1989) developed the techniques to measure and understand the flows of these functions through economies. Of interest to us in this case is whether the functions of markets operate differently for ALIC than for other income strata.

The Systems Perspective

Mittelstaedt, Kilbourne and Mittelstaedt (2006) review the first twenty-five years of research in the *Journal of Macromarketing*, and offer three general findings, based on the accumulated work: (1) individual transactions take place in the context of complex systems; (2) reflecting

heterogeneous demand across different groups of consumers, facing different circumstances; and (3) with consequences far beyond the individuals involved in the exchange. This means, for example, that households choose to engage in exchange because it makes sense in the context of its production-consumption cycle, which may differ from others because of social, economic or political circumstance, and result in different consequences across households and time. Such a system is reflected in Figure One. ALICs live in complex systems of economic and political circumstance, and their needs likely differ from either their poorer or wealthier counterparts.

These perspectives of macromarketing are not mutually exclusive. Together they are applied to understand how ALIC households manage the flows within an exchange economy, and the choices they make in the context of the complex web of their lives. Our intention is to better understand the needs and choices of ALIC.

Project Findings

Demographic, employment and consumption profiles of ALIC households were compared with their economic counterparts above and below their income stratum, controlling for working age of head of household (25-55). When age is restricted, 4,659 of 7,779 cases reported in the Consumption Expenditure Survey were included in the analysis (59.89%). When accounting for age, ALIC represented 28.4% of the population, where 15.0% have a lower household income ("lower income"), and 56.6% have an income in excess of ALIC ("higher income"). We summarize two important findings concerning ALIC: who s/he is, and what s/he consumes. Each lends insight into the daily life of the asset-limited, income-constrained, with macromarketing implications.

Key Finding 1: Home Ownership, Household Structure and Education Matter. Tables 1 – 5 summarize the housing, marital status and education of ALIC, compared to other income strata. In each case, counts and within-group proportions are reported. What distinguishes ALIC from upper income households? First, the plurality of ALIC households rent (48.3%), compared to the vast majority of higher income households that own with a mortgage. For upper income households, real property serves as a source of wealth (De Soto 1999), and mortgages allow households to build future assets, tax free. This is not the case of almost half of ALIC households. Second, the majority of ALIC households are single income households, while the majority of upper income households have two or more earners. This is important because the more earners in a household the greater its ability to advance, economically. Additionally, upper income households are more likely to benefit from the repeal of a "marriage tax," a "marriage benefit" enjoyed by households with a spouse at home.

The rate of marriage is much higher among higher income households than ALIC households. ALIC is as likely to be single or divorced (49.7% combined) as he/she is to be married (43.5%), while nearly three quarters of upper income persons are married (74.9%). Of equal importance, upper income households tend to possess two college degrees in the workforce, while ALIC is most likely to have a high school education. Put another way, the economic and social benefits of marriage are tied to long-term, educated partnerships. This combination of marriage and dual income serves as the engine of long-term income growth for upper income households, but not for ALIC.

Key Finding 2: Constrained income limits ALIC's accumulation of assets. Tables 6-9 summarize ALIC household consumption, compared to others. Differences in income influence patterns of expenditures between ALIC and upper- and lower-income households. Three are worthy of note. First, those in the lowest income group spend 39% of their income on housing as compared to 36% for ALIC and 32% among those in the upper income group. The major distinction between ALIC and upper income households is that upper income households are making tax-exempt mortgage interest payments, while ALIC is just as likely to be paying taxable rent. While a house serves as shelter for ALIC, it serves as an asset for upper income households.

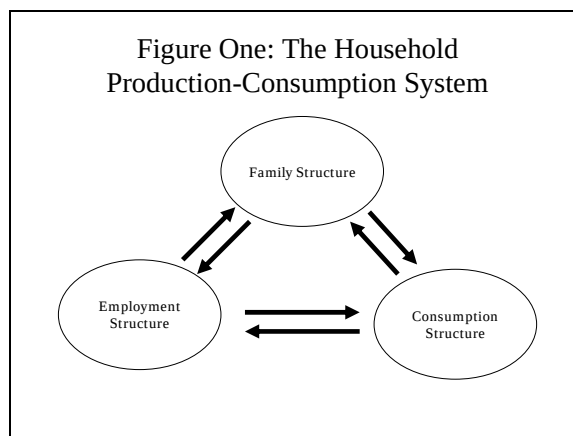
Second, while transportation spending is proportionally equivalent across ALIC and higher income households, the latter tends to buy new vehicles, while the ALIC buys used cars. These may or may not travel through similar channels, but they reflect very different marketing infrastructures. New cars are offered with warranties and manufacturer financing. For used cars these functional flows of risk and finance are borne by the consumer.

Combined, food, shelter and transportation account for 77% of lower income expenditures, 71% of ALIC expenditures, but only 63% of upper income expenditures. Where does the difference go? For upper income households, the third largest expenditure is insurance and pensions, i.e., investments in future assets. Indeed, while lower income households spend five times on food as insurance and pensions, and ALIC spends nearly twice as much on food as insurance and pensions, upper income households spend 125% of food outlays on insurance and pensions. While tax deferments are available to all, only the upper half of households appear to reap their benefits.

Discussion

The complex system in which ALIC works is different from that of either lower or upper income households (See Figure Two – Four). From a functionalist perspective, lack of title to one's home reduces ALIC's future asset accumulation, and deprives him/her of the single greatest source of credit for entrepreneurial business activity, risk

management, etc. Tax policies encouraging home ownership are available, but not actionable. The long term consequence is that ALIC can rely on housing for shelter, but not as an asset to be managed.



Similarly, the functions of marketing systems are distributed differently between new and used vehicles. In the case of new vehicles, manufacturers bear much of the finance and risk functions necessary for the flow of these markets. In the case of used vehicles, these functions are either borne or arranged for by the consumer. The result is that for those who are credit-worthy, new cars can cost less than their used counterparts, in terms of financing and repair, even when they have higher initial sticker prices. For ALIC, who drives mostly used cars, transportation is more an expense, and less an asset, than for upper income households.

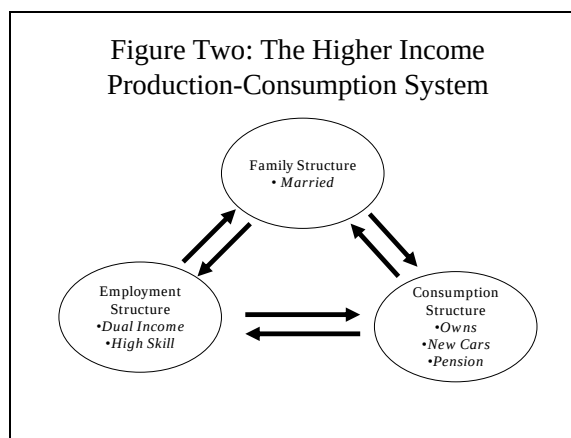
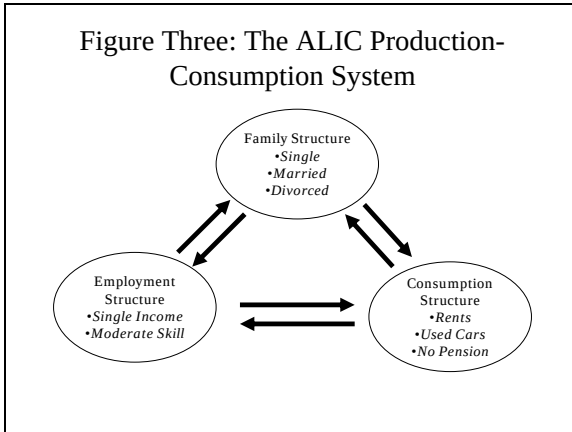


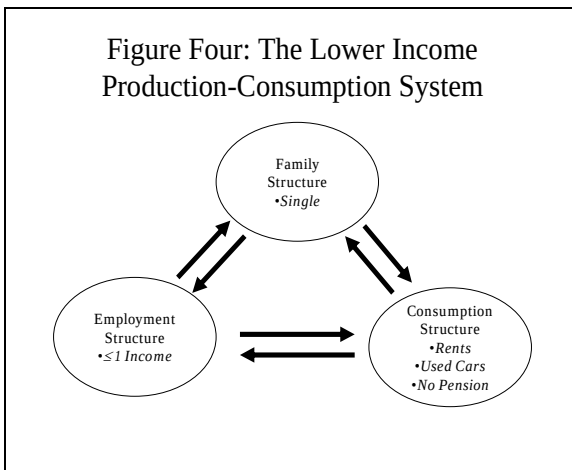
Figure Three: The ALIC Production-Consumption System



Finally, households that divert current income into future assets have different planning horizons than their asset limited counterparts. For ALIC the inability to divert income to future use means s/he either limits her/his future expectations, or makes current decisions with limited thought to future asset implications (i.e., excessive debt). In focus groups we are seeing evidence of both. In either case, the link between current income and future assets is not as strong as it is for upper income households.

In Mittelstaedt, Kilbourne and Mittelstaedt's (2006) summary of twenty five years of macromarketing theory development, three principal findings emerge: markets are complex systems; demand is heterogeneous; and choices of market participants have choices far beyond themselves, for better or worse. Each of these is reinforced in the findings of the ALIC project.

Figure Four: The Lower Income Production-Consumption System



First, markets are complex systems: The circumstance in which ALIC find him/herself reflects the complexity of market and social systems. The manufacturing economy for which ALIC prepared has given way to productivity increases and job mobility. In a previous generation, a high school education would have been sufficient to support a long-term, stable household. These jobs are no longer the backbone of the U.S. economy, having been replaced by a knowledge economy (Danzinger and Gottschalk 1995; Florida 2002; Levy 1998). One result is

that the marketing systems designed to meet the needs of higher income households either have no value to ALIC, or do not see ALIC as their customer.

Second, demand is heterogeneous across income and asset strata: The consumption patterns of ALIC differ from upper income households, and from the poor. In many ways, the channels distribution designed for ALIC are fundamentally different from those above, or below, their counterparts. For example, ALIC spends as much, proportionally, on transportation as upper income consumers, but gets less for their money because they take on the functions of financing and risk. Equally, by renting they lose out on both the tax advantages of homeownership and the asset accumulation offered by real property. The result is that the new working class cannot afford to buy into the American Dream the way their parents could.

Finally, the choices of market participants have implications far beyond themselves, for better or for worse. In some ways, ALIC is a victim of their own consumption. ALIC leverages their limited assets by shopping in low priced retail formats. In turn, these retailers compete on price to attract ALIC, in turn seeking the lowest cost supplies. The result is a system where ALIC the consumer cannot afford to support ALIC the producer. In other ways, their consumption options are limited because retailers do not see ALIC as their customer.

IMPLICATIONS AND CONCLUSIONS

What makes ALIC? In the modern, American economy, asset-limited, income-constrained households find themselves in a web of production and consumption that allows them to get by, but not ahead. Why?

First, in terms of marketing systems, ALIC's needs differ from others in the economy. ALIC's Production-Consumption System possesses comparatively fewer, and less educated, producers than their upper income counterparts, and bear different responsibilities and opportunities in the marketplace. If, for example, ALIC doesn't feel like banks want him/her as a customer, they are probably right. Macromarketing recognizes that variety of assortment and retail outlet reflects differences in demand.

Second, policy tools needed to address ALIC's needs must be very different than those of higher or lower income, and require different mechanisms. The needs of the poor are taken care of through transfer payments and entitlement programs, while the needs of the wealthy are provided for in tax policy. No equivalent mechanism exists for ALIC. ALIC needs policies and programs that promote long term, stable marriage, and that open educational doors. ALIC needs opportunity, not entitlement or wealth protection.

TABLE 1: HOME OWNERSHIP AND RENTAL, BY INCOME

		Lower Income	ALIC	Higher Income	Total
Own with Mortgage	Count	127	494	1,863	2,484
	%	18.1%	37.4%	70.7%	53.3%
Own w/o Mortgage	Count	116	181	314	611
	%	16.5%	13.7%	11.9%	13.1%
Rent	Count	450	638	451	1,539
	%	64.0%	48.3%	17.1%	33.0%
Occupy w/o rent	Count	10	8	9	26
	%	1.4%	0.6%	0.3%	0/6%
Total	Count	703	1,321	2,636	4,660
	%	100.0%	100.0%	100.0%	100.0%

TABLE 2: NUMBER OF EARNERS PER HOUSEHOLD, BY INCOME

# OF WAGE EARNERS		Lower Income	ALIC	Higher Income	Total
0	Count	196	10	10	223
	%	27.9%	1.3%	0.4%	4.8%
1	Count	429	807	674	1,910
	%	61.1%	61.1%	25.6%	41.0%
2	Count	67	446	1,536	2,049
	%	9.5%	33.8%	58.3%	44.0%
3 or more	Count	10	51	416	477
	%	1.4%	3.9%	15.8%	10.2%
Total	Count	702	1,321	2,636	4,659
	%	100.0%	100.0%	100.0%	100.0%

TABLE 3: MARITAL STATUS, BY INCOME

MARITAL STATUS		Lower Income	ALIC	Higher Income	Total
Married	Count	194	577	1,974	2,745
	%	27.6%	43.6%	74.9%	58.9%
Never Married	Count	261	339	293	893
	%	37.1%	25.6%	1.1%	19.2%
Divorced	Count	166	319	319	795
	%	23.6%	24.1%	11.8%	17.1%
Separated	Count	56	57	36	149
	%	8.0%	4.3%	1.4%	3.2%
Widowed	Count	26	30	23	79
	%	3.7%	2.3%	0.9%	1.7%
Total	Count	703	1,322	2,636	4,661
	%	100.0%	100.0%	100.0%	100.0%

TABLE 4: EDUCATION OF REFERENCE PERSON, BY INCOME

EDUCATION		Lower Income	ALIC	Higher Income	Total
< HS	Count	191	199	128	518
	%	27.2%	15.1%	4.9%	11.1%
HS Graduate	Count	228	407	521	1,156

	%	32.4%	30.8%	19.8%	24.8%
Some College	Count	144	320	512	976
	%	20.5%	24.2%	19.4%	20.9%
Associate's Degree	Count	57	121	334	512
	%	8.1%	9.2%	12.7%	11.0%
Bachelor's Degree	Count	67	218	730	1,015
	%	9.5%	16.5%	27.7%	21.8%
Grad/Prof School	Count	16	56	411	483
	%	2.3%	4.2%	15.6%	10.4%
Total	Count	703	1,321	2,636	4,660
	%	100.0%	100.0%	100.0%	100.0%

TABLE 5: EDUCATION OF SPOUSE, BY INCOME

EDUCATION		Lower Income	ALIC	Higher Income	Total
< HS	Count	48	120	114	282
	%	30.0%	21.8%	5.9%	10.6%
HS Graduate	Count	63	213	499	775
	%	39.4%	38.7%	25.6%	29.2%
Some College	Count	29	100	322	451
	%	18.1%	18.1%	16.5%	17.0%
Associate's Degree	Count	3	46	231	280
	%	1.9%	8.3%	11.9%	10.5%
Bachelor's Degree	Count	12	55	520	587
	%	7.5%	10.0%	26.7%	22.1%
Grad/Prof School	Count	5	17	261	283
	%	3.1%	3.1%	13.4%	10.6%
Total	Count	160	551	1,947	2,658
	% of HH	22.7%	41.7%	73.9%	57.0%
	%	100.0%	100.0%	100.0%	100.0%

**TABLE 6: CONSUMER EXPENDITURES OF 25-55 YEAR OLDS, BY INCOME
SUMMARY OF ANNUAL EXPENDITURE, BY PERCENTAGE, 2004**

	Lower Income	ALIC	Higher Income	All Households
Housing	39%	36%	32%	33%
Transportation	18%	19%	19%	19%
Food	20%	16%	12%	14%
Personal insurance and pension	4%	9%	15%	13%
Entertainment	4%	4%	5%	5%
Health care	4%	5%	4%	5%
Cash contributions	2%	2%	3%	3%
Apparel and services	3%	3%	3%	3%
Education	2%	1%	2%	2%

Adjusted miscellaneous expenditures	1%	2%	2%	2%
Alcoholic beverages	1%	1%	1%	1%
Tobacco and smoking supplies	2%	1%	1%	1%
Personal care	1%	1%	1%	1%
Reading	0%	0%	0%	0%
TOTAL EXPENDITURES	\$19,480	\$29,947	\$58,771	\$44,676

* Expenditures are drawn from second quarter 2004 Consumer Expenditure Interview data and multiplied by four for yearly estimates. Consumer Units (households) with reference persons between the ages of 25 and 55 are included in this table.

TABLE 7: HOUSING EXPENDITURES OF 25-55 YEAR OLDS WHO OWN WITH A MORTGAGE, BY INCOME

	Lower income	ALIC (\$20,000 - \$45,000)	Higher income	All Consumer Units
Housing (shelter and utilities)	\$7,604 (39%)	\$10,673 (36%)	\$18,729 (32%)	\$14,768 (33%)
<i>Owned Dwellings*</i>	\$1,575 (8%)	\$3,150 (11%)	\$9,326 (16%)	\$6,406 (14%)
Mortgage interest	\$881 (5%)	\$1,920 (6%)	\$5,962 (10%)	\$4,050 (9%)
Property taxes	\$427 (2%)	\$661 (2%)	\$2,112 (4%)	\$1,447 (3%)
Maintenance, repairs, insurance	\$267 (1%)	\$569 (2%)	\$1,251 (2%)	\$909 (2%)
<i>Rented Dwellings</i>	\$3,283 (17%)	\$3,547 (12%)	\$1,816 (3%)	\$2,528 (6%)
Rent excluding rent as pay	\$3,146 (16%)	\$3,527 (12%)	\$1,807 (3%)	\$2,497 (6%)
Rent as pay	\$137 (1%)	\$20 (0%)	\$8 (0%)	\$31 (0%)

- these are expenditures related to the actual physical shelter, excluding utilities, household operations and household furnishings.

TABLE 8: TRANSPORTATION EXPENDITURE OF 25-55 YEAR OLDS, BY INCOME

	Lower income	ALIC (\$20,000 - \$45,000)	Higher income	All Consumer Units
Transportation (vehicle & expenses)	\$3,532 (18%)	\$5,732 (19%)	\$11,135 (19%)	\$8,457 (19%)
<i>Vehicle Purchases (net outlay)</i>	\$1,490 (8%)	\$2,119 (7%)	\$4,767 (8%)	\$3,522 (8%)

Cars & trucks, new	\$383 (2%)	\$554 (2%)	\$2,344 (4%)	\$1,541 (3%)
Cars and trucks, used	\$1,106 (6%)	\$1,504 (5%)	\$2,279 (4%)	\$1,882 (4%)
Gasoline & motor oil	\$947 (5%)	\$1,479 (5%)	\$2,279 (4%)	\$1,882 (4%)
Other vehicle expenses	\$962 (5%)	\$1,960 (7%)	\$3,598 (6%)	\$2,736 (6%)

TABLE 9: INSURANCE AND PENSION EXPENDITURES OF 25-55 YEAR OLDS, BY INCOME

	Lower income	ALIC (\$20,000 - \$45,000)	Higher income	All Consumer Units
Personal Insurance and Pensions	\$829 (4%)	\$2,839 (9%)	\$8,916 (15%)	\$5,974 (13%)
<i>Life and other insurance</i>	\$75 (0%)	\$193 (1%)	\$586 (1%)	\$397 (1%)
<i>Retirement, pensions, S.S.</i>	\$755 (4%)	\$2,646 (9%)	\$8,331 (14%)	\$5,577 (12%)

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Homeless Persons in the Downtown: Implications for Marketing Systems-Oriented Research on Marketplaces

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This paper uses insights from a study of a downtown area to propose a marketing systems-oriented agenda for research on homeless persons in marketplaces. The study's findings concern how homeless persons affect and are affected by the economic, marketing, consumption-related, social, cultural, and political meanings of the marketplace. The agenda is described in terms of some of the key variables in the Layton and Grossbart (2006) framework for research on marketing systems. The variables deal with the environment, components, static and dynamic attributes, and outcomes of marketplace marketing systems.

Macromarketing scholarship generally neglects the role of homeless persons in marketplaces. It also gives insufficient attention to the nature and functioning of marketplaces as marketing systems (Layton and Grossbart 2006). This paper uses findings from a study of a downtown area to suggest a research agenda on homeless persons in marketplaces. It begins with background on marketplaces and homeless persons. Next, it describes the study. Then, it reviews the findings and their implications for marketing systems-oriented research issues.

BACKGROUND

Marketplaces

This paper addresses issues that Layton and Grossbart (2006) highlight in a call for macromarketing work on marketplaces. The issues include marketers' and consumers' roles in co-creating the relationships, flows, activities, and meanings in marketplaces. They deal with how marketplaces affect and reflect fluidity in marketers' and consumers' roles. They concern how marketplace viability and community life and development may be mutually reinforcing or at odds. They also consider the marketing systems implications of these interdependencies and tensions. Two ideas underlie this work. First, marketplaces are marketing systems. We should study their environments, components, attributes, and outcomes. Second, marketplaces are social, recreational, cultural, and

political sites as well as commercial settings. They reflect and affect facets of the interplay and embeddedness of marketing, society, and local life (e.g., goods and services options, tourism, shopping, jobs, tax revenues, property values, infrastructures, community identity and character, and development). The outcomes may be lauded, if marketplace viability and community life are mutually reinforcing, or rued if they conflict with some marketers' and consumers' interests or views. For example, critics argue that changes in downtown areas erode the social and economic bases of some U. S. and European cities (Pryor and Grossbart 2005).

Homeless Persons and Their Depiction

The "revolving-door" nature and magnitude of homelessness in the U. S. (over 3 million persons a year; Burt 2001; National Law Center on Homelessness and Poverty, 2004) has led to diverse studies on its antecedents and effects (Deverteuil 2005; O'Connell, et al. 1992; Stipe 2006). This work also deals with aspects of homelessness that are related to public health (Talpade 2003), government and private initiatives (Alexander-Eitzman 2006; Buchanan, et al. 2006), substance abuse (Milby, et al. 2005; O'Toole, et al. 2004), groups affected (elderly, children [1.35 million], mothers, and veterans; Crane and Warnes 2005; Gamache, Rosenheck, and Tessler 2003; Klitzing 2003; Meade and Slesnick 2002; Rokach 2005; Stromberg 2006; Warrington 2003), social issues such as social reintegration, social entrepreneurship and stigma (Alekseeva 2005; Busch-Geertsema 2005; Hibber and Quinn 2005; Tosi 2005), housing (Deverteuil 2005; Fitzpatrick 2005; Hoch 2000; Roche 2004; Sahlin 2005), and natural disasters (e.g., tsunamis; McMahon, Nyheim, and Schwarz 2006; Olchansky, Kobayashi, and Ohnish, 2005). Researchers in fields outside marketing note that homeless persons often experience many disadvantages and risks of victimization due to their social structural locations and restricted access to key facets of life, such as housing, employment, and public spaces. Likewise, marketing scholars identify some structural impediments that homeless persons face when they seek basic interactions in marketplaces (cf. Hill 1991; Hill and Stamey 1990). Yet, the limited work in this area offers few insights on homeless persons' roles in the functioning of marketplaces.

Since the 1980's and the demise of skid row districts, homeless and other street people have appeared more often in public places and downtowns. Typically, research offers a fairly circumscribed and, arguably, largely narrow, stereotyped depiction of homeless persons' negative effects on marketplaces. For example, it notes that they inhibit pedestrian traffic, dampen consumers' willingness to linger in retail areas, violate norms on sharing public spaces, prevent consumers from using amenities (e.g., benches and public squares), reduce other persons' use of public spaces, and lessen an area's tourist appeal (Snow and Anderson 1993). These effects are said to depress retail sales, create an ambience of disorder, trigger a so-called broken windows syndrome and loss of social controls, erode values (e.g., the work ethic in the case of panhandlers), and make it hard for city centers to compete with venues such as shopping malls. Moreover, the heavy use of downtown areas by street people is said to limit residents' abilities to socialize and interact. An exception to this negative view is the allowance that other people may psychologically benefit from occasions for charitable giving to homeless persons (Ellickson 1996).

Portrayals of homeless persons as unproductive and parasitic may echo past biases. Research suggests that Anglo-Americans stigmatize poor people due, in part, to a blame mentality. For example, they attribute U. S. poverty more to traits (e.g., poor money management, lack of effort, lack of ability and talent, drunkenness, and immorality) than to economic and social factors (e.g., low wages, job scarcity, poor schools, and racial discrimination; Feagin 1975). Respondents also react less favorably to a hypothetical poor man who is depicted as homeless versus domiciled (permanently housed; Phelan et al. 1997). Imprecise terms compound such biases. The homeless label is often applied to all poor people who make heavy use of public areas, even if they have permanent housing (Ellickson 1996). This domiciled group includes some panhandlers, bench squatters, can collectors, and other active street people. There is a tendency to attribute panhandling to homeless persons, but only a fraction of them engage in it and a large majority of panhandlers have permanent housing.

STUDY

Method

The data were taken from a larger five-year ethnographic study of a Midwestern city's (population 90,000) downtown area (with 27 block sides and 130 stores, service establishments, and restaurants). This downtown business district is a stable and enduring, geographically concentrated, and socially rich marketplace (McAlexander, Schouten, and Koenig 2002). Ethnography offers opportunities to develop holistic pictures of what people do, know, think, and feel and to gain an in-depth sense of the patterns and meanings in communities,

institutions, and other settings (Burawoy 1998; Creswell 1998; Denzin 1978; Marcus 1986; Sayre 2001; Schensul, Schensul and LeCompte 1999). Marketing scholars have used it to explore the sociocultural nature of marketers' and consumers' activities in marketplaces (cf. Belk, Sherry, and Wallendorf 1988; Peñaloza 2000; Sherry 1990).

Following McCracken (1988), data analysis and formation of analytic categories involved a process that related specifics about individuals to more general patterns in the community. Besides coding and summarizing data patterns, this process allows for a return to the literature to accurately represent participants' experiences.

Several approaches were employed to verify and validate the data collection, analysis, and interpretation processes and guard against potential biases (due to researchers' and informants' personal characteristics, orientations, and relational dynamics; Stewart 1998). Multiple methods and multiple sources were used, e.g., participant and non-participant observation, long interviews and semi-structured field interviews with retailers and consumers, secondary data (newspaper articles, blog comments, TV news reports, and photos taken by one of the authors and local newspapers). Recursive data collection was used and the evidence was searched for negative case studies or counter arguments that might suggest the need for more scrutiny of the data, conflicts with current theory, and possible unnoticed analytical categories. Several key informants also reviewed the findings and provided member checks, to confirm researcher impressions and interpretations (Denzin 1997; Miles and Huberman 1984).

Findings

Many people note that economic, marketing, and consumption activities in the downtown enhance revenues, jobs, tourism, and the tax base and support varied organizations. They also see downtown as a place for social, cultural, and political interaction and expression. These facets of the marketplace are overlapping and interrelated, e.g., consumption, social, and cultural activities, such as holiday bazaars and art exhibits, have economic effects on the downtown. They are also polysemic, so that views on them may differ and cause tensions. There is direct and indirect evidence that homeless persons affect views and tensions about the marketplace's meanings.

Homeless Persons and the Marketplace's Economic Meanings

It is generally known that homeless persons do not have a major effect on this marketplace's sales or tax base, but that social service agencies in the downtown that serve homeless persons have a significant economic impact on the area due to the purchases, grants, donations, and jobs

that they generate. Still, there are tensions over allocation of funds for homeless persons versus the downtown's institutions and infrastructure (e.g., its library and streets) and the desirability and effects of social programs and initiatives (e.g., businesses run by homeless persons). Some see them as needed and productive; others argue that they subsidize social service workers (who they label as "poverty pimps") and homeless persons (who they view as unproductive and criminally inclined).

Homeless Persons and the Marketplace's Marketing-related Meanings

Homeless persons are involved in marketing in the downtown. They have small businesses that make and sell varied goods and services, e.g., cookies and biscotti (at the Farmers' Market), painted welcome stones and dog biscuits (through local stores), and dog-waste removal services (now being planned). They also produce and sell a newspaper (both directly and through downtown stores). Moreover, some homeless individuals market services to retailers, e.g., window washing and snow removal. Some are buskers (street musicians and performers) who work for funds from passersby. Still others collect cans, goods, and materials discarded by retailers and consumers for resale. Their activities broaden the marketplace's product and service options and contribute to its atmosphere and aesthetics. They also create tensions. Some of these products and services compete with other persons' or firms' offerings. Informants complain that homeless persons do not adhere to licensing requirements that apply to other food producers. They also contend that homeless buskers are really panhandlers who should be regulated.

Homeless Persons and the Marketplace's Consumption-related Meanings

Out of what is available downtown, homeless persons' consumption is largely limited to discarded items, small things that they buy in stores on the area's periphery, what they get from social services agencies, and public goods and facilities (the recreation center, library, parks, bus shelters, benches, parking garage, and other public spaces). Yet, they do affect others' consumption. Some retailers and consumers indicate that they feel uneasy, limit the time that they spend downtown, and are reluctant to let their children use the area's facilities due to homeless persons' inappropriate behaviors. In particular, they express concerns about homeless persons who overuse, loiter, seem intoxicated, and leave needles, broken bottles, and other debris in and around the previously mentioned public facilities. Yet, some of those who voice such concerns (and others) buy products marketed by homeless people. They also note that entertainment by buskers makes the downtown seem welcoming and attractive to them.

Homeless Persons and the Marketplace's Social Meanings

The homeless population is part of the downtown's social fabric. Their presence affects and reflects its social organization and meanings. Like other persons, they use the area's public amenities and this use affects other people (although, perhaps, in different ways). Some homeless people suggest that the downtown is a place for them to interact with one another and others who come to the area. For example, they use benches to hold chess games and the bus shelter to meet and talk. Downtown social service agencies also try to foster contact between the homeless population and community. Annually, local residents share Thanksgiving dinner with many homeless individuals. Recently, a city task force sponsored a block party for residents from the shelter for homeless persons and nearby homes. Such efforts have varying degrees of acceptance and success. The dinner is widely supported, but the block party is not.

There are also other broad social effects. Merchants often attribute downtown problems (e.g., vandalism and panhandling) to homeless persons (often with no evidence). The added police patrols that they requested offer mixed cues. To some, they are a way to deter crime and rapidly respond to emergencies; others see them as a sign that the downtown is unsafe. In more positive terms, downtown charity activities raise sizable donations for the homeless population, e.g., the St. Patrick's Day parade and Chocolate and Tea at Three Auction. Thousands take part and many report that they benefit from co-producing and contributing to these activities. Despite the tensions involved, many retailers and consumers suggest that the status of homeless persons reflects the downtown's and community's inclusiveness, character, and values.

Homeless Persons and the Marketplace's Cultural Meanings

Homeless persons are actively involved in the co-production of cultural elements and meanings in this marketplace. Some are chess players who are watched by spectators. Others are street musicians, who often perform on the main shopping thoroughfare, at the Farmers' Market, Art in the Park events, and the Annual Sidewalk Sale (that draws tens of thousands of shoppers each summer). Homeless persons also contribute to the downtown's cultural streetscape through other artistic expression, such as puppetry. In addition, an individual appeared as "Homeless Santa" to draw attention to the plight of homelessness during the highly commercial holiday season. Arguably, the national recognition and media attention that the city has received for the vibrant cultural life downtown is partially due to homeless persons.

Homeless Persons and the Marketplace's Political Meanings

The homeless contribute to political expression in the downtown. In a direct sense, like other area residents, some homeless individuals sometimes participate in demonstrations or parades in the downtown. They also speak at city council meetings on issues relevant to social services or city ordinances that affect homeless persons.

Over the past few years, the politics of the homeless issue has become an increasingly significant matter with potential marketing and economic ramifications for the downtown. Some informants, like others who publicly state these views, argue that the presence of homeless people in the downtown reflects and projects the community's open, inclusive orientation. Yet, some outside observers disagree. The National Homeless Coalition recently named the community as the "second meanest city in America" towards the homeless, due to the number and extent of local civility ordinances that criminalize the condition of homelessness. These ordinances were enacted due, in part, to the efforts of a number of downtown merchants and patrons. Ironically, some see the negative publicity due to the designation as threat to the downtown's viability. These concerns fostered new dialogue about homelessness among homeless persons, other area residents, and business owners. The city recently formed a 17-member task force from a varied neighborhood, religious, social service and businesses organizations to determine who makes up the local homeless population and review programs and resources offered in other cities.

DISCUSSION AND A RESEARCH AGENDA

This study offers insights with implications for future investigations. In the following sections, these matters are presented in terms of the Layton and Grossbart (2006) framework for research on marketing systems (i.e., with respect to marketplaces' environments, components, attributes, and outcomes). This study involved one downtown, city, and method (ethnography). The questions raised here should be examined in other cities and marketplaces (e.g., downtowns, shopping malls, flea markets, and bazaars) using varied methodologies. The questions deal with critical aspects of the nature and functioning of marketplace marketing systems. However, they are suggestive rather than exhaustive. Macromarketing scholars may wish to also investigate how homeless persons influence and are influenced by other aspects of marketplaces' environments, components, attributes, and outcomes

Environments, Initial Conditions, Boundaries, and Inputs of Marketplace Marketing Systems

These findings highlight factors in the downtown environment that both affect and are affected by homeless persons' involvement in the marketplace. These factors include formal regulations and informal rules. They involve retailers', consumers', and homeless persons' motivations, objectives, and goals regarding the downtown, and their views on public and private property rights. They include social capital (which depends on individuals' values, feelings of obligation, and expectations about reciprocity and enforceable trust; Portes 1998). (This study offers some insights, but little is known about homeless persons' views and motivations concerning these matters.) They also relate to tangible resources (e.g., the marketplace's physical infrastructure, and amenities).

Moreover, homeless persons are affected by and contribute to marketing practices and consumption patterns in the downtown and retailers' and consumers' views of the marketplace's economic, consumption-related, social, cultural, and political meanings. These marketplace factors and influences on and by homeless persons exist on micro-, meso-, and macro-levels of aggregation. That is, they relate to individual stores, groups of stores and sub-areas, and most or all of the marketplace's stores and area. Homeless persons' activities on these different levels reflect and contribute to the permeability of marketplace's economic, marketing, consumption, social, cultural, and political boundaries.

These considerations suggest the following research questions:

- In what ways do homeless persons participate in marketplaces? What are their motivations, objectives and goals? How do they affect other participants' (retailers' and consumers') motivations, objectives and goals?
- What boundary conditions limit homeless persons' participation in marketplaces? Are they imposed or implied, formal or informal, external or internal to the marketplace, and rooted in views about property rights?
- How do tangible resources and social capital affect homeless persons' participation in marketplaces?
- How do views of marketing and the marketplace affect homeless persons' behaviors and other actors' behaviors and responses to them?
- How do contextual factors affect homeless persons' marketplace participation, e.g., culture, demographics, social structures, government, ethics, and values?

Components of Marketplace Marketing Systems

In this marketplace, homeless persons are affected by and contribute to components of the marketing system. For instance, their status is influenced by values and views that

color retailers' and consumers' decisions, e.g., on business models; homeless persons may face different circumstances depending on the dominance of small local retailers versus large non-local chains. It also depends by retailers' and consumers' joint efforts to oppose (e.g., lobby for restrictive ordinances) or support them (e.g., via charitable events). Joint efforts are more likely in marketplaces in which the parties have a history of cooperation, e.g., in shared marketing activities, charitable causes, and giving material and moral support in case of threats and disasters. Homeless persons also contribute to exchange elements (products, services, and experiences) in the marketplace by marketing products, selling services to retailers, and engaging in busking.

These factors raise the following issues:

- What roles do homeless persons play in marketplaces (e.g., as retailers, intermediaries, suppliers, service providers, and consumers)? How are they involved in subsystems and unofficial distribution in marketplaces?
- How do homeless persons affect exchange elements (physical products, services, and experiences) in marketplaces?
- How do homeless persons' activities in marketplaces reflect and affect exchange and transactional linkages and ties with and among other actors (retailers and consumers)?
- What are the requirements to be stakeholders in marketplaces? Are homeless persons acknowledged and unacknowledged stakeholders?

Static/Equilibrium and Dynamic/Adaptive Attributes of Marketplace Marketing Systems

The findings indicate that homeless persons are affected by and contribute to the marketplace's static/equilibrium and dynamic/adaptive attributes. For example, in terms of nodal relationships, they have competitive, cooperative, and controlled ties with retailers and consumers. There are aspects of both cohesion and conflict in these relations. Moreover, homeless persons are affected by and contribute to on-going and emergent cooperation, cohesion in ties and coalitions among retailers and consumers on multiple levels of the marketplace. In addition, they are affected by this marketplace's ability to respond (learn, adapt) to its linkages with the external environment (as in the response to the meanest city designation). Their presence and actions also contribute to emergent tensions and division in the marketing system (stress points, fractures, and groupings), which both limit and support their involvement in different cases.

These considerations lead to the following research questions:

- How are the homeless persons' roles in marketplaces related to the characters of their ties and links with retailers and consumers

(e.g., cohesive or conflicting and stable or changing)?

- How does homeless persons' participation in marketplaces reflect and affect:
 - existent and emergent patterns, clusters, and coalitions among other actors?
 - capacities of marketplace actors to learn and adapt? In what ways are marketplaces disrupted or able to adapt and evolve? What factors account for these responses?
 - linkages between marketplaces and their external environments?
- What emergent elements in marketplace marketing systems (e.g., stress points, fractures, and groupings) are associated with homeless person's participation?

Outcomes of Marketplace Marketing Systems

Homeless persons contribute to and are affected by other outcomes, in this marketplace. For example, their busking, selling of products and services, scavenging, and other behaviors influence consumers' and retailers' satisfaction/ dissatisfaction with acquisition, consumption, and disposition and, more generally, the quality of their lives.

In terms of distributional effects, homeless persons' consumption is affected by what they receive through retailers, consumers, and social service agencies. They gain and lose potential benefits, in part, due to the remedies and restrictions created via the powers of downtown retailers (sometimes in concert with consumers). Since their presence and actions contribute to tensions in views about the marketplace, there is often controversy about actions that benefit or restrict them. These tensions may reflect and underlie crime in this downtown. Some homeless persons may contribute to it; some may be victims. In terms of other marketplace dysfunctionalities, homeless people may be disadvantaged by access limitations, exploitation, and safety and health factors. They may also have an environmental impact on the marketplace, due to waste they discard and scavenge. Little is known about how efforts to restrict homeless persons' behaviors or of their busking, scavenging, and other services for retailers affect marketplace costs.

In terms of communication system effects, homeless persons are affected by depictions of them in the local media and in the homeless newspaper that they publish and distribute. In addition, their status in this marketplace and the contributions to the growth and adaptation its cultural and social activities (e.g., through busking activities) seem to be influenced by symbols, signs, and meanings associated with the downtown, e.g., the designation as the second meanest city in the U. S., national recognition of downtown's cultural life, retailers' and consumers' views of the downtowns' inclusiveness and other economic,

marketing, consumption-related, social, and political meanings.

These findings suggest the need to investigate the following matters:

- How does homeless persons' participation in marketplaces affect:
 - o discontinuities and shifts in marketplaces?
 - o short- and long-term economic outcomes (e.g., in retail costs and sales, resource flows, value added, productivity, capacity, and efficiency)?
 - o consumption-related outcomes, consumer satisfaction/dissatisfaction, and QOL of different groups of consumers and retailers in marketplaces?
 - o distributional outcomes (e.g., in consumption, inequity, and benefits for selective interests) and conflict in marketplaces)?
 - o resource allocation outcomes (e.g., monetary, social capital, and power)?
 - o social structure and social fragmentation in marketplaces?
 - o other social and cultural effects (positive, negative, adaptive, or destructive)?
 - o marketplace systems' failures (e.g., distortions, corruption, and criminality) and dysfunctions (e.g., conflict) that harm homeless persons and other groups?
 - o the physical infrastructures and amenities of marketplaces?
 - o marketplace symbols, signs, and meanings?
 - o institutional and political changes in marketplaces?

Research in the previously outlined areas should expand our understanding about homeless persons' roles in the functioning of marketplaces and offer a marketing system-oriented view of the issues involved.

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Resource Constraints in a Boom and Bust Economy: Sustaining Organizations Through Macroeconomic Cycles

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This paper and presentation explore the interplay of attitudes and perceived constraints among business owners, consumers, and policy makers interacting in a boom and bust market. Our interest is focused on how constraints of boom and bust economic cycles influence market strategies and affect the implementation of sustainable business practices. Data from field depth interviews with business owners, policy makers, and consumers throughout the state of Wyoming will provide insight into the complex and dynamic interaction of attitudes and values present among the key actors in a market characterized by regular cycles of boom and bust.

Economic development in the state of Wyoming is highly dependent upon the energy sector. Nearly one-quarter of Wyoming's gross state product is derived from mining (this contrasts the one percent of US gross national product derived from mining). As a result, Wyoming's economy historically has experienced extended periods of boom and extended periods of bust that mirror those cycles in the energy sector. Markets characterized by regular periods of boom and bust, include a number of organizations that experience significant resource constraints. An assumption underlying this research is that these resource constraints impact the pursuit of sustainable competitive advantage and impact the implementation of sustainable business practices.

Boom economies are characterized by high levels of aggregate demand and by extended periods of high inflation and low unemployment. In contrast, bust economies are characterized by low levels of aggregate demand and by extended periods of low inflation and high unemployment. Maintaining a sustainable competitive advantage and implementing sustainable business practices require an organization to pursue a planning horizon that extends well beyond the annual and quarterly planning periods inherent in traditional business cycles. Pressure on operational costs (e.g.

inflated supply costs, high wage rates) that accompanies a boom cycle and low demand that accompanies a bust cycle force businesses to attend to short term planning at the expense of long-term planning required to sustain a competitive advantage and to pursue sustainable business models.

A great deal of research on boom and bust economic cycles has addressed causal relations among aggregate demand, inflation rates, and low unemployment or has addressed public policy aimed at decreasing the effects of boom and bust cycles. A perspective that is largely absent from the dialog on boom and bust cycles is how those cycles affect the pursuit of sustainable competitive advantage and how those cycles facilitate or constrain implementation of sustainable business practices. This study attempts to fill that gap by exploring how boom and bust economic cycles influence the attitudes and strategies of business owners, policy makers, and consumers as they interact in a market characterized by regular cycles of boom and bust.

To address this issue, field depth interviews will be conducted throughout the state of Wyoming. Participants will be selected for the interviews based on their status within the state as a business owner, consumer, or policy maker. These interviews will address how members of each of these groups are affected by and how they respond to periods of boom and periods of bust. Data will be analyzed in an effort to develop a model that depicts a holistic perspective of how boom and bust economic cycles facilitate and/or impede the pursuit of sustainable competitive advantage and the implementation of sustainable business practices. As such, findings from our study will be of interest to marketing strategists, macromarketing researchers, and public policy makers.

Sunday, June 3

2:00 – 3:30 **Session 4 – Overlapping Sessions**

420 Competitive Paper Session: Quality of Life and Family

Chair: Mark Peterson, University of Wyoming

421 - *The Dominant Social Paradigm and its Relationship to Quality of Life Perceptions: A Cross-Cultural Comparison*

William Kilbourne, Clemson University

Bertrand Urien, Université de Bretagne Occidentale

422 - *Measuring Material Well-Being: Scale Development and Validation*

Ada Leung, University of Nebraska at Kearney

423 - *Consumer Attitude Toward Marketing and Subjective Quality-of-Life in the Context of a Developing Country*

Mark Peterson, University of Wyoming & Ahmet Ekici, Bilkent University

424 - *Intergenerational Transmission of Values, Attitudes and Behaviours in the Environmental Domain*

Alice Grønhøj, Aarhus School of Business

John Thøgersen, Aarhus School of Business

The Dominant Social Paradigm and its Relationship to Quality of Life Perceptions: A Cross-Cultural Comparison

William Kilbourne, Clemson University, USA
Bertrand Urien, Université de Bretagne Occidentale, France

This paper examines the relationship between belief in the dominant social paradigm (DSP) of a society and perceptions of quality of life (QOL). Samples of university students from France and the USA completed a questionnaire containing both a QOL and a DSP measure. The results suggest that DSP is positively related to social QOL but unrelated to personal QOL. Social QOL was positively related to personal QOL. The results were consistent across the two countries. The results lend support to the notion that support-led strategies for development may be necessary before growth-led strategies for increasing subjective well-being of citizens are effective. Cultural institutions providing security and stability enhance personal subjective well-being.

QUALITY OF LIFE

Quality of life (QOL) studies have been of interest to marketing scholars for decades now, and interest in the field has only increased. This is evidenced by the development of multiple organizations devoted to the study and a proliferation of journals whose primary focus is the study of one or more facets of the QOL problem. Interest within macromarketing has increased as well with a special issue of the Journal of Macromarketing devoted to QOL and a separate organization, the International Society of Quality of Life Studies, growing out of the macromarketing organization. Within the macromarketing society's national conference, QOL is typically a separate track as well. This all indicates that QOL is a viable and growing area of study across the globe.

Within this stream of research, the approaches taken to studying QOL are extremely varied ranging from the general condition of societies to the life conditions specific groups such as the elderly or those with specific medical conditions. A casual search for measures of QOL that have been used yields hundreds of different instruments, many of which have very specific applications and some with general orientations. The World Health Organization (WHO) for example, has

developed a general QOL measurement instrument. This further suggests the importance of the topic as a research stream.

Within marketing, the focus of studies is generally an aspect of the marketing problem and its relationship to QOL. Fisk (1973; 1974), for example, argues that marketing generally is a provisioning technology that helps to deliver QOL within marketing societies. The role of marketing and markets in enhancing the QOL in underdeveloped economies has been examined extensively as well but with mixed results. The World Trade Organization (WTO) for example, demands that countries liberalize their markets before they are admitted to the organization. This is predicated on the foundational belief within neoclassical economics that free markets deliver QOL better than any other form and that increasing international trade necessarily leads to economic development and, through it, enhanced QOL. This belief is predicated, of course, on the theory of foreign trade espoused by Ricardo (1911). There is substantial dispute on the efficacy of markets in delivering QOL under all conditions, however. Stiglitz (2002) provides multiple contemporary examples of the failure of the policies of the WTO and other non-governmental organizations in achieving enhanced QOL. Sen (1999) also provides contrary evidence and offers an explanation for the failures.

A synopsis of Sen's argument is that economic development enhances QOL only when necessary antecedent cultural conditions exist. Among these are political freedom, gender equality, and education all of which are necessary conditions for the effects of economic development to be shared by all citizens. If these conditions are absent, citizens can, and often do, suffer declines in QOL rather than gains as neoclassical theory suggests. O'Hara (1999) argues that this is at least partially due to the neoclassical devotion to GDP as the primary measure of progress. This approach, she argues, undervalues community and nature as primary contributors to QOL. This suggests that community and nature are invisible, but necessary conditions for the enhancement of personal measures of QOL. As will be argued later, when QOL is primarily characterized as personal enhancement through material gain (GDP), then enhancements of QOL tend to undermine the basis for their existence. This occurs when nature as a resource declines and community as a source of security for

one's QOL becomes degraded. Thus, while improvements in material gain can have positive effects on QOL, they can, at the same time, have negative effects. These are both potential consequences of unconstrained market development (Ophuls 1977) that precipitate commons dilemmas (Shultz and Holbrook 1999).

While it is difficult to establish the dimensionality of QOL with any degree of certitude (Crask 1995), the forgoing suggests that there are at least two dimensions that are useful in assessing QOL. These are personal measures and social measures. Personal measures include such factors as standard of living, health, and personal accomplishments, while social measures would include assessments of security, safety, and community. The community factor has been alluded to in political theory as far back as Hobbes (1950) whose absolute monarch was charged with securing the community from the inevitable "war of all against all" in which the individual's possessions would be in constant peril. Thus, without security, the sense of personal well-being necessary for QOL would always be in jeopardy. This suggests, consistent with Sen (1993), that the social aspects of QOL may be a necessary condition for feelings of personal well-being to emerge and be stable. This raises the larger question of what are the antecedent variables for enhancing QOL.

This question was addressed by Kilbourne (2006) in the context of environmentalism. It was argued that QOL exists in a direct relationship with the individual's beliefs in the political, economic, and technological premises of culture. These dimensions were argued to be an essential aspect of the dominant social paradigm (DSP) of a society (Dunlap and Van Liere 1984). The paradigm informs metaphysical beliefs, values, and habits that collectively provide the lens through which individuals interpret their world (Milbrath 1984) and Cotgrove (1982) adds that the paradigm is dominant because it is held by dominant groups in society. These groups use it to justify the prevailing institutions of the society that serve their own interests. The notion of the dominant social paradigm was first used by Pirages and Ehrlich (1974), but its conceptual development did not begin until two decades later, though there was periodic empirical support for an inchoate construct. More recently, Kilbourne, McDonagh, and Prothero (1997) and Kilbourne (1998) began a more thorough conceptual development of the construct.

THE DOMINANT SOCIAL PARADIGM

In the conceptual development of the DSP, six factors have been examined for their inclusion as essential elements of the paradigm. These are the three specified above, political, economic, and technological that have been examined empirically by Kilbourne,

Beckmann, and Thelen (Kilbourne, Beckmann, and Thelen 2002) and were shown to hold up well across cultures. In addition, Kilbourne (1998) suggests three more dimensions that are potential contributors to the DSP of a culture. These are referred to as cosmological factors and includes the structure (atomism vs. holism), functioning (competitive vs. cooperative), and organization (hierarchical vs. network) of one's culture. These six dimensions form the conceptual foundation for the DSP of a culture. Each of these will be briefly examined.

Political

The political dimension of the DSP is based on the political theory of Locke (1963), and it forms the basis for political liberalism. In this theory, there are three factors that are of primary concern in this analysis. The first is the existence of the possessive individual who is in possession of himself and is politically separated from society as an individual agent. Market society is a collection of such individuals tied together in market relations. This ontological premise is necessary for the second factor that is the institution of private property legitimated by the application of one's effort to nature. The fruits of this labor become rightfully the property of the individual. These market relations are monitored by a limited democratic government whose function is restricted to the enforcement of contracts and the protection of property. These are the three essential aspects of political liberalism and constitute the political dimension of the DSP.

Economic

The economic dimension is predicated on political liberalism and takes the form of economic liberalism legitimized by Smith (1937). In economic liberalism, the basic premise is that unfettered market relations between competing, atomized individuals (Locke's possessive individuals) form the basis for market society. Individuals acting in their own interest achieve their interest in market exchanges that take place in free (powerless) markets of similar individuals. This system should result in the most efficient allocation of capital through the satisfaction of individual preferences. This mode of economic organization also compels economic growth for the continuous growth of capital. Because it is an imperative of capitalism, growth then becomes coterminous with progress.

Technological

The means by which individual needs are satisfied in market relations is the continuous application of advancing technology. The continuous application of technology in the "betterment of man's estate (Leiss 1972)" results in the technological mediation of both culture and nature. In this relationship between individuals and technology, the belief that technology can master and improve nature (Eliade

1962) becomes the dominant mode of thought. The outcome is the persistent belief that technology can and will solve all problems that arise including those that are caused by the application of technology. Technological optimism and the belief that technology is under control become the prevailing beliefs following from what Ehrenfeld (1978) refers to as the arrogance of humanism.

Structure

With the transition from the organic to the mechanical worldviews, the concepts of harmony and purpose were transformed (Merchant 1980). Within the organic view, individuals were embedded within society which took precedence over the individual (Polanyi 1944). With the shift to the atomistic worldview, the individual was freed from society opening the door for the development of Locke's possessive individual who was free from external constraint. This was also a necessary condition for the development of economic liberalism. As a result of this transformation, Western society became a fragmented organization of isolated individuals who conformed to the market society evolving at the time. Consistent with the atomistic view in science, society was transformed from an organic, integrated whole to the fragmented, mechanical apparatus that could be deconstructed and reconstructed without damage to the whole. Each individual's interest was separated from the interest of the whole and priority resided in individuals whose collective interest was constitutive of society.

Function

Function here refers to whether the social relations between individuals are competitive or cooperative. Because market society prevailed, the relations between individuals were that of competitive market individuals. Because market relations in capitalist society are necessarily competitive, this competitive relation pervades all aspects of society motivated by the belief that competition promotes the good of all if left unfettered. Engendered by the confluence of Darwin and Spencer (Bury 1932), the value of competition in society pervaded social analysis and continues to influence social relations today. The belief in the value of competition pervades both business and recreation in Western society and continues to influence the health of society through economic activity. Carnegie, for example, considered the law of competition as the cause of material development and necessary for its continued growth (Donaldson and Werhane 1993).

Organization

The final factor in the DSP is organization, and this refers to the belief that the cosmos is hierarchically

organized with humans at the top. This view is referred to as anthropocentrism and carries with it a number of beliefs that are relevant to QOL. Eckersley (1992) argues that anthropocentrism is the belief that humankind is the only source of value or meaning in the world. Non-human nature serves no other purpose than to satisfy human needs. This belief is the product of both the atomistic structure and competitive functioning of society, and it is a direct product of the mechanical worldview. In this view, what is best for humans takes precedence over what is best for nature, and nature has purely instrumental value in the satisfaction of human needs.

The forgoing characterization of the DSP of Western societies, while brief, presents the essential factors that constitute it. It is assumed that each of these factors contributes to the worldview of Western society and that the DSP is directly related to individual definitions and perceptions of QOL. Specifically, Kilbourne (2006) argued that the DSP can have either a positive or negative impact on perceptions of QOL depending on whether material or other factors carry the greater force. Because in Western societies, material factors play such an important role, it is hypothesized here that the DSP will be positively related to QOL. This is because, the DSP of a society provides the criteria by which individuals judge its functioning. In the conceptual development of the DSP, it was suggested that material progress and individual well-being have become the dominant themes in Western societies, and that these should constitute the prevailing conceptions of QOL in those societies. Thus, the more one believes in the tenets of the DSP, the more one's conception of QOL will be individually based as it is the individual that has precedence on market societies. However, because such societies are also competitive, one's individual QOL is under continuous threat from outside. This suggests that the social aspects of QOL should also become important in one's overall QOL, and they may be a necessary condition for personal QOL. From this assessment, three hypotheses can be derived.

H1: The DSP should have a positive correlation with perceptions of the social dimensions of QOL.

H2: The DSP should have a positive correlation with perceptions of personal dimensions of QOL

H3: Social QOL and personal QOL will be positively correlated as the social is a necessary condition for the personal.

METHODS

Sample

This study was carried out on convenience samples of young adults from two countries, the USA and France. There were two reasons for the cross-cultural sample. We wanted to test the robustness of the results across two different cultures and, at the same time, increase the external validity

of the proposed model. The final sample sizes were 283 and 198 respectively. The sample was 41% female with an average age of 20.3 for the US sample and 40% female with an average age of 20.7 for the French sample. This approach enabled us to test the cross-cultural invariance of the constructs in the proposed model while controlling somewhat for age and income differences.

Measurement Instrument

Quality of Life

The QOL instrument was adapted from several others and designed to include both a personal and a social dimension of QOL. Items were chosen for the World Health Organization's instrument and from the Australian Personal Well-Being Index both of which have been used across cultures. The instrument used contained eight items with three measuring social aspects and four measuring personal aspects of QOL. The eighth item was an overall measure of QOL. Because the instrument had not been tested with these items combined, an exploratory factor analysis (EFA) was first performed for the two countries independently, and then a multi-group confirmatory factor analysis (CFA) was performed to determine the cross-cultural validity of the instrument.

The results of the EFA indicated that there were some differences in the two groups. The three social items were, however, consistent. When a two factor solution was imposed on the data, the results were consistent and yielded coefficient alphas of .62 and .75 for the French sample and .80 and .69 for the USA sample on the personal and social dimensions respectively. The fit statistics used were the incremental fit index (IFI), the comparative fit index (CFI), and the root mean square error of approximation (RMSEA) with standard cutoff criteria of .9 for the first two and 0.5 for the last (Hair et al. 1998). For invariance tests, the sequential chi square difference test (SCDT) was used with cutoffs of .05 (Anderson and Gerbing 1988). The results of the CFA are presented in Table 1 and indicate that partial metric and variance invariance were achieved as was full covariance invariance. Steenkamp and Baumgartner (1998) argue that this level of invariance is all that is required to test the nomological validity of constructs as was the intent in this study.

DSP Measure

For the DSP measurement instrument, the items were taken from Kilbourne et al. (2001). However, a reduced form of the instrument was used which maintained 18 of the original 30 items. While this full instrument had been used across cultures, a reduced form such as this had not.

TABLE 1
MODEL FIT STATISTICS

	X ²	df	rmsea	Ifi	Cfi	scdt
QOL						
Configural	95	38	.056	.94	.94	
Metric	106	44	.054	.94	.94	.09
partial	104	43	.054	.93	.93	.13
Covariance	104	44	.053	.94	.94	.16
Variance	115	46	.056	.93	.93	.01
partial	105	45	.053	.94	.94	.21
DSP						
Configural	304	160	.043	.90	.92	
Metric	325	170	.044	.89	.92	.02
Partial	314	169	.042	.90	.92	.37
Covariance	323	179	.041	.90	.92	.46
Variance	347	184	.043	.89	.91	.01
Partial	335	183	.042	.89	.91	.13
2 nd order	310	170	.04	.90	.91	

Consequently we proceeded as with the QOL measure. In the CFA, it was shown that the items were consistent between the cultures and also conformed to the dimensionality of the original instrument yielding six factors. However, the factor measuring atomism-holism did not hold up well. It had both a low alpha and did not fit the data well in the CFA that followed. This could be because the holism construct is more meaningful in Eastern than Western cultures. That factor was removed from further analysis. The remaining five factors were subjected to CFA with the results presented in Table 1. As can be seen, the measurement model was shown to be partially metric and variance invariant and fully covariance invariant. In addition, the covariances were all significant indicating the possibility of a second order factor model. This model was formed and tested for invariance as well. The results indicated that the second order factor model for the DSP was supported. The second order model was used in the subsequent causal model of DSP and QOL.

Causal Model

The proposed causal model, presented in Figure 1, was tested in the final phase of the study. In the proposed model, it was hypothesized that the DSP would have a direct influence on perceptions of QOL in respondents. Because the social aspects of QOL were considered to be a necessary condition for personal aspects of life, the relationship between the DSP and the social aspects of QOL were expected to be larger than the effect on personal QOL. In addition, the relationship between social QOL and personal QOL was hypothesized to be positive. The analysis of the causal model partially confirmed the hypotheses established. The path from DSP to social QOL was significant for both groups, but it was only marginally significant for the US ($p < .07$). For both the US and France, however, the path from

DSP to personal QOL was not significant. Finally, for both groups, the path from social to personal QOL was positive and significant ($p < 0.01$). Thus, hypotheses 1 and 3 were confirmed while hypothesis 2 was not. For the complete model, all fit statistics were within the acceptable range indicating that the model, as a whole, did fit the data well.

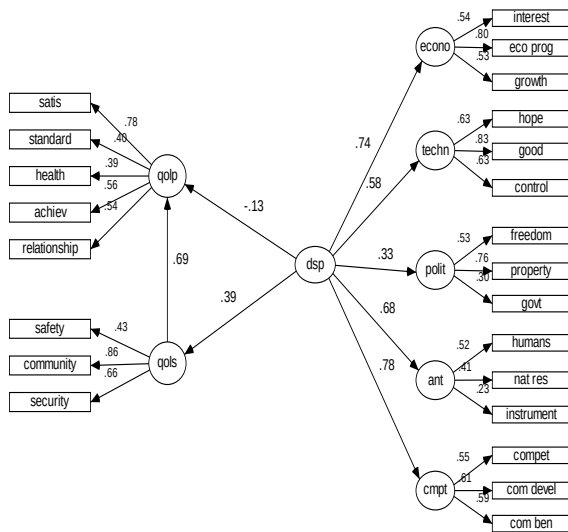


FIGURE 1 – CAUSAL MODEL

SUMMARY AND CONCLUSIONS

In a recent conceptual article by Kilbourne (2006), it was argued that QOL is influenced by an individual's beliefs in other conditions that are constitutive of QOL. Specifically, it was argued the political, economic, and technological institutions extant in a culture serve to define and then to satisfy QOL requirements according to its own logic. Kilbourne and Beckmann (1998) also argued that cosmological variables including structure, function, and organization are related to the institutions above. In this paper, we proposed and tested a model to test this relationship. In a study including respondents from the US and France, the relationship between the DSP as defined here and an empirical measure of QOL was tested in a structural equation modeling format. The DSP and QOL constructs were shown to be invariant across the two cultures and then the causal model was tested. The results of the test indicated that the DSP was positively related to the social dimensions of QOL, but it was not related to the personal dimension of QOL. In addition, the social dimension of QOL was shown to be positively related to the personal dimension.

It was argued that the DSP of a society provides the framework within which other institutions of society are defined and judged. Thus, in the case of QOL, the DSP provides the constituents of QOL for the society and also provides the criteria through which QOL is to be judged.

Through this ideological function, the DSP determines both what QOL is and when it is good or bad. This suggests that the members of a society would have fairly consistent impressions regarding the composition of QOL and be reasonable judges of its level for them. Because the DSP and QOL have this consanguine relationship, it follows that one's perception of their QOL would have a direct relationship with their belief in the constituent variables of the DSP of their society. If one believes in economic and political liberalism and is a technological optimist, then they would be likely to define QOL in the idiom of liberalism, that is through personal, individual measures of such things as standard of living and health. But these personal qualities can be ephemeral if not afforded protection from encroachment by others. Thus, a necessary condition for personal QOL would be the safety and security of one's personal QOL. This belief would also be a product of the DSP because it goes hand in hand with personal QOL. Thus the DSP should be related to both social QOL and personal QOL, though not necessarily equally or contiguously. That is, the DSP could be related to personal QOL with social QOL as a mediator that enables personal QOL. The results of this study provide limited support for the conclusion. As belief in the DSP increases, perceptions of social QOL increase resulting in increases in personal QOL. However, the link between DSP and personal QOL was not significant.

One explanation for this is provided by Ajzen and Fishbein (1977) who suggest that the conceptual level of variables such as personal or social, affect the relationship between them. If two variables are at the same conceptual level, there is a more direct level between them. Variables that are downstream in a causal chain are less likely to be related. Here, because the DSP is a sociocultural variable, it is more likely to be related to social level variables than personal level variables. This is somewhat the case in the proposed model. The DSP is a much more general measure than personal QOL, so the relationship would be expected to be smaller than its relationship with a more social variable such as social QOL. This is supported by the fact that the same relationship existed in both the US and France. The path from the DSP to social QOL was significant while the path to personal QOL was not.

This result lends empirical support to Sen's (1999) argument that support-led development strategies might be more effective than growth-led strategies because the former is a necessary condition for the efficacy of the latter in enhancing perceptions of QOL. What appears to be the case here is that without community support in fostering safety and security, the individual's perception of QOL diminishes. Before one can be happy with their personal situation in society, they must be assured that their condition is not just temporary or in constant jeopardy. Thus, on policy factor in enhancing QOL is to create institutions that make individuals feel safe in their environment. This would, in turn, engender the desire to enhance one's personal QOL.

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Measuring Material Well-Being: Scale Development and Validation

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The development and validation of measures to assess multiple dimensions of material well-being are described in this paper. Scale-development procedures resulted in a three-factor correlated model made up of the following dimensions: positive affect for finances, absence of strain for possessions, and positive affect for possessions. A series of studies demonstrate the psychometric properties of the material well-being measures, their construct validity, convergent validity, predictive validity, and their ability to mediate relationships between objective measures of material life and overall subjective well-being. The potential of the material well-being scale to further our understanding of the relationship between material life and overall quality of life is also articulated. Keywords: material well-being, subjective well-being, scale development, quality of life.

Material well-being and its related concepts have been frequently cited as an important construct for understanding quality of life and consumer behavior. For example, at the societal level, material well-being has been hypothesized as a measure of a nation's economic welfare and economic development (Magrabi et al. 1975); at the individual level, material well-being is considered an outcome of positive financial behaviors (Sorhaindo, Kim, and Garman 2003; Xiao, Sorhaindo, and Garman 2006), and an influence on subjective well-being, psychological well-being, and physical health (Campbell 1981; O'Neill et al. 2005; Sirgy et al. 1998). Material well-being and related measures have been studied principally from three perspectives. In economics, material well-being is often measured using income and other objective indicators (such as the number of rooms in the person's residence) (U.S. Census Bureau 2003). In quality-of-life, it is treated as broad satisfaction with one's material life, which is the combination of family income and standard of living ("standard of living" refers to "things people have, such as housing, cars, furniture, recreation, and so on") (Alwin 1987), and it is often examined with its relationships with subjective well-being (Michalos 1993a; Sirgy et al. 1998). In consumer behavior, material well-being is often studied through the examination of meanings infused in their

possessions or things, such as how people use their possessions to communicate about themselves, their group identity, and their distinctions (Belk 1988; Csikszentmihalyi and Rochberg-Halton 1981; McCracken 1988; Richins 1994a; Wallendorf and Arnould 1988). Nevertheless, all three perspectives offer an incomplete conceptualization and operationalization of material well-being. Researchers have shown that the economic conditions fail to give a complete portrait of the citizens' lives. In fact, the rise in economic affluence is not accompanied by corresponding increase in social welfare and well-being (Campbell 1981; Campbell, Converse, and Rodgers 1976; Easterbrook 2003). Because quality-of-life researchers measure satisfaction at an abstract level (Sirgy et al. 1998), they seldom examine the interrelationships among various aspects of one's material life. While consumer behavior researchers investigate the reflexive relationships between social relationships and possessions, they fall short in outlining the similar relationships about finances, the other important aspect of material life. The understanding of the relationships among various aspects of the material life is crucial in contemporary society as consumers often confront all aspects either simultaneously or sequentially (Leung 2006). While consumers enjoy the utilitarian, symbolic, hedonic, and social benefits that are made possible by their possessions and homes, they also need to meet the financial obligations and emotional strains that come along with them (Bernthal, Crockett, and Rose 2005). Therefore, an overarching measure is needed that taps into the various elements of material life, and such a measure should also take into consideration how various elements are related with each other.

Moreover, a valid measure of material well-being would allow researchers to study material life and, in particular, materialism in a new light. There have been conflicting arguments about the pros and cons of materialism and its impact on individuals and society. Some researchers have suggested consumers with money-related or materialistic values central to their lives tend to have lower psychological well-being (Ahuvia and Wong 1995; Burroughs and Rindfleisch 2002; Csikszentmihalyi 1999; Goldberg and Lewis 1978; Kasser 2002; Kasser and Ryan 1993; Rindfleisch, Burroughs, and Denton 1997; Schroeder and Dugal 1995; Sirgy 1998), and a high level of materialism may impact the society detrimentally (Richins and Rudmin 1994). On the other hand, some

scholars argue that the good life starts with material life (Oropesa 1995; Schudson 1991; Twitchell 1999) and that improvement in material life often leads to greater concerns with quality of life (Inglehart 1990). My position about these ambivalent findings is that the observed relationships between materialism and its consequences are likely to be mediated by material well-being. Given the same level of objective material conditions, through the lens of materialistic values, consumers perceive their material conditions differently and hence, have different levels of perceived material well-being and subjective well-being. Therefore, the construct of material well-being and its related measures are likely to help researchers probe the processes that mediate the objective conditions of material life and subjective well-being and examine the inconsistent claims about the impact of materialism on society.

The purpose of this paper is threefold. First, I attempt to address the issue of incomplete theorization of material-being, to describe the nomological network in which material well-being is embedded, and to briefly discuss related concepts. My second objective is the development and validation of the scale to measure the various dimensions that underline material well-being. In addition, I demonstrate the applicability of the scale by using it to examine the theoretical connections among various dimensions of material life and the consequences of material well-being on overall life satisfaction or subjective well-being. Finally, I hope that my conceptualization and measures will enhance research that seeks to understand and identify factors that improve material well-being and quality of life.

DEFINING THE DOMAIN OF MATERIAL WELL-BEING

Material Well-Being as Perceived Attributes of Material Life

Campbell (1981) defined the sense of well-being as an attribute of human experience that derives from people's perceptions of their contemporary situation. Therefore, the sense of well-being should be measured both by the objective attributes as well as the perception of the adequacy of the objective attributes for achieving some goals. The typical objective measures of material well-being are income or GDP/capita and ownership of various types of goods. Measures that tap into the perception of these material conditions are scant, and they are either too broad which measures satisfaction towards various types of possessions (e.g. Sirgy et al's Material Satisfaction Index 1998) or too narrow which does not provide comprehensive depiction of all aspects of material life (e.g. Garman et al's Financial Distress/Financial Well-Being Scale 1999; Oliver's Product Satisfaction Scale 1996).

The development of a measure that taps into the subjective evaluation or perception of material life is crucial to further the understanding of the theoretical connections between material life conditions and overall subjective well-being. While satisfaction with life in general tends to increase with income and the ownership of certain possessions, these indicators alone have relatively low power in explaining subjective well-being (Oropesa 1995). This finding has been replicated in the United States, where the rise in income is not accompanied by corresponding increase in well-being and happiness (Campbell 1981; Campbell et al. 1976; Easterbrook 2003), and in other countries as well, in which the positive correlation of income and subjective well-being was not statistically significant (Diener and Oishi 2000).

I postulate the underlying reason for the low explanatory power of income or possession indicators on the sense of well-being is that material life is multifaceted and people often hold ambivalent perceptions towards their material life. For example, it is very common for consumers to hold paradoxical affects towards their technological possessions, as these products can fulfill and create needs, bring control and chaos, and even make the users feel free and enslaved at the same time (Mick and Fournier 1998). Researchers in the quality-of-life research stream also share similar views. Campbell et al. (1976) suggest that the tightness of relationships between objective conditions and subjective appraisals declines as the object of judgment becomes increasingly multidimensional and ambiguous and as the task of appraisal moves from descriptive fact to affective evaluation.

Not only does subjective perception not correspond very closely to external objective conditions of life, cross-cultural studies also suggest that social comparison operates between the theoretical relationships of objective conditions and subjective perceptions of material life (Campbell et al. 1976; Diener and Lucas 2000). It was found that higher-income students are less satisfied with their incomes in wealthy versus poorer nations (Diener and Oishi 2000), suggesting given the same level of objective conditions, consumers tend to be less satisfied if they perceive they have negative discrepancies compared to peers or other reference standards. Other research studies have also shown that financial well-being depends not only upon objective measures of the financial situation, but also on how a person perceives the objective attributes of the financial situation after comparing those attributes against certain standards of comparison (Porter and Garman 1993).

Therefore a scale of the sense of material well-being should measure the subjective evaluation about one's material conditions and should tap into the multifaceted elements of material life, including possessions and financial situation. Such measure represents an important construct that theoretically links the concepts of material

life conditions, social comparison, and overall subjective well-being.

Material Well-Being and Quality of Life

So what is the locus of material life in people's life as whole? On one hand, some condemned the pursuit of material goods as the process produces wastes in the society (Veblen 1899), depletes resources for the poor (Galbraith 1984), strips out people's time and attention from the building of meaningful social relationships and community (Coontz 1992), and even endangers the progress of democracy in society (Tocqueville 1840/2000). On the other hand, some scholars argue that the good life starts with material life (Oropesa 1995; Schudson 1991; Twitchell 1999), and that the improvement in material well-being often leads to greater concerns on quality of life (Inglehart 1990). Therefore, material life can hinder as well as promote the achievement of something good--material bases of life are substratum from which other aspects of life, such as virtues or wickedness, happiness or depression, and personal growth or retardation, are sprung from (Lane 2006).

Then how important is material well-being in the broader framework of overall life satisfaction? Along with other life domains, such as family, friends, employment, marital status, religion, self-esteem, health (including physical, emotional and social well-being), etc., satisfaction with material bases of life, such as possessions and personal/household finances, are significant in explaining overall life satisfaction (Andrews and Withey 1976; Campbell 1981; Campbell et al. 1976; Michalos 1991a, 1991b, 1993a, 1993b). This theoretical framework theorizes a hierarchy model in which there are vertical spillover effects between satisfaction with life domains (or subdomains) and overall life satisfaction (most superordinate domain) (Andrews and Withey 1976; Campbell et al. 1976; Sirgy 1998; Sirgy et al. 1998). Therefore, material well-being is expected to be positively correlated with overall life satisfaction or subjective well-being.

In addition to vertical spillover effect, spillover also occurs horizontally when one life domain affects other domains on the same hierarchical plane, such as physical health and psychological well-being (Sirgy 1998). Some researchers suggest that attachment to possessions is a pleasant experience, since favorite possessions are often markers of self-concept (Belk 1988), social connections (Csikszentmihalyi and Rochberg-Halton 1981), and social differentiation (Richins 1994b; Wallendorf and Arnould 1988). Therefore, material well-being is expected to be positively correlated with psychological well-being, including happiness, and emotional well-being.

Material Well-Being and Materialism

Interestingly, researchers have suggested that consumers' satisfaction with possession wanes quickly as materialism increases (Richins and Rudmin 1994; Wang and Wallendorf 2004), as high levels of materialism lead consumers to keep searching for products in hopes of bringing them happiness and manifesting their success; but they found it difficult to remain satisfied over the long run due to their awareness of other things out there that can better manifest their success than their current possessions. Therefore, material well-being is expected to be negatively correlated with materialism.

OVERVIEW

The research reported in this paper involves the development and validation of multiple measures for the dimensions of material well-being. First, I describe the procedures used to generate and purify the initial pool of items. I then use data from study 1 ($n = 223$) to select items based on corrected item-to-total correlations and factor analysis loadings. I also conduct social desirability tests using data from study 1. Subsequently I use confirmatory factor analyses on data obtained in study 2 ($n = 257$) to examine the factor structure, and to provide evidence of dimensionality, scale reliability, convergent, and predictive validity. Study 3 ($n = 92$) provides evidence of test-retest reliability. Study 4 ($n = 179$) data were collected to offer evidence of known group validity from comparing the scores of material well-being in studies 2, 3, and 4. Lastly, I test the theoretical predictions regarding the relationships among material well-being, materialism, subjective well-being and psychological well-being, and objective conditions of material life, using data from studies 2 and 4.

ITEM GENERATION

The exploratory stage of the research sought to generate a pool of items to characterize how people describe and perceive their material life, including possessions (or things) and personal/household finances. This was accomplished both by conducting depth interviews and through a review of relevant literature. Twenty-two one-hour interviews were conducted in a mid-western city in 2005. I purposely recruited informants from a diverse background, including variations in occupations, age, and gender. Questions asking informants about their possessions and finances, life satisfaction, aspects of life most and least satisfied, served to probe the relationships of interest. Interviews were recorded, transcribed, and analyzed in a systematic fashion.

I complemented this analysis with a review of scales related to attitudes towards possessions and finances. For instance, I adapted some of the perceived attributes of

financial domains of Porter and Garman's (1993) examination of financial well-being, some statements from post-purchase experience and product satisfaction (Oliver 1996), and Shaw et al's (2004) preliminary measures of material well-being.

An initial battery of 162 statements was generated that reflected the totality of topics addressed in the interviews plus important aspects of material life adapted from previous research. This set is reduced by eliminating redundant, ambiguous, and leading statements, and statements that overlapped with the constructs of behavior. The final set of 50 statements retained for further analysis was made into a survey of seven-point (strongly disagree to strongly agree) Likert-type scale. Half of the items are about possessions, and the remaining half about finances. The items contained both positively and negatively worded items to tap into the ambivalent nature of the construct.

STUDY 1: ITEM PURIFICATION

Methods

Data were collected from undergraduate students at a mid-western university ($n = 223$). Fifty-two percent of the respondents were male. Their mean age (SD) was 22 (3.9) years old. Majority of the respondents were non-Hispanic white (88%), followed by Asians (7%), and Hispanic/Latino (3%). The mean (SD) household income was \$29,407 (\$34,842.86), and the mean (SD) credit card debt was \$451 (\$912.34).

Item Analyses and Exploratory Factor Analyses

Standard scale development practices were used for item purification (DeVellis 1991; Nunnally and Bernstein 1994). First, Kaiser-Meyer-Olkin tests of sampling adequacy (0.873) and Bartlett tests of sphericity (chi-square 2369.954, 210 df, $p < .001$) indicated that the data were appropriate for factor analysis. Exploratory factor analysis using varimax rotation was used to suggest dimensions and to construct a scale on the basis of the

resulting factor loading (Churchill 1979). An analysis of the scree plots suggested three underlying dimensions. I eliminated items that loaded on more than one factor as well as those with factor loadings below 0.50. Items were also judged for clarity of meaning and face validity regarding the item's relationship with the dimension. These item purification analyses improved the parsimony of the set, and the number of items was reduced to 21, with 10 items on the first factor, 5 items on the second factor, and 6 items in the third factor, as depicted in table 1. The coefficient alpha was 0.878 for the combined scales, and 0.749 to 0.919 for the individual factors.

Factor Structure

Three factors emerged from the exploratory factor analysis. While finances have only one dimension, possessions have two dimensions, including statements that depict both the affects and strains that associate with owning possessions, which reflects the ambivalent nature of material life.

(1) Positive affect for finances (PAF). This factor reflects the extent to which one's view of his or her financial situation, including income and wealth. The affect dimension of finances only has one dimension, indicating one's perception of finances is unidimensional, ranging from stressful to ideal.

(2) Absence of strain for possessions (ASP). This factor originally reflects the extent to which one feels negatively about his or her possession. I reverse scaled the items on this factor, so that all factors in the material well-being scale load in the same (positive) direction.

(3) Positive affect for possessions (PAP). This factor reflects the extent to which one feels positively or has positive experience with their possessions. As revealed during the qualitative interviews, apart from attaching personal and social meanings to their possessions, consumers are also concerned about the legacy of their assets.

TABLE 1: MATERIAL WELL-BEING SCALE ITEMS FROM STUDY 1

Factor	Item	Positive Affect Finances (PAF) (1)	Absence of Strain Possessions (ASP) (2)	Positive Affect Possessions (PAP) (3)
1	I don't worry about bills. (NWORRY)	0.614	0.021	-0.207
2	Overall, I am happy with my wealth and income. (HAPPY)	0.787	0.203	0.136
3	I consider my standard of living to be excellent. (EXCELLENT)	0.728	0.152	0.129
4	My current financial situation puts me under a lot of stress. (R) (STRESS)	0.679	0.316	-0.075
5	My financial situation is very good. (GOOD)	0.848	0.152	0.154
6	It's gratifying to be as financially secure as I am. (SECURE)	0.792	0.064	0.288
7	My current financial situation is comfortable. (COMFORT)	0.749	0.307	0.158
8	My financial situation allows me to spend money freely without much planning. (FREELY)	0.726	-0.112	0.084
9	My financial situation gives me peace of mind. (PEACE)	0.775	-0.005	0.217
10	My current financial situation is ideal. (IDEAL)	0.779	0.047	0.126
11	I'm afraid that others look down on me because of the things I own or don't own. (R) (AFRAID)	-0.004	0.698	0.022
12	I get frustrated because the things I own just never seem to measure up. (R) (FRUSTRATED)	0.173	0.774	-0.071
13	Sometimes I feel a little upset because I don't own a nicer house or car. (R) (UPSET)	0.227	0.544	-0.159
14	Sometimes I look at the things I own and feel as though I'm a failure. (R) (FAILURE)	0.118	0.785	0.243
15	I don't like the quality of my possessions. (R) (NLIKE)	0.08	0.715	0.269
16	I am proud that I will leave meaningful heirloom to my children/grandchildren. (HEIRLOOM)	0.102	0.114	0.594
17	I am proud that I will leave substantial assets to my children/grandchildren. (ASSET)	0.154	0.138	0.620
18	I have truly enjoyed my possessions. (ENJOY)	0.014	0.427	0.575
19	I own something that are associated with successful people. (SUCCESS)	0.137	-0.111	0.638
20	Owning my possession has been a good experience. (EXPERIENCE)	0.069	0.143	0.791
21	My possessions make me feel like I'm part of the world. (WORLD)	0.059	-0.18	0.668

Note: Boldface depicts which factor (column heading) relates to which item (row heading). (R) indicates reverse coding.

STUDY 2: CONFIRMATORY FACTOR ANALYSIS

Having established the 3-factor 21-item material well-being scale through factor analysis, I collected subsequent data to confirm the factor structure and assess the scale's reliability. The multidimensional factor structure identified in study 1 was subjected to a confirmatory factor with a more heterogeneous samples obtained through mail surveys. It involved a randomly chosen sample of households from a community telephone directory in which initial mailings were followed by reminder postcard one week later (n = 257). Forty-six percent of the respondents were male. Their mean age (SD) was 52 (13.8) years old. A majority of the respondents were non-Hispanic white (98%), followed by Asians (1%), and

Hispanic/Latino (0.5%). The mean (SD) household income was \$63,909 (\$36,946.44), and the mean (SD) credit card debt was \$2,717 (\$5,916.65). The scale items were tested using a five-point Likert-type scale.

The fit of the three-factor model emerging from the factor analysis was compared to other confirmatory models to determine which provided the best fit. The four models examined were a zero-factor or null model (model A), a single-factor model in which all 21 items comprised one factor (model B), a three-factor uncorrelated (model C), and a three-factor correlated model (model D). As shown in table 2, the three-factor correlated model (model D) provided the best fit to the data, as indicated by the improvement in the chi-square measure of lack of fit between models (Bollen 1989). In that model, the

interfactor correlations ranged from 0.22 to 0.603. Therefore the results justify the treatment of material well-

being as a multifaceted construct.

TABLE 2: MODELS AND GOODNESS OF FIT INDICES FOR CONFIRMATORY FACTOR ANALYSIS FROM STUDY 2

Model	Description	DF	χ^2	$\Delta\chi^2$	CFI	TLI	RMSEA
Model A	Null	210	2,838.170				
Model B	One-factor	189	912.742	1,925.428	.725	.694	.126
Model C	Three-factor uncorrelated	189	587.640	325.102	.848	.831	.093
Model D	Three-factor correlated	186	447.295	140.345	.901	.888	.076

Note: n = 257

Scale Reliability

Coefficient alpha estimates of internal coefficient reliability based on study 1 data were as follows: 0.878, combined scale; 0.919, positive affect finances; 0.770, absence of strain possessions; and 0.749, positive affect possessions. Similar estimates were obtained based on study 2 data. For example, the corresponding alpha estimates from study 2 were 0.911, combined scale; 0.926, PAF; 0.820, ASP; and 0.750, PAP. The corresponding construct reliability estimates (Fornell and Larcker 1981) based on the standardized loadings for the three-factor correlated model were 0.971, PAF; 0.926, ASP; and 0.936, PAP. In addition, all indicator t-values were significant ($p < 0.01$).

ADDITIONAL EVIDENCE FROM STUDIES 1 & 2

Study 1: Social Desirability Tests

As the material well-being scale may contain items that may cause concerns about social desirability bias, thirteen items from the Marlowe-Crown social desirability scale were included in study 1 (Crowne and Marlowe 1960). I chose these items as researches have been done to demonstrate the viability of the 13-item short form (Reynolds 1982). The original dichotomous scaling format was changed to a seven-point Likert format. I then tested the extent to which the material well-being measures were correlated with the 13-item measure of social desirable responding, as well as an investigation of whether social desirability moderated, suppressed, or inflated the relationships with measures of subjective well-being, self-esteem, standard of life satisfaction, and emotional well-being satisfaction (Mick 1996). The internal consistency estimate of reliability for the social desirability scale was 0.771. Correlations with the desirability measure were 0.212 ($p < 0.001$), 0.339 ($p < 0.001$), and -0.024 ($p = 0.722$) for PAF, ASP, and PAP subscales respectively, and 0.248 ($p < 0.001$) for the combined scale.

Partial correlations and moderated regression tests were used to reanalyze the relationships between the material well-being scale and the measures of subjective

well-being, standard of life satisfaction, and emotional well-being satisfaction (Mick 1996). First, partial correlation tests revealed only very slight, but non-significant, attenuation of the strength of the correlations when social desirability was controlled for. Moderation regression analyses revealed that the tendency to provide desirable response only affected the relationships involving the absence of strain possessions (ASP) subscale and the satisfaction rating towards emotional well-being. Nevertheless, for both the low- and high-social desirability groups, the regression coefficients between ASP and emotional well-being satisfaction remained statistically significant.

Study 2: Relationships with Other Measures

The data from study 2 made possible tests of relationships between the material well-being measures developed here and a number of other constructs.

Subjective Well-Being. Diener's satisfaction with life scale (SWLS) was included to test the relationship between material well-being and subjective well-being. The material well-being scale is found to be positively correlated with Diener's Satisfaction with Life Scale (SWLS) ($r = 0.556$, $p < 0.001$), offering evidence of predictive validity. PAF subscale correlates the most with SWLS ($r = 0.566$, $p < 0.001$), followed by ASP and PAP subscales ($r = 0.409$, $p < 0.001$ and $r = 0.274$, $p < 0.001$ respectively).

Material life satisfaction. In order to test the convergent validity of the measure, I included the domain satisfaction of standard of living, wealth, income, possessions, and housing. Both material well-being scale and its subscales are found to positively correlate with the domain satisfaction towards various aspects of material life, including standard of living ($r = 0.657$, $p < 0.001$), wealth ($r = 0.694$, $p < 0.001$), income ($r = 0.649$, $p < 0.001$), possessions ($r = 0.486$, $p < 0.001$), and housing ($r = 0.458$, $p < 0.001$). In general, the PAF subscale correlates the most with the satisfaction ratings towards material life, followed by ASP and PAP subscales.

Psychological well-being. To test the relationships between material well-being and psychological well-being (Sirgy 1998), the measures of emotional well-being (Veit

and Ware 1983) and subjective happiness were included. Emotional well-being is operationalized using the 5-item Mental Health Inventory (MHI-5), which is found to detect psychological disorders well (Berwick et al. 1991). Items in MHI-5 were scaled in a way such that high scores reflect emotional wellness, i.e. little or no psychological disorders. Happiness is measured using the 4-item subjective happiness scale, which is characterized by high internal consistency, a unitary structure, and temporal and geographical stability (Lyubomirsky and Lepper 1999). The material well-being scale is found to be positively correlated with MHI-5 ($r = 0.531$, $p < 0.001$). PAF subscale correlates the most with MHI-5 ($r = 0.516$, $p < 0.001$), followed by ASP and PAP subscales ($r = 0.461$, $p < 0.001$ and $r = 0.195$, $p = 0.002$ respectively). As for subjective happiness, the combined scale of material well-being correlate positively with its measures ($r = 0.390$, $p < 0.001$). ASP subscale correlates the most with subjective happiness ($r = 0.486$, $p < 0.001$), followed by PAF subscale ($r = 0.361$, $p < 0.001$). The correlation between PAP and happiness was not significant ($r = 0.098$, $p = 0.121$).

Materialism. The 15-item material value scale (Richins 2004) was included to test the correlations between the constructs. The material well-being scale exhibits a negative correlation with materialism measures ($r = -0.254$, $p < 0.001$). The ASP subscale correlates the most with the measures of materialism ($r = -0.436$, $p < 0.001$), followed by PAF ($r = -0.311$, $p < 0.001$) and PAP ($r = 0.204$, $p < 0.001$).

STUDY 3: TEST-RETEST RELIABILITY

Responses to the material well-being items were collected on two occasions separated by two weeks from a sample of 92 undergraduate students. Fifty-two percent of the respondents were male. Their mean age (SD) was 22 (4.4) years old. Majority of the respondents were non-Hispanic white (89%), followed by Asians (8%), and Hispanic/Latino (2%). The mean (SD) household income was \$39,933 (\$43,577.31), and the mean credit card debt was \$1,078 (\$2,809.54). The items were tested using a five-point Likert-type scale. The test-retest correlations are: 0.775, overall scale; 0.842, PAF; 0.665, ASP; and 0.536, PAP (all p 's < 0.001).

STUDY 4: KNOWN GROUP DIFFERENCES AND APPLICATION STUDY

Study 4 was conducted to provide additional evidence of construct validity and nomological validity for the material well-being scale (DeVellis 1991). This section first presents the mean scores of the measures among samples for which meaningful differences were expected to occur. As for the application study, it outlines nomological network for material well-being by demonstrating appropriate uses of the measures in a theoretically relevant context.

Method

Data were collected from 179 university faculty and staff members employed by a state university. Seventy percent of the respondents were female. The mean (SD) age is 46 (11.88) years old. Majority of the respondents were non-Hispanic white (93%), followed by Hispanic/Latino (3%), African Americans, and Asian (2% each). The mean (SD) household income was \$68,821.84 (\$37,007.54), and mean credit debt was \$3,183.24 (\$5,729.74). The measures were tested using a five-point Likert-type scale. The internal consistency reliability estimates for the material well-being three factors ranged from 0.697 to 0.936, with 0.913 for the combined scale.

Known Group Differences

Tests of mean differences between the student samples from study 3, the faculty/staff sample in study 4, and the random adult samples from study 2 resulted in significant t -values ($p < 0.05$, two tail test) for 6 out of 9 comparisons (i.e., studies 2 and 4 versus comparison group of student samples from study 3 for three material well-being dimensions). For the significant comparisons, the average t -values are 5.719 and 3.933 for study 2 and study 4 comparisons, respectively. The means for material well-being were 67.26, 72.17, and 75.52 for the study 3 student, study 4 faculty/staff, and study 2 random adult samples, and they are significantly different from each other ($F = 15.725$, $p < 0.01$). In fact, the scores of the combined scale, PAF, and ASP subscales were the highest among the random adult sample, followed by those of the staff/faculty sample and the student sample. As expected, undergraduate students have the lowest level of material well-being. As for the results that the random adult sample has the highest material well-being scores, it is likely due to the fact that it has the highest mean age (52 years old). Research studies have shown that as people age, they become more satisfied with material domains of life—standard of living, savings, and housing—since they are likely to move into their period of highest income and status (Campbell 1981; Oropesa 1995). These significant comparisons provide additional support for the validity of the measures.

Application Study: Material Well-Being in Quality-of-Life Nomological Network

In order to demonstrate that material well-being as the people's perception, mediating the relationships among the objective conditions of material life, materialism, subjective evaluation of current material conditions compared with the aspired standard (self/wants evaluation), and subjective well-being, the measures developed here were tested through path models showing their relationships with the following measures: materialism, self/wants evaluation, subjective well-being,

happiness, emotional well-being, and covariates. The covariates were the objective measures of material life, including household income, credit card debt, owning a house, and owning a car. As articulated in Shaw et al. (2004), materialism prompts people to compare negatively between themselves currently and what they want (Sirgy

1998). Such negative comparison is likely to result in lower material well-being, which in turn spills over vertically to overall subjective well-being, and then spills over to the domain of psychological well-being, such as happiness and emotional well-being.

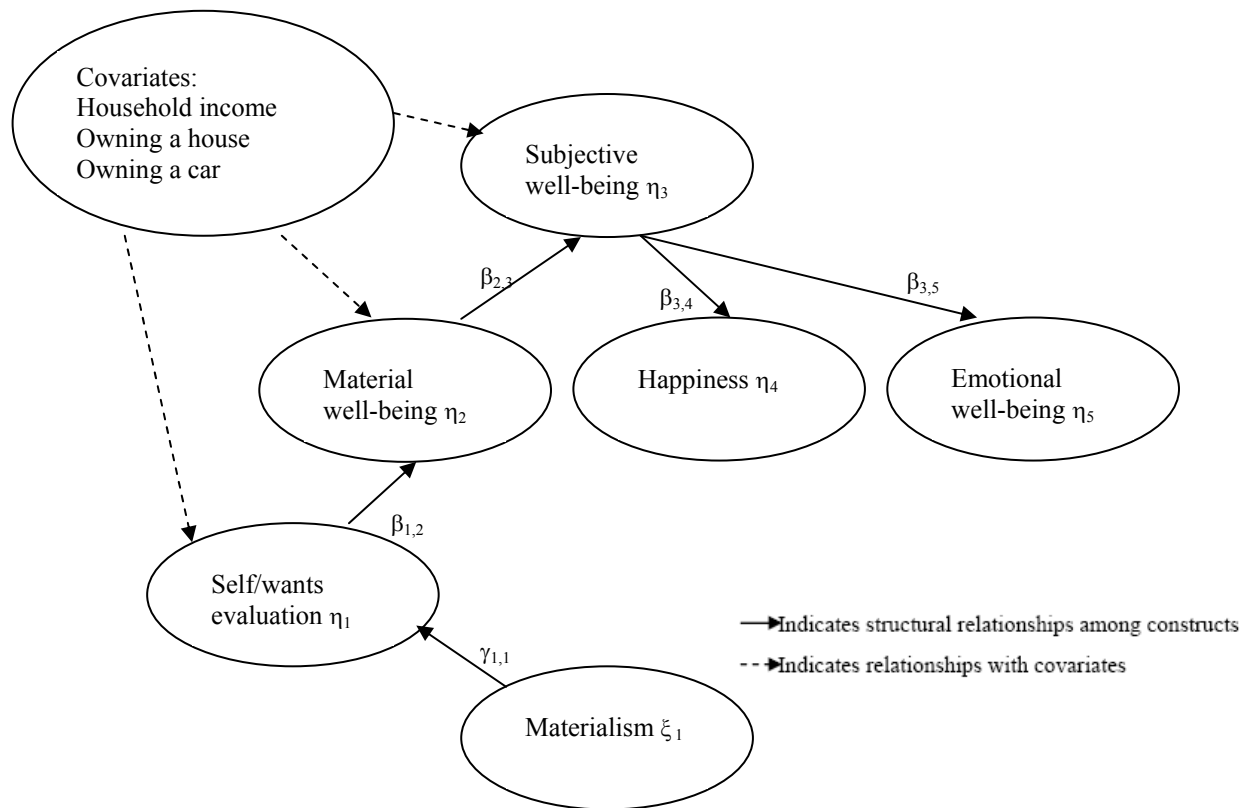


FIGURE 1: STRUCTURAL MODEL OF APPLICATION STUDY

The constructs in the tested model were represented using the measures described in the previous section. For self/wants evaluation, I used the responses to this question: Considering your current

standard of living (including your possessions, wealth, and income), how does it measure up to the standard of living that you want or your general aspirations? The response is a five-point scale, ranging from far above to far below. Objective conditions were hypothesized to have relationships with self/wants evaluation, material well-being, and subjective well-being (Michalos 1991a; Shaw, Leung, and Wallendorf 2004).

I used MPlus with maximum likelihood estimation to test the hypothesized relationships. I tested the model using three data sets, study 2 (random adult sample), study 4 (faculty/staff sample), and the combined sample of both studies. Since the model fit statistics, the direction and strength of the parameter estimates, and t-values are

similar in all three models, I report the model statistics of the combined sample here (see table 3). The fit statistics for the model were: chi-square 1,687.209, 754 df, Tucker-Lewis Index (Non-Normed Fit Index; TLI), 0.882; Comparative Fixed Index (CFI), 0.873, Root Mean Square Error of Approximation (RMSEA), 0.056. This latter statistics is less sensitive to distribution and sample size (Hu and Bentler 1998), and estimates within the 0.05 and 0.08 range indicate fair fit (Browne and Cudeck 1993). These results, the large t-values on the parameter estimates, and the acceptable range of values (e.g., no negative variances) suggest that the model fits the data well.

The estimates of the structural coefficients provide the basic tests of the proposed relationships. First of all, materialism has a negative effect on self/wants evaluation ($\gamma_{1,1} = -0.160$, $t = -3.227$, $p < 0.01$). Then positive self/wants evaluation on standard of living has positive impact of material well-being ($\beta_{1,2} = 0.379$, $t = 7.661$,

$p < 0.01$). Material well-being is then found to have positive effect on subjective well-being ($\beta_{2,3} = 0.732$, $t = 7.588$, $p < 0.01$), which in turn causes positive psychological well-being: happiness ($\beta_{3,4} = 0.608$, $t = 10.660$, $p < 0.01$), and emotional well-being ($\beta_{3,5} = 0.658$, $t = 8.963$, $p < 0.01$).

As for the path estimates from the covariates (objective conditions of material life) to material well-being (perception of material life), all of them are statistically significant with $p < 0.01$. While the estimates of household income, owning a house, and owning a car have positive impacts, high level of credit card debt has a negative impact on material well-being. Interestingly, the direct effects from the covariates to subjective well-being are not statistically significant, but the estimates of their indirect effects are. These results further support the mediating effect of perceived material well-being from the objective conditions of material life to subjective well-being.

DISCUSSION

Analysis of the literature concerning material well-being suggests that this construct should include the perceived attributes of both possessions and financial situation. Towards this end, I have embarked on a research program to measure some of the relevant aspects of material well-being. The studies suggest that at least three aspects of material well-being can be measured reliably with some validity: positive affect for finances, absence of strain for possessions, and positive affect for possessions. In contrast to finances, possessions have two subscales, implying people often have ambivalent attitudes towards their possessions, but are less articulated towards their finances. This phenomenon has empirical support in the consumer research literature, as both positive and negative affects towards possessions are often experienced by consumers at the same time (Mick and Fournier 1998; Oliver 1993).

The material well-being scale developed here taps into the people's perception of material conditions, including finances and possessions. Unlike satisfaction ratings, this scale provides a more concrete and comprehensive measure of the subjective evaluation of material life by including items that depict the affects and strains that associate with finances and possessions. Moreover, by examining material life as a whole, this scale also takes into account the interrelations among various aspects of material life.

The items of the scale were empirically grounded as they were generated from extensive qualitative interviews among a wide spectrum of informants. The subsequent psychometric tests of the scale were conducted among both adult and student samples. Evidence regarding the dimensionality, reliability, and validity of the material well-being measures were provided. This evidence included tests of response bias, test-retest, known group

validity, convergent, and predictive validity, in addition to evidence of reliability and validity from item and factor analyses. In the application study, material well-being was shown to mediate the effects of objective conditions of material life and self/wants evaluation on subjective well-being. The findings from the study also suggested the possible psychological process that gives rise to the negative correlation between materialism and material well-being. It is likely that individuals with high materialistic value tend to negatively compare themselves between their current and aspired standard of living, which results in lower material well-being, and hence ultimately lower subjective and psychological well-being as well.

Material well-being may also be related in predictable ways to other aspects of life, and these potential relationships offer additional suggestions for future research. For example, material well-being should be positively correlated with post-materialistic values. That is, persons high in material well-being should be interested in post-materialistic activities such as political and intellectual participation (Easterlin 1974). Likewise, Michalos (1991a, 1993a) and Sirgy (1998) suggest that satisfaction with material life domain is likely to spillover to other domains. Thus, material well-being is likely to be an important mediator in the study of quality of life, relating the objective material conditions and satisfaction towards other life domains.

A number of avenues for additional measurement-related research are tenable. For example, while the research has been replicated several times in the United States, it becomes imperative to expand the geographical scope of the research to countries whose values are different from the United States to test the consistency of the scale, and the role of material well-being as the mediator in the relationships between objective attributes of material life and subjective well-being.

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Consumer Attitude toward Marketing and Subjective Quality-of-Life In the Context of a Developing Country

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The purpose of this research is to better understand Consumer Attitude toward Marketing (CATM) and how it relates to Quality-of-Life (QOL) in a developing country. Such sentiments toward marketing practice are core indicators of the marketing system's performance in delivering well-being to consumers during the first stage of the consumption process - acquisition. In this stage, the activities of businesses are set in high relief for consumers. As Douglas and Craig (2006) have noted how marketing is sadly neglected in developing countries, the CATM measures suggest how QOL-marketing might correlate with QOL in developing countries. Measures used in Gaski and Etzel's (1986) Index of Consumer Sentiments toward Marketing (ICSM) are enhanced and refined in this study of Turkish consumers. Using a confirmatory-factor-analysis approach, these measures are then used to derive a second-order factor representing Consumer Attitude toward Marketing (CATM) and to assess its nomological relationship with subjective quality of life (QOL).

Keywords: consumer attitude toward marketing, sentiments toward marketing, consumer well-being, quality-of-life.

QOL-marketing is the business mechanism that plans, prices, promotes and distributes economic consumer goods to consumers in ways to maximize consumer well-being

Sirgy et al 2006, p. 412

Macromarketing is involved in comprehending, explaining and predicting the effects that the marketing system can have, and is having, on the world (Wilkie and Moore 2006). As globalization increasingly integrates markets, nation-states and technologies, the world becomes a place where marketing systems in the developing world matter more and more to marketers (Prahalad 2005). Yet, Douglas and Craig (2006) note that the role of marketing in developing countries is sadly neglected. Marketers and researchers must apply much

more effort to better understand consumers in these developing countries, because the lower incomes, lack of consumer information and poorly developed marketing infrastructure suggest that relevant issues may be strikingly different. In sum, those interested in how successful QOL-marketing might be accomplished in developing countries must gain better understanding of consumer views of the marketing system in which these consumers currently participate.

The purpose of this research is to better understand Consumer Attitude toward Marketing (CATM) and how it relates to Subjective Quality-of-Life (QOL) in a developing country. Currently, researchers interested in consumer well-being (CWB) have few empirical studies to suggest how aspects of CWB, such as evaluations of marketing practices in a society might be 1) distinct from QOL, and 2) related to QOL. Such sentiments toward marketing practice are core indicators of the marketing system's performance in delivering well-being to consumers during the first stage of the consumption process - acquisition. In this stage, the activities of businesses are set in high relief for consumers. Our study focuses upon consumer perceptions of important activities of businesses, such as 1) provision of goods and services, 2) advertising, 3) pricing, and 4) retailing environments. Measures used in Gaski and Etzel's (1986) Index of Consumer Sentiments toward Marketing (ICSM) offer researchers a widely accepted and readily understood approach to gauge citizen experiences as consumers in a society. For this reason, the ICSM measures are employed in this study and serve as the foundation for identifying measures that would best capture the experience of being a consumer in a developing country.

Gaski and Etzel's ICSM

Gaski and Etzel's ICSM measures are taken from the vantage point of those experiencing consumption in the markets of a country and represent the society's consumer experience with the major efforts of marketing practice (Gaski and Etzel 2005; Gaski and Etzel 1986). The ICSM is a composite of four multi-item Likert-type scales each corresponding to one of the four elements of marketing practice anchoring the acquisition stage of consumption – product, price, promotion (especially advertising), and distribution (manifested by retail service). The original

theoretical rationale for using these dimensions was simply to understand how consumers in a society evaluated marketing practice in the four fundamental dimensions of marketing management (product, price, promotion and place – the “4-P’s”) postulated by McCarthy (1960).

Using large-scale sampling with an annual sample of 2000 and response rates of at least 53.8 per cent, marketing research professionals have collected ICSM data each year since 1984. In this way, researchers have sought understanding for the effectiveness of businesses in a society’s Aggregate Marketing System (AGMS) (Wilkie 2006). While government and non-profits also are conceptualized as participating in the AGMS, in most all societies today, the major portion of activity in the AGMS is represented by businesses serving consumers.

Importantly, the Gaski and Etzel scales have shown high reliability and generalizability in studies both in the US and abroad (Varadarajan and Thirunarayana 1990). Researchers have employed the ICSM outside the US in locales such as Hong Kong, Australia, and China (Wee and Chan 1989; Chan et al 1990; Chan and Cui 2004). In general, the Chinese reported slightly more favorable attitudes toward marketing practice than consumers in the US, while the Australians reported slightly less favorable attitudes than consumers in the US.

Over the past two decades, the series of annual measurements reported by Gaski and Etzel (2005) suggest a slight upward trend in US consumers’ sentiment toward marketing practice. The most favorably rated practice of marketing is distribution/retailing, then product, advertising and finally price. Research shows that changes in the national economic environment (as measured by inflation and savings rate) are negatively related to changes in the ICSM.

Business Provision

A country characterized as high on consumer well-being is one in which most of its people’s basic needs are met and have access to goods and services to meet their non-basic needs.

Sirgy et al 2004, p. 269

Fisk (1981) has described the marketing system as a “life support provisioning technology” for society. Slater (1969) had adopted this view and further reinforced a conceptualization of marketing to be broader than just the narrow activities one firm might have to identify customer needs and to meet these needs better than competitors (Nason and White 1981). Dixon (1984) later used this idea in his systems approach to macromarketing. To Fisk, Slater and Dixon, marketing should be considered as a societal activity wherein the aggregation of all firms’ marketing activities could be understood as a provisioning system for society.

Recently, a similar view to those of Fisk and Slater has been heard from within the ranks of enlightened business practitioners. From his vantage point as Worldwide Director of McKinsey & Company, Ian Davis (2005) asserts that CEOs would do well to articulate a purpose for business in less dry terms than “shareholder value”. According to Davis, business’ ultimate purpose is “the efficient provision of goods and services that society wants”. As a result of this conceptual convergence between seminal macromarketing scholars and thought leaders in business today, we have greater appreciation for the role of businesses in delivering consumer well-being. Accordingly, we conceptualize a construct for measuring what businesses provide to meet consumers’ wants as “business provision”.

At the societal level, Business Provision consists of the core products or services delivered to customers by businesses. These private goods are distinct from the public goods and services provided by other sectors, such as non-governmental organizations (unions, consumer rights groups, environmental advocacy groups), and governments (of municipalities, of states, of nations and transnational organizations) (Klein and Nason 2000). Additionally, the context for shopping is included in this conceptualization because this is a demonstrated want of consumers, as well. Consumers not involved in self-production depend on businesses to provide the private goods they want. Such consumers desire shopping or search experiences that are pleasing. Such experiences are inextricably linked to the products sought by consumers. In a competitive market it is hard to imagine that consumers would seek quality goods and insist on an accompanying shopping experience that was displeasing.

Whereas, the product dimension of the ICSM represents defects or quality of products, business provision is broader in scope. Business provision represents not only the utility of a firm’s core offerings, but the value of the added features and enhancements, as well as consumer choice in these offerings. In this way, the construct of Business Provision is a centerpiece of the acquisition dimension of consumption.

In their empirical research of Chinese consumers, Chan and Cui (2004) derived a second-order factor based on the ICSM items. This second-order factor was proposed to represent “Consumer Attitude toward Marketing”. However, the low fit of the confirmatory factor analysis model (CFI = .821) and the relatively low factor loadings of the items on the first-order factors (ranging from .28 to .68) suggests that the model needed further refinement. We propose that more rigorous scale development including item pruning, as well as the inclusion of items representing Business Provision would provide a better model of Consumer Attitude toward Marketing (CATM) in the developing country context than what Chan and Cui were able to measure using the ICSM items alone. Accordingly, our first research question posits the possibility of improved measurement of

Consumer Attitude toward Marketing in the developing country context.

RQ1: What will be the underlying structure of Consumer Attitude toward Marketing in the context of a developing country?

Consumer Well-Being

Lee et al (2002) developed a subjective measure of consumer well-being by reviewing proposed domains for consumer life and then rendering a consumption process model that included five dimensions covering the cycle of consumptions activities. These dimensions were 1) acquisition, 2) consumption, 3) possession, 4) maintenance, and 5) disposition. (Recently, a sixth dimension has been added – preparation (Sirgy and Lee 2006)). Based on the bottom-up spillover theory and empirical evidence, Lee et al (2002) hypothesized that CWB would predict life satisfaction (QOL). Composite indexes consisting of multiple items for each of the five domains were used. Using a convenience sample of university undergraduate students, a single-item measure of life satisfaction was employed (Lee et al 2002). Results of regression analysis suggested that the acquisition, possession and consumption dimensions were positively related to the dependent variable of life satisfaction. This was a promising empirical finding which linked some of the CWB dimensions with QOL. Upon close scrutiny of the ICSM items, it can be seen that most all of the ICSM items and the Business Provision items focus upon the acquisition dimension in the cycle of consumption. Importantly, this dimension was one of the CWB dimensions found to be related to QOL in Lee et al's 2002 study.

QOL

Lee and Sirgy's (2002) work showed empirical support for life satisfaction being an important consequence of consumer well-being. Here, life satisfaction was represented by a single-item measure. Multi-item measures of subjective quality-of-life have been used with success in international research. For example, Diener et al's (1985) Satisfaction with Life Scale (SWLS) has been widely employed in psychological research and has consistently displayed good reliability and validity (Burroughs and Rindfleisch 2002). The SWLS has been employed in dozens of countries (Diener

and Suh 1999). Norms for a seven-point SWLS have ranged from 4.0 in China to 6.23 in Australia. Turkey and the US place in the middle of countries with 5.29 and 5.77, respectively. The SWLS is a five-item measure that is intended to assess cognitive aspects of well-being and includes such items as "The conditions of my life are excellent.", and "I am satisfied with my life."

Malhotra (2006) has called researchers to better understand the nature of the QOL construct. Accordingly, our second and third research questions address the convergent and discriminant validity of CATM and QOL, as well as the relationship between CATM and QOL.

RQ2: Can Consumer Attitude Toward Marketing and QOL be considered to be distinct constructs?

RQ3: Can it be shown that Consumer Attitude Toward Marketing and QOL are related?

Developing Country Context of the Study

Turkey offers a valuable vantage point for researchers considering macromarketing issues related to developing countries. Turkey is classified as a Middle Income Country (such countries have a 2001 GNI per capita between \$746 and \$2,975). Turkey's GNI per capita was \$2530 in 2003 ranking it ninety-third among the world's countries on this measure of output (World Bank 2003). Table 1 presents a comparison of Turkey and the US on macro-economic indicators. As can be seen in this cross-sectional view, Turkey's economic profile shows higher growth and higher inflation, but less income per capita. The following historical notes provide a context for better understanding current conditions of consumer well-being in Turkey.

Capitalism, industrialization, modern marketing and consumer culture have emerged in Turkey especially with the adaptation of the liberal policies just before the collapse of the Ottoman Empire (1903-1923) and during the early years of post-Ataturk era (1940-1950) with high state ownership and control of production and distribution of goods and services (Karababa 2006). During the contemporary era (the second part of the twentieth century), marketing and consumption activities have been shaped by economic, cultural, social, and political forces. Turkey has seen her most neo-liberal economic policies right after the 1980 military coup. Since 1980, the Turkish economy has experienced a substantial increase in the production of consumer goods, particularly durables

TABLE 1: Comparative Statistics for the US and Turkey for 2005

Country	Population (millions)	GDP \$ Per Capita	GDP % Composition by sector	Annual Real Growth	% Inflation
US	298	41,800	agricult.: 1.0% industry: 20.7% services: 78.3%	3.2	3.5
Turkey	70	8,200	agricult.: 11.7% industry: 29.8% services: 58.5%	5.6	7.7

such as refrigerators, washing machines, electronics such as TVs and stereos, and motor vehicles. The increased interest by the global companies had its impacts on both export and import operations, and on the adaptation of the modern marketing practices. Turkey's entrance into the European Customs Union in 1996 created an immediate demand for newly available consumer goods. As a result, the domestic consumer goods sector grew 20% between 1996 and 1999 (Karababa 2005).

Importantly, Turkey has reigned in double-digit inflation in recent years. However, its standard of living represents that of a developing country experiencing industrialization. Its 2004 Human Development Index ranking was 92nd which places it in the category of Medium Human Development (UNDP 2006).

Methods

Scale Development Overview

Following the work of Malhotra (1981), scale development was pursued in a sequential fashion. The six steps of this protocol are presented in Figure 1. While

Step 1 was discussed in the previous section, Steps 2 through 6 are presented in the following paragraphs. In Step 2, Gaski and Etzel's (1986) Index of Consumer Sentiment toward Marketing served as the source of items addressing macro-level assessments of marketing practice covering product, price, promotion and distribution. Additionally, three items addressing the shopping experiences, products and services that consumers want

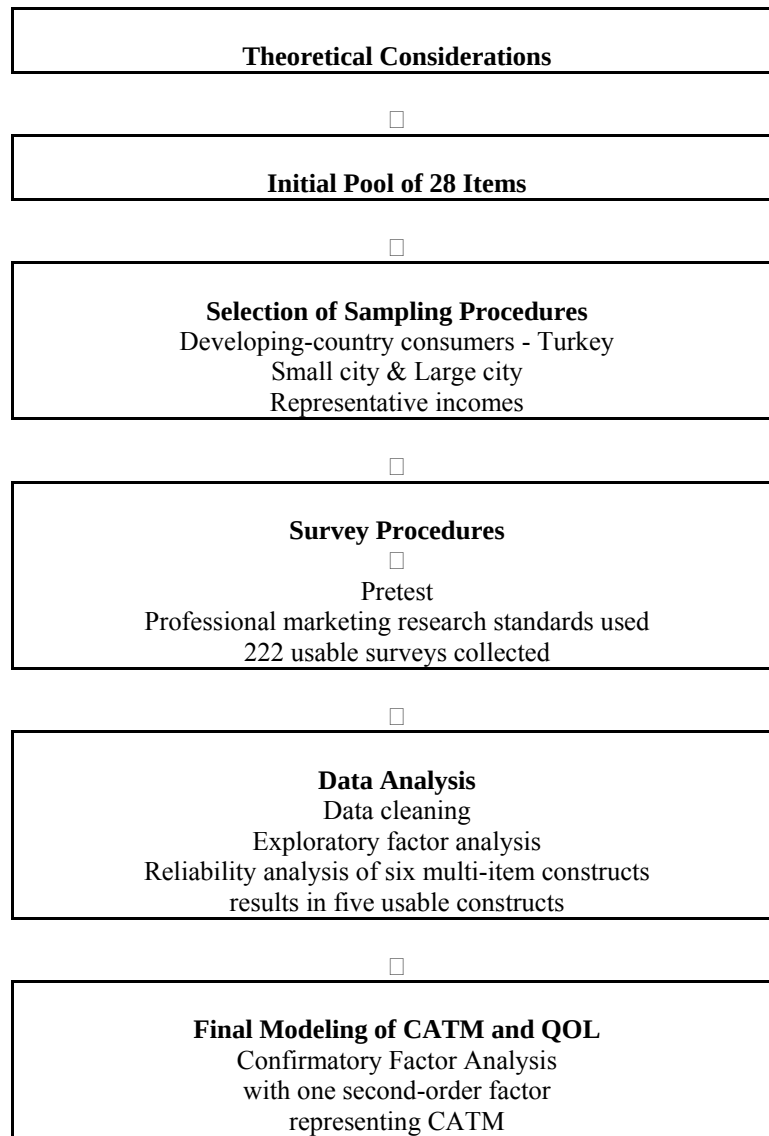
and that business provide were included. Finally, the 5-item Satisfaction with Life Scale was included in order to assess the distinctiveness of the CATM and QOL constructs. In total, 28 items were identified to measure CATM and QOL. All items in the study were measured using 5-point Likert-type scales.

In Step 3, Turkey was selected as the study domain. In Step 4, a survey was conducted with a broad cross-section of Turkish consumers 21 years of age and older. In Step 5, data analysis was performed, which resulted in a final list of 17 items identifying five constructs. In Step 6, confirmatory factor analysis using structural equation modeling derived a second-order factor representing CATM. This second-order factor was then allowed to be correlated with QOL. In total, the model included six constructs.

Selection of Setting

Our study focused on measuring CATM and QOL in the context of a developing country. Toward this end, Turkey was chosen as a setting of the study for the reasons previously specified. To ensure the vantage points of consumers from different regions and different city sizes, data collection was undertaken in two cities. Half of the respondents came from the capital city of Ankara (2006 population of approximately 4 million), and the other half came from a small coastal city on the Black Sea in the Northern part of the country – Ereğli (2006 population of more than 90,000). In terms of demographic profile, the groups of respondents from these two Turkish cities were very similar.

FIGURE 1: Flow Chart of the Scale Development and Modeling Procedures



Survey Procedures

Prior to survey administration, the survey instrument was pretested with ten undergraduate students at a Turkish university. Adjustments were made to improve clarity of the wording for some questions. Then, parallel translation into Turkish was made by a professional translation company in Turkey using both native English and native Turkish speakers (Malhotra, Agarwal, and Peterson 1996).

The survey was administered at several locations in the two cities. Quota sampling based on age was used. A judgmental sampling procedure was used by field workers to fill the quotas that would ensure a broad cross-

section of Turkish consumers. A small cash incentive was given to those who completed the survey. For some consumers contacted at their place of work, field workers had to return the next day to pick up surveys that had been dropped off the previous day. In order to ensure quality of data collection, marketing research industry standards were employed. In addition to meeting standards for training interviewers and monitoring the data collection effort, twenty per cent of the respondents were phoned during the week after completing the survey and asked about their experience. In general, respondents reported a favorable experience.

Results

The survey procedures resulted in 222 usable surveys. Males comprised more than sixty-two per cent of respondents. About half of the respondents were married. About half of the respondents were in the 21-30 age-group. The modal value for education level was “high school

graduate”. Seventy-one per cent of respondents reported working outside the home on a regular basis. The modal value for monthly household income was 501 – 1,500 New Turkish Lira (approximately \$300 - \$1,000). Importantly, this matches the average household income across Turkey. Table 2 presents details on the demographic characteristics of the sample group.

TABLE 2: Descriptive Statistics for sample (n = 222)

Per Cent Male	62.6
Marital Status	
Married	48.6
Never Married	49.1
Divorced/Separated/Widowed	2.3
Age Group	
21-30	51.8
31-40	25.2
41-50	12.2
51-64	9.9
65 & over	.9
Highest Attained Formal Education	
Less than high school	8.1
High school graduate	34.7
College (gymnasium) graduate	17.6
University graduate	25.7
Graduate degree	14.0
Work outside the home on a regular basis	70.7
Avg. combined monthly income for your household	
I am a dependent, and I don't know	12.2
500 or less YTL	17.1
501 - 1,500 YTL	45.5
1,501 - 3,000 YTL	16.7
3,001 - 5,000 YTL	2.7
5,001 or more YTL	5.9

Table 3 presents a comparison between the Turkish respondents in our study and the most recent norms for the US on the ICSM. The norms for each dimension are computed by converting scales (to a format of -2 to +2), and then summing the responses for the five questions comprising each dimension. This resulting score is multiplied by the importance rating given by each respondent to the corresponding dimension. As can be seen, the pattern of the average importance ratings across the US and Turkey are very similar. However, Turkish

consumers report an overall lower level on the ICSM dimensions (-20.81 for Turkey vs. -4.51 for the US).

This difference can be attributed, at least in part, to the developing country conditions for consumers in Turkey wherein marketing receives less emphasis (Douglas and Craig 2006). In such developing country contexts, 1) retailing environments tend to be more austere, 2) prices are higher due to distribution inefficiencies and inflation, 3) product quality tends to be less consistent, and 4) advertising tends to be executed with more of a selling orientation and less of a marketing orientation. Prahalad

(2005, p. 79) notes that developing countries often have dual economies that include both a formal sector (where business is conducted in ways similar to the developed world) and an informal sector (where businesses, consumers, and government officials not linked by family

or clan relationships frequently seek to take advantage of each other). In the absence of enforceable contract law in the informal sector of developing countries, vibrant extralegal or black markets emerge to conduct local commerce.

TABLE 3: US & Turkish sentiments toward marketing (STM) and mean importance weights for marketing functions

	Sentiments Toward Marketing		Importance Weights Marketing Functions	
	US (2001)	Turkey (2006)	US (2001)	Turkey (2006)
Overall	-4.51	-20.81		
Product	.99	4.34	4.53	4.66
Price	-9.56	-16.95	4.39	4.55
Advertising	-2.01	-5.03	2.73	3.08
Retail	6.05	-3.25	3.84	4.45

Data Analysis

Common factor analysis was conducted with a pooled set of 28 items, which included all the items measuring competencies and performance (Gerbing and Anderson, 1988). Maximum likelihood extraction with oblique rotation initially identified six factors. We employed Steenkamp's (2004) Survey Research/Theory Testing Paradigm. In this paradigm, four criteria for satisfactory results in construct identification and theory testing were employed as follows: 1) reliability (Cronbach's $\alpha > .7$), 2) validity (factor loadings $> .4$, with a simple structure amongst the factors), 3) overall model fit (CFI, TLI, GFI $> .9$; RMSEA, SRMR $< .08$), and 4) support for hypotheses ($p < .05$).

During preliminary analysis to evaluate construct reliability, the ICSM dimensions needed item purification in order to attain satisfactory levels. Three of the ICSM dimensions met Steenkamp's criteria for reliability with three items each. However, the product dimension (assessing product quality) never attained this standard. In short, the respondents in our sample did not share sufficient agreement about product quality. For this reason, the items for the ICSM product dimension could not be retained in the analysis. However, the Business Provision construct was retained. In this way, an aspect of the product/service dimension of what businesses offer consumers in a commercial exchange was retained.

In the end, the remaining items from the ICSM items related to "fair pricing", "positive advertising", and "retail service". Those items that were eliminated from the analysis addressed aspects of the price, advertising and retailing dimensions that required inference (for example, "competition keeps prices reasonable"), speculation (for example, "consumers would be better off without advertising"), or strong judgments to be made (for example, "most middlemen make excessive profits"). In the end, four three-item constructs were found to have adequate reliability for inclusion in a multiple-indicator measurement model to assess the internal and external consistency of the four scales for these constructs (Gerbing and Anderson, 1988).

In general, the remaining items in our analysis now focused upon the front-end of the consumption process – the acquisition stage. These four constructs would then be used to derive a second-order factor to represent CATM. Our final model would include the subjective QOL construct to allow assessment of convergent, discriminant, and nomological validity of our constructs (Hair, Anderson, and Tatham, 1991). The 17 items identifying these constructs are listed in Table 4. A table of correlations among these items is included in Table 5.

TABLE 4: Reliabilities for the constructs in the final model

Business Provision

Cronbach's $\alpha = .85$

- Q1. Businesses provide the shopping experiences I want.
- Q2. Businesses provide the goods I want.
- Q3. Businesses provide the services I want.

Positive Advertising (reversed coded)

Cronbach's $\alpha = .77$

- Q4. Most advertising is annoying.
- Q5. Most advertising makes false claims.
- Q6. Most advertising is intended to deceive rather than inform.

Fair Price

Cronbach's $\alpha = .73$

- Q7. Most prices are reasonable given the high cost of doing business.
- Q8. Most prices are fair.
- Q9. In general, I am satisfied with the prices I pay.

Retail Service

Cronbach's $\alpha = .74$

- Q10. Most retail stores serve their customers well.
- Q11. I find most retail salespeople to be very helpful.
- Q12. Most retailers provide adequate service.

QOL

Cronbach's $\alpha = .84$

- Q13. In most ways my life is close to my ideal.
 - Q14. The conditions of my life are excellent.
 - Q15. I am satisfied with my life.
 - Q16. So far I have gotten the important things I want in life.
 - Q17. If I could live my life over, I would change almost nothing.
-

TABLE 5: Correlations of Items for consumer attitude toward marketing and quality of life

	q1	q2	q3	q4	q5	q6	q7	q8	q9	q10	q11	q12	q13	q14	q15	q16
Business Provision																
q2	0.71															
q3	0.57	0.68														
Positive Advertising																
q4	0.19	0.14	0.13													
q5	0.10	0.12	0.08	0.57												
q6	0.29	0.28	0.23	0.48	0.52											
Fair Pricing																
q7	0.17	0.06	0.03	0.08	0.16	0.21										
q8	0.09	0.06	0.09	0.13	0.20	0.25	0.45									
q9	0.19	0.12	0.14	0.07	0.16	0.23	0.51	0.47								
Retail Service																
q10	0.27	0.21	0.28	0.07	0.11	0.13	0.18	0.28	0.27							
q11	0.18	0.18	0.22	0.06	0.16	0.15	0.30	0.17	0.39	0.41						
q12	0.15	0.18	0.27	0.09	0.09	0.06	0.21	0.24	0.31	0.57	0.49					
QOL																
q13	0.16	0.10	0.11	0.13	0.16	0.13	0.14	0.22	0.24	0.23	0.09	0.16				
q14	0.21	0.16	0.15	0.20	0.13	0.03	0.13	0.10	0.15	0.20	0.18	0.17	0.53			
q15	0.27	0.16	0.12	0.10	0.07	0.04	0.07	0.09	0.18	0.29	0.20	0.17	0.45	0.63		
q16	0.28	0.17	0.16	0.17	0.07	0.08	0.08	0.07	0.12	0.22	0.13	0.13	0.44	0.58	0.57	
q17	0.21	0.14	0.18	0.10	0.01	-0.04	0.08	0.11	0.19	0.26	0.18	0.20	0.44	0.45	0.55	0.52

Note: All Pearson Product Moment correlations greater than .130 in absolute value are statistically significant at $p = .05$.

Final Modeling

Covariance analysis using AMOS 5 was then used to evaluate the factor structure of the 12 CATM items (Bollen, 1989), and to estimate the four CATM factors and the QOL construct in a confirmatory factor analysis model. AMOS 5 minimizes a fit function between the actual covariance matrix and a covariance matrix implied by the estimated parameters from a series of structural equations for the confirmatory factor analysis model.

These incremental fit indices compare the proposed model to a baseline or null model. The Comparative Fit Index (CFI) (Bentler, 1990) and the Tucker-Lewis Index (Hair et al, 1991) suggested that the comparative model fit is excellent with a CFI of .96, and a Tucker-Lewis Index of .95. Following Steenkamp's protocol, we evaluated the GFI statistic (.92) and the RMSEA (.045) and the SRMR (.078). Each of these indicators suggested a good model had been identified. The loadings of manifest indicators on their respective latent constructs are depicted in Figure

2 and all exceed Steenkamp's criteria of .4 for factor loadings. All coefficients in the confirmatory factor analysis model were statistically significant at $p = .05$.

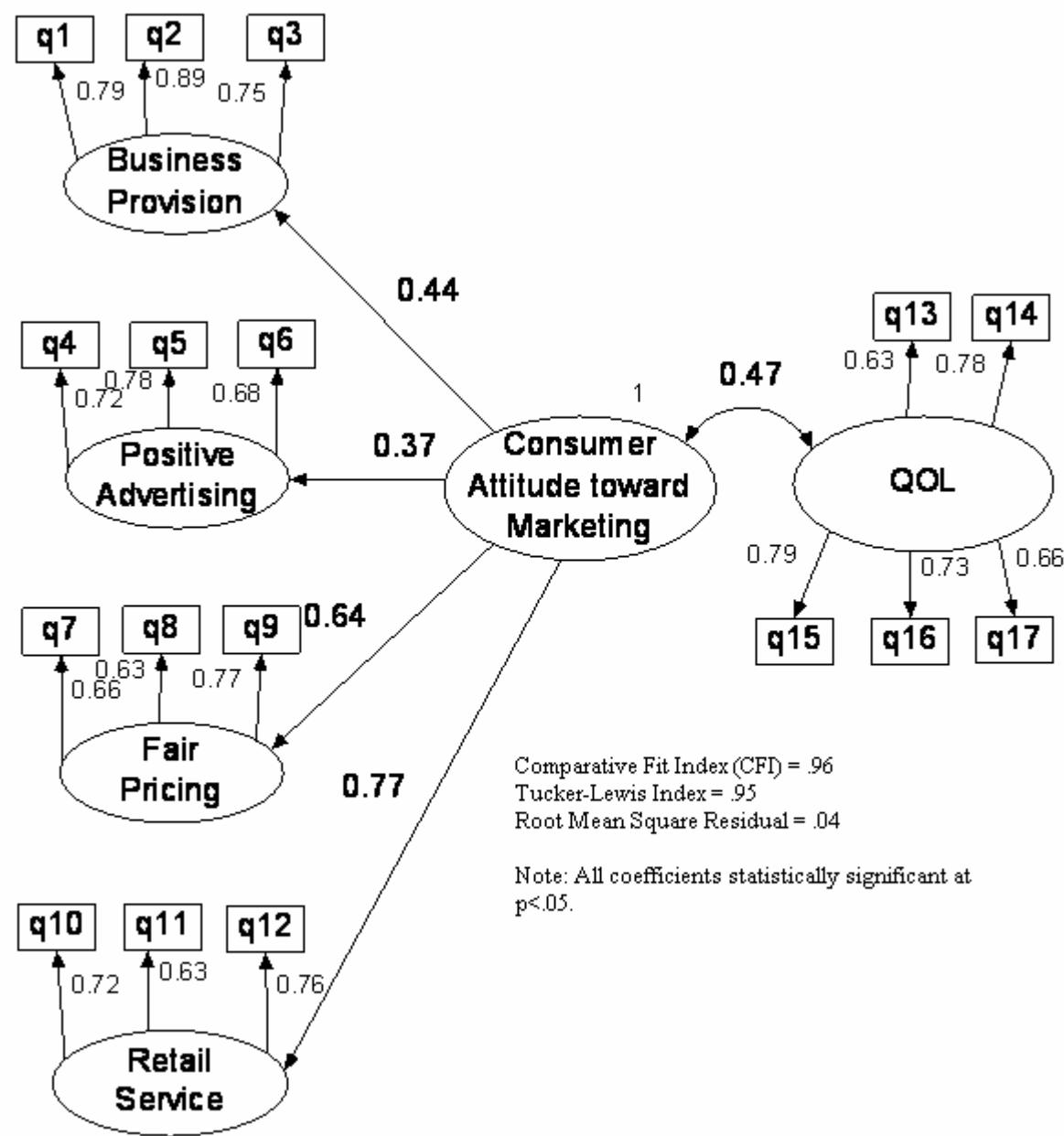
CATM was derived by using a second-order factor analysis approach. Here, the three unidimensional ICSM factors along with the factor representing Business Provision served as the elements identifying CATM. Figure 2 depicts the results of this modeling along with the correlation of CATM with subjective QOL ($\beta = .47$). All depicted path coefficients are statistically significant at $p = .05$.

The first research question of this study focused upon what would be the underlying structure of Consumer Attitude toward Marketing. This can be answered by reviewing Figure 2. As can be seen, CATM receives important contributions from each of the four CATM dimensions with strongest standardized path coefficients for Retail Service ($\beta = .77$) and Fair Pricing ($\beta = .64$). Business Provision ($\beta = .44$) and Positive Advertising ($\beta = .37$) also made moderate contributions to the derivation of Consumer Attitude toward Marketing. In this way, the

first research question is answered. Of note, the factor loadings of the items on the four first-order factors were much higher than those found in the Chan and Cui study (2004) (loadings ranging from .63 to .89, instead of .28 to .68). Additionally, the fit of the model was much

improved over the Chan and Cui study (a CFI of .96 compared to a CFI of .82).

FIGURE 2: Confirmatory Factor Analysis Model for consumer attitude toward marketing and QOL



In sum, the 17 items allowed for an excellent simultaneous measurement of constructs representing consumers' attitude toward performance of the marketing system in a developing country. As can be seen in Figure 2, there is a simple structure among the items with each construct measured by its own set of three unique items. This simple structure gives evidence for both convergent validity and discriminant validity, as the proposed items for each construct load on the respective constructs and do not load on the other constructs (Bagozzi, Yi, and Phillips, 1991). The confirmatory factor analysis model suggests convergent validity of the items included in the model because the items of the same constructs share a relatively high degree of the variance of their respective underlying constructs, as indicated by the factor loadings being statistically significant at $p = .05$. The internal consistency of each construct is also evidenced by the face validity or conceptual relatedness of the items. For example, the fair pricing construct is comprised of items related to fair pricing. Together, these results suggest compelling evidence for the underlying structure of Consumer Attitude toward Marketing in the context of a developing country found in our study.

The second research question of this study focused upon whether CATM and QOL were distinct constructs. Discriminant validity for the constructs in the final model is suggested by the items for each construct having factor loadings which are not statistically significant at $p = .05$, with conceptually similar, but distinct constructs (Bagozzi, Yi, and Phillips, 1991). In other words, the items representing one construct don't also represent another construct to a high degree. Therefore, RQ2 is answered in the affirmative, as the second-order factor CATM and the QOL construct manifest the same discriminant validity for each other as they do for Retail Service, Fair Pricing, Business Provision and Positive Advertising.

The third research question of the study focused upon how CATM and QOL might be related. Nomological validity for the CATM construct is evidenced by the moderate-sized correlation of the second-order factor for CATM with QOL ($r = .47$). This suggests that as CATM improves one unit, then QOL would likely improve .47 of a unit. Likewise, as CATM declines one unit, then QOL would likely decline .47 of a unit. In sum, CATM and QOL have a healthy and positive relationship. This is a major contribution of this research study.

DISCUSSION

In their assessment of challenges for marketing scholars, Day and Montgomery (1999) named the first challenge as providing meaningful measures, inferences and calibration. Recently, Venkatesh and Peñaloza (2006) have called for researchers to take a larger focus in their work by researching "markets" instead of what might be relevant only to firms, such as consumers of individual

product categories or customers of firms. This study has taken such a recommended focus. Specifically, this study has looked at consumers' views of marketing practice in the Aggregate Marketing System and has further developed meaningful measures of Consumer Attitude toward Marketing by identifying a second-order factor structure for this construct. By using a rigorous approach for survey research and theory testing, researchers now have a set of measures that can be used in a variety of other settings. In developing countries, researchers can use these measures with confidence because these measures were operationalized and evaluated in the context of a developing country.

For researchers of marketing in developing countries, this study not only provides valuable insight into how consumers in a developing country regard marketing practices offered in their Aggregate Marketing System, but also valuable insight into the relationship of CATM with QOL. A simultaneous multi-item measurement of both constructs was accomplished using a rigorous confirmatory factor analysis approach. The theoretical implications of this study should guide QOL researchers in integrating CATM into future theories of QOL-marketing – especially those intended for broad application that would include developing countries. Given the accelerated move of developing countries into global markets in what Friedman (2006) terms a "flattening" of the world, the results of this study are particularly germane to future endeavors of marketers and researchers.

More steps of theory building and testing in the realm of QOL and its elements still remain. Looking to the future, the strong results for our model in Figure 2 offer promise for this model to serve as a foundational piece in future theory development efforts for CATM and QOL-marketing. For example, while we focused upon Consumer Attitude toward Marketing, adding items to measure the other stages of consumption could be done to broaden understanding of CWB. For example, in such an effort including items for the disposal dimension of consumption and the same confirmatory factor analysis approach of this study, the factor structure for the CATM dimensions would not change. In this way, the confirmatory factor analysis approach would allow other dimensions to be included in an additive fashion without disturbing the underlying factor structure of the CATM construct and the four dimensions that contribute to it.

This nomological network for the constructs of this study can be better understood within the context of the full structural equation model where certain constructs are posited to be causally antecedent to other dependent constructs (Malhotra, 2004). Substantive issues, such as whether CATM is a causal determinant of QOL could then be examined. Insights from this study bring researchers to the threshold of this important research.

Limitations

The current study is cross-sectional and was conducted in a single developing country, using self-reported, subjective measures of CATM and QOL. Although the generalizability of findings of single country studies has some limits, a highly desirable feature of such studies is that they provide a much greater degree of control over market and environmental peculiarities. Additional empirical research is needed to determine if the scales developed in this study are generalizable to other country contexts.

Conclusion

We were able to use a second-order factor approach in defining CATM. Because of this success, we were able to assess the discriminant and convergent validity for an important construct related to consumer experience and CWB in a developing country. In the future, researchers can use the measures we have developed and the methods we have employed to progressively build substantive understanding about CATM and QOL-marketing.

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Intergenerational Transmission of Values, Attitudes and Behaviours in the Environmental Domain

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Is young people's pro-environmental orientation – or lack thereof – a function of parents' pro-environmental values, attitudes and behaviours? To answer this question, the paper examines parent-adolescent similarities of general values, specific attitudes and behaviours related to three common household practices: purchasing environmentally friendly products, curtailing electricity use, and handling waste responsibly. Significant, but weak correlations between parents and adolescents were found across all of Schwartz's ten value domains, which suggests a clear, albeit not necessarily strong, parental influence on values. The IG influence was found to be much stronger as regards specific environmental attitudes and behaviours. Mothers seem to influence their offspring more than fathers, and some indications of sex-typed gender socialization are found. On average, the younger generation is significantly less environmentally conscious than their parents' generation. Still, family socialization exerts a significant influence on young consumers' pro-environmental orientation.

INTRODUCTION

Will young people become ingrained with an awareness of the importance of environmental protection and will they be socialized as 'responsible' consumers if their parents subscribe to pro-environmental values and practices? Whether and how environmentalist values, attitudes and behavioural patterns develop within families is of interest to parents as well as to outside agents such as public policy makers and marketers. Thus, increasing the environmental concern and private action of consumer-citizens, for example by facilitating the production and promotion of organic food and farming (European Commission 2004), has been on national and international political agendas for a number of years. Since environmental degradation undoubtedly will continue to be a problem for many years to come, it will require the attention and action of future policy makers

and consumer-citizens as well. Seen in this perspective there is a disturbing amount of evidence indicating that young consumers may be less committed to environmental attitudes and behaviour than is the older generation (Gram-Hanssen 2005; Grøn Information 1998; Lavik and Enger 1995). Hence, keeping a continued focus on and commitment to environmental protection may pose a challenge to society.

On the other hand, it may be that the salience of environmental issues, and hence environmental concern and involvement in pro-environmental action, is just lower in some than in other life stages. This could mean that even if the young generation currently displays a relatively low level of environmental consciousness, they may change to more pro-environmental ways when entering a more mature life stage, for example when establishing their own households and becoming parents. This life-stage explanation presume that basic childhood socialization indeed can create a motivational basis for pro-environmental conduct, but that adolescents' pro-environmental motivation is kept in check by other projects in their life commanding their full attention.

Extant research provides no answer for the question whether the seemingly low environmental consciousness in the young generation represents a societal tendency or just the many distractions in a difficult phase of life. In order to answer this question, we need more knowledge about the relationship between parents' and children's pro-environmental values, attitudes, and behaviour. We need to know whether children of environmentally conscious parents are more environmentally conscious than children of parents who do not subscribe to such values and practices. If this is the case, it is likely that they are also more prone to subscribe to 'green' consumerism at later life stages. In this study, we explore adolescents' adoption of a 'green' mindset as well as their commitment to pro-environmental consumer practices within a family context. Specifically, we answer the question whether young people's pro-environmental orientation – or lack thereof – is a function of parents' pro-environmental values, attitudes and behaviours? We also explore whether mothers influence their offspring more or less than fathers, and whether there are indications of sex-typed gender socialization in this area.

THEORETICAL BACKGROUND

Consumer socialization refers to the “processes by which young people acquire skills, knowledge, and attitudes relevant to their functioning as consumers in the marketplace” (Ward 1974, 24). Although consumer learning is a complex process involving a number of potential ‘socialization agents,’ the family is generally believed to play a pivotal role by being the first powerful reference group. The family conveys a number of consumption related attitudes, values, and habits to children (John 1999; for a recent review, see Ekström 2006). Additionally, the family mediates the access to other powerful socialization sources, such as ‘new’ media (Livingstone 2002). Different socialization processes are thought to account for this process. Thus, parents may teach their children directly, and/or they may act as role models thereby causing their children to learn vicariously (Moschis 1987). Furthermore, the nature of communication patterns and frequency in the family also influences consumer socialization processes; for instance, authoritative parents place little restriction on children’s exposure to media and they limit children’s participation in family decision-making (Carlson and Grossbart 1988; Rose 1999).

When parents’ beliefs, attitudes, values, and behaviours are adopted by their offspring, *intergenerational* (IG) *transfer* is said to occur (Heckler, Childers and Arunachalam 1989; Moore, Wilkie and Lutz 2002). Questions of IG transfer of general values have been discussed quite extensively in the psychological and sociological literature (e.g., Bao, Whitbeck, Hoyt and Conger 1999; Kulik 2002; Sabatier and Lannegrand-Willems 2005), but the number of IG studies within consumer socialization research has been rather limited. Still, a wide variety of topics have been studied, such as parent-child similarity in relation to innovative behaviours (Cotte and Wood 2004), intergenerational sharing of consumption values (Moore-Shay and Berchmans 1996) and consumer skepticism towards advertising (Obermiller and Spangenberg 2000). Also, the transfer of product category use and brand loyalty has been focus of a number of IG studies (e.g., Hsieh, Chiu and Lin 2006; Moore, Wilkie and Lutz 2002; Olsen, 1993).

Together, these studies indicate that consumption related IG influence may take quite a broad scope, which suggests that, to some degree, favourable attitudes towards protecting the environment, and as a likely consequence, pro-environmental consumer behaviours may be grounded in childhood, that is, may be a likely outcome of every-day (consumption) interaction in families. This question has, to our knowledge, received scant attention in previous research, both within environmental psychology and environmental sociology and within consumer socialization research (though see Grønhøj 2007). Hence, the present paper is one of the

first attempts to provide evidence about the extent and character of this aspect of consumer socialization. In this study, we examine the extent of IG similarity of general values as well as of specific attitudes and behaviour related to the environmental domain. We assume that IG similarity is the result of IG transfer of values, attitudes, and behaviour patterns. In addition to general values, the study examines whether, or to which extent, IG consistency exists in relation to three common consumption behaviours in the domestic domain: buying organic and environmentally friendly products, handling household waste in a ‘responsible’ way, and curtailing electricity use.

Quite a few studies have identified sex differences in environmental concern and behaviours (e.g., Dietz, Kalof and Stern 2002; Grønhøj and Ölander 2007; Zelenzny, Chua and Aldrich 2000). Zelezny, Chua and Aldrich (2000) suggest that such differences are likely to be caused by different socialization of boys and girls. Moreover, there have been requests for studies of dyadic socialization influences (John 1999), and such studies are gradually beginning to appear (e.g., Cotte and Wood 2004). As a response to this request, we distinguish between same-sex (father-son, mother-daughter) and opposite-sex (father-daughter, mother-son) dyads in the present study of IG transfers. This decomposition makes it possible to analyze for gender specific consumer socialization within the environmental domain. If parent-child similarities are stronger for same-sex than for opposite-sex dyads, this indicates a gendered environmental socialization process.

METHOD, SAMPLE AND PROCEDURES

Two representatives of each family, one parent and one adolescent, completed internet based questionnaires in a nationwide survey¹ of a total of 601 Danish families in the spring of 2006. The parent group was composed of 59% mothers with an average age of 46 years, and 41% fathers with an average age of 49 years. The age of parents ranged from 31 to 68 with an average age of 47 years. The adolescent group had 51% girls and 49% boys participating with the average age of 17 years. The age ranged from 16 to 18. All the young people were still living at home, which was a prerequisite for participation. An additional requirement was for the young people to be living with both parents (as did 86.5%) or with a parent and a step-parent (13.5%). The sample consisted of 132 (22%) father-son dyads, 111 (19%) father-daughter dyads, 161 (26%) mother-son dyads and 197 (32%) mother-daughter dyads. The response rate was 28%, which reflects the difficulty of recruiting two persons from the same household for an interview. The recruited group was, however, representative of the general population in terms of income, age and education, while the sex distribution was skewed towards disproportionately higher female (i.e., mothers) participation.

The study of pro-environmental consumer behaviour is a vast field, and a range of different theoretical points of

departure is available if one aims to examine the significance of psychological determinants for pro-environmental action (e.g., Stern 2000; Ölander and Thøgersen 1995). Here, the aim is *not* to predict parents' nor adolescents' pro-environmental behaviour, but to investigate whether evidence of IG transfer can be spotted in self-reports of pro-environmental behaviour and in constructs, which have been widely assumed to predict such behaviour in previous research.

Much previous research has linked pro-environmental behaviour to consumers' value priorities (e.g., Karp 1996; Stern and Dietz 1994; Thøgersen and Ölander 2002, 2006). According to a fairly representative definition, human values are "desirable goals, varying in importance, that serve as guiding principles in people's lives" (Schwartz and Sagiv 1995, 93). Increasingly, studies linking pro-environmental behaviour to individual value priorities have been based on the comprehensive and cross-culturally valid instruments for measuring values developed by Shalom Schwartz and his colleagues (e.g., Schwartz 1992, 1994, In press; Schwartz et al. 2001). Specifically, studies have confirmed the theoretically expected positive relationship between environmentally responsible behaviours and the motivational value domain Schwartz calls 'Universalism' (e.g., Karp 1996; Stern et al. 1995; Thøgersen and Ölander 2002, 2006).

For the present study, we used a selection of items from Schwartz's Portrait Value Questionnaire. Seven of Schwartz's ten motivational value domains were covered, each by 2-3 items. Based on the value portraits, the respondents were asked: "How much like you is this person," and they were requested to respond on a 6-point scale: 1="very much like me" to 6="not like me at all." Cronbach's Alphas for the motivational value domains ranged from 0.49-0.81 (see Table 1).

Because one of three items clearly measured a different dimension than the other two items, Universalism was split into two dimensions. The two items (Universalism 1, Table 1) both represented environmental values. The wording of the third item (named Universalism 2 in Table 1) was: "It is important to him to listen to people who are different from him. Even when he disagrees with them, he still wants to understand them." Similarly, Tradition was split into two separate items since responses to one of the values, religious orientation, differed too much from responses to the other item. Finally, Security was represented by only one item in the questionnaire.

Measurement error is inevitable when measuring mental constructs, and since basic values are presumably held at a low level of consciousness (Alwin and Krosnick 1985; Schwartz 1994), measurement error of a substantial magnitude should be expected for basic values (Thøgersen and Ölander 2002). We have attempted to

The specific attitude towards the behaviour in question is one of the most frequently analyzed antecedents of pro-environmental behaviour (e.g., Bamberg, Ajzen and Schmidt 2003; Chan 2001; Staats 2003; Thøgersen 2006). For the present study, *attitudes* towards each of the three behaviours of interest (i.e., buying organic and environmentally friendly products, handling waste 'responsibly,' and curtailing electricity use) were measured on a 7-point semantic differential scale with the extremes 1=good/beneficial/wise to 7=bad/detrimental/unwise (Ajzen and Fishbein 1980). The scale achieved excellent reliability (Cronbach's Alphas in the 0.89-0.93 range, see Table 2).

When choosing items to measure *behaviour*, care had to be taken to include activities in which both parents and children are likely to be regularly involved. Three activities were chosen and measured by the following items: 'When you do shopping for the family, how often are the goods that you buy organic or environmentally friendly?' 'How often do you make an effort to save on electricity consumption at home?' 'How often do you sort the waste correctly?' Responses were measured on a 5-point frequency scale: 1=always to 5=never. The answers revealed that a not all adolescents are involved in common shopping activities, however. A total of 26.6% of the adolescents claimed not to take part in shopping for the family and thus had to be excluded for this part of the analysis.

RESULTS

The results section is divided into four parts, in which the questions of parent-child consistency of values, attitudes and behaviour within families and between generations are discussed. In the fourth part, the discussion is extended to include the dyadic decomposition of the families. For all analyses, we used paired samples t-tests and bivariate correlation analysis.

Values

Table 1 reveals consistent and significant correlations between parents' and adolescents' values across all value domains. Thus there is clear evidence of IG transfer at the level of general values, even if most of the correlations are rather weak. However, the estimated correlations are most likely attenuated reflections of the true correlations.

Values are some of the most abstract categories in a person's mental set-up (Rokeach 1973) and individuals' rarely ponder over their basic values on a day-to-day basis.

reduce the problem of measurement error by focusing on value aggregates, that is, Schwartz's motivational value types, rather than on individual values, but with only two or three items to construct an index measurement error is still bound to be substantial. This is why we judge that the

calculated correlations are attenuated, most likely quite severely attenuated, estimates of the true correlations.

Perhaps not surprisingly, religious orientation is the most strongly shared value among the two generations. However, only a small proportion of the respondents subscribe to religious values, reflecting that Denmark is a relatively secular society (e.g., Norris and Inglehart 2004).

The two items Universalism index, which reflects environmental values, belongs to the weaker end with regard to IG correlation. A possible explanation is that Universalism reflects more abstract concerns, which are to a lesser extent reflected in parents' everyday behaviour than values such as benevolence (i.e., concern for the welfare of close others) or hedonism (i.e., seeking pleasure in life), not to speak of religious values.

The analysis of differences in mean scores (i.e., t-tests) reported in Table 1 reveals a value gap between generations on all measures except two (Conformity and Security). The parent generation on average subscribes more to Tradition and Universalism values than the young generation and the opposite is true for Hedonism, Stimulation, Achievement, Power and Self-direction. Hence, it seems that, relatively speaking, the value structure of adolescents is more directed towards openness to change and self-enhancement whereas their parents' value structure is more directed towards conserving the existing order and self-transcendence. It seems to us that both of these IG differences have high face validity and are consistent with key age and role related facts. These value differences between generations may explain why the young generation is seemingly *less* committed to pro-environmental actions than their parents' generation.

A slight deviation from the general pattern is that adolescents expressed stronger Benevolence values than their parents, on average. At least in personal and close relationships, it seems that adolescents have a greater capacity for empathy than their parents. This suggests that it is possible to mobilize adolescents for a 'worthy cause,' but the cause needs to be made more specific and personal than when communicating to the older generation.

Attitudes

Consistent with the analysis of values, Table 2 reveals consistent and significant correlations between parents' and adolescents' attitudes towards the three everyday environmentally responsible behaviours. Hence, there is also clear evidence of IG transfer at the level of specific attitudes. However, the strength of the correlations varies more than at the values level. Attitudes are more consistent across generations for buying organic and environment-friendly products than for the source-separation of household waste and especially for curtailing electricity consumption. A

possible explanation for the difference is the potential for IG conflict that the three areas contain. In the case of 'green' shopping it is relatively free for the young generation to adopt the attitudes of their parents. Not so in the other two areas. If a family source-separates its waste, this entails obligations for adolescents in the family as well, and parents' wish to save electricity may conflict with the adolescent's desire for an auditory and visually stimulating environment

These speculations about possible reasons for the variation in IG consistency in attitudes towards specific pro-environmental behaviours are supported by the t-tests reported in Table 2. The t-tests reveal that the parent generation on average holds significantly more positive attitudes towards source-separating waste and curtailing electricity consumption than the young generation, although positive attitudes seems to dominate across generations. Hence, consistent with the value differences between generations reported above, the young generation seemingly hold *less* positive attitudes to specific pro-environmental action than their parents' generation.

Behaviour

Consistent with the analysis of values and attitudes, Table 3 reveals consistent and significant correlations between parents' and adolescents' specific environmentally responsible behaviours. Perhaps due to common structural conditions and IG pressure, the correlations are even stronger for behaviours than for attitudes. Hence, there is also clear evidence of IG transfer at the level of specific pro-environmental behaviour. Behaviours are less consistent across generations for curtailing electricity consumption than for buying organic and environment-friendly products and for source-separation of household waste. Again, the most likely explanation for the difference is the potential for IG conflict that especially the former area contains. Adolescents tend to prefer an auditory and visually stimulating environment, which may conflict with the wish to save electricity.

Consistent with the values and attitudes analyses, the t-tests reveal an IG gap in specific pro-environmental behaviour. According to this study, the young generation behaves in a significantly less environmentally responsible way than their parents' generation. Adolescents not only worry less about the environment, they also live a more unworried life than their parents.

Gendered socialization?

This study was carried out in Denmark, which is a comparatively egalitarian country also with respect to gender (Lausten and Sjørup 2003). Still, men on average work longer hours away from home than women and mothers spend more time with their children than fathers (Lausten and Sjørup 2003). Hence, it seems reasonable to expect that mothers influence children more than fathers. Alternatively, or supplementary, due to gender role models we may expect

a stronger within than across gender influence. In Tables 4-6, we analyze IG consistency for the same values, attitudes and behaviours as before, but now at the level of gender-specific dyadic relationships, that is, mother-daughter, mother-son, father-daughter, and father-son. First, we discuss gendered IG transfer of value priorities

The mother-child value transfer seems independent on the gender of the child according to Table 4. Overall, the father-child value transfer is stronger when the child is a son than when it is a daughter. The father-son value transfer is as strong as the mother-son and mother-daughter transfer. This pattern is consistent with a stronger mother-child value transfer being compensated by a stronger gender-specific modelling in the father-son relationship. However, this explanation begs the question why the mother-daughter transfer is seemingly not stronger than the mother-son transfer.

Table 4 also reveals a gendered pattern in *which* value priorities are transferred. Most important in this context, it seems that with regard to environmental values (Universalism1), fathers', but not mothers' value priorities are transferred to children of both sexes. In other cases (i.e., valuing Tradition and Stimulation) mother influence dominate.

Gender differences in IG transfer are stronger at the level of specific attitudes towards pro-environmental behaviours than at the value level. When it comes to attitudes towards specific pro-environmental behaviour, the IG transfer seems to be stronger within same-sex dyads than across genders. In addition, it seems that, overall, mothers influence their children more than fathers, but only marginally more.

This pattern is somewhat disturbed by the result at the level of specific pro-environmental behaviours, however. With regard to the mother-child transfer, the pattern for behaviours is the same as for attitudes towards these behaviours: the same-sex transfer is somewhat stronger than the across-sex transfer. Not so for the father-child transfer, however. It seems that when it comes to specific pro-environmental behaviours, daughters take at least as much after their fathers as sons do, and in some areas even more! Most likely, what is revealed here is not some mysterious father-daughter connection, not captured by the other analyses, but simply that daughters are more likely to conform to their parents' wishes – irrespective of the gender of the parent – than boys are.

CONCLUSION AND DISCUSSION

This study set out to examine the extent of parental influence on their offspring's environmental orientation. Besides having relevance for public and private marketers, who want to promote sustainable consumption practices, our results have important ramifications for anyone interested in the influence of

parenting in relation to this specific domain. In this study, we find rather strong indications that environmental orientations at different levels of abstraction are transmitted from parents to their children. This may not come as a big surprise. Still, it may be important to stress the fact that – at least to some extent – parents are able to positively influence the future societal development through their children. Likewise, by acting as 'bad role models' they can do the opposite. According to this study, the saying 'it's not what you say, it's what you do' has some truth to it, even if it needs qualifications: What parents think, say, and do all influence their offspring, but visible action does seem to constitute the most important guideline for children. Thus even though parental influence is identifiable as regards the transmission of general and rather abstract values, this influence is more substantial down the behavioural hierarchy, that is, as specific environmental attitudes and behaviours are concerned.

These conclusions must, of course, be read with some reservations. Most importantly, they hinge on the assumption that IG transfers can be established by measuring the correspondence between parents' and adolescents' responses to the questions of interest. While this seems a fair assumption (and has also been the point of departure of several other studies of IG influence, e.g., Moore, Wilkie and Lutz 2002), the direction of influence cannot be determined from measures of correlation. In principle, within-family similarity could also be caused by child-to-parent transfers of values, attitudes and behaviours in a reciprocal socialization process. Children have been found to influence a range of specific purchases within the household (e.g., Foxman, Tansuhaj and Ekström 1989), and a few instances of such processes have also been found in the environmental domain (Ekström, 1995; Grønhøj 2007). Therefore, children may have the potential to act as environmental change agents within families, as has previously been suggested (Easterling, Miller and Weinberger 1995; Grønhøj and Ölander 2007). However, we would consider it highly unlikely that child-to-parent influence processes could be the major cause of the correlation between parents' and children's values, attitudes and behaviour identified in this study. Notably, we find evidence that the young generation is considerably *less* pro-environmentally oriented than are their parents. Hence, it seems that the present generation of adolescents is not the most likely initiator of 'radical' environmental improvements in consumption. Parents seem more likely allies in this quest.

Does this mean that we should expect a decrease in attention to environmental improvements in the future? This, of course, depends, on the reasons behind the seemingly relatively lower youth commitment. As suggested in the introduction to this paper, finding a comparatively lower environmental commitment among the youth is to some degree what one should expect, simply due to a 'life stage barrier.' However, whether this is actually the reason is an empirical question, and we see an urgent need for extending

our limited knowledge base here. An obvious way to do this would be by conducting environmental IG transfer studies of adult children, who have embarked on more mature life stages. Other IG studies have suggested that the influence of parents and children continues but may lessen with age, as the distance between parents and children increase (e.g., Moore, Wilkie and Lutz 2002), but no such studies have been made in the environment area.

Be this as it may, this study suggests that in order to succeed in involving the present generation of adolescents, appeals that are aligned with young people's value priorities need to be used. For instance, young people clearly subscribe less to values of universalism and more to benevolence values than their parents. This suggests that, when targeting the promotion of pro-environmental practices specifically to adolescents, messages should to a higher extent than when targeting a more mature population emphasize the personal relevance of the issue to their own situation or, in general, personalize the issue (i.e., portraying a specific animal, child, community, etc., in harms way). In addition, appealing to the young generation implies reviving a message, which they hardly perceive as new and exciting – quite the contrary, since to a 16-18 year-old 'environment' must seem to have been on public and political agendas *always*.

It was a supplementary aim of this study to shed light on the extent and nature of possible gendered socialization processes through a dyadic level of analysis. Unfortunately, the picture emerging of these processes is not clear-cut. There are some indications of stronger parent-child similarities within same-sex dyads at specific attitude and behaviour levels and, to a lesser degree at the general value level. Therefore, we do see the contours of a gendered environmental socialization process, but the differences are all small and most of them are not statistically significant. Furthermore, mothers seem to be slightly more influential in the environmental consumer socialization process, but again, less than what might have been expected. This finding might be a reflection of the setting of our study, Denmark, which, by international comparisons, is a fairly gender egalitarian country (Lausten and Sjørup 2003). We expect that a replication of the study in a different cultural context could give a different result.

NOTES

¹ TNS Gallup carried out the study among members of its Internet panel. Members of the panel who had a child aged between the age of 16, 17 or 18 were asked to participate and to recruit a son/daughter for participation as well. The respondents were not paid, but participated in a lottery arranged by the research company.

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Table 1. Value Similarity: Parents – Adolescents

Paired samples t-tests, * $p \leq 0.05$, ** $p \leq 0.01$, ¹one item: spiritual value, ²two items: environmental values

Value	Parents/ Adolescents (n=1202) M	SD	r	t	Cronbach's Alpha P-A
Conformity	2.32	0.88	0.18**	0.71	0.49
	2.36	0.97			0.52
Tradition 1 ¹	4.81	1.29			-
	4.98	1.15	0.42**	3.16**	
	3.38	1.23			-
Tradition 2	3.53	1.34	0.17**	2.22*	
Benevolence	2.13	0.80	0.25**	-4.12**	0.79
	1.96	0.81			0.80
Universalism 1 ²	2.76	0.99	0.18**	9.38**	0.77
	3.31	1.24			0.81
Universalism 2	2.46	1.04	0.12**	3.32**	-
	2.65	1.11			
Self-direction	2.33	0.96	0.20**	-6.34**	0.72
	2.03	0.89			0.67
Stimulation	3.79	1.07	0.19**	-13.38**	0.74
	3.01	1.17			0.78
Hedonism	2.89	0.91	0.26**	-18.37**	0.74
	2.08	0.87			0.74
Achievement	3.39	1.14	0.22**	-12.65**	0.77
	2.65	1.15			0.73
Power	3.46	1.05	0.29**	-6.99**	0.49
	3.07	1.24			0.54
Security	2.86	1.20	0.17**	0.87	-
	2.92	1.33			

Table 2. Attitude Similarity: Parents – Adolescents

Attitude	Parents/ Adolescents (n=1202)	SD	r	t	Cronbach's Alpha P-A
Organics	2.31	1.26	0.47**	-0.10	0.95
					0.92
	2.31	1.37			
Electricity	1.17	0.46	0.08*	6.25**	0.91
					0.83
	1.38	0.70			
Waste	1.46	0.88	0.25**	6.03**	0.96
					0.93
	1.77	1.15			

Paired samples t-tests, *p≤0.05, **p≤0.01

Table 3. Behaviour Similarity: Parents – Adolescents

Behaviour	Parents/ Adolescents (n=1202)	SD	r	t
Organics***	2.84	0.87	0.49**	9.19**
	3.31	1.18		
Electricity	2.09	0.77	0.13**	19.4**
	3.04	1.03		
Waste	1.91	0.77	0.41**	17.21*
	2.93	1.47		

Paired samples t-test, *p≤0.05, **p≤0.01, ***n=874. A total of 26,6% of the adolescents (34,5% of the boys, 19,2% of the girls) claim not to do this kind of shopping.

Table 4. Value Similarity: Dyads³

Values	M-S (n=322)	r	M-D (n=394)	r	F-D (n=222)	r	F-S (n=264)	r
	M		M		M		M	
Conformity	2.27	0.18*	2.25	0.24**	2.37	0.188*	2.46	0.12
	2.59		2.25		2.12		2.44	
Tradition 1 ¹	4.81	0.49**	4.59	0.37**	4.97	0.481**	4.98	0.36**
	4.97		4.91		4.91		5.14	
Tradition 2	3.45	0.19*	3.28	0.20**	3.45	0.078	3.39	0.15
	3.68		3.43		3.59		3.48	
Benevolence	1.93	0.24**	2.01	0.34**	2.35	0.189*	2.36	0.24**
	2.13		1.78		1.85		2.13	
Universalism 1 ²	2.78	0.12	2.78	0.13	2.75	0.213*	2.71	0.31**
	3.48		3.22		3.15		3.36	
Universalism 2	2.28	0.14	2.34	0.15*	2.82	0.08	2.55	0.13
	2.80		2.46		2.54		2.84	
Self-direction	2.28	0.16*	2.315	0.25**	2.47	0.10	2.30	0.27**
	2.01		2.005		2.03		2.08	
Stimulation	4.01	0.23**	3.888	0.16*	3.77	0.09	3.40	0.16
	3.21		3.033		2.89		2.83	
	3.08		2.883		2.84		2.74	
Hedonism	2.15	0.25**	2.076	0.28**	2.06	0.24	2.02	0.22*
	3.43		3.330		3.60		3.24	
Achievement	2.79	0.20*	2.637	0.23**	2.59	0.21	2.56	0.25**
Power	3.7	0.35**	3.452	0.30**	3.26	0.13	3.18	0.34**
	2.95		3.218		3.48		2.84	
	2.61		2.83	0.15*	3.06		3.03	
Security	2.99	0.19*	2.93		2.95	0.11	2.78	0.25**
Average		0.23		0.23		0.18		0.23

Paired samples t-tests, *p≤0.05, **p≤0.01. ¹one item: spiritual value, ²two items: environmental values, ³M-S=mother-son, M-D=mother-daughter, F-D=father-daughter, F-S=father-son

Table 5. Attitude Similarity: Dyads

Attitude	M-S (n=322) M	r	M-D (n=394) M	r	F-D (n=222) M	r	F-S (n=264) M	r
Organics	2.23 2.49	0.49**	2.10 2.11	0.50**	2.46 2.13	0.42**	2.62 2.54	0.43**
Electricity	1.11 1.39	0.08	1.18 1.30	0.26**	1.25 1.40	0.00	1.18 1.47	-0.03
Waste	1.35 1.72	0.11	1.33 1.67	0.21**	1.61 1.74	0.18	1.65 1.99	0.43**
Average		0.23		0.32		0.20		0.28

Paired samples t-tests, * $p \leq 0.05$, ** $p \leq 0.01$

Table 6. Behaviour Similarity: Dyads

Behaviour	M-S (n=322) M	r	M-D (n=394) M	r	F-D (n=222) M	r	F-S (n=264) M	R
Organics***	2.73 3.37	0.44**	2.79 3.29	0.54**	2.99 3.21	0.56**	2.91 3.37	0.42**
Electricity	2.06 3.10	0.08	0.09 2.95	0.12	2.06 2.93	0.22*	0.13 3.19	0.12
Waste	1.81 2.86	0.26**	0.88 2.91	0.41**	1.88 2.66	0.47**	2.11 3.29	0.48**
Average		0.26		0.36		0.42		0.26

***M-S: n=218, M-D: n=322, F-D: n=170, F-S: n=164

Sunday, June 3

2:00 – 3:30 **Session 4**

430 Competitive Paper Session: Ethics, Corporate Social Responsibility, and Distributive Justice

Chair: Anusorn Singhapakdi, Old Dominion University

431 - *Are Small & Medium Industries Agents of Distributive Justice in the Market?*
N.R.Govinda Sharma, Nitte Meenakshi Institute of Technology

432 - *Exploring Ethical Consumerism: The Case of Charity-linked Products*
João F. Proença, University of Porto, Portugal
Inês V. Pereira, Porto Polytechnical Institute – ISCAP

433 - *Relationship Marketing—All in the Family: Perspectives on the Diverse Roles of Myriad Stakeholders*
Marilyn Liebreinz-Himes, The George Washington University
Hamed Shamma, The George Washington University
Robert F. Dyer, The George Washington University

434 - *Ethics in International Marketing: Evaluation of Institutions in International Value Chain Networks*
Andreas W. Falkenberg, Agder University

Are Small and Medium Enterprises Agents of Distributive Justice?

Govinda Sharma, Nitte Meenakshi Institute of Technology, India

In the context of globalisation, mergers and acquisitions are the order of the day. Big appears to be beautiful driven by the market forces that seek business efficiency in the conventional sense of economies of scale. However, big enterprises tend to concentrate the wealth in the hands of a few. The benefits of the growth is not trickling down to the less privileged sections of the society, the phenomenon referred to as the "Trickle-Down Trap". In this context, are Small and Medium Enterprises (SMEs) agents of distributive justice? Can the SMEs address the problem of "Trickle-Down Trap"? SMEs are facing competition from the larger establishments. What can the Government do to encourage SMEs and what are they doing? This paper tries to highlight these issues with reference to India. A pilot study of SMEs in Peenya Industrial Estate, Bangalore, India undertaken by the author is presented.

India opted for planned economy since 1951 and the industrial policy adopted by the policy makers provided a special place for Small and Medium Enterprises (SMEs). Due protection was accorded to SMEs.

The Government of India had adopted a model of socio-economic policy that supported SMEs. SMEs were an outcome of a policy that encouraged labour intensive mode of production, employment generation, non-concentration of economic power in the hands of few and de-concentration of industrial activities. It was a period when Governments and policy makers were taking pride in the paradigm "Small is beautiful" (Govindarajan, Subramani 2001).

However, during 1991 when India was faced with an acute balance of payment problem, the process of Liberalisation, Privatisation and Globalisation of Indian economy was ushered in (Ghosh 2005).

The era of liberalisation has brought in growth. But the market driven policies pursued by the governments around the world have failed to deliver the fruits of the growth to the majority of their citizens. According to economic orthodoxy of Breton Woods, growth by itself is a panacea for poverty. But the Human Development Reports of the UNDP show that not only do the benefits of growth fail to "trickle down" but also that the lack of human development eventually becomes a constraining factor for the growth itself (Adhikary 2004). Larger industries are oriented towards mass production and adopt

mechanisation and automation that are less labour intensive.

It is in this context that SMEs can be seen as agents for distributive justice in that a large number of entrepreneurs get an opportunity to drive the growth and partake the benefits of the growth. Additionally, as SMEs are labour intensive, larger number of people can hope for gainful employment. SMEs can be geographically distributed and thus become instrumental in trickling down the benefits. Thus, SMEs can be seen as agents of distributive justice.

Distributive justice in its modern sense calls on the state (the government) to guarantee that everyone is supplied with a certain level of material means (Fleischacker). Market forces by themselves cannot deliver social justice. Commenting on the role of government, Stiglitz (2002) opines, "I had studied the failures of both markets and governments, and was not so naïve to think that government could remedy every failure. Neither was I so foolish as to believe that markets by themselves solved every societal problem. Inequality, unemployment, pollution: these were all important issues in which government has to take an important role".

Of the several avenues and options available for the government to ensure social justice, supporting the SMEs could be one of them - perhaps the option closest to the market.

However, SMEs in India face several problems such as, the problem of competitiveness and market access. This problem of competition is accentuated with liberalisation that allows bigger players in fields that were traditionally reserved for SMEs. The current strategy of the government of India is towards making SMEs competitive. To quote the Prime Minister, "The small-scale units cannot be protected all time. They have to prepare themselves to face competition and be on their own" (Adhikary 2004).

I would like to thank the organisers of the Joint Conference of the Macromarketing Society and the International Society for Marketing and Development for giving me an opportunity to present the paper. I would also like to thank the anonymous reviewer for his constructive comments on the earlier version of this article.

In accordance with policy initiatives for promoting small enterprises to allow small enterprises to grow, 193 items reserved for exclusive manufacture for Small Scale Industries (SSI) was de-reserved in 2004-2005 to bring down the reserved items to 506 (Ministry of Finance, 2006).¹

The Government, being a signatory to WTO, is going ahead with the liberalisation, throwing open the SMEs to competition. The improvement in the infrastructure (better transport, power, finance) that is available to the SMEs is not matching with the requirement that would help SMEs to be competitive. The SMEs are therefore not on a “Level playing ground”. It is in this light that one needs examine the future of SMEs in India. More appropriately, one needs to examine the strategies and options that may be pursued that would allow competitiveness and also accommodate the interests of all the stakeholders.

The paper is organised as follows: Firstly, argument as to why small continues to be beautiful and why they need to be supported in the Indian context is examined. An introduction to SMEs in India, and its contribution to the growth are discussed. Discussion of some of the initiatives taken up by the Government and its adequacy are discussed. The responses to the competition by the entrepreneurs are discussed. Findings of a pilot study of SMEs in Peenya Industrial Estate, Bangalore, India, undertaken by the author during August 2006 are presented. Finally, conclusions based on the study are presented.

IS SMALL BEAUTIFUL?

Let us now consider the question of “Is small beautiful” in the context of SMEs in India. Schumacher in his remarkable book “Small is beautiful,” argues as to the benefit of small enterprises. The question of what constitutes small and how small is beautiful is as appropriate to the context. This is acknowledged by Schumacher (1993) himself: “What I wish to emphasise is

the duality of the human requirement when it comes to the question of size: there is no single answer. For his requirements man needs many different structures, both small ones and big ones, one exclusive and some comprehensive. Yet, people find it most difficult to keep two seemingly opposite necessities of truth in their minds at the same time..... Today, we suffer from a universal idolatry of gigantism. It is therefore necessary to insist on the virtues of smallness where this applies”.

The universal idolatry of gigantism is evident in these days of mergers & acquisitions of companies and proliferation of multinational companies (MNCs). “Big is beautiful” is the refrain of the day.

Thus, in these days of globalisation is the statement “Small is beautiful” as relevant as “Big is beautiful”? Can the small & the big co-exist and play their roles? Applying this to SMEs, the task on hand would be to examine whether a small enterprises can continue be successful even as the competition from the big brother increases and the protective umbrella provided to the small enterprises by the state being slowly but surely withdrawn? What needs to be provided to SMEs in lieu of protection?

Why does India need SMEs?

India needs SMEs as 1) they have a large employment potential, 2) are environmentally less polluting, 3) encourage entrepreneurship and 4) do not depend on large capital.

Employment potential:

Full employment is considered as an elementary objective of economy and society. Availability of abundant labour in India need not be considered as a liability and efforts are to be made for gainfully employing them. Regrettably, the unemployment rate in the first three years of the Tenth Plan has indeed increased from 8.87% to 9.11% (Table 1).

TABLE 1
ESTIMATES OF LABOUR FORCE, WORK OPPORTUNITIES AND UNEMPLOYMENT IN THE FIRST THREE YEARS OF THE TENTH PLAN (CURRENT DAILY STATUS BASIS)

	UNIT	2001-02	2002-03	2003-04	2004-05
Labour force	Million	378.21	385.02	391.95	399.00
Employment	Million	344.68	349.89	356.16	362.64
Unemployment rate	%	8.87	9.12	9.13	9.11
No. of unemployed	Million	33.53	35.13	35.79	36.36

Source: Planning Commission

Gross Domestic Product (GDP) of the country has increased from Rs 19.781 trillion in the year 2001 – 02 to Rs 23.937 trillion in the year 2004-05 at constant prices (Economic Survey 2005-2006). This amounts to a growth of 21.01% in GDP between the years 2001-02 and 2004-05. The corresponding employment figures for the years 2001-02 and 2004-05 are 344.68 million and 362.64 million, respectively (See Table 1, above). This amounts to a growth of 5.21% in employment between the years 2001-02 and 2004-05. Labour force has grown by 5.50% in the same period. Growth of employment is slightly lagging the corresponding growth in labour force. What is disturbing is that a 21.01% growth in GDP has not resulted in appreciable increase in employment (The employment has only grown by 5.21%). This is contrary to the popular belief that “growth creates employment”. Therefore, there is certainly a need to think out-of-the-box to find ways of creating job opportunities beyond the statement “growth creates employment”. One needs to be looking at labour-intensive investments rather than capital-intensive investments for this purpose. I appreciate that as the economy develops, the service sector drives the economy and the service sector may or may not be labour oriented. But should India, with its surplus labour, not be concerned about creation of employment for its people?

SMEs being labour intensive and not capital intensive are (and have always been) an alternative strategy for solving the above problem. Thus, Small and medium enterprises, along with agriculture, had been identified as generators of employment growth during the Tenth Plan and continue to be of importance in meeting the target of nearly 50 million employment opportunities over the plan period (Planning Commission). This thought needs to be nurtured.

Environmental point of view:

From the environmental point of view SMEs have an advantage over large enterprises. Quoting Schumacher (1993), “Ever bigger machines, entailing ever bigger concentration of economic power and exerting ever greater violence on the environment, do not represent progress; they are a denial of wisdom.”

Professor Leopold Kohr brilliantly argues for small scale applications and its relevance for economics of permanence – “Small operations, no matter how numerous, are always less likely to be harmful to the natural environment than large scale ones, simply because their individual force is small in relation to the recuperative forces of nature” (as quoted in the book “Small is beautiful” by Schumacher).

The role of cluster-development for encouraging SMEs, as it facilitates efficient monitoring of infrastructural facilities, is well documented (Balasubramanya 2006). Cluster-development, beyond a certain limit may tend to defeat the above concept of SMEs being less polluting when the effluent created by a

number of small industries is treated aggregately with a common effluent treatment plant (ETP). In the event of failure of such an ETP, the pollution created could be the same as the pollution created by a giant set-up. Such eventualities cannot be ruled out, especially in countries such as India, where capital investments are encouraged but funds for operation & maintenance are difficult to find.² Thus, it may be necessary to have decentralised effluent treatment plants in cluster developments. This is not to be understood as a suggestion against cluster-development. It is a suggestion to make the cluster development work.

Entrepreneurship:

SMEs are the places where entrepreneurs are born. As per Ruthwell and Zegveld, small enterprises have the specific advantages of operational flexibility and internal communication for carrying out technological innovations (as quoted by Balasubramanya 2006). The SMEs, being small and smart, can adapt to changes faster. India can do well by nurturing entrepreneurship. Location-wise mobility, capacities to develop appropriate indigenous technologies can be cited as the other factors in favour of SMEs.

Though “Small is beautiful” has a romantic appeal, we need to examine whether SMEs stand the criticism of economies of scale that is the essential reason for bigger enterprises.

SMEs and the “economies of scale”

How does the concept of SMEs gel with the traditional belief of “Economies of scale”? Without going into the intricacies of the issue, I would be limiting myself in saying that there are reductions of overheads in SMEs vis-à-vis large industries (A senior manager of a large establishment provided this insight during the discussion we had in the course of the survey under taken as a part of this study. It is interesting that a manager of a large establishment *knows and appreciates* the strength of SMEs – this is what I call co-existence!).

Limitations of SMEs

SMEs suffer from the limitations of low capital base, concentration of functions in one or two persons, inadequate exposure to international environment, inability to face WTO regime, inadequate contribution towards R & D and lack of professionalism. For reasons stated in the preceding paragraphs, SMEs have to be helped to overcome the limitations so that they contribute to the development that ensures a more equitable distribution of wealth and opportunities.

Small is beautiful

In the light of the above, I opine that “Small is beautiful” and SMEs being small and beautiful need to be encouraged in India.

SMEs IN INDIA

Definition of SME

Definition of SMEs has been a topic of debate. A study of the definition adopted by the various countries shows that criteria ranging from number of employees to the investment and even turnover are considered. It is not the purpose to discuss the issue of definition of SMEs, the merits and limitations, in this paper. The following definition of SMEs as given by the Reserve bank of India is considered in this paper:

“At present, a small scale industrial unit is an undertaking in which investment in plant and machinery does not exceed Rs.1 crore (1 crore = 10 million) (Rs, meaning Indian Rupees = INR), except in respect of certain specified items under hosiery, hand tools, drugs and pharmaceuticals, stationery items and sports goods, where this investment limit has been enhanced to Rs. 5 crore. Units with investment in plant and machinery in excess of SSI limit and up to Rs. 10 crore may be treated as Medium Enterprises (ME).” (Reserve Bank of India 2006).

Why is this definition required? It is implied that certain preferential treatment is available and perhaps would continue to be available for the SMEs. For example, timely availability of funds to SMEs is an important issue. A committee was set up by RBI in 1992 under the chairmanship of Nayak to make recommendations regarding the same. Based on the recommendations of the committee, 370 exclusive bank branches for small industry were set up by the Public Sector Banks in 1998.

Contribution of SME to Indian economy

SMEs are critical to the nation’s economy – they contribute significantly to the country’s domestic production, exports from India and India’s industrial employment.

The employment potential of SMEs has already been mentioned. In a country with large surplus manpower and a need to create employment, importance of SMEs cannot be gainsaid. Small industry employment was equivalent to 31% of the total organised-sector employment in 1980-81. It went up to nearly 48% of the organised-sector employment in 1990-91. By 2000-01, small industry employment increased to the level of two thirds of the organised sector employment (Balasubramanya 2006). Efforts will have to be made to nurture SMEs, which have been employment generators.

Initiatives taken by the Government for encouraging SMEs

Government has taken several initiatives for encouraging SMEs in India. These policy initiatives, however are to encourage small industries to graduate into medium enterprises and then perhaps into large ones. These intentions cannot be doubted and are perhaps governed by sound economic consideration (“as if people mattered”, if I may borrow the subtitle of *Small is beautiful* by Schumacher) as much as *noblesse oblige*. The state appears to be quite serious about supporting the SMEs; intentions may not be doubted but given the pluralistic political systems in which they are operating there can always be a gap between intentions and actions. Some of the initiatives taken by the Government are discussed in the subsequent paragraphs. The survey is only illustrative and is not comprehensive.

Setting up of Small and Medium Enterprises Centre

The Director of IIFT, in the presence of Honourable Union Minister of Commerce and Industry said, “Another fresh initiative of the institute (read as IIFT) is the setting up of Small & Medium Enterprises Centre. The centre promises to provide continuous support by carrying out activities such as training programmes, provision of business intelligences through a databank, besides being a catalyst for interface with other institutions” (Business Line, 6th April 2006). When this would be realised is what needs to be seen.

SIDBI

Small Industries Development Bank of India (SIDBI) is the principal financial institution for the promotion, financing and development of industry in the SME sector in India. SIDBI is committed to developing a strong, vibrant and responsive SME sector. Alongside finance, SIDBI provides appropriate support in the form of promotional and developmental services. SIDBI has been built up as a financially sound, vibrant, forward looking and technically oriented institution and it intends to sustain this orientation in future. SIDBI intends to provide quality services to its clients, devoid of any systemic and procedural difficulties. Over the last 15 years of its existence, it has developed a suite of products and services for the SME sector. SME Rating Agency of India Ltd (SMERA), set-up by SIDBI, will be able to draw upon SIDBI’s longstanding experience in dealing with Indian SMEs and its strong relationships with public & private sector banks.

During 1996-2001, SIDBI has conducted / participated in 18 trade fairs / exhibitions, nationally as well internationally. However, the proposed marketing of

mass consumption items under a common brand name by National Small Industries Corporation (NSCI), has not taken off even after 12 years of exclusive policy announcement for small industry (Balasubramanya 2006). NSCI provides support in marketing by way of tender marketing, consortia marketing and Government Stores purchase programme.

Setting up of SMERA

The Union Finance Minister, Shri P. Chidambaram, formally launched SME Rating Agency of India Ltd (SMERA), the dedicated rating agency for SME sector in India. SMERA has been set up by Small Industries Development Bank of India (SIDBI) in association with Dun & Bradstreet (D&B), Credit Information Bureau (India) Limited and leading public and private sector banks.

SMERA Rating is an independent third-party comprehensive assessment of the overall condition of the SME, conducted by SME Rating Agency of India Limited. It takes into account the financial condition and several qualitative factors that have bearing on credit worthiness of the SME.

An SME unit having a SMERA Rating would be able to enhance its market standing amongst trading partners and prospective customers. A major obstacle in SME development is its inability to access timely and adequate finance. There are several reasons for low SME credit penetration, key among them being insufficient credit information on SMEs, low market credibility of SMEs (despite their intrinsic strengths) and constraints in analysis. Rating Agencies such as SMERA can play an important role in addressing some of these concerns.

OPTIONS FOR SUPPORTING SMEs

Preferential buying from SMEs

At present, 350 items are reserved for exclusive purchase from the Small Scale Sectors (SSI) and about ten items from the handicraft sector in the case of the Central government, its departments, agencies and undertakings. In the case of items open to purchase from both small and large units, a price preference of "up to" 15 per cent is given "on merits" to the SSI bidder. With the public sector space shrinking, preference for SSI supplies needs to be enforced more seriously in government departments.

It is interesting to note that the United States of America (USA), through its Small Business Administration (SBA), takes action in favour of the small sector. For example, in the US, all federal purchases worth more than \$2,500 but not exceeding \$100,000 are set aside exclusively for competitive bidding by small business concerns. Special consideration is given to bids from "labour surplus areas".

The Government of India can adopt a similar policy of preferential buying.

Funding by the banks to SMEs

A separate target of 12 per cent solely for SSIs and the tiny sector from out of the priority-sector lending target should be fixed for effective funding of this sector by banks.

The policy on enhanced credit flow should have three layers of interest rate for financing SSIs and the tiny sector: Advances of up to Rs 10 lakh should be at the rate of Prime Lending Rate (PLR) minus 2 per cent. Advances between Rs 10 lakh and Rs 25 lakh should be at PLR. For advances above Rs 25 lakh, the interest rate should not exceed PLR + 2 per cent. (PLR is the Prime Lending Rate)

A financial package should be made available to the small and tiny enterprises also to help them tide over recession and the various effects of globalisation.

A moratorium of two years, on both principal and interest, and a schedule of payment according to the commercial viability of each unit, at an interest rate of 2 per cent below the bank rate, should be made applicable to outstanding loans as on the December 31, 2004, with an option to renegotiate the past high interest rates.

Assistance to SMEs for carbon trading

DEUTSCHE INVESTITIONS-UND ENTWICKLUNGSGESellschaft GmbH (DEG), one of Europe's largest development financial institutions, and a member of the euro 3.29-billion KfW Bankengruppe of Germany, has earmarked euro 50 million for financing (both equity and debt) of SMEs in India this year, particularly to industries such as small Hydel power units, energy systems - wind power and solar lighting industries, agro industries and infrastructure projects.

The company, through its parent KfW, has also set up a euro 100-million carbon credit fund at its office in Cologne, and is ready to assist small and medium companies in India to go through the complicated process of carbon credit certification (for eventual trading in the international market) through CDM projects approved by host governments. The company's exposure to projects in India so far has been worth euro 250 million. The process of UNFCCC certification would help environmentally conscious small and medium companies.

The Government supports the SMEs in acquiring carbon-credits through the Department of Renewable Energy.

CASE OF PEENYA INDUSTRIAL AREA, BANGALORE

Brief on Peenya Industrial Area

The Karnataka Small Industries development Corporation (KSIDC) has been developing Peenya Industrial area since 1971-72. Karnataka Small Scale Industries Association (KASSIA) has been functioning since 1949 promoting small-scale industries. The Peenya Industrial Complex (PIC) is one of the largest and oldest of its kind in the whole of South East Asia. The complex is located at the capital city of Karnataka State, Bangalore, a fast growing industrial Indian metropolis. Bangalore city is well connected by Road, Rail and Air to other parts of the country. With the completion of the international air terminal, the city will be directly connected to other parts of the globe as well. The Bangalore airport already handles international air cargo carriers.

The Peenya Industrial Complex (PIC) itself is located at the northern part of the city and is not very far from the heart of the city. It is about 30 Kms from the airport and 18 Kms from the rail terminal. The Complex is spread over an area of 40 sq Kms and is a conglomeration of a large number of Small Scale Industries, with a sprinkling of a few medium and large-scale industries. There are about 3500 Small Scale Units with a total Investment at book value of Rs. 700 Crores (US \$ 200 million). PIC employs about 350,000 persons. It has a volume of sales of Rs. 2,000 Crores (US \$ 568 million). PIC's annual contribution to the Exchequer by way of Central Excise Duty is Rs. 60 Crores (US \$ 17 million), Sales Tax: Rs. 150 Crores (US \$ 42 million) (Peenya Industries Association website)

Problems faced by Peenya Industrial Area

Lack of Infrastructure is one on the main problems faced by Peenya Industrial Area. Till very recently the conditions of roads were very bad and many good sales and export opportunities were lost because of it. Though the condition of the main road has been improved since March 2006, the condition of the internal roads leaves much to be desired.

Out of the 3500 units only about 2000 units are said to be functioning. Lack of infrastructure and competition are considered to be the major causal factors (Balasubramanya 2006). The ground reality during field study confirmed the declining state of affairs.

Methodology of study

Both primary and secondary data are adopted. A questionnaire was developed and personal interviews with representatives of the enterprises were held at their premises. Method of in-context-study was adopted. The questionnaire served as an anchor point during the

interview but the questions were open ended to solicit fresh responses instead of guiding them to a reply. This way a lot of information could be collected. I conducted personal interviews with 8 entrepreneurs.

Respondents were asked questions to 1) Assess their general awareness about the globalisation & its impact and the sources of information regarding globalisation. 2) Understand the measures taken by the enterprises for quality improvement 3) Elicit their experience in quality management 4) To understand their perception as to "limitations" of quality management system (This question was with an intention of finding out what are the perceived limitations to quality management and how it could be tackled) 5) Solicit their expectations regarding the government support to SMEs 6) Solicit their opinion on the Changing Labour Legislations – what have been the implications for the entrepreneur and the employee? What have been the approaches adopted and what would be their success rate? 7) Identify the sources of funds for improvement.

The data collected was analysed by simple statistical methods.

In order to get a comprehensive view of the situation, I had discussions with Mr Muralidhar of the legal cell of All India Trade Union Congress (AITUC).

Limitation and scope for further study

The study was a pilot study. Only eight SMEs were interviewed at their premises for want of time and resources. The number of respondents being small in comparison to the sample size, the results may not be projected to the larger population. The study would be extended to a cover larger number of respondents when resources are available.

Findings and discussion

General

Out of the eight enterprises visited, four of them were private companies, two each of partnership and proprietorship companies. The respondents comprised of manufacturers of corrugated boxes, industrial chemicals, fibre optics, hydraulic cylinders and CNC lathes. The investment ranged between Rs 100,000/- up to Rs 30,000,000/-. Two of the enterprises could be classified as medium enterprises (investment on plant and machinery exceeding Rs 10,000,000/-) and six of them were small-scale industries (investment on plant and machinery less than Rs 10,000,000/-). All the respondents were members of Peenya Industrial Association.

Agents for change & improvement

The role of association such as PIA and North Bangalore Industries Association and Machine Tool manufacturers Association is significant.

The Peenya Industries Association is a unique organization started originally with only a handful of first generation entrepreneurs with an objective to look after the welfare of the industrial units in the Peenya complex. Started in the year 1978 with only 15 members, it has grown into a forceful organization with a membership of over 1800. The Association is a registered society under the Karnataka Registration of Societies Act. The Association is headed by the President, with a team of Office Bearers and a Managing council assisting him in the functioning of the Association. The President, Office Bearers and the members of the Managing Council of the Association are elected by the General Body of the Association every year to hold office for a term of one year.

Much of the improvement such improvements to the roads & drains were the results of sustained efforts by associations. PIA has been organizing many seminars and disseminating information on many issues including the latest in information technology. Efforts are on for further improvement of infrastructure through "Peenya Industrial Infrastructure Corridor".

Level of awareness about globalisation

Questions were asked to assess the general awareness of the respondents regarding globalisation. 38% of respondents indicated the year 1990 as the year in which globalisation was systematically in India, 38% of the respondents indicated the year 1995 and 24% of the respondents indicated the year 2000. Newspapers are the most popular source of information (100%), followed by magazines (63%); the Internet was used as a source of information by 38% of the respondents. 88% of the respondents indicated sources such information bulletins from institutes such as PIA, seminars as the source of information. Internet appears to be still catching up as a source of information. Associations such as PIA are doing service to its members by disseminating information.

Perception regarding the impact of globalisation

Perception regarding impact of globalisation was largely positive. 38% of the respondents opined that globalisation had opened up opportunities, 50% opined "globalisation brought in competition that is good", 13% opined that globalisation had no impact on them. None them reacted negatively such as globalisation only helps MNCs or that globalisation hurts SSIs and should be stopped. Most of the respondents had not taken any direct benefit from globalisation. On the contrary, the views expressed were that products were expected to be of

"European quality but Chinese prices ⁽²⁾"! The cost of entering international market was stated to be "Prohibitive". It is desirable that institutes like National Small Industries Corporation extend tangible help. International markets meant neighbouring countries such as Bangladesh, Ceylon to begin with as the conditions were similar.

SMEs at Peenya Industrial Area have been largely dependent on orders from public sector establishments. The relative role of public sector as a distinct entity has been on the decline and will decline. With this the need for changes in the approach are urgently required.

Quality initiatives

The benefits derived by the certification such as IS 9001, were the higher vendor rating. None of the enterprises had adopted Six Sigma approach but 75% of the respondents were aware of the use of Six Sigma as a Total Quality management technique. The other quality programmes adopted by the enterprises were periodic meeting with the client to understand the customer specification, training at customer's premises regarding quality aspects.

The respondents informed that as the "Advertisement" by them is next to nil, the orders were by repeat orders and by "By word of mouth". For this to happen quality was the key and hence importance of quality was appreciated.

The reasons for the failure of quality system, should the quality systems fail, were indicated as requirement of the final customer not being appreciated, implications of quality not fully appreciated by the workers and supervisors, critical areas not understood and, lack of commitment from the management. One of the respondents mentioned that the pride of the employee should be developed so that the worker is the inspector (italicised for emphasis).

"Small Improvements Enhance Employee Dedication" (SEED) was a useful and pragmatic procedure for gradual improvement in quality. Quality is a result of patience and discipline. The entrepreneur in a hurry to reap quick profits would not be able to instil quality consciousness and culture in the enterprise.

Other limitations of quality management approach as perceived by the respondents were inability to make investment for the quality systems, low education level of the workers and lack of training.

It is heartening that one particular enterprise that was supplying watchcases to the public sector HMT has now shifted to Titan, which is a private company. Such flexibility is not only desired but should be encouraged.

The respondents were asked to rate their experience in quality management as "excellent" "Good", Satisfactory" or "unsatisfactory". 13% of rated their experience in quality management as excellent, 50% as "Good", 38% a satisfactory and none of them indicated as "unsatisfactory".

The strongest driver for quality was stated to be the quality consciousness that is increasing with or without globalisation.

Sources of funds

Sources of the funds were profit (38%), fresh investment from the entrepreneur (50%), bank loan (38%). None of them indicated subsidies from government as a source of funds for improvement. Banks such as Canara Bank would give up to Rs 25,000/- as assistance for small scale industries acquiring ISO 9000 and 50% of cost is reimbursed by the Karnataka Council for Technical upgradation. There is a need for disseminating this information amongst the entrepreneurs.

Expectations from the Government

None of the respondents insisted on continued reservation for SMEs on any items. The opinion was unanimous on request for introduction of incentives, reduction of cumbersome procedures, uniform excise rates, introduction of beneficial corporate tax slab for SME and reduction of Inspection Raj. Retention of "Prompt payment" clause was also stressed upon; it was opined that inclusion of clauses such as "Or as agreed" to the "prompt payment with in ... days" would only dilute the issue as no SME is really a position to negotiate for better payment terms. Reduction of import duty on critical inputs and increase in the price for finished imported products is desired. Subsidies should be given for Research & Development (R&D) in SMEs. Excessive importance given to IT sector is stated to be reason for downfall of SME for large imbalance in the remuneration is attracting better talent, even from the brick and mortar sectors, to the IT sector. One respondent called for a check on this.

CONCLUSIONS

In this paper, I have highlighted the role of SMEs in growth and employment in India. Growth, which does not generate employment, is not desirable. The specific advantages of SMEs in terms of creating jobs, being less polluting and supportive of entrepreneurship is brought out. What is interesting is that while any industry, big or small, is a result of entrepreneurship, SMEs do not demand high capital or very high technology. It is for this reason that entrepreneurship in SMEs is accessible to a greater number of people, who need not be very rich or highly educated. This means that the route of entrepreneurship through SMEs is open to the common man. SMEs are labour intensive and create employment. Thus, SMEs have an egalitarian character. As SMEs allow for participation of a greater number of entrepreneurs and labour to partake in the growth, SMEs are agents of distributive justice.

However, SMEs in India face several problems. The important problems faced by the SMEs are the lack of infrastructure, which includes inadequate roads, power, water, inadequate credit flow and identifying and reaching out to the markets for their products. Unless the necessary infrastructure is provided, SMEs will not be able to compete with the bigger industries. This is even truer in a global environment when Government is de-reserving areas that were traditionally in the exclusive reserve of SMEs. Interestingly, the study shows that players in the SMEs are not asking for reservation but facilities that would make them competitive. Government has an important role to play in ensuring a level playing ground for SMEs by providing infrastructure.

SMEs at Peenya Industrial Area have been largely dependent on orders from public sector establishments. The relative role of public sector as a distinct entity has been on the decline and will continue to decline. With this the need for changes in the approach of the Government as to the mode of support to the SMEs is urgently required. This support can be in the form of support for marketing the products, setting up of common facilities for testing, consortium purchase of inputs to avail discounts.

The demand on quality of products and services is increasing in India. The globalisation has accentuated it. How have the SMEs been reacting to demands of greater quality and efficiency? The study shows that they are admirably resilient to the change. Some of the strategies are the one such as "Small Improvements Enhance Employee Dedication" (SEED). This is a useful and pragmatic procedure for gradual improvement in quality. Small enterprises do not appear to be ready for concepts such as Six Sigma.

I have also discussed in the paper options available for supporting SMEs. Some of the options are preferential buying from SMEs, funding from banks and institutions and offering assistance and guidance in exploiting the opportunities for acquiring carbon-credits.

The study SMEs at Peenya Industrial area indicates a positive approach of entrepreneurs towards globalisation. Government and Trade Associations can provide specific information about the marketability of their products and services that can be used for reaping the benefit of globalisation.

Manufacturing sector, especially in the SME is the job creator. The Information Technology sector depends also on the manufacturing sector for selling its software.

In conclusion, I say that SMEs are "Small and beautiful" and need to be supported. They not only create wealth but are also agents of distributive justice. This would be in tune with the Gandhian principle of "Production by masses and not mass production" and be supportive distributive justice.

Notes

1. The implied meaning is that an SME that was manufacturing of the reserved item can now “grow” beyond the limits of SME but still continue to produce the product that was earlier reserved only for SSIs. To quote Economic Survey 2005-2006, “The provision of SMED Bill, 2005 aims at facilitating their (read as SSIs) growth in terms of size and also the graduation of small enterprises into medium ones, thus enhancing their global competitiveness.” In line with this argument, the Government is contemplating de-reserving more items in 2005-2006 in consultation with the stakeholders. The mute question however, would be that the entrepreneurs who would desire to enter at the SSI level are now left unprotected against competition and have to fend for themselves. In other words, there is no particular encouragement for an entrepreneur to enter business at small-scale industry level.

2. Banks such as the Asian Development Bank (ADB) would provide aid for the capital component of a project such as effluent treatment plant but not for its operation & maintenance. Funds for O & M are to be made available from the charges collected from the beneficiaries / state subsidy. Initiative from the state and the beneficiaries for creating a fund / source stream for defraying O & M costs is desired. When would that happen?

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Exploring Ethical Consumerism: the Case of Charity-Linked Products

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This paper explores the ethical consumerism behavior examining the case of charity-linked products involved in cause-related marketing programs. We consider charity-linked products all the consumer goods that may help a social cause or a non-profit organization. The research used focus groups analysis to explore the main consumer's motives to buy those products. The research was done in Portugal and finds three types of charity-linked products consumers': the proactive consumers which look and buy products that help non-profit organizations, the reactive consumers which only buy charity-linked products when are asked or see those products during their shopping's and, finally, the non buyers that rarely buy charity-linked products. We discuss the motivation behind the charity-linked products consumerism and, we find motives associated with general consumer behavior or to ethical reasons. We conclude that the influences of salespersons, the availability of the charity-linked product, the impulsive behavior and, the individual perception of the consumer compensation are important factors to be managed by for-profit and non-profit organizations concerned with cause-related marketing programs. Moreover, the influence of family and other referents and, the possibility to give the charity-linked product as a gift to someone else are important motives to buy those products. The research also shows that the credibility of the organizations involved in cause-related marketing or ethical programs, the feedback information about the programs, and, finally, the consumer expectations about his contribution to ethical solutions, also influences the charity-linked products buying decisions.

Keywords: *ethical consumerism, cause-related marketing, social marketing, non-profit organizations, charity-linked products, consumer behavior.*

The objective of our research is to explore the motives why consumers buy charity-linked products. Consumer motivations for shopping are related to many variables (Tauber 1972) and, research about hedonic and utilitarian motivations in shopping has been increasing recently, see for instance Arnold and Reynolds (2003) or Babin, Darden and Griffin (1994). Nevertheless, the research concerning the motivations to buy charity-linked products is scarce.

This paper discusses the consumer's motivations and the influences to buy those products. The paper begins with a brief relevant literature review. We present charity-linked products and cause-related marketing programs and, we review the main motives for general consuming. Following, we present the research and the methodology used. Then, we discuss the consumer behavior in charity-linked products shopping. Finally, we present the paper conclusions.

CHARITY-LINKED PRODUCTS AND CAUSE-RELATED MARKETING

In Europe, an increase number of for-profit organizations are helping non-profit through "charity-linked products" sales. We consider charity-linked products all the consumer goods marketed that may help a social cause or a non-profit organization. A charity-linked product can be any commercial product or service that is jointly liable with some social cause. They are developed and commercialized by the non-profit organizations in cooperation with the for-profits. They are marketed in the consumer markets to help or to give an economic contribute to the main cause of the non-profit organization, which can increase the market performance of the for-profit one. Strahilevitz and Myers (1998) and Strahilevitz (1999) have discussed some examples of charity-linked products: the "Nabisco" cookies that have been bundled with donations to the World Wildlife Fund, the "Cottonelle" toilet paper that have been bundled with donations to the Ronald McDonald House, and the "Hershey's" chocolates that have been bundled with donations to UNICEF."

The charity-linked products commercialization can be embedded in cause-related marketing programs. Varadarajan and Menon, (1988, p. 60) state that "Cause-related marketing is the process of formulating and implementing marketing activities that are characterized by an offer from the firm to contribute a specific amount to a designated cause when customers engage in revenue-providing exchanges that satisfy organizational and individual objectives". Commercial and industrial firms donate money to non-profit organizations through cause-related marketing (CRM) programs. Thus, non-profit firms obtain funds from the transactions involved in CRM programs. These transactions involved the non-profit and

for-profit organizations, and costumers. The cause-related marketing program benefits one or several non-profit organizations through the donation, which comes from one product sales. Some cause-related marketing programs involve an economic incentive to consumers, such as offering a special discount or a lower price. Cause-related marketing is a strategy which links the for-profit with the non-profit. The for-profit and the non-profit organizations share publics and the sales results, and when the joint-venture is successful both win: the non-profit obtains the money (the donation) and recognition of its mission, the for-profit wins because its sales increase and improves its image (Chaney and Dolli 2001). There is recent research about cause-related marketing (Gupta and Pirsch 2006a,b, Trimble and Rifon 2006, Valor 2005). Gupta and Pirsch (2006a) provide useful information on the relationship between the company, cause and customer, and how the fit between these three groups influences consumer response. These authors also outline the rewards and risks both for the sponsoring and for the non-profit in the CRM partnerships (Gupta and Pirsch 2006b). Trimble and Rifon (2006) confirm the role of sponsor/cause compatibility for the creation of positive consumer perceptions of the donor. These authors also highlight the importance of individual characteristics that affect perceptions of the cause and its compatibility with a donor. Valor (2005) discusses which variables related with a philanthropic campaign are more important for consumers and which of them yield higher utilities. Despite these recent papers, research concerning the consumers' motivations to adhere to cause-related marketing programs and for shopping charity-linked products is scarce.

THE CONSUMERS' MOTIVATIONS FOR CONSUMING CHARITY-LINKED PRODUCTS

The aim of the paper is to explore and understand why people shop charity-linked products. First, we review the main reasons and motivations associated to consumption. Then, we question if those shopping motivations are similar when charity-linked products are in stake.

Tauber (1972) shows that people's motives for shopping are related to many variables. The consumer pleasure and satisfaction, and the utility get from the merchandise bought have encouraged several researchers to study the main consuming motivations (Arnold and Reynolds 2003; Babin, Darden and Griffin 1994). Shopping motivations can be related with human needs. Maslow (1987) hierarchy of needs is one of the most popular splitting, and concerned the physiological, safety, belongingness, self-esteems and self-actualization human needs. Foxall and Goldsmith (1994) presented physiological needs (which include the first two suggested by Maslow), social needs (for instance, to be a member of a group), symbolic needs (related to products that may be symbols of success, status or power), hedonic needs (the sensory benefits, such as taste, smell sound and visual

imageries), cognitive needs (the need to know, either from books, internet searching, etc) and, finally, experiential needs. Tauber (1972) presents shopping motivations in two types: personal and social. The personal motivations include role playing, diversion, self-gratification, learning, physical activity and sensory stimulation. Social motivations include social experiences, communication with others, peer group attractions, status and authority, and the pleasure of bargaining. There are some connections between these typologies. Shopping motivations considered by Tauber (1972) are related with the needs suggested by Maslow (1987) and Foxall and Goldsmith (1984). For instance, the social and the personal motivations, as the role playing or diversion suggested by Tauber (1972) can be related with the Foxall and Goldsmith (1994) social needs typology. Or even, pleasure of bargaining and learning needs suggested by Tauber (1972) can be related with experiential and cognitive needs, respectively, which are considered by Foxall and Goldsmith (1994).

Strahilevitz and Meyers's (1998) discussed how hedonic and utilitarian motivations influence the effectiveness of using donations to charity as a purchase incentive. For these authors *Hedonic* consumption is pleasure oriented and, mainly motivated by sensual pleasure, fantasy or amusement. The hedonic consumption is also called frivolous in eastern cultures. Hirschman and Holbrook (1982) show that the *Hedonic Consumption* is related with several intangible and subjective aspects in consuming: multisensory, fantasy and emotive aspects of one's experience with products. Otherwise, the *Utilitarian* consumption, also called 'practical' or 'necessary' in eastern culture, is goal oriented and mostly motivated by the desire of satisfying a basic need. Strahilevitz and Meyers's (op. cit.) show that the incentive to buy products associated to charity is higher when hedonic goods are in stake, rather than utilitarian goods.

The symbolic aspects of goods and brands have always attracted several authors (Gardner and Levy 1955; Levy 1959), as well as the pleasure of shopping (Bellenger and Korgaonkar 1980; Bellenger, Robertson and Greenberg 1977; Dardin and Ashton 1974). Recent studies have been giving importance to the hedonic shopping motivations opposing them to the utilitarian ones (Johnson et al. 2003; Chebat and Michon 2003; Sharma and Levy 2003; Mangleburg, Doney and Bristol 2004; Haytko and Baker 2004). Arnold and Reynolds (2003) departing from a 16 human motivation types (related to Westbrook and Black 1985; Tauber 1972 and McGuire 1974) reached 6 main shopping motivations: adventure shopping, social shopping, gratification shopping, idea shopping, role shopping and value shopping; giving importance to the hedonic shopping motivations. We believe that the typology of Arnold and Reynolds (2003) reflects hedonic motivations and are embedded in Tauber (1972): the adventure shopping of the first authors includes diversion and sensory stimulation of the second one; social shopping

of Arnold and Reynolds (2003) may include social experiences, communication with others, peer group attractions, status and authority of Tauber (1972); gratification shopping (Arnold and Reynolds 2003) is similar to self-gratification (Tauber 1972); idea shopping (Arnold and Reynolds 2003) can be related with learning needs (Tauber 1972); role shopping (Arnold and Reynolds 2003) is similar to role playing (Tauber 1972); and, finally, value shopping (Arnold and Reynolds 2003) can be related with the pleasure of bargaining (Tauber 1972).

Social marketing programs may also induce individuals to buy products. According to Andreasen (2006 and 1996) social marketing can be a powerful tool to improve consumer's physical and mental health and the quality of our society and its environment. We suggest that there are hedonic motivations such as gratification shopping and social shopping that may influence the consumer decisions and impact on the consumer behavior related with the charity-linked products. One of the hedonic motivations concerns the influence of others (Arnold and Reynolds, op. cit.). According with Bagozzi and Dholakia (1999), shopping with someone else affects the perceptions about consuming. Furthermore, many people take decisions based on what other people think or what they believe people may think about their decisions. Sociologists call it "significant others or referents" (Burnkrant and Cousineau 1975), which can be people they identify with (membership referents), people they wish to be like someday (aspiration referents) or people they don't wish to be like (negative referents).

Despite all these typologies, research concerning consumers' motivations for shopping charity-linked products is scarce. Thus, the next section presents a research that explores the main motivations for shopping charity-linked products. We want to know what are the main motivations for consuming and shopping charity-linked products? Are those motivations different from general consumption? Are there ethical motives behind? Can a cause-related marketing program which involves buying products to help a social or non-profit organization be more successful if the product is available at several places? Is the buying process of charity-linked products short and easy? Is the charity-linked product more likely to be bought when there is a referents influence?

THE RESEARCH

We present a research that tries to understand the main shopping motivations and some factors that can impact over the buying process of charity-linked products. We research how personal and social motivations such as role playing, diversion, self-gratification, learning, etc. of Tauber (1972) act in the case of charity-linked products shopping? What is the influence of the physiological, belongingness, self-esteem and other social human needs as suggested by Maslow (1987) or Foxall and Goldsmith (1994) in the charity-linked products consumption? Are

only ethical motives behind this consumption? Or can we find hedonic and utilitarian motives associated as discussed by Hirschman and Holbrook (1982) or Strahilevitz and Meyers's (1998). Thus, the research discusses the hedonic and utilitarian motivations (Strahilevitz and Meyers 1998) behind shopping charity-linked products, the availability of those products (which is related with people's lack of time to shop and utilitarian shopping motivations). We research if the proximity of the store, knowing the store and, that way, making it easy to find what one wants, are important attributes in the case of charity-linked products (as it is on urgent or regular shopping, as showed by Kenhove et. al (1999). Further, we research how the influence of salespersons and the socialization as suggested by Tauber (1972) or Arnold and Reynolds (2003) can influence the charity-linked products consumption. The research took into consideration peer groups attractions, the enjoyment of shopping with friends and family (which is a relevant hedonic shopping motivation and it is important in risky situations as showed by Ajzen (1988 and 1991). We discuss how charity linked-products can be used to achieve the *aspiration group*, i.e. groups to which consumers would like to belong to and, thus, people tend to make decisions according to the groups' expectations (Bourne 1957 and Bearden and Etzel 1982).

Methodology

We use focus group research to explore the questions presented. According to Bowling (1997) focus groups research is particularly valuable in situations, which there is little pre-existing knowledge, the issues are sensitive and complex, and the maximum opportunity for exploration and inductive hypothesis is desired. Exploratory focus groups can be used to generate hypotheses or testing concepts for future research (McDanie and Gates 2004). Focus groups interviews are informal assemblies of target persons whose points of view are requested to address a selected topic (Vaughn, Shay and Sinagub 1996), which is particularly useful for discovering the people range of views and attitudes, and for providing data about the issues that are been explored (Krueger 1988). According to Morgan (1990) focus group research is an excellent method to discover the perspectives and the motives of the groups participants. "The group interaction creates a perspective of multiple realities within the group, while at the same time collaboratively focusing on themes and commonalities on the chosen topic, so it has the strength of allowing the researcher to capture the meaningful experiences and ideas of the participants on a given topic relative to the research study." (Threlfall 1999, pp. 103). There are very interesting papers using focus group research. They concern children cultural worries (MacMullin and Odeh 1999), children's perception of smoking (Porcellato, Dughill and Springett 2002), reasons for switching from the main food source (Wrigley et al.

2004), students needs (Fagerheim and Weingart 2005) or library service quality (Sato et al. 2005), and the service quality perceptions (Crowley and Gilreath 2002).

We used 4 focus groups of 5 to 7 people; in order to consider the groups' homogeneity, the objectives of the meetings and our time and money limits. Table 1 and Table 2 summarize the main characteristics of the groups: the number and the duration of each one and, the gender or the age of the participants. According to Aaker, Kumar and George (2004) it is undesirable to combine participants from different social classes or life cycle stages because of the differences in their perceptions, experiences and verbal skills. We choose medium/medium high social class participants in Portugal. We considered that in lower social classes, the basics needs (Maslow 1987) could be not yet fulfilled. We have also decided to separate groups by age. We excluded teenagers because they tend to have more specific behaviors (Mangleburg, Doney and Bristol 2004; Haytko and Baker 2004) and, non-working young people because of their limited capacity of buying and giving. Thus, we researched 4 groups: 2 with people from 25 to 50 years old and other 2 from 50 to 70 years old, all the participants worked. Kotler and Andreasen (1996) state that the individual donors in "the early years (from 20 to 50) involve regular small gifts; the middle years (from 50 to 70) major gifts and the later years (more than 70) opportunities of planned giving. These criteria tried to avoid heterogeneity in the groups so that the communication was facilitated (McDanie and Gates 2004; Aaker, Kumar and George 2004; Carson et al. 2001). All the participants knew at least one social marketing program and have donated money or bought products or services with the objective of helping a non-profit organization, as "the participants must have had adequate experience with the object or issue being discussed" (Malhotra 2004). The participants recruited have never participated in previous research or in any focus group. We avoided professional groups because they can be "actors" and their answers may not be as truthful as the answers given by other participants (Aaker, Kumar and George 2004; Malhotra 2004).

TABLE 1 – CHARACTERIZATION OF THE FOCUS GROUPS

	Group 1	Group 2	Group 3	Group 4
Duration	90m.	75m.	100m.	90m.
Participants	5	5	7	7
Ages	> 50	> 50	25<37	29<50
Women	5	0	4	4
Men	0	5	3	3
Children	4	3	0	7
Volunteers	1	0	2	1

The sessions were programmed to last 90 minutes. According to Carson et al. (2001), McDanie and Gates (2004), Aaker, Kumar and George (2004) or Malhotra

(2004) the typical duration is from 1,5 hours to 2 hours, but previous experiences show that people start to get restless after 1,5 hours (Carson et al. 2001). The moderator was one of the authors and the discussions were previously prepared. The discussion started with the explanation of the rules and the objectives of the session. Then the moderator introduced the subject asking about the main social programs participants knew, what they thought about it and why they did (or did not) buy the products or services. The participants were let to speak freely about the topic and give examples. The moderator used the given examples to induce the group to talk about the research objectives, for instance, how is the influence of the availability of charity-linked products on its purchase; the perception of charity-linked products as a compensation for the participants; the influences of family and friends and other referents; to buy a charity-linked product as a gift, etc. After the group discussion the moderator summarized the most significant conclusions and asked if the participants agreed or not with them.

TABLE 2 – CHARACTERIZATION OF THE PARTICIPANTS (FOCUS GROUPS)

Participants	Characteristics	N	%
Age	25<37	9	38%
	38<49	5	21%
	>50	10	42%
Gender	Male	11	46%
	Female	13	54%
Education	Undergraduates	18	75%
	MBA's and MSc's	6	25%
Profession	Blue/pink Collar	8	33%
	White Collar	13	54%
	Entrepreneurs	3	13%
Income per month (€)	1000<1999	10	42%
	2000<3000	8	33%
	>3000	6	25%
Marital status	Single or divorced	9	38%
	Married or living with partner	15	62%
Children	Yes	14	58%
	No	10	42%
Volunteer	Yes	4	17%
	No	20	83%
Number of times acquired charity-linked products	1<2	7	29%
	3<6	11	46%
	>6	6	25%

As suggested by Webb and Mohr (1998) we find some variables that resulted from the groups' discussion. We codify the participants' statements into each of the variables founded (8). We classify all the variables (except 'main motive') from "very important" to "no important" in a scale of 4, so that we could separate the participants who

revealed a positive answer from those who revealed a negative one. Our goal was to understand if the variable being analyzed had influence or not, and in what degree, on their buying decision. We have determined the opinion of participants, considering the number of times they have bought charity-linked products, why and in what occasions. For 'Main Motive' (of buying a charity-linked product) several participants showed different motives simultaneously, but we have registered only the main motive. Table 3 presents these data.

TABLE 3 - GROUPS DISCUSSION RESULTS

		n	%			N	%
Easy to Buy	VI	15	63	Non-profit Credibility	VI	4	17
	I	3	13		I	8	33
	LI	2	8		LI	12	50
	NI	4	17		NI	0	0
Friends Influence	VI	2	8	For-profit Credibility	VI	15	63
	I	10	42		I	6	25
	LI	8	33		LI	3	13
	NI	4	17		NI	0	0
Family/ House hold Influence	VI	11	46	Gift possibility	VI	8	33
	I	6	25		I	9	38
	LI	4	17		LI	4	17
	NI	3	13		NI	3	13
Other Referents Influence	VI	12	50	Main Motive	CI	6	25
	I	8	33		G	8	33
	LI	3	13		HNP	10	42
	NI	1	4				

Legend: VI - Very Important; I - Important; LI - Less Important; NI - No Important; CI - Compensation to Individual; G - Guilt; HNP - Help non-profit.

DISCUSSION

Proactive and reactive consumption and non buyers

The research shows three types of charity-linked products consumers': the **proactive consumers**, which are the persons who look and buy products which help non-profit organizations; the **reactive consumers**, who only buy charity-linked products when are asked or see charity-linked products during shopping's; and, the **non buyers** who rarely buy charity-linked products.

Webb and Mohr (1998) presented a similar typology of consumers' answers to cause-related marketing programs: '*skeptics*', *balancers*, *attribution-oriented* and *socially concerned*. The '*skeptics*' are the consumers which do not trust in CRM programs and, thus their answers are usually negative. We associate this group to our **non-buyers** type. These consumers rarely go shopping and they not believe that their actions will really improve society. The *balancers* are consumers that consider the charity-linked products can help the cause, but they are

also motivated by self interest. The *attribution-oriented* consumers consider the motives behind the CRM program and believe in these processes. We considered that both *balancers* and *attribution-oriented* have common characteristics with **reactive consumers**. We do not separate this group in the two as suggested by Webb and Mohr (1998), because the reactive consumers consider several items when buying a charity-linked product. For instance, they buy products more often when they are asked to, and when they believe that they can help the cause. But when they choose a gift for someone else, they take into consideration other aspects. For instance, they consider and look to the organizations involved, especially the for-profits, which can influence the decision. Finally, the *socially concerned* group of Webb and Mohr (1998) shows similar characteristics to our **proactive** type. These consumers are worried with the causes and, therefore, give positive responses to the CRM programs. They are highly concerned with ethical consumerism. The behavior of these consumers is almost opposite to the non-buyers group. Proactive consumers believe in the cause and think that the purchase of the charity-linked product will help the non-profit organization. In contrast, non-buyers are very skeptical about CRM programs. They consider that it may not have any effect in the non-profit organization goals.

We find the 3 types of participants in all the groups researched (see Table 4). The **non-buyers** type included mostly older men. Most of the participants are **reactive consumers** and are women (with or without children). The **proactive consumers** were mostly those participants who are or have been volunteers of any non-profit organization or have friends and family who are. All the volunteers are proactive. Next, we present the results concerned with the consumer behavior of charity-linked products.

TABLE 4 - PARTICIPANTS ACCORDING TO 'TYPES OF CONSUMERS'

Gender / Children; Gender / Volunteers								
Consumer Type	Women		Men		T	Volunteers		
	Children		Children			W	M	
	Y	N	Y	N				
Pro-active Reactive Non-buyers	2	2	0	1	5	3	1	
	6	3	3	2	14	0	0	
	0	0	3	2	5	0	0	
Total	8	5	6	5	24	3	1	
Gender / Age								
CT	Women				Men			
	25<	38<	>50	T	25<	38<	>	T
	37	49			37	49	50	
P	2	1	1	4	1	0	0	1
R	3	2	4	9	1	2	2	5
NB	0	0	0	0	1	1	3	5
T	5	3	5	13	3	3	5	11

Influence of charity-linked products salespersons

In the groups researched the influence of salespersons is important concerning the shopping of charity-linked products. People cannot “say no” to the salesperson and, thus, several participants buy more charity-linked products when they are contacted by the salesperson. Despite this influence some participants don’t like to be approached by salespeople. These participants are all from the **non-buyers** or **proactive consumers** groups. The non-buyers don’t like because they don’t plan to buy the product, and they feel pressured; the second group don’t like because they have already decided to buy the product, and they consider the influence of the salesperson a waste of time.

Availability of charity-linked products and impulsive behavior

One of the utilitarian shopping motivations is related with people’s lack of time to shop. Some attributes such as the proximity of the store, knowing the store and, that way, making it easy to find what one wants, are important attributes, specially if talking about urgent or regular shopping (Kenhove, DeWulf and Waterschoot 1999). Thus, the lack of time and the potential of impulse behavior must be taken into account in consuming charity-linked products (Parker, Iyer and Smith 1989). This research shows that a visible place can have positive effect on buying charity-linked products. Buying charity-linked products usually takes place during shopping and when people are visiting malls or supermarkets. People rarely go shopping to buy the charity-linked product itself. Moreover, some of the products were bought impulsively, specially the ones who could be given to children. Our data reveals that the majority of consumers buy charity-linked products when and if they see them. Thus, our research suggests that the place availability and the easy buying process of the charity-linked products may affect positively a buying decision. This finding reinforces the utilitarian needs point of view, i.e. people don’t have time and, thus, tend to buy just because they see the products or because they are asked to.

Moral guilt and self interest

According to Burnett and Lunsford (1994) guilt may explain some consumer buying behavior. Consumers may experience moral guilt as a consequence of not engaging certain decisions such as giving to charity. Thus, there are different perspectives about the reasons to make donations. One of them states that individuals give because that makes them feel better, so consider that the motivation is altruistic (Peloza and Steel 2005) or because it is a way to give back to society what it gives to them (Brown 2000). Another perspective states that individuals donate money due to selfish reasons (Bendaputi, Singh and Bendaputi 1996; Piliavin and Charng 1990), the need for public

recognition, due to what other people may think about them and to decrease guilt feeling (Amos 1982 and Dawson 1988). Further, Arnold and Reynolds (2003) presented gratification shopping to show shopping as a special treat to oneself or shopping to relieve stress, also related with Tauber’ self-gratification personal shopping motive (1972). Consequently, we should expect that consumers buy charity-linked products more easily when they are perceived as compensation for themselves or to avoid feeling guilty. In fact, this research highlights that various participants buy charity-linked products because they have selfish behaviors. The following statement of one of the participants illustrates the situation:

“...I only buy those products when I’m happy. When my life is going out fine I feel lucky so I want to help other people who aren’t as lucky as me. But, when I’m feeling bad occurs exactly the opposite...”.

Further, our focus group research shows that the charity-linked product can be used as an “excuse” to buy the product. This is particularly evident when the participants want a commercial product that is jointly to a social cause. Some of the participants have decided to buy “Swatch” watches, which help non-profit organizations, but at the end it was a justification to buy the watch. Thus, when the product is perceived as a compensation for the individual he/she will buy it more easily, especially if he/she needs to feel better.

The role of the family influence and others referents

Peer group attraction is one of the social motivations pointed out by Tauber (1972). Arnold and Reynolds (2003) showed that social shopping, which refers to enjoyment of shopping with friends and family is one relevant hedonic shopping motivation. Moreover, Ajzen (1988 and 1991) argued that individuals consider the family, friends, and others reactions when they are faced with risky situations. Concerning the reference groups, when the groups are considered to have information and knowledge about the good, consumers tend to trust in their opinion; if we are talking about groups to which consumers would like to belong to (*aspiration groups*) decisions tend to me made according to the groups’ expectations (Bourne 1957; Bearden and Etzel 1982). If the group considered is the group the consumer belongs to, the individual tend to act according to the group rules (Shaw 1971). When the perceived risks of products is low the group influence decreases (Ford and Ellis 1980). Concerning individuals, instead of groups, the use of celebrities in publicity is more common, what can be beneficial because in may increase credibility (Kahle and Homer 1985). The family and, in particular, the household also influence the shopping decisions. Shopping decisions are taken by the several elements of the household (Roberts 1984) and they influence each other (Cox 1975). In modern couples

women take more decisions (Green and Cunningham 1975; Schwenk 1983) but several decisions, especially in younger couples are taken by both (Martínez and Polo 1999). When there are children they also influence the decision. The influence of children (young children and teenagers) depends on their interest in the product (Shoham and Dalakas 2002). When children grow up their influence increases (Ward and Wackman 1972), although they ask for a smaller amount of products (Isler, Popper and Ward 1987).

In charity-linked products consumption the family also plays a very important role. Even **non-buyers** recognized that they sometimes buy charity-linked goods when they are shopping with the family and especially with children. Most of the influence is concerned with the awareness of the product, but the younger participants often buy the charity-linked products after the influence if they like very much the products. Here, again it seems that to help a non-profit organization is only an excuse to buy a product they like. We have an increased influence when it comes from the volunteers in non-profit organizations. Moreover, the influence of referents to buy a charity-linked product, i.e. from popular people and opinion leaders is important and gives credibility to the cause. The participants give more credit to referents supporting only one cause and, the influence is stronger when the charity-linked product was supported by children's idols (for instance, musicians).

The charity-linked product utility as a gift

According to the gift approach of Godbout and Caillé (1991) giving, receiving and giving back are as essential as taking, appropriating and retaining for the human being. Cova and Salle (1992) argued that the utilitarian logic generosity could be combined with interest and selfishness, and thus giving is part of the human transactions. This idea can be implicit in the hedonic shopping motivation, which Arnold and Reynolds (2003) called role shopping. To these authors the enjoyment that shoppers obtain from shopping for others is one of the reasons people enjoy to shop. This motivation is related with 'role playing', one of personal motives presented by Tauber (1972) which indicates that shopping affects positively people who view it as part of their social role. When people go shopping to buy a present for someone else their behaviors are different than when people go shopping to buy something for themselves. When they go shopping to find a gift they take longer (Beatty and Smith 1987), visit more stores and take into consideration more alternatives (Gronhaug 1972). They also tend to be more conservative in their choices, trying to choose something that the person will like (Hart 1974). When the charity-linked products have a gift function they can be related with the Foxall and Goldsmith (1994) symbolic needs because people may decide according to the image of the product or associated status perceived by the consumer,

which can impact on the decision.

In our research the charity-linked products utility is the characteristic that make consumers buy them more easily. For consumers utility means that they can see immediately how they would use the charity-linked product for themselves or to give to someone else. To buy a charity-linked product as a gift for someone related is considered a good reason and motive for consumers, especially for the **non-buyers** type. **Pro-active consumers** often look and try to find the charity-linked goods as gifts. They try to join both things: helping a non-profit and buying the gift. But, when they go shopping for a specific gift they have already chosen before, they don't swap their choice for a charity-linked good. In contrast, **reactive consumers** don't consider charity-linked products as gifts, but if they are choosing between two similar goods, they choose the charity-linked one. And, when buying a gift if they believe that the person would prefer the non-charity-linked product, they don't buy the charity-linked one, even though they would like to.

The organizations credibility and the role of the for-profit one

For every type of consumers (**reactive, pro-active and non buyers**) the credibility of the organizations involved was an important factor, which may determine their decisions. Trust in the non-profit organization is more important than the act itself. Further, when both (a for-profit and a non-profit organization) are developing a program, trust on the business firm is more important than the confidence on the non-profit organization. As one of the participants said:

"We believe that they have made the choice for us."

Our research suggests that the for-profit acts as one credibility filter of the non-profit organization. Consumers believe that the for-profit knows what is doing and, thus, acts as an auditing firm of the non-profit intentions and behaviors. At the end consumers trust in the non-profit if they are involved in CRM programs with reputable firms. Thus, the firm acts as a filter to consumers, and therefore they show preference for social marketing programs involving for-profit organizations.

The role of the information and the expectations about the CRM program

Most of the participants consider the feedback about the social programs important. For instance, the information about the destination of the funds raised is decisive when they are thinking to buy the charity-linked good again. Finally, the consumers' expectations about the impact of their help to solve the problem are considered. When people believe that to buy the product is not a solution to solve the social problem associated, they are

not sensible, and thus they are not so sensible to buy the charity-linked good. They consider that their contribution will only serve to postpone the problem.

IMPLICATIONS FOR MANAGERS

The results of our research can be very useful both for non-profit and for-profits organizations managers, which may benefit from engaging with each other in offering charity-linked products related to cause-related marketing programs.

Through our research we concluded that people are concerned about the for-profit organizations involved in the CRM program. This way, non-profit managers should be very careful when choosing their for-profit partners. The development of the charity-linked product and the CRM program should be developed taking into account the findings showed in this research. Firstly, the choice of the place to distribute the charity-linked products can determine the success of CRM programs. For not expensive products the availability in several places will be more effective than the use of exclusives channels. Further, if the product can be designed to be a gift, especially for children it will also work as an incentive for buying it. The use of referents in campaigns is also important, especially if those people can be identified with that cause in particular. Finally, it is important to show how the money raised through the CRM program was used, particularly to attract the non-buyers type of consumers. That way the skepticism of the consumers may diminish.

CONCLUSION AND FUTURE RESEARCH

This paper discusses the consumer behavior and the main motivations to buy charity-linked products based on a focus groups analysis research. We find out three types of charity-linked products consumers': the proactive consumers that look and buy products which help non-profit organizations, the reactive consumers that only buy charity-linked products when they are asked or when they see the charity-linked products and, the non buyers that rarely buy charity-linked products. We concluded that salespersons are important because consumers buy more charity-linked products when they are contacted by them. We also found that the availability of these products is important due the impulsive buying behavior. Further, the research shows that charity-linked products are bought as a self compensation (consumers felt themselves better buying charity-linked products) or as an "excuse" to buy the product. Friends, popular people and opinion leaders influence the buying process of charity-linked products and give credibility to the cause. Utility is an important characteristic of charity-linked products and contributes to their consumption. The possibility of charity-linked products to be a gift for someone is also a good motive for consumers. Finally, we found that the reliability of the

organizations involved is important. Consumers prefer social programs, which involve both non-profit and for-profit organizations. They want to know if by buying the charity-linked product they are in fact contributing to solve the problem associated to the cause-related marketing program. Thus, consumers want to get some feedback about the programs results.

The research dealt with selected consumers. We excluded important publics involved in social marketing programs such as volunteers or donors. Future research may try to get additional data and understand the motivations of these actors. Further, according to the results of our focus group analysis, non-buyers and proactive buyers behave similarly concerning the influence of charity-linked products salespersons. Future research should go beyond and examine our typology of charity-linked products consumers. It is also possible to test hypotheses that could be developed from our focus group study in order to eventually generalize the findings. Finally, we believe that it would be interesting to research the reasons behind the association and partnerships between non-profits and for-profits organizations: what are their goals? What they gain from the partnerships around the charity-linked products commercialization?

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Relationship Marketing—All in the Family: Perspectives on the Diverse Roles of Myriad Stakeholders

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Relationship marketing has been a staple of marketing for more than 20 years now, along with customer relationship management. However, this heightened attention on the customer has not carried over to other stakeholders, including employees, suppliers, financial representatives, government and environmental representatives, and the general public. The impact of this increased relationship with these additional stakeholders would provide a far more satisfactory experience, resulting in stakeholder relationship marketing. However, there are other environmental forces at play, today, as the electronic marketplace becomes the latest territory to be explored. The Internet and other electronic worlds bring another dimension of distance and distrust. The expansion of relationship marketing into a heightened version of societal relationship marketing is needed to provide the trust and stronger bonds necessary to survive and thrive in our new electronic marketplace.

RELATIONSHIP MARKETING

Relationship marketing has been the mantra of marketing for more than two decades now, attracting the attention of practitioners and scholars alike (Parvatiyar & Sheth 2001, DeYoung 1988, Takala & Uusitalo 1996). However, while many early efforts might better have been termed customer *retention* marketing, it was found that there was value in learning more about the consumers of such exchanges. The primary target of such marketing relationships has been the customer; the dominant stakeholder who has been studied, documented, and courted with the intention of turning a sale into lifetime loyalty. As the thought ran, consumers are not driven by needs, but have needs which are driven by external forces (Firat et. al 1995). Relationship marketing was designed to identify these needs and have solutions to those needs ready in time for the consumer.

The relationship marketing concept emerged in the 1970's to expand on the transactional marketing concept that was developed in the 1960's. Relationship marketing primarily focused on relationships between the business

organization and its customers and had its early underpinnings developed by scholars throughout northern Europe (Kotler and Armstrong 1999; Gronroos 1997; Berry 1983). However, many feel that the concept of relationship marketing was formally introduced by Berry (1983) who defined relationship marketing as "attracting, maintaining and enhancing customer relationships." Some of the most popular definitions for relationship marketing were proposed by Morgan and Hunt (1994) and Gronroos (1997). Morgan and Hunt (1994) defined relationship marketing as "all marketing efforts directed towards establishing, developing and maintaining successful relational exchanges." Gronroos (1997) defined relationship marketing as "the process of identifying and establishing, maintaining, enhancing and when necessary terminating relationships with customers and other stakeholders, at a profit, so that the objectives of all parties involved are met, where this is done by a mutual giving and fulfillment of promises". Despite its popularity and even notoriety, however, there has been a dearth of systematic analysis of its effect on a business's performance across various industries (Yau et. al. 2000). Gummesson (1998, 2004) attempted to identify the Return on Relationships within relationship marketing, but this was primarily based on intellectual capital. At the same time, relationship marketing was one of the prime contributions of marketing to business strategy, as pointed out by Hunt (2000). It has also been pointed out that there is a gap between the theory formation of relationship marketing and its actual practice (Kavali et. al. 1999).

Customer Relationship Management

With the explosive growth of information technology in the late 20th century, relationship marketing metamorphosed into customer relationship management (CRM) which, accompanied by a flurry of database information accumulation, storage and data mining applications, was seen as the way to the customer's heart and return visits. Sheth employed the term, 'customer-centric marketing,' to refer to the 'seeking to fulfill the needs and wants of each individual customer.' This customer-centric orientation was seen to transcend relationship marketing, because a customer focus is often possible, even if a customer relationship is only minimal (Sheth, Sisodia, & Sharma 2000, 57).

Regardless, the customer has been the chief stakeholder under scrutiny within the marketing community.

Stakeholder Theory

Stakeholder theory was developed as a result of the social and economic changes that took place in the U.S. in the 1980's (Freeman 1984). Large corporations, in particular, found themselves dealing with multiple stakeholder groups in their day-to-day business operations. These large corporations needed guidance in managing multiple relationships with different stakeholder groups.

Edward Freeman (1984) was the first scholar to present a stakeholder theory. His research assessed the role of the organization toward its stakeholders, both internal and external. Freeman was the first scholar to provide the first formal formulation of the stakeholder theory. His book "Strategic Management: A Stakeholder Approach," (1984) is a classic reference on stakeholder theory. Interestingly, the identification of the various stakeholders might well be traced back to the early writings of Bartels, and his Theory of Market Role, Expectations and Interactions (Bartels 1968).

Freeman's stakeholder theory made a clear contribution to the strategic management field by presenting a model for the concept of the stakeholder that identified the stakeholders' impact on the firm and the firm's impact on stakeholders. Freeman suggested that firms do a value analysis when assessing their stakeholders. He proposed that firms look for the best fit between the firm and its stakeholders. A firm may also have to make trade-offs between its internal goals and the external goals of its stakeholders. Furthermore, this stakeholder theory established a framework for examining the connections between stakeholder management and the achievement of corporate performance goals.

Since Freeman's seminal study in 1984, many authors have proposed their views about stakeholder theory. Hill and Jones (1992) proposed a stakeholder theory that was based on the stakeholder-agency concept. They argued that managers should pay more attention to the stakeholders who are perceived by managers to be important. Mitchell et al. (1997) developed on Hills' and Jones' (1992) study by focusing on characteristics of primary stakeholders. This was determined by (1) stakeholders' power to influence the firm (2) the legitimacy of the stakeholder claim, and (3) urgency of the stakeholder issue.

Adapting the Stakeholder Theory to Marketing

Stakeholder theory has not been utilized to any great extent in the marketing literature. Yet, the stakeholder theory is a major component of modern marketing. The

inclusion of stakeholders in the 2004 American Marketing Association's definition of marketing highlights the importance of using the stakeholder approach in marketing. Marketers have to be concerned about their relationships with all company-related stakeholders, not just the primary customers.

Marketing theory has given limited attention to stakeholders in general. Marketing has focused on one stakeholder group, the customer. While there may be a few research articles that relate the stakeholder theory to marketing, there are few commonalities between the theoretical developments in marketing and the stakeholder theory.

The marketing literature has focused on customers and competitors as the stakeholder category to target in the literature as well as in practice; a concept that is highly reflected in the CRM market orientation (Jaworski and Kohli 1993; Narver and Slater 1990). However, marketers have recently realized that they have been focusing too heavily on customer's desires at the expense of other stakeholders. Marketers are starting to recognize the need to address the interests and concerns of other stakeholders when making marketing decisions (Greenley, Hooley and Rudd 2005; Greenley and Foxall 1998).

Relationship Marketing and Stakeholder Theory

Recent studies have included stakeholder relationships as part of relationship marketing. Koiranen (1995) examined this issue and defined relationship marketing as "a marketing approach to establish, maintain and enhance long-term relationships with customers, and other internal and external stakeholders so that the objectives of the parties involved are met." Murphy et al. (1997) define relationship marketing as "the building and nurturing of long-term mutually beneficial exchange relationships that an organization has with its customers and other stakeholders." This new conceptualization of relationship marketing highlights the growing importance of the stakeholder orientation in marketing (Christopher et al. 2003; Murphy et al. 1997). This is the new paradigm shift in marketing, which has broadened the scope of marketers. Following are some studies that have incorporated the stakeholder orientation into relationship marketing.

Kotler and Armstrong (1999) defined relationship marketing as those activities involved with the "creating, maintaining and enhancing strong relationships with customers and stakeholders." Kotler and Armstrong (1999) were among the first to introduce the stakeholder relations to their definition of relationship marketing, as opposed to the traditional definition of relationship marketing being customer oriented only. Kotler and Armstrong (1999) argue that by moving from a customer orientation to a stakeholder orientation, the result is an improvement in overall business return on investment. The comprehensive goal of sustaining long-term relationships with all stakeholders will result in

the creation of sustainable economic, social and environmental value for all company stakeholders.

The stakeholder theory becomes especially significant in relation to the relationship marketing theory. The stakeholder perspective lies in the core of relationship marketing, in that the stakeholder theory extends the number of stakeholders with which the firm has relationships, and these relationships are interdependent (Polonsky et al 1999).

Firms have reflected the need to move away from the traditional marketing transaction approach to a relationship marketing perspective (Gronroos 1991). However, such a relationship marketing focus has been inadequate because too many outside variables have not been addressed satisfactorily. As Fitchett and McDonagh (2000, 209) postulate, “there are limitations and impotencies of Relationship Marketing in terms of two key dimensions which are of fundamental importance to the development of marketing ideas—namely, the legitimate representation and empowerment of consumer and citizen; and the consideration of environmental welfare in a risk society.” Bringing a broadened stakeholder perspective to relationship marketing, creating a societal relationship marketing focus, acknowledges that each stakeholder category has a stake in the activities of the others.

The stakeholder theory is an important component of the relationship marketing. This societal relationship marketing concept assumes that the shared responsibilities and benefits between parties in an exchange will bring about long-term relationships. This attention on society can even be traced back to the social marketing developments of the late 1960s and 1970s by Kotler, Lazer and others (Crane & Desmond 2002).

The marketing literature is predominantly focused on developing and sustaining relationships between a firm and its customers, as reflected in the relationship marketing concept. A number of studies have been conducted for analyzing and determining customer relationships (e.g. Morgan and Hunt 1994). However, recent studies highlight the importance of developing relationships with stakeholders which includes: employees, suppliers, community and others in addition to customers (MacMillan et al. 2000).

The stakeholder theory is an important component of relationship marketing. The relationship marketing concept assumes that the shared responsibilities and benefits between parties in an exchange will bring about long-term relationships. And this long-term relationship entails that the parties have a “stake” in each others activities (Polonsky 1995).

Expansion of the Stakeholder Focus

Although the attention being placed on the external customer in the relationship management philosophy has been pervading the marketplace, research has been

expanding to encompass additional stakeholders in the overall marketing exchange. Services marketing scholars turned the spotlight on the internal customer in efforts to expand research on the employee, a stakeholder whose presence and impact had not been as documented as the external consumer.

At the same time, heightened global competition brought more pressure on stockholders and other investor stakeholders, making profitability ever more difficult yet more vital to the ongoing welfare of the organization. Increased financial pressure is being exerted upon the supplier stakeholders as costs and expenses cut into shrinking profit margins. The spread of the mass media has provided the ability to spread information and cause-related messages farther and faster than ever before, showcasing governmental representative stakeholders.

The physical or natural environment is playing a greater a role too. Violent storms cause ever more extensive damage in populated areas, pollution continues its rise, natural resources continue their decline, and raw materials, especially petroleum based, continue to feed global transportation. The societal marketing of the 1970s, which became the contemporary green marketing actions of the 1990s (van Dam 1996) turned into a sustainable marketing quest in the 21st century. Stakeholders in the environmental arena are often in a watchdog role, attempting to minimize the ongoing damage to our natural state, while continuing to direct innovation and technology toward improvements that make progress sustainable and less destructive.

The general public, another stakeholder category that has been an unsung hero for too long already, often represents society at large, which is often seen as an antagonistic faction against organized marketing efforts. Sheth termed this a ‘dangerous divergence,’ noting that “the interests of marketing and society are not, nor should they be, fundamentally at odds,” although “the public image of marketing, along with its professional reputation, has never been at a lower ebb (Sheth & Sisodia 2005, 162).

Stakeholder Relationship Maintenance

Recently, contemporary theories of the stakeholder theory have focused on stakeholder relationships. Harrison and Freeman (1999) highlighted the need to identify the different interests of stakeholder groups and to understand the overall stakeholder relationships as a function of corporate social responsibility. Friedman and Miles (2002) highlighted the importance of understanding the “dynamic organization-stakeholder relationships.” Also, recent studies have contended that the stakeholder approach facilitates our understanding of the increasingly dynamic, complex and unpredictable environment. This position proposes that stakeholders will enhance an organization’s ability to manage the challenges of the external environment (Wolfe and Putler 2002).

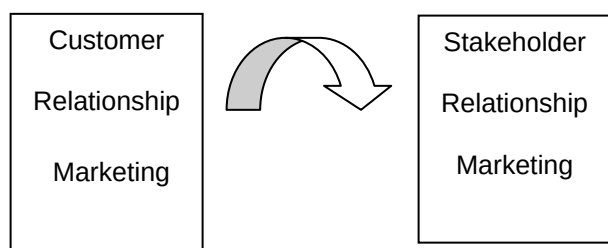
Antonacopoulou and Meric (2005) provide a new conceptualization of the stakeholder relationship that

emphasizes the learning partnerships as a fundamental relationship for the mutual benefit of the corporation and the stakeholder. They argue that stakeholder theory is a powerful way of building inter-organizational relationships beyond the traditional network approach.

Thus, the implementation of stakeholder relationship marketing requires marketers to take a more active role toward establishing relationships with stakeholders that will lead to the development of relations with customers, employees, owners, government, suppliers and the general community as well as those involved with the environment. This re-orientation will broaden the scope of marketers from a pure customer orientation that focuses on relations with customers to a stakeholder orientation which addresses the needs of multiple stakeholders as opposed to the customer group only (Ferrell 2004).

Murphy et al. (2005) postulated the following Stakeholder Relationship Marketing Model as a framework for driving the marketing function and measuring marketing performance. Murphy et al. (2005) defined stakeholder relationship marketing as “the creating, maintaining and enhancing strong relationships with customers, employees, suppliers, community, and shareholder stakeholders of a business with the goal of delivering long-term economic, social and environmental value to all stakeholders in order to enhance sustainable business financial performance.”

Paradigm Shift in Relationship Marketing



Source: Murphy, Brian, Paul Maguiness, Chris Pescott, Soren Wislang et al. (2005).

The ultimate aim of the stakeholder theory is to encourage development of long-term relationships with stakeholders. The relationship marketing concept emphasizes the importance of relationships as opposed to transactions. In order to assure effective relationships, relationship marketing highlights the critical role of developing relationships to a range of market domains, not just consumers, but also employees, suppliers, shareholders, governmental representatives, environmental representatives and the community at large. Thus, the relationship marketing should be considered from a cross-functional perspective that emphasizes developing and managing relations with all interested constituencies.

Our New World

Just as European society was changed forever with the discovery of the Americas, our world today is changing dramatically. On one hand, Columbus and the subsequent settlers who came to the New World were basically the same individuals who were also settled throughout Europe and the Middle East as well as the rest of the known world. The new territory offered the same terrain as might be found elsewhere, but the overall challenges and development called for different skills and adapted living styles that allowed these settlers to survive and eventually thrive. Likewise, our new world today is not a different continent, but of a digital dimension. However, this new online world of electronic communication, extensive data storage, and distances that are more relative than finite, has created its own challenges to relationships. Society is on the forefront, and the risks are high, because the territory is new and uncharted. Just as stakeholder relationship management has been a desirable extension of customer relationship management, societal relationship marketing is going to be a vital element in our oncoming new world. Trust production and privacy concerns on the Internet (Luo 2002) are going to impact future relationship marketing arrangements. Consumer trust in a Web Merchant defies the traditional relationship marketing framework, and brings a greater need for marketing to provide a relationship that can provide a level of trust in a risk-fraught environment (Jarvenpaa & Tractinsky 1999). That is why relationship marketing needs to be taken to another dimension, the societal relationship marketing, as marketing lights the way for yet another new world.

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Ethics in International Marketing: Evaluation of Institutions in International Value Chain Networks

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INTRODUCTION:

Globalization in general, and international value creating networks specifically, are subject to both praise and criticism. We are finally experiencing unprecedented economic development and opportunity for improved quality of life in China and India. The outlook for one third of the world's poor is more promising today than for decades. On the other hand, we hear criticism in the areas of child- and slave labor, pollution, bribery and corruption as well issues of fairness in the trade between the more developed north and the less developed south. These criticisms include exchanges with China, India, many of their neighbors, as well as most of the countries in Africa.

International marketers are participants in (globalized) value creating networks that span national jurisdictions. Marketers seek to facilitate **exchanges** (Bagozzi, 1975) across national borders and are the key drivers and participants in international commerce. Exchange facilitators are therefore to some extent responsible for the outcome of these transactions and are subjected to both praise and/or blame.

As we view the world maps presented by Transparency International (2007) on corruption, The Heritage Foundation (2007) on the distribution of economic freedom or the distribution of GDP per capita (Wikipedia, 2005), it is clear that the majority of the world's people live in countries which are corrupt, un-free and poor. This presents a special challenge for marketers as we seek to facilitate exchanges globally.

It is the purpose of this paper to present a framework for evaluating international exchanges in terms of their overall goodness from an ethical perspective. This may help marketers evaluate the appropriateness of the conditions under which their exchanges take place. Some of the conditions in a transaction are stipulated (voiced) by the negotiating parties, such as prices and product specifications. Other items may be more peripheral to the negotiations, such as insistence on a living wage or safe working conditions for the workers involved. However, in some of these

issues, one may have a voice option in addition to the exit option (Hirshman, 1970). Finally, there could be questions

regarding the legitimacy of the decision makers such as the nature of the ownership of the products being offered. Are kleptocratic governments legitimate sellers of the country's natural resources? Some times corruption issues may be outside the "voice" influence of one of the parties to the proposed exchange. These issues are crucial in the decision as to whether one ought to conclude the transaction or "exit" from the proposed exchange.

INSTITUTIONS:

Exchanges or transactions in multinational value creation networks are governed by different sets of **institutions** along the way. Institutions consist of norms, values, regulations and laws that constitute framework for behavior; a set of traffic rules for what we can- and cannot do. Some of these traffic rules are written down in the form of laws and regulations. Others are norms and values that the members of the community have internalized as a common set of values (=culture). We can think of institutions as boxes that frame our acts. You are ok if you are on the inside, not ok if you are on the outside. According to North (1990), Institutions are *"the humanly devised constraints that **shape** human interaction. In consequence, they structure incentives in human **exchange**, whether political, social or economic"*

From a marketer's viewpoint, it is important to be cognizant of the institutions that shape and constrain marketing exchanges in the value chains of which one's firm is a part. Some institutions are seen as "inadequate" when it comes to the promotion of good lives for the parties affected by the exchange (De George, 1993). Being a participant in a value creating network of firms in which one or more of the transactions are governed by inadequate institutions can lead to public criticism, loss of brand equity and perhaps imprisonment in addition to the moral issues related to the pain inflicted on affected parties.

For a given firm, it is not always clear that one is responsible for what occurs up or down the value creation network. One is clearly responsible for what one does as an employee of a firm: doing good acts as well as avoiding “sins of commission”. As active exchange facilitators we use power as we seek to change the behavior of others up-as well as down stream. As we use power, a moral obligation may arise to use ones influence (voice) to put things right outside the firm’s direct sphere of influence if one is able to do so (Responsible = able to respond) thus avoiding “sins of omission”.

As an example, IKEA could have required its suppliers to provide ventilation for its workers while varnishing bookshelves. Serious health problems resulted in a factory dedicated to production for IKEA. In an agreement with ILO, IKEA promises to “demand of its suppliers that their workers enjoy working conditions which at least comply with national legislation or national agreements” (ILO, 1998). It is possible to include a requirement that suppliers or customers not harm their stake holders as one negotiates an exchange. This perspective is similar to the one proposed by Carl Schurz, (1899) in his definition of true patriotism: ‘Our country (value creation network), when right, to be kept right; when wrong, to be put right.’ This means acceptable terms of exchange from the viewpoint of the transacting parties and the affected stakeholders.

INSTITUTIONS AT THREE LEVELS:

Figure one shows the three levels of ethical analysis needed by a firm seeking to engage in an international transaction.

Macro: The international level

Messo: The national governance level

Micro: The local cultural level

At the core, there is an available free space for acts/negotiations/competition within the institutional framework.

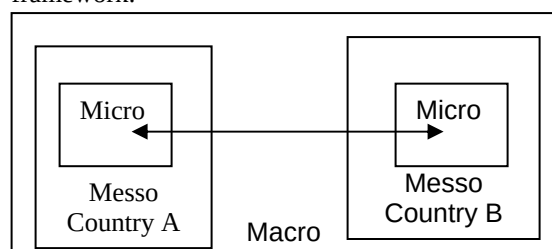


FIGURE ONE: THREE LEVELS OF INSTITUTIONS

Macro: Some institutions govern international trade in general at the macro level. These are the ones created by organizations such as the WTO, the EU, NAFTA as well as the traditions present in certain industries, for example the shipping industry, the oil industry, the computer industry, agriculture or the clothing industry. As an example, agricultural subsidies tend to increase supply and

lower the world prices. Subsidies keep markets from functioning in a free manner by not rewarding the sellers with the most effective and efficient offerings. Agricultural subsidies in the richer North have a negative effect on farmers in the poorer south. This issue has been a central topic for discussion in the Doha round of talks in the WTO (2005):

Without prejudging the outcome, member governments commit themselves to comprehensive negotiations aimed at:
a) market access: substantial reductions
b) exports subsidies: reductions of, with a view to phasing out, all forms of these
c) domestic support: substantial reductions for supports that distort trade

Another example includes the legitimacy of the transactions conducted by non-democratic governments selling off the natural resources of their countries to international resource firms (oil, minerals, forests etc.). In many cases, the generated revenues disappear into tax havens and are not used to enhance the quality of life for the citizens of the exporting country (Pogge 2002). The macro institutions governing exchanges in the areas of agriculture and much of the trade in natural resources are-and should be scrutinized from an ethical perspective. One can and should be cognizant of the relevant macro institutions for ones transactions. They are hard to affect for a single organization through voice, however, one may choose not to engage in (exit) certain transactions even if they do represent the norm of the day. This should be a central issue in the public policy debate.

Messo: At the national level, we find the institutions associated with the governance of each country. These include the local political, economic and legal systems, which may or may not present obstacles to trade and investments. Some economies are quite open and predictable, while others are riddled with a high degree of centralized economic and political power and associated corruption. The elites may restrict competition and access to markets thus preventing the entrepreneurial poor from improving their condition. Trade barriers in importing countries also affect prices and keep domestic markets from functioning in a free manner by not allowing the citizens to choose the solutions which maximize their utility.

John Rawls (1999) classifies countries in part based on the adequacy of their institutions. On one side he has two categories of benign peoples:

- 1) "reasonable, liberal peoples" who live in a constitutional liberal democracy.
- 2) "decent peoples" who live in a consultation hierarchy or other such structures worthy of membership in a society of peoples.

Both "reasonable liberal peoples" and "decent peoples" would agree on the basic principles spelled out in

the Law of Peoples. This law has eight parts, which include a focus on issues such as independence, freedom, human rights and basic equality. These are some of the foundations for "flourishing".

In the class of states with "questionable practices", Rawls has three categories:

- 4) "Outlaw states" which violate the basic human rights of their people or are outwardly hostile to other states.
- 5) "Societies burdened by unfavorable conditions": These countries would like to be well ordered, but are unable to achieve that position because of an external factor beyond their control.
- 6) "Benevolent absolutisms" which do honor human rights, but do not consult the people in making political decisions. As such they are in violation of a basic right by not letting people speak for themselves.

The current dilemmas in the Middle east provide some insights into the conflict between meso and macro institutions, in which international politics (macro) seem to support inadequate institutions at the meso level.

"Sixty years of Western nations excusing and accommodating the lack of freedom in the Middle East did nothing to make us safe -- because in the long run, stability cannot be purchased at the expense of liberty. As long as the Middle East remains a place where freedom does not flourish, it will remain a place of stagnation, resentment, and violence ready for export. And with the spread of weapons that can bring catastrophic harm to our country and to our friends, it would be reckless to accept the status quo. Therefore, the United States has adopted a new policy, a forward strategy of freedom in the Middle East" (Bush 2003)

"At least in its rhetoric, this was nothing less than a blanket repudiation of six decades of American foreign policy"... "political exclusion breeds radicalism whereas participation requires negotiation, compromise and moderation "terrorists" eventually become main stream (PLO, ANC and IRA..) (Silverstein 2007)

"It is funny how the US is so strongly in favor of democracy, but it happens that all its friends in the region are despotic regimes. Those regimes remain in power with American support. We also rely on support, but it is internal, from our people, and not external" (Musawi 2007)

Organizations wanting to do business in countries with inadequate institutions can choose to follow Richard De George's (1993) guiding principles:

- P1: MNC's should not do intentional harm
- P2: MNC's should produce more good than harm to the host country
- P3: MNC's should contribute, by their activity, to the LDC's development
- P4: MNC's should respect the human rights of its employees
- P5: Respect and work with the local culture if it does not violate ethical norms

P6: MNC's should pay their fair share of taxes

P7: Multinationals should cooperate with LDC governments in developing and enforcing just background institutions.

Micro: At the micro level, we find the institutions that are represented in the local culture. These are the local traffic rules of behavior: values, preferences, expectations and definitions of right and wrong and the like. The culture programs our minds and emotions into a set of shared values. Our feelings of right and wrong are supported by a set of reasons why this is so: thus we get an affective as well as a cognitive component of our moral compasses. Institutions (behavioral traffic rules) based on local cultures are place-specific as well as time-specific, including (of course) our own perceptions of right and wrong.

From a marketers viewpoint this is the level at which one studies local consumer behavior, organizational behavior, organizational culture in an international context. This is the anthropological back drop for studies of local sociology and psychology. See e.g. Hofstede's (2003) work on cultural programming identifying cultural differences and dimensions in the work place.

It could well be that we have a culture (micro level) whose institutions are quite benign, however, the country could be ruled by kleptocratic despots (meso level) which make it difficult to advance quality of life or flourishing through value enhancing exchanges for a large part of the population.

There can be cultural values present that were useful in a traditional society, but are now dysfunctional as the economy has changed. For example, the roles of men in traditional societies require values and behaviors (cultural programming) that is very different from what is needed today. Cultures change slowly and in some places it may take generations in order for the values to change so much so that the values of the people are a good fit with the needs of the community given a desire for a certain kind of economy. It takes time.

Some times, there can be cultural values that block flourishing. There can be traditional differential treatment based on gender, kinship, race and the like which make flourishing more difficult for some. There can be loyalties which make it difficult to get the best people into the right positions (lack of meritocracy),

Also, if the micro institutions are inadequate one could have a real influence (voice) in the exchange negotiations. One could insist on meritocracy to combat discrimination, pollution control or a living wage even if these are not required by local conventions/culture. Professional multinational organizations can be positive change agents in these arenas.

Evaluating institutions: ethical analysis

From an ethical viewpoint, a marketer could encounter problems at all three levels, both up and down the value creation network. It is therefore useful to subject these institutions to an ethical analysis to see if they promote or violate ethical principles.

Broadly speaking, we can say that the purpose of ethics is "to improve the lot of human-kind": to ensure "eudaimonia" or happiness (Aristotle) translated into "human flourishing" or "thriving" or "living well and doing well". From this viewpoint, one should assess the "goodness" of the institutions that govern exchanges at all three levels to see if they do indeed promote human flourishing. This leads marketers to make sure that the exchanges they facilitate do indeed result in win-win (Pareto optimal) outcomes for the parties involved. The societal marketing concept offers some guidance: marketing is a) exchange facilitation for the purpose of b) achieving customer satisfaction through c) a profitable operation in d) a socially responsible manner.

Three of the main perspectives on ethics include utilitarianism, justice and human rights. Simply stated, benign institutions result in outcomes, that maximize pleasure and minimizes pain, while not violating basic principles of justice or basic human rights. Benign institutions facilitate and promote flourishing lives – both economic and non economic. Inadequate institutions fail to promote flourishing and may lead to loss of opportunity for improvement, erosion of quality of life and perhaps to poverty and death. In the next section, the three perspectives on ethics are presented.

Utilitarianism: approves of acts which, as a consequence, maximize happiness and minimize pain, hence, good institutions are those that maximize net happiness; not for the individual alone but for all:

- 1) *acts are right in the proportion as they tend to promote happiness, wrong if they promote the reverse of happiness (promote pleasure and reduce pain)*
- 2) *"The standard is not the agent's own greatest happiness, but the greatest amount of happiness for all... for all man-kind - and not only to them but to the whole sentient creation"* Mill (1863)

Since we are not all equal in terms of happiness, it is necessary to remind ourselves that the relative capacity of a ten dollar bill to promote thriving or flourishing is usually greater for a starving person than for a millionaire.

Figure two illustrates the relationship between an individual, an act, an institution and the outcome. If an act, that follows the traffic rules of behavior stipulated in an institution which, in turn, promote flourishing, then the act can be seen as ethical. Or; good consequences are a result of acts that follow benign institutions. Bad consequences are a result of acts that follow inadequate institutions, and should generally be avoided.

This gives us two kinds of analysis. First, we must determine if the institutions themselves promote

flourishing. If they do, then we can ask if the act was in accordance with a benign institution, in which case we are ok. If the act was in violation of an institution that had been deemed benign, then we have an unethical act. A problem arises if an accepted institution fails to promote flourishing and we act according to the accepted institution. For example, if slavery is seen as a natural and a locally accepted institution, and I buy a slave, then I am acting according to convention in the local culture, but since the convention fails to promote flourishing, then I am in the wrong and my act is unethical.

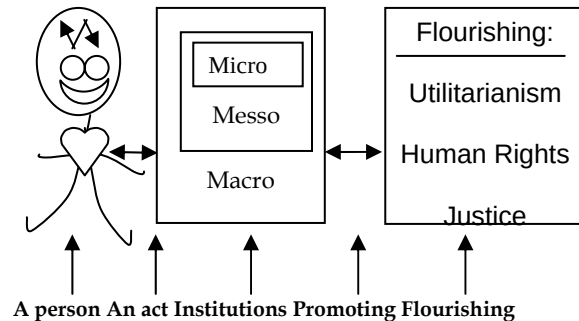


FIGURE TWO: ARE THE INSTITUTIONS ETHICAL? – A TEST

An act is ethical only if it is in compliance with institutions which promote flourishing

The person on the left in Figure two, has a set of culturally determined feelings of right and wrong (affective/heart) and a set of reasons why this is so (cognitive/head). These values are specific to a place (e.g. The USA) and a time (e.g. 2007). Whereas this person is familiar with the institutions at home, s/he may not be familiar with institutions in other locations. Further more, one may neither have reflected on the goodness of ones "home" institutions nor on the "foreign" institutions. Thus an evaluation of the institutions at work is required to make sure that ones acts indeed promote flourishing. With this fame work, we can evaluate institutions at the micro, messo and macro level encountered by a marketer.

Material flourishing: A close relative to utilitarianism, are the institutions put in place to ensure competition and well functioning markets. Markets produce more net utility through voluntary exchanges than alternative systems of exchange. A desirable feature of good market exchanges is that they are Pareto efficient: no exchange should take place unless at least one party is better off without at the same time making some one else worse off. Thus marketing exchanges should promote flourishing too e.g. benign exchange facilitation (= Pareto optimal transactions; "win-win" or at least "win-no change" exchanges.) Pareto optimality is one of the basic premises that underlies our economic system and tend to promote happiness.

However, one of the main reasons why material quality of life is wanting in many countries, is that the

local markets fail to function properly. There are certain prerequisites for well functioning markets which are frequently violated. If these institutions are not in place, at the macro or meso level, then economic well being may be suffering. Some of the prerequisites for well functioning markets are:

- that we have buyers with needs and money. If there is a very basic unmet need and no money, we must distribute goods as gifts and not through markets.
- that we have many buyers and many sellers who can enter and exit on will (no arbitrary restrictions on trade)
- that the buyers and sellers do not have market power i.e. no monopolies or monopsonies.
- that all parties are well informed
- that products are good substitutes for one another
- that costs and benefits are born by the parties to the transaction
- that the parties seek to maximize their utility
- that no external agents seek to regulate quantities, prices or qualities (e.g. no subsidies, quotas, tariffs etc.)
- that the sellers and the buyers are legitimate: have the right to buy and sell

In addition to a general utilitarian analysis, one may also want to check and see if the markets work properly and that the proposed exchange is Pareto optimal for the parties affected by the exchange.

Human Rights: A similar analysis can be undertaken from a Human Rights perspective: Good institutions promote good lives as defined e.g. in the Human Rights traditions from the Bill of Rights (1789), first proposed by James Madison on June 8th, the French Declaration of Rights of Man and the Citizen from August (1789), the UN Universal Declaration of Human Rights (1948) from (United and the European Council Convention for the Protection of Human Rights and Fundamental Freedoms from 1950 as amended.

Using figure two as a tool for evaluating the degree to which institutions promote human rights, we can insert an abbreviated set of fundamental rights proposed by Thomas Donaldson (1989). He suggests the following key rights:

- 1 Free physical movement
- 2 Ownership of property
- 3 Freedom from torture
- 4 A fair trial
- 5 Non-discrimination
- 6 Physical security
- 7 Freedom of speech and association
- 8 Minimal education
- 9 Political participation
- 10 Subsistence

The questions here include not just if the transaction violates and ones rights, but also raises questions about the duties involved. Rights and duties go hand in hand. As Donaldson (1989) discusses, we have a duty not to deprive

anyone from enjoying their rights. Perhaps we also have duties to protect some people from rights-deprivation and even a duty to assist the deprived. A selection of basic rights can be inserted into the model based on the proposal made by Donaldson.

Justice: A third way to evaluate institutions is to use a Justice perspective in figure two. Three approaches to justice have been included here. One is basic reciprocity. This can be found in all major religions. A few examples are included (Ontario Consultants 2007)

- Islam: None of you [truly] believes until he wishes for his brother what he wishes for himself." *Number 13 of Imam "Al-Nawawi's Forty Hadiths*.

- Judaism: "...thou shalt love thy neighbor as thyself.", *Leviticus 19:18*

- Confucius: "Try your best to treat others as you would wish to be treated yourself, and you will find that this is the shortest way to benevolence." *Mencius VII.A.4*

- Christianity: "And as ye would that men should do to you, do ye also to them likewise." *Luke 6:31*

Immanuel Kant's categorical imperative is similar to the golden rule, stating that one should only act according to that maxim whereby you can at the same time will that it should become a universal law.

John Rawls (1971) proposes two principles of justice for a domestic situation: First, that each have an equal claim to a fully adequate scheme of equal basic rights and liberties, which scheme is compatible with the same scheme for all: maximum liberty given equal liberty for all. The second principle deals with social structures that shape the distribution of opportunities, offices, income and wealth, which must satisfy the requirements of "fair equality of opportunity." Social and economic inequalities ... are to be to the greatest benefit of the least advantaged members of society; the maxi-min principle.

Rawls has reciprocity built into the development of these principles in that they are conceived under a veil of ignorance in the original position.

Falkenberg (1996) proposes a slightly different set of "principles of the good" for an international situation. If the participants under a veil of ignorance in the original position were to draw lives at random (across time and place) at the end of the process, than they might prioritize "survival" as the most important principle. One would prefer "life" to "non life"; all else being equal. Similarly, one would not choose to be a second or third class citizen i.e. equal moral value with equal rights, duties, opportunity along with maximum freedom given equal freedom for all. The maxi-min principle is included as the third.

1 - *Survival*: food, health, education, hand-over, integrity

2 - *Equal moral value*: dignity, max freedom given equal freedom to all, equality before the law, opportunities, human rights

3 - *Maxi-Min*; distribution of index goods. As much as possible for the worst off group.

From a justice perspective, one can for example question the macro institution which involves heavy subsidies for agriculture in Europe, North America and Japan. With some 70-80 % of the population in marginal farming in Africa, it is hard to compete with subsidized low priced, if not free, food coming in from the very productive farm industry in the north.

One can think of situations in which one may have institutions which discriminate against one or more groups and yet is reasonably efficient in providing overall utilitarian net happiness. In the view of this author, concerns for efficiency must yield if it involves breach of basic human rights or breach of basic principles of justice.

THE TAXONOMY:

We have identified three levels of institutions: micro (local), meso (national) and macro (international). We have also identified three perspectives on ethics: utilitarianism (and market economics), human rights and justice. We can now put these together in taxonomy that allows us to undertake two kinds of analysis:

1) What is the nature of the current institutions (descriptive) and

2) What should these institutions be like if they were to promote flourishing? (normative).

The taxonomy, inspired by Shelby Hunt (1976) is presented in Figure three.

The taxonomy asks a marketer to undertake an ethical analysis of the terms and conditions as he/she seeks to facilitate exchanges in an international context.

First: Analyze and describe the institutions that govern the transaction. Do they promote flourishing for the affected parties or do they contribute to a decline in well being for certain groups?

Second: Try to identify shortcomings in the current institutions in light of the normative ethical principles presented.

Third: See if it possible to work the transaction in the direction of a more ideal and satisfactory outcome for the parties affected.

Many of the institutions are taken for granted with little reflection, be it at home or abroad. By their very nature, they are a part of the way we do things, part of our culture, and therefore seem acceptable enough. We need to reflect not only on the institutions in other cultures, but

also in our own. Statements like “but everyone is doing it” can cover up a multitude of sins yet unrecognized.

A marketer may be able to have an influence over some of the institutions and can therefore affect the outcome for affected parties in a positive direction while at the same time maintaining his/her fiduciary responsibility to serve the stated interests of the owners of the firm.

	Descriptive: What are the current institutions?	Normative: Ideally, what should the institutions be in order to promote flourishing?
Micro institutions: Local culture's values, norms and traditions for expected behavior.	Identification and description of local institutions: the culture's rules and practice for social and economic exchanges and relationships; the nature of the local institutions.	Do the local institutions promote flourishing? Evaluate in light of basic principles of justice, human rights or utilitarianism. What adjustments might be needed?
Meso institutions: Local government's policies and practice, laws and regulations.	Identification and description of national institutions: practice, laws and regs. for social and economic exchanges and relationships; the nature of the national institutions.	Do national institutions promote flourishing? Evaluate in light of basic principles of justice, human rights or utilitarianism. What adjustments might be needed?
Macro institutions: International policies and practice affecting political, social and economic	Identification and description of international institutions: practice, laws and regulations for social and economic exchanges and relationships; the nature of international institutions.	Do international institutions promote flourishing? Evaluate in light of basic principles of justice, human rights or utilitarianism. What adjustments might be needed?

FIGURE THREE: A TAXONOMY FOR EVALUATING INSTITUTIONS THAT AFFECT INTERNATIONAL MARKETERS

QUESTIONS TO BE ASKED AND ANSWERED:

1) Do the micro, meso or macro institutions promote flourishing?

- Utilitarianism: Do the institutions maximize happiness for “the whole sentient creation”?

- Rights: Do the institutions promote or detract from the rights and duties associated with basic human rights?

- Justice: Do the institutions promote survival, equal moral value and the maxi-min principle?

2) If the institutions are inadequate, what can I do?

- Seek to influence the terms of the exchange in a positive direction.

- Adopt strategies and policies that seek to avoid situations which inhibits flourishing (such as corruption).

- Avoid certain markets/situations.

- Seek different strategic alliances. Suppliers/ distributors.

- Insist on transparency.

- Engage in benign civil disobedience:

“Eventually I got to the point where I said that companies must practice corporate civil disobedience against the laws”

(Sullivan 1977, note at the end of the article)

- Engage in constructive dialogue with relevant parties to seek a change in the inadequate institutions.
- Adopt and practice an ethical codex which guides the organization across macro, meso and micro institutions, including internal procedures including whistle blowing hot lines and the like (ignorance is not bliss).
- Or if all else fails: Exit!

	Institutions	
	Adequate	Inadequate
Follow the institutions	Go ahead!	Stop! Use Voice or exit
Act		
Go against the institutions	Stop! Could be criminal to act.	Consider benign civil disobedience

FIGURE FOUR: AVAILABLE DECISION OPTIONS

Figure four illustrates the basic options available to a marketer who wishes to be ethical given that an evaluation of the institutions have taken place.

DISCUSSION:

In democracies, one can assume that the meso institutions are a reasonable reflection of the micro institutions as one will tend to elect lawmakers who represent the values of the culture in general. This does not mean that these institutions promote flourishing for all. They may exclude certain domestic groups (such as women or minorities) if these are the values in the culture. They may also result in adverse effects in other jurisdictions such as agricultural subsidies. These may meet with domestic approval, while inhibiting opportunities for flourishing in other jurisdictions. We cannot take it for granted that our institutions promote flourishing even if we, as a culture, feel that they are good. Historically, we have many examples that our culture has found it natural to keep large groups from flourishing. Our values are time and place specific, and in order to avoid the traps of cultural relativism it is important that we also expose our values to ethical scrutiny from time to time.

Even more troubled are the jurisdictions that are plagued by corrupt officials who serve the interests of their peoples poorly at the meso level. In the annual corruption index by Transparency International (2007), only 22 countries scored 7 or higher (10 being the least corrupt), 35

countries scored between 4 and 7, and fully 100 countries scored below 4 on the index. It is fair to say that the majority of the world's people live in very corrupt jurisdictions, including some of our main trading partners for natural resources and consumer goods. Most of the corrupt jurisdictions have a way to go in order to be “democratic” in a meaningful sense of the word. Value creation networks which cross into these jurisdictions are often affected by corruption and thus may not promote flourishing to extent normally possible as a result of trade. One needs a clear set of strategies as to how one can avoid corruption in order not to be a participant in crime and extortion.

An illustration:

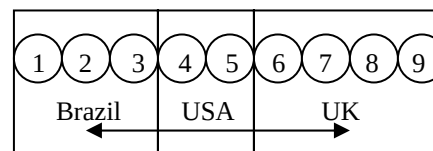


FIGURE FIVE: AN INTERNATIONAL VALUE CREATING NETWORK SPANNING THREE JURISDICTIONS

Figure five illustrates a hypothetical firm (5) that roasts and brands coffee may be linked up stream to (1) workers on (2) a coffee plantation in Brazil, which in turn sells the crop to (3) local coffee buyers/exporters. (4) The coffee is then imported into the US and sold to (5) a coffee roaster/brand. Down stream the coffee roaster/brand may be selling to (6) importers in the UK, who in turn sell to (7) wholesalers who sell to (8) retailers for sale to (9) end users. Thus the coffee roaster/brand may be part of a value creating chain of firms consisting of eight participants in three jurisdictions before the product is presented to the end user. The coffee roaster/brand determines what coffees to buy, how it is being roasted, positioned and branded and how it is distributed towards different end users down stream. Thus the coffee roaster/brand is likely to be the most powerful actor in this chain, and has the ability to influence the behavior of the participants in the chain, including the end user.

At each transaction in the chain, there are different stakeholders involved. The initial transaction upstream involves not only the coffee grower, but also the local community and the local economy, the workers on the plantation, the local ecology, the local agricultural experts, the suppliers to the coffee plantations as well as the investors in the plantation itself. As actors down stream place orders for coffee upstream, a number of stakeholders are affected by this decision. We must look at the “goodness” of the institutions which govern the exchanges/transactions in Brazil as well as in the US and in the UK.

A similar network for oil can involve the population of Angola as owners of the oil which is sold by the corrupt

Angolan government to international oil companies who in turn have a license to operate the oil fields, transport and refine the oil for many uses. Among the end products can be auto fuel, agricultural chemicals, plastics, carpets and fabrics - all of which have their separate value creation networks that may span several international jurisdictions before they end up in the hands of end users.

A final example may involve a farmer in the US or the EU who produces corn or wheat with generous subsidies. The crops may be bought by local coops and sold to commodity firms for trade internationally. Some of food may end up in largely agricultural economies in Africa at very low prices affecting the local farmers adversely.

In all three examples, the value creation networks involve numerous actors and exchanges, big and small, across a number of jurisdictions. People in many cultures and countries are affected by the nature of the institutions that help determine the outcome of the exchanges. It is prudent to questions if the institutions that govern all the exchanges are indeed adequate in their promotion of flourishing lives for the affected parties. The next question is if there is something we can do to improve upon the transactions so that they better serve the needs of those worst off. At the macro level, we may have to wait for the WTO or the UN to develop some guidelines.

However, in the meantime, there is an increasing unrest and anger in some countries over the nature of the current macro institutions. Economic refugees are increasingly seeking opportunities to carve out a living in the developed world: USA, EU, Australia and the like. There is great concern over legal and illegal immigration in these countries, as well as anger directed at jobs being out-sourced to low cost countries.

The refugees are coming from countries which also suffer from inadequate institutions at the messo level. Many countries are plagued by corruption and mismanagement of local resources and little attention to basic issues like democracy, human rights, justice or economic growth. Some of these governments are seen as good friends of the US and the EU as suppliers of reasonable labor, consumer goods as well as of raw materials. This fuels additional anger with the already oppressed people.

As marketers, we have an influence on the exchanges which are at the core of our discipline and we must take a careful look at what kinds of exchanges it is that we facilitate and the resulting consequences. There is nothing better than well functioning markets when it comes to providing us with material well being. However, not all our value creation networks work well in terms of utilitarianism the way John Stuart mill conceived of them, nor in terms of human rights or justice. The world is getting smaller and more transparency is possible. We need to find new solutions in troubled areas in order to secure flourishing for all.

NOTE

The 1977 Sullivan Principles for investment in South Africa included civil disobedience against inadequate (apartheid) institutions:

1. Non-segregation of the races in all eating, comfort, and work facilities.
2. Equal and fair employment practices for all employees.
3. Equal pay for all employees doing equal or comparable work for the same period of time.
4. Initiation of and development of training programs that will prepare, in substantial numbers, blacks and other nonwhites for supervisory, administrative, clerical, and technical jobs.
- 5 Increasing the number of blacks and other nonwhites in management and supervisory positions.
6. Improving the quality of life for blacks and other nonwhites outside the work environment in such areas as housing, transportation, school, recreation, and health facilities.
7. Working to eliminate laws and customs that impede social, economic, and political justice. (Added in 1984.)

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Sunday, June 3

2:00 – 3:30 **Session 4**

440 Working Paper Session: Health Care

Chair: Pia Polsa, Swedish School of Economics and Business Administration

441 - *Facets of Patients' Trust in Hospitals - A Qualitative Approach to Understanding the Market of Health Care Services*

Vanessa Hessenkamp, University of Dortmund

Hartmut Holzmüller, University of Dortmund

Debra Neumann, University of Dortmund

442 - *Comparing Supply Chains for Food and Pharmaceuticals in Africa: Implications for Risk and Control*

Imoh Antai, Swedish School of Economics and Business Administration

Richard Owusu, Swedish School of Economics and Business Administration

443 - *The Impact of Package Colors on Preference for Pharmaceuticals: A Cross-Cultural Study*
WITHDRAWN

Hannele Kauppinen-Raisanen, Swedish School of Economics and Business Administration

Richard A. Owusu, Swedish School of Economics and Business Administration

Seth N. Buatsi, Kwame Nkrumah University of Science and Technology

Facets of Patients' Trust in Hospitals – A Qualitative Approach to Understanding the Market of Health Care Services

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The health care industry has continuously grown and come to be of major importance. This large sector is seen as one of the seminal industries of the future. Over the years, traditional roles have been changing. Patient-health care provider relationships are relational exchanges in an area of “personally important, high-involvement services”, where trust is critical. The importance of trust between patient and health care provider is unbowed. The main objective of this research project is to detect the multi-faceted role of trust in hospitals via a qualitative approach. By using focus group and in-depth interviews with different groups of patients objects of trust and different trust levels in the medical context as perceived by patients are identified in order to analyze their relations to each other.

The health care industry has continuously grown and come to be of major importance. This large sector is seen as one of the seminal industries of the future. Health care expenditure rises continuously (Coulter and Magee 2003). Amongst other reasons, this appears to be a consequence of increased health awareness.

Furthermore, traditional roles change. Amongst other things, this results in a new developed patient-physician-relationship: “the patient-doctor relationship is shifting from paternalism to contractualism” (Surbone and Lowenstein 2003, p. 183) which Gray (1997) refers to as a “quasi-business transaction”. Customers/Patients act more self responsible, more emancipated, more mature and inform themselves more actively (Mechanic 1998; Riegl 2000), they want to join in the conversation concerning their health and display intensified typical consumerist behavior, p.e. engaging in “doctor-shopping” or “hospital-shopping” (Berkowitz and Flexner 1981; Boscarino and Steiber 1982; Coulter and Magee 2003; Lane and Lindquist 1988; Mechanic 1998; Phibbs et al. 2006; Peyser 1997; Rosenstein 1985; Rosenstein 1986; Verma and Sopti 2002). Physicians become holistic health consultants (no author 2001;

Gutjahr 2003), selling their service more actively (Coulter and Magee 2003). The traditional dependent relationship will change into a partnership based on mutual respect and trust (Jaakkola 2005; Gutjahr 2003). Patients' request for competent and comprehensive consultation and treatment is seen as particularly challenging for market participants (ABDA, 2006). Moreover, the health care industry increasingly resembles conventional industries, such as retailing, with growing competition, cost pressure and physicians being held responsible for everything they do (see for example Rosenstein 1985; Riegl 2000; Leisen and Hyman 2004; Hermanns and Hanisch 2002).

Core area of the health care industry is the outpatient and inpatient health care service with the hospital as a classical institution (Dahlbeck, Hilbert and Potratz 2004; Hilbert, Fretschner and Dülberg 2002). Hospitals are defined as facilities in which diseases, injuries and other ailments are diagnosed and treated through medical care and nursing. Additionally, services such as obstetric care are offered.

However, these days hospitals no longer see themselves solely as traditional institutions for the ill, but as modern service companies holding a special position within the services sector and facing increased competition (Riegl 2000).

TRUST IN HOSPITALS

Trust is an important indicator for the quality of the patient-physician-relationship (Lake 2000, p. 412), especially in hospitals: “Trust is essential to the doctor/patient relationship” (Gray 1997, p. 35), “Trust always has been central to relationships between physicians and patients” (Mechanic and Schlesinger 1996, p. 1693), “Trust is the cornerstone of the patient-physician relationship” (Kao et al. 1998b, p. 1708).

Trust is important, because “patients lack the medical expertise to truly assess their physician's performance” (Leisen and Hyman 2004, p. 990). Medical services thus represent a typical form of a “credence

good". In a large Canadian study 434 patients with terminal illnesses and 160 of their relatives were asked about quality criteria of care and the highest rated criterion was "to have trust in physicians" (55,8 %; Heyland et al. 2006). The patient-health care provider role relations are characterized by a substantial information and power asymmetry because of "physician's expertise in health matters, gained through training and experience, and his special fiduciary responsibility for the care of the sick" (Parsons 1975, p. 257; Maynard 1991). Besides, the patient has an information advantage as well, i.e. concerning his/her health-relevant behavior (Schneider 2002). This bilateral asymmetry "is intensified by the sick person's illness and vulnerability" (Zaner 1991, p. 54), "the patient not only suffers more than the physician, but the suffering is

different" (Surbone and Lowenstein 2003, p. 184). Trust also has many significant (positive) effects on the patient-health care provider relationship on intrinsic and instrumental grounds (see for example Hall et al. 2001; Mechanic and Schlesinger 1996; Straten, Friele and Groenewegen 2002; Thom, Campbell and Alto 1997; Thom et al. 1999). Additionally, the quality of the physician-patient-relationship is vital for patients' willingness to accept medical advice (Gray 1997; Mechanic and Schlesinger 1996).

"Trust, itself, is a multidimensional concept and its aspects may vary in importance and salience as circumstances change" (Mechanic 1998, p. 663). There are several definitions of trust existent in the medical trust literature. TABLE 1 presents an overview of some selected definitions.

TABLE 1: DIFFERENT DEFINITIONS OF TRUST IN THE MEDICAL CONTEXT

"a person's belief that the physician's words and actions are credible and can be relied upon"	Anderson and Dedrick (1990)
"willingness to place oneself in a relationship that establishes or increases vulnerability with reliance upon someone or something to perform as expected"	Johns (1995)
"the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party"	Mayer, Davis and Schoormann (1995), cited by Zheng et al. (2002)
"Trust is the expectation that individuals and institutions will meet their responsibilities to us. It affects almost every aspect of doctor-patient interaction, from personal disclosure to cooperation in treatment."	Mechanic (1998)
"Trust refers to the expectations of the public that those who serve them will perform their responsibilities in a technically proficient way (competence), that they will assume responsibility and not inappropriately defer to others (control), and that they will make patients' welfare their highest priority (agency)"	Mechanic and Schlesinger (1996)
"Public trust in health care could be defined as being confident that you will be adequately treated when you are in need of health care."	Straten, Friele and Groenewegen (2002)

Common theme of these definitions is the optimistic acceptance of vulnerable situation and the belief, willingness or expectation that the trusted individual or institution will be reliable. Other dimensions of trust include credibility, competence and responsibility.

In the health care literature dealing with trust, trust in physicians has been a prevalent object of research (i.e. Andersen and Dedrick 1990; Hall et al. 2001; Hall et al. 2002; Kao et al. 1998a; Leisen and Hyman 2004; Mechanic and Schlesinger 1996; Thom, Campbell and Alto 1997). Here the focus was clearly on specific personal patient-physician relationships, thus on the so-called relational trust. Hospitals and other employees in hospitals (p.e. nurses) were not studied so far in their function as possible trust objects in health care industry. Other levels of trust were scarcely

scientifically examined as well, like the (collective or institutional) trust in physicians in general or in other institutions in this very heterogeneous industry (hospitals, pharmaceutical corporations etc.). Generally it is unclear how patients perceive the structure and individual actors in hospitals and to what extent the described objects and levels are actually perceived as different by patients. Furthermore, so far the potential effects between relational/individual and collective/institutional trust levels and between different trust objects have not been considered. Hall et al. (2001) refers to this as a research gap and observes that trust in physicians and trust in health insurer correlate (Kao et al. 1998b), "but it is unclear whose halo is shining on whom" (Hall et al. 2001, p. 631).

RESEARCH OBJECTIVE

The outlined status quo in research leads to some central research propositions concerning patients' trust in hospitals. In this framework these exemplary questions are central:

- How do patients define trust in a hospital? What are facets of trust in hospitals?
- Which trust levels and objects do exist in hospitals (perceived by patients)?
- Which effects exist between the hospital trust levels/objects?

The main objective of this project is to detect, understand and illustrate the multi-faceted role of trust in hospitals with the means of an exploratory qualitative approach and methodology. Therefore, patients' perceived levels and objects of trust in hospitals are to be identified, their relations to each other are to be analyzed and influencing parameters in the different relationships are to be evaluated. The results are to be integrated in a theory draft.

EMPIRICAL STUDY

To answer the questions above, using a qualitative research approach was considered apt in order to grasp the full complexity of trust and its different levels and effects within a hospital. Furthermore, it is "‘Why’ and ,how’ in addition to ,what’" (Carson et al. 2001, p. 64) and about learning how events are interpreted by people (Patton 2002; Weiss 1994).

After a broad analysis of the relevant literature about trust in the health care and medical context and further orientation with the aid of expert interviews (physicians, psychologists etc.) we followed a qualitative multi-methodical proceeding. The empirical enquiry contained two successive/consecutive steps:

- interviews in focus groups (different groups of patients)
- qualitative in-depth interviews (patients)

These two qualitative research methods complement one another in respect to the research objective very well, as the focus group interviews will indicate the trust objects of hospitals and facets of trust therein, which will subsequently be discussed more thoroughly in in-depth interviews. Thus levels and effects of trust as well as antecedents will be revealed and further analyzed.

Focus Group Interviews

Two focus group interviews were conducted with 6-8 patients who were selected by "purposive sampling" (see for example Morgan and Krueger 1998; Morgan 1997). The interviews were roughly structured with the aid of an interview guide, but allowed

flexibility to give the participants the opportunity to explicate their experiences and attitudes in detail. Discussion cards were used to gather antecedents of trust to find out about differences concerning different trust objects (p.e. doctors vs. hospitals). These cards were given out to the participants with the request to write their ideas down. After several minutes, these cards were collected and sorted on a board visible to all participants. A thorough discussion by the group followed. Further aspects of the group interview included definitions and consequences of trust in the medical context as well as participants' positive or negative experiences with hospitals and physicians.

After transcribing the interviews the popular computer-aided qualitative data analysis software QSR NVIVO 7 was used to form categories out of the collected materials and to code the texts by summarizing sentences or sections and assigning them to specific subject areas (Bazeley and Richards 2000; Gibbs 2002). Following Glaser and Strauss' Grounded Theory methodology (1967) content analysis was performed inductively (Strauss and Corbin 1996; Strauss and Corbin 1998). Based on the results of the group interviews the interview guide for the in-depth interviews was developed.

In-depth Interviews

The main investigation consisted of 20 qualitative face-to-face in-depth interviews with patients from different backgrounds (concerning sex, age, education, type of insurance, experience with hospitals, type of illness, hospital). It seemed sensible to conduct in-depth interviews "to find out things like feelings, memories and interpretations that we cannot observe or discover in other ways" (Carson et al. 2001, p. 73). Aspects of trust in hospitals were further developed and antecedents, consequences and trust objects identified and discussed in detail.

The interviewed patients were selected using purposive (or purposeful) sampling to maximize variation (see for example Miles and Huberman 1994; Guba and Lincoln 1985; Patton 1980; Weiss 1994). It was important to choose a broad range of patients with different backgrounds to represent a scope of variation in opinions and attitudes as wide as possible (Guba and Lincoln 1985; Miles and Huberman 1994; Patton 1980; Weiss 1994). The final sampling objective is to reach theoretical saturation (Guba and Lincoln 1985; Ezzy 2002; Strauss and Corbin 1998). As a minimum requirement for potential interviewees it was constituted that their last hospital stay did not date back further than one year and took at least five days to ensure patients ability to remember their experiences without difficulties. This was particularly important because the critical-incident-technique was used during

the interviews which set the last hospital stay as a reference point.

Sampling criteria were found in the existing literature regarding trust in the medical context. Some empirically confirmed and to some extent controversial factors which could influence a patient's trust were collected.

FIGURE 1 displays some possible as well as empirically tested factors from the literature. Although it was clear that the respondents could not cover all possible dimensions, it was attempted to include as many factors as possible.

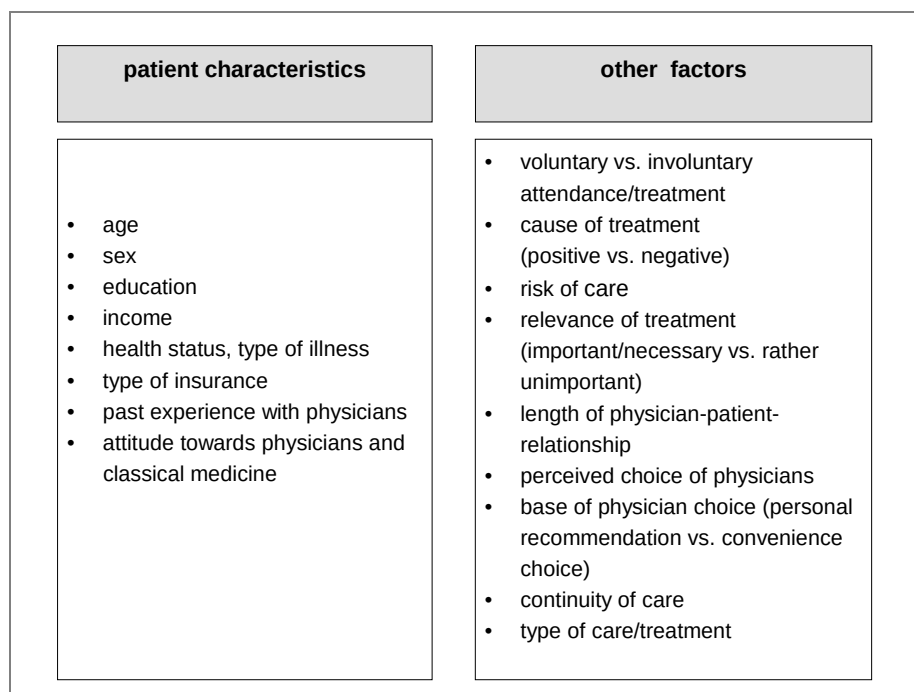


FIGURE 1: DIMENSIONS WITH INFLUENCE ON TRUST IN PHYSICIANS (see for example Balkrishnan et al. 2003; Caterinicchio 1979; Hausman and Mader 2004; Lake 2000; Leisen and Hyman 2004; Mechanic and Meyer 2000; Mainous et al. 2001; Tarrant, Stokes and Baker 2003; Thom, Campbell and Alto 1997; Thom et al. 1999)

Gilson notes that “the importance of trust within the relationship will vary” and “Trust in providers may matter less to patients with lower risks [...] it may matter more to vulnerable patients with higher risks” (2003, p. 1459). Mechanic and Meyer (2000) discovered significant differences in trust and its dimensions between three groups of patients (with breast cancer, Lyme disease or mental illness) in a qualitative study and ascribe these to the different types of illnesses, the different therapies and the different levels of patients’ experience with physicians (Mechanic and Meyer 2000, p. 665). Lake as well discovered empirically, that “those in worse physical health [...] expressed less trust in their physician” (Lake 2000, p. 417). Balkrishnan et al. (2003) came to the same conclusion.

Interviewees were recruited using a kind of snowball-sampling, where acquaintances and colleagues were asked to nominate certain patients according to given criteria (sex, age, type of insurance, experience with hospitals/physicians, type of illness) and to arrange contact

with them. Thus different potential interviewees could be compiled in a “patient pool”. From this pool interviewees that differed in the relevant characteristics were selected step-by-step to achieve maximum variation and a broad coverage of dimensions influencing trust (see for example Patton 2002; Weiss 1994). We deliberately abstained from posting notices when looking for interview partners in order to avoid sample bias. In respect to the topic it was assumed that patients with negative experiences would be more motivated to participate in this study (see for example Grady and Wallston 1988).

The interviews were conducted using a roughly structured interview guide to give the interviewees sufficient space for detailed narration of events and feelings as well as explications and interpretations. After a few general ice-breaking questions regarding hospitals the critical incident technique was used to elicit detailed narration of past hospital experiences from the interviewees. They were asked to give associations spontaneously and to describe situations during their last

hospital stay which they memorized as extremely positive and extremely negative. It included questions such as “What is the first thing that comes to your mind when thinking of your last hospital stay?” and “How did you experience your hospital stay? What did you feel and think? To what extent did you have trust in the hospital? Why? Why is a hospital trustworthy in general?”. These were designed to encourage the interviewees to talk freely of experiences, opinions, attitudes and feelings. Additionally, we asked interviewees to complete sentences (“Trust is when...” and “I trust a hospital when...”) and integrated trust object sorting exercises (see for example Mariampolski 2001; Krueger 1998).

The interviews were all carried out at patients’ homes and took between 40 minutes and two hours. During the interview the rules of non-directive interviewing were followed (see for example Carson et al. 2001). Afterwards, a short questionnaire asking about patient characteristics and the last hospital stay was filled out along with the interviewee to be able to allow for further purposive sampling and the analysis.

OUTLOOK

We have now finished the data collection stage. After the interviews have been transcribed verbatim, they will be evaluated with the aid of qualitative analyzing methods. In a next step the main evaluation will be carried out with the aid of intra-text and inter-text (across-person) analysis. In addition to popular analyzing techniques (see for example Miles and Huberman 1994) it is planned to follow the approaches of “Grounded Theory“, developed by Glaser and Strauss (1967) and later advanced by Strauss and Corbin (see Glaser and Strauss 1967; Strauss 1994; Strauss and Corbin 1996). Several procedures of this popular but complex collection of procedures which seem valuable concerning this project will be employed, for example coding procedures, constant comparison and memo writing (Strauss and Corbin 1998). We are confident of being able to present the first results and conclusions at the conference in June.

The results will be integrated in a so-called theory draft which is a preliminary design for a completely developed theory. The chosen mix of methods ensures that the phenomenon patient trust in hospitals is subjected to a broad investigation which is characterized by validity and credibility. On the basis of the illustrated results research propositions for future investigation as well as practical implications for hospitals will be given. It will contribute to health care marketing research by theorizing the construct of patients’ trust in hospitals. The theory draft which includes research propositions and hypotheses will encourage future research in this area. Additionally, recommendations and suggestions for hospital marketing will be deduced. Here, patients’ perceived trust objects, their antecedents and possible effects between them will be of interest and useful in practice.

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Comparing Supply Chains for Food and Pharmaceuticals in Africa. Implications for Risk and Control

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INTRODUCTION

The use of supply-chain risk mitigation methods in the healthcare industry today reflects the practice of risk mitigation in other non-healthcare industries. Despite the similarities between different supply chains (SC) in general, inherent differences that distinguish one industry SC from another also exist. Processes and procedures that are peculiar to certain industries give rise to certain needs and requirements that are specific to those industries (e.g. see Datta and Rajagopalan 1998; Arrow 1963).

Risk management in SCs has been studied from a variety of disciplines in the non-healthcare industries (Jüttner 2005; Peck 2005; Harland et al 2003; Hauser 2003; Svensson 2003). The assumption has been that given the similarities in the activities of these industries e.g. manufacturing, services, technology, etc, risk management and mitigation techniques used in one industry are applicable to other industries. In contemporary SC research, this view has dominated literature as evidenced by the fact that there is sparse material dealing with risk mitigation techniques developed specifically for distinct industries. The practice of generalizing risk mitigation methods in non-healthcare industries has been further

represent the bulk of the potential supply base in Africa, it is vital to recognize the differences that exist between SCs and the implications for such entrepreneurs. Focus is on Nigeria and Ghana.

METHOD

We use an industrial network approach to compare the cooperative and competitive links between different market actors. Study exploits the connection between networks and SCs in order to establish salient differences that exist between healthcare and non-healthcare SCs. For example, one similarity between SCs and networks lie in their need to understand and coordinate activities between actors carried out within these chains (Andersen and Christensen 2004; Spens 2006). Thus, supply network here is a synonym for supply chains.

Our data is secondary data from policy papers, government reports, and international organizations like the World Health Organization

A Network Approach

The concept of networks, in marketing, is based on the

TABLE 1. TYPES OF RISK IN PHARMACUETICAL AND FOOD CHAINS

	Food supply Chain	Pharmaceutical Chain
Actor bonds links risk	Stronger, closer bond because they operate in the same local market need each other	Operate in different markets thus bonds are usually contractual
Resource ties risk	Based on trust in the network, resources are more easily exchanged between actors.	More plagued by integration problems due to fear of loss of intellectual capital/strategy.
Activity links risk	Much simpler structure regarding administration, technology, etc thus making it easier to deal with and integrate	Complex structure of administration, technical and commercial activities which are usually difficult to integrate.

extended to the healthcare industry by the broad assumption that the healthcare SCs and the non-healthcare SCs as a whole are the same, as argued by Jarret (1998).

However, because the uniqueness of an industry determines the shape of its SC, which in turn determines its propensity to risk, we posit that risk within SCs is a function that is dependent on the characteristics of its industry. Thus, our study aims to investigate the differences between SCs in terms of risk by comparing the pharmaceutical and food industries' SCs in the African context. Because small farmers and entrepreneurs

view of markets as a system of exchange relationships (Håkansson and Snehota 1995; Gadde et al. 2003; Gnyawali and Madhavan 2001). According to the industrial network model, inter organizational relationships can be analysed by examining the actors involved, their relationships; resource contributions; joint activities, etc, undertaken to achieve the aims of the network; and the environment affecting the network (Håkansson and Snehota 1995). Environment is determined by the internal activities of the network actors as well as the external business environment, which is affected by different actors

like government and consumers, business and non-business actors.

Based on the environments within which the supply chains have to operate, the incongruent actors within such chains and the myriad of international and national standards, laws, regulations SCs have to go through, we differentiate three types of risks (Table 1) - actor bonds risk, resource ties risk and activity links risks. Actor bonds risks are risks emanating from the way the actors in the SC are connected to each other and the types of power and influence structures between them. Resource ties risks are risks regarding the nature of resource contributions and their interconnections. Activity links risks are risks due to the links between the different activities of the actors that contribute to the results of the SC.

CONCEPTUAL IMPLICATIONS

The differences within the industries imply different levels of risk in areas of supply, quality and security, which also have control implications. A large part of the food SC actors, activities and resources are local. Even though local production of some food items like rice has recently collapsed in the face of foreign imports forced on African governments by international agreements, local substitutes exist. Besides a large part of imported food items are Western foods that tend to be consumed by a part of the middle class. Therefore, the risk and control implications of the food SC are less serious than of the pharmaceutical SC.

The two SCs analyzed in this paper deal with important products and services. However, the challenges facing SCs in Africa are still immense. It is important for African governments to understand their structures and processes in order to formulate appropriate policies to manage risk and ensure required control.

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The Impact of Package Colors on Preference for Pharmaceuticals.

A Cross-Cultural Study

Extended abstract

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INTRODUCTION

Many pharmaceutical brands represent similar products. In Finland a group of painkillers consists of five brands with the same active ingredient, whereas in Ghana import liberalization has brought in new brands from India, South Africa, and China, for example. Product similarity means that extrinsic attributes (e.g. price, brand name) and visual features of the package (e.g. color, material) differentiate one brand from another (Hedvall 1994). Extrinsic attributes have no impact on the product performance in contrast to intrinsic attributes (Miyazaki et al. 2005). Still, past research supports that extrinsic attributes have an impact on choices when the consumer is in hurry, and is not familiar with the brands, for example.

Due to the law the package must state the contents, benefits and risks of using the pharmaceutical. However, according to research, packages' visual features have an impact on consumers' behavior (Garber et al. 2000). Therefore, the pharmaceutical industry as well can benefit from understanding the role of package design. This concerns cases of new products or brands and for understanding the role of packages' when consumers' motivation or ability to process textual information is low, such as in cases of illiteracy or inability to read the verbal product information.

The issue of colors has received interest within several fields, still little research has examined package colors (Funk and Ndubisi 2006, Underwood and Klein 2002, Gordon et al. 1994). This study investigates the impact of package colors on preferences of pharmaceuticals in a two-country study, Finland and Ghana. The study is an experimental conjoint analysis. It involves health-care products that substitute each other within two product groups. We propose that colors have an impact on product preferences and that differences exist in how colors contribute to preferences between Finns and Ghanaians. The question is – what are the differences and how do they influence product preferences? Interviews will be done in addition to quantitative conjoint tasks in order to

more deeply understand the preferences and the reasons underlying them.

THE IMPACT OF COLOR

Based on past research the impact of colors on packages is threefold. First, vivid, deviating, and novel colors attract attention, such as in variety seeking (Garber et al. 2000).

Second, colors have an aesthetic value. Color preferences are universal and cultural (Madden et al. 2000). An example of a culturally-bounded color preference is the liking for red in Senegal (Wiegersma and Van der Elst 1988), whereas blue is preferred universally. Most studies focus on color preferences due to gender, age, race, and personality. Accordingly, these studies stress, for example, that adults favor blue (Terwogt and Hoeksma 1995).

Third, colors convey meanings. Colours evoke associations at universal and cultural level. For example, on a cultural level most of Ghana's ethnic groups associate white, light blue and green with joy and celebration, whereas blue in general means quality (Jacobs et al. 1991). Further, research implies that colors communicate the product and the brand (Grimes and Doole 1998, Schoormans and Robben 1997).

METHOD

A conjoint study with rank-order data was performed in Finland with 18 participants. The design of product group 1 (painkillers) included four attributes color (blue, green, yellow, red), shape (landscape, portrait, square), font (1, 2, 3), and producer (known domestic, unknown domestic, known foreign, unknown foreign). Product group 2 (medicine against sore throat) involved five attributes, i.e. the four mentioned above added with the attribute of taste (menthol, honey and lemon, mint, neutral). The attributes and levels were based on authentic brands. The outcome was (4 x 3 x 3 x 4) 144 stimuli and (4 x 3 x 3 x 4 x 4) 576 stimuli. The fractioning resulted in 16 profiles/product

group, and the stimuli were presented as hypothetical packages.

PRELIMINARY RESULTS

Preliminary results indicate that colors have an impact in the rankings of the hypothetical packages. Three of the attributes are design elements (color, shape, font). Color was the most valued in both groups. Colors were perceived differently, which indicates that colors are related to the context, i.e. blue was most valued in group 1, and yellow in group 2. These were followed by green. In group 1 green was followed by yellow, whereas green was followed by blue in group 2. Red was the least-valued color in both groups.

CONCLUSIONS

Color perceptions are culturally-bounded. We emphasize the need to understand the impact of color in marketing of pharmaceuticals as colors have an impact on consumer behavior, which is indeed supported by the preliminary study. The same study will be done in Ghana.

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Sunday, June 3

4:00 – 5:30 **Session 5 - Overlapping Sessions**

510 Special Session: Subsistence Markets

Chair: Madhu Viswanathan, University of Illinois at Urbana-Champaign

511 - *The Role of Social Capital in Enhancing Marketing and Entrepreneurial Effectiveness in Subsistence Markets: An Empirical Investigation*
Srinivas Sridharan, The University of Western Ontario
Robin Ritchie, The University of Western Ontario

512 - *Participatory Research Methods for Subsistence Consumers*
Sharmin Attaran, University of Illinois at Chicago
Edward McKenzie Abbey, Plan International

513 - *Changing Consumption Patterns in Subsistence Markets*
S. Chandrasekhar, Indira Gandhi Institute of Development Research, Mumbai, India
S. Jayaraman, International School of Business and Media, Pune, India

514 - *Long Run Price Integration in the Nigerian Fresh Fish Market: Implications for Marketing and Development*
T. E. Mafimisebi, The Federal University of Technology, Nigeria

The Role of Social Capital in Enhancing Marketing and Entrepreneurial Effectiveness in Subsistence Markets: An Empirical Investigation

Robin Ritchie, University of Western Ontario, Canada
Srinivas Sridharan, University of Western Ontario, Canada

Recently, academics and practitioners have shown increased interest in business strategies that focus on serving impoverished parts of the global marketplace – populations often referred to as the *bottom of the pyramid* (Prahalad 2005) or *subsistence marketplaces* (Viswanathan 2007). While such populations pose a significant humanitarian challenge, they also constitute new opportunities for businesses faced with saturation of developed markets.

Underlying this work is the implicit premise that business participation in subsistence markets will lead to win-win outcomes for both parties, thus serving both business-oriented and development-oriented goals. However, aside from anecdotal evidence based on a few widely-cited exemplars, there is little empirical evidence in the literature to support this premise. As a result, stakeholders lack genuine insight as to the commercial and humanitarian benefits of business engagement in subsistence markets. Furthermore, while much work has focused on strategies for overcoming perceived limitations of subsistence markets (e.g., problems of income, infrastructure, credit and so on – see Arnold and Quelch 1998), there is relatively little discussion of strategies that leverage the strengths of these markets (see London and Hart 2004).

Our research seeks to address these gaps. Specifically, we examine the role of *social capital* as a potential asset of subsistence markets, and investigate if the presence of social capital enables the business-community partnership to be mutually constructive.

Recent research in marketing has suggested that, although subsistence markets are resource-poor with respect to traditional economic assets, they are often network-rich (Viswanathan 2007). This has a number of potentially important consequences: First, because knowledge of the customer is high, services are often exceptionally well tailored to community needs (e.g., affordable installment plans and loans backed by flexible repayment schedules). Second, word-of-mouth exerts a strong influence on consumer behavior, creating both risks (to reputation) and opportunities (primarily with respect to promotion) for business owners. Third, exchange tends to be relational rather than episodic, resulting in fluid terms of trade whereby price and other aspects of the sale are

negotiated between buyer and seller based on knowledge of each other's circumstances (Viswanathan 2007).

With this in mind, a number of authors have suggested that rich social ties might be leveraged more effectively for the mutual benefit of both firms and subsistence populations (Ritchie and Sridharan 2007). Although indirect support for this notion can be found in studies of economic development (e.g., Iyer *et al.* 2003), there is a need for empirical research that demonstrates the constructive role of social capital in enhancing business participation in subsistence markets. Our work seeks to address this need. Specifically, we examine the setting of small-scale entrepreneurial activities facilitated by the engagement of larger businesses.

We focus on *entrepreneurship* as the context of study because small business is often held to be the key driver of economic development of impoverished regions (Saini 2001; Schumpeter 1993; World Bank 2001). Our research model hypothesizes that variations in the level of social capital available to subsistence entrepreneurs will have a significant impact on their marketing performance. To investigate this question, we consider various dimensions of social capital, and examine their impact on marketing and entrepreneurial effectiveness.

In particular, we test several hypotheses, each derived from literatures in social capital, marketing and consumer behavior. Social capital is assessed along several dimensions (bridging vs. bonding, norms vs. obligations vs. trustworthiness, etc.) that draw on the *SC-IQ* instrument developed by the World Bank (Grootaert *et al.* 2004) and are guided by theoretical perspectives in the social capital literature. We also measure entrepreneurial and marketing effectiveness in various ways, adapting an instrument developed by Viswanathan, Gajendiran and Venkatesan (2007).

Because of the social nature of the phenomenon of interest, a face-to-face interview-based methodology is appropriate in this instance. We are conducting such a survey with a random sample of entrepreneurs from South India, each of whom engages in marketing activities on behalf of a multinational corporation. Data collection efforts are in progress and expected to culminate in May 2007.

With respect to its contribution, our research fills important gaps in knowledge from both an academic and practitioner point of view. The overwhelming majority of research in marketing management and consumer behavior has focused on developed markets (Day and Montgomery 1999); empirical research in subsistence contexts thus broadens the scope of the insights that can be drawn. In addition, our research promises to shed new light on the current and potential economic role of social relationships in subsistence settings. As Ritchie and Sridharan (2007) have noted, the economic utility of social capital has been noted for some time (see Iyer *et al.* 2005), yet its potential as a marketing resource has not been explored. Our work empirically tests and extends emerging ideas in the marketing literature regarding the role of one-on-one relationships and strong social ties in marketing efforts. Finally, our work takes an important step in critically examining the role of business in contributing to the *welfare* of subsistence economies through their facilitation of small-scale entrepreneurial activities.

Because we explore the usefulness of social capital along economic and social dimensions, and consider its value for both subsistence entrepreneurs and the larger firms that engage them, our work is also helpful in expanding the dialogue between business and development perspectives on social capital. To succeed in the long run, it is important that business initiatives in subsistence markets work with local populations, and focus on mutual benefits rather than merely profit for the firm. By addressing the different roles played by bonding vs. bridging forms of social capital, our research sheds light on the relative contributions that firms and communities can each make, thus offering guidance for both business and development-oriented efforts.

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Participatory Research Methods for Subsistence Consumers

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Over four billion poor people in the world live outside regulated systems, are subject to exploitation, and lack opportunities to participate effectively in society. This paper discusses why it is important to study subsistence consumers, and why new methods for research on subsistence consumers are necessary. We explore the participatory methodological contributions to the study of subsistence consumers. Methods will be discussed that can be used to help researchers understand subsistence consumer problems and find ways to help alleviate poverty issues, and examples of their application will be discussed. Although these methods are not all inclusive, we hope to show that with the help and participation of those in need that a better method of poverty alleviation and microfinance will develop and flourish in such devastated areas of the world. Finally, we describe in some detail an organization that has used participatory research successfully in the pursuit of alleviating poverty.

“Most of the people in the world are poor, so if we knew the economics of being poor we would know much of the economics that really matters.”

T.W. Schultz, Nobel Prize Lecture 1980

Most poverty is caused by social discrimination and the unequal power distribution that serves to exclude others from participating in decisions that affect their lives. To break this “culture of silence” of the poor, we argue for a change of attitudes, relationships and capacities of researchers focused on subsistence consumers that give a voice to the poor. This requires an approach that defines the role of the researcher as an agent of social change who engages with marginalized people to strengthen their community’s capacity for development.

Causes of poverty include the abuse of power and failure of governments to establish policies and institutions that can equitably distribute resources and opportunities among their populations. This is often due to institutional ignorance of the microeconomics of the poor. Development researchers and organizations are only beginning to learn how to work *with* the poor, rather than *for* the poor. Our paper explains practices that

enhance the existing resources and capacities of the poor, with special attention to microfinance.

Over four billion poor people in the world live outside regulated systems, are subject to exploitation, and lack opportunities to participate effectively in society. The poor own \$9 trillion in “dead capital”, assets that cannot be leveraged to create wealth (de Soto, 2000). While these accumulated numbers are huge, poor families manage their lives on pennies a day. To illustrate this point, one of the authors, Abbey, had a discussion with clients of a microfinance institution, SafeSave, in Dhaka, Bangladesh. Accompanied by SafeSave staff, Abbey talked to an elderly couple, who were slum dwellers in Dhaka, whose daily income was derived from their work breaking bricks into small pieces. The following is an excerpt from their conversation:

Abbey:	How much do you need to live on each day – for the five of you in the house?
Husband:	We need 50 Taka (\$1.11).
Abbey:	How much do you earn in your work breaking bricks?
Husband:	Usually about 35 Taka (\$0.78)
Abbey:	But in your passbook it says you save 5 Taka (\$0.11) most days! How can you do that? Why?
Wife:	What do you mean?
SS rep:	He means if you need 50 Taka a day but you get only 35, then how do you manage?
Wife:	We go hungry. What else could we do? What does he say we should do?
SS rep:	But he wants to know why you save.
Husband:	For our future. Everyone needs to think about their future. Don’t we have a daughter and two grandchildren?

The interview shows that many impoverished individuals barely make enough money to survive, yet they realize that they must save for their family and future. How to study such individuals by truly understanding their pressing situations is the focus of this chapter. With the growing needs of impoverished people around the world, there must be ways in which their needs can be studied and applied efficiently to a program that will aid in their betterment.

In this chapter, we argue for why it is important to study subsistence consumers, and for why new methods for research on subsistence consumers are necessary. We also explore the participatory methodological contributions to the

study of subsistence consumers. Methods will be discussed that can be used to research subsistence consumers in order to help researchers get at the core of their problems and find ways to help alleviate poverty issues, and examples of their application will be discussed. Although these methods are not all inclusive, we hope to show that it is only with the help and participation of those in need that a better method of poverty alleviation and microfinance will develop and flourish in such devastated areas of the world. Finally, we describe in some detail an organization that has used participatory research successfully in the pursuit of alleviating poverty.

WHY DO WE NEED RESEARCH ON SUBSISTENCE CONSUMERS?

Left to their own devices, the poor tend to rely on conservative survival strategies to earn and manage their money. New research methods are needed to study subsistence consumers so that financial and other services are accessible to poor clients. For commercial institutions to learn how to tap the market of the poor, they need to increase their understanding of consumer behavior in the informal sector.

People in subsistent areas need ways in which they earn and save money for “life cycle events”, which are times in their lives where they need more than just small sums of money. An example of such an event is when a loved one dies and a funeral needs to take place, or when a daughter must be wed and a dowry is custom.

In Guatemala in 1995, a female member of a Village Bank was interviewed by Abbey who asked how she

used her \$100 loan. She explained that she had a roadside food stand, and she used part of the loan to buy eggs daily. Previously, she received credit from the egg supplier; every morning she received \$10 in eggs and in the evening paid the supplier \$10.50. Now she said she could save \$0.50 daily by paying for the eggs when she received them. She was asked what she estimated to be her daily “profit” from her business, and she said on an average about \$5. Therefore, her use of the loan increased her daily income by 10%. She said that paying the 3% monthly interest rate to the village bank, considered excessive by some, was no problem.

This example shows how subsistence consumers can benefit from microfinance programs if they are properly established in a community. However, because of general ignorance of the microeconomics of the poor, many well-intentioned development programs are misdirected and ineffective. This is often due to outsiders, professionals and donors, who make the wrong assumptions about the behavior of the poor and then provide inappropriate solutions.

A microfinance researcher and practitioner who recognized the needs and understood the financial behavior of the poor is Stuart Rutherford (2000). His research has looked at how the poorest people in Asia and Africa manage their money. He lists three options that they have when they need a sum of money that is greater than what they have in hand: they go without, they sell a valued asset (often below market cost) or they access savings or a loan.

The first two are the most common practices, but the last is the most preferred. Rutherford (2000) shows that without access to formal services, the poor use a myriad of informal devices to save and borrow money, which are illustrated in Figure 1:

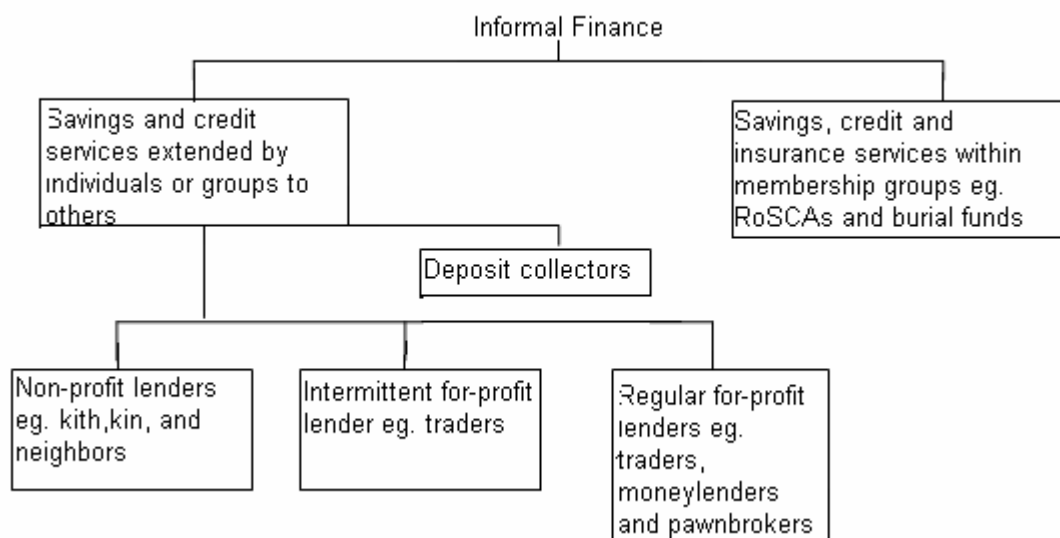


FIGURE 1: MAJOR TYPES OF INFORMAL FINANCE

As the figure shows, poor people in all regions of the world use informal mechanisms such as those listed below to finance their needs:

- Borrowing from family and friends
- Local money lenders who charge exorbitant interest rates
- ROSCAs: rotating savings and credit associations, a ubiquitous practice of a group of 10-20 people who create a weekly pool of funds, which is given to a different member of the group each week.
- Supplier credit
- Savings through purchase of excess assets (e.g. gold, goats)
- Savings guards, trusted local people who will keep the savings of clients for a fee
- Savings in mud banks, bamboo, jars

Few outside organizations bother to consider these indigenous practices and instead, design services from their own perspective. In the 1950s, realizing that the poor did not have access to financial services, development strategies began to include subsidized credit with the conventional wisdom that the poor could not afford to pay market interest rates. The programs all failed. In the 1970s and 80s microcredit models, mostly based on group lending, began to show signs of success for institutional development, though services were limited and only the upper poor were reached. Through the 1990s, microfinance institutions (MFIs) demonstrated that the poor were good clients, they could save as well as manage loans, and they could pay interest rates sufficient to cover institutional costs.

Still, according to The World Bank Consultative Group to Assist the Poor, over one billion poor people do not have access to services that meet their needs. This is due to institutional weaknesses: most microfinance is managed by non-profit organizations that are unskilled in commercial services, and services are unregulated; loan products are institutionally focused and management is weak; and donors who oversee the programs are technically ignorant.

Successful development interventions need to address the problem of asymmetric knowledge and understand poor clients' capacities, demand and needs. There are several possible problems that can arise when performing research on subsistence consumers. Research on subsistence consumers should be a group activity, but in situations where people with different power, status, influence, and language come together to work on community concerns, the idea of participation becomes problematic (McTaggart 1991). Programs and policies developed on the bases of research done *on* impoverished communities, instead of *by* them can lead to "cooption of people into the research, development, and dissemination approach invented by a coalition of policy makers and social scientists whose primary interest is in maintaining control" (McTaggart

1991:172). Outside researchers do not dominate the changes in the communities; "they facilitate, sit down, listen and learn. Outsiders do not impose their own reality; they encourage and enable local people to express their own" (Chambers 1997: 103). The changes made to communities must not be impositions, but agreed steps taken by the researchers and communities working together under a common cause.

It is also possible for researchers to create a biased study. The researcher is usually from a different class and country so it is very difficult for the researcher to leave bias behind. The researcher may write a questionnaire in the U.S. for a group of poor farmers in Nigeria. Without a system of communication between the poor and the researcher that can reduce the amount of bias, the questionnaires may not address the real problems of the people in need of a solution. It may also be difficult for the researcher to ask the correct questions or the questions that matter since the researcher has not lived in the same situation as the poor being studied. As Chambers (1997) suggests, what is not asked about is not discovered and cannot be a part of the analysis. What is found in the data is limited to what is asked in the questionnaire, therefore, it is critical that the appropriate questions be asked and the appropriate knowledge be gained before trying to assess any problems.

In the past there have been many attempts to study impoverished communities. Many problems and mistakes, such as those explained above, have yielded little progress and it is time now to look for new ways to research the poor and understand their situations. Researchers cannot assume that their own Western attitudes, ideas, and concerns are applicable to people in impoverished areas that live outside the regulated system, are subject to exploitation, and lack opportunities to participate effectively in society. Individual cultures have different needs and need individual attention, and who better to help explain their problems than the local people under investigation themselves. Participatory methods have shown that they can be beneficial and efficient in helping impoverished communities around the world.

WHY PARTICIPATORY RESEARCH?

Participatory research allows people to learn from and with each other about themselves and the social conditions affecting their community. There are many terms for participatory research, from 'action-oriented research' (Park 1999) to 'participatory action research' (Whyte 1991). The term 'participatory research' has its origins in Tanzania where a group of development workers from North America and Scandinavia coined the term over 30 years ago (Hall 1991). The term is intended to signify that the research these development workers were collecting relied on people's participation in the communities being researched, both in gathering

information about the community problems and in implementing solutions (Park 1999). This was quite different from the way previous development workers operated as outside experts who extracted knowledge from communities and then developed preconceived solutions to their problems based on predetermined social science-based methodologies. Fundamental to human rights is the right to participate and the right to choose for oneself. Researchers should have a good conceptual understanding of rights and democratic principles and how these could be applied to strengthen communities. Researchers should be change agents who introduce participatory methods that engage the most marginalized members of a community in collective analysis of their situation and consider opportunities for behavior change. Participatory research involves recognizing the rights of those whom research concerns, enabling people to set their own agendas for research and development and so giving them ownership over the process (Cornwall and Jewkes 1995).

Institutions committed to economic development of the poor should first be convinced of the innate capacity of the poor to participate as clients in profitable business. Next, they need to interact with the poor so that mutual learning is elicited among clients, especially from the poorest, and with the institution.

Participatory methods help researchers empathize with the poor and help the poor to be a part of their own solutions. Participatory methods help outside development agents facilitate community discussions where the poor analyze their situation and plan action to identify local resources, prioritize problems and diagnose is the researcher who joins and participates as a partner taking on various roles, ranging from community organizer, to facilitator of meetings, research coordinator, and a resource for technical and material assistance (Park 1999). It is important that the community feel involved during the project as much as possible. Once the communal feeling has been created, the group can collectively decide what research questions should be asked and what methods of data collection and analysis to use. The participatory researcher can share the available research skills and options with the community, and provide training if necessary, so that the community can be partners in the research (Park 1999). As Park (1999:3) notes, "if carried out with respect and trust, this collaborative approach results in research procedures that are appropriate for meeting the community's multifaceted needs, as well as satisfying methodological requirements."

The following are examples of participatory tools that can help an institution create a mutual learning relationship with poor communities. These research techniques can contribute to the effectiveness of development interventions while preserving the dignity and special circumstances of impoverished individuals. There are several participatory methods presented here

their causes, and identify options to address common issues. Through participatory techniques, an organization can incorporate local capacity building and sustainability into program interventions, as the poor are given skills and the opportunity to address their own issues. Outside development agents gain understanding of the local knowledge and practices so they can design programs that meet the demands of the community, including the poorest and most marginalized.

Participatory research contains elements of collaborative research (Reason 1998), which can be characterized as people learning from and with each other about themselves and the social conditions affecting their community. According to Park (1999), there are several steps in conducting participatory research. First, the research must begin assessing the problems of the people. These problems can range from material deprivation, to deteriorating social relations, to political disenfranchisement (Park 1999). Participatory research encourages people to come together to deal with their many and often urgent needs. The participatory researcher acts as a catalyst for the community to come together and engage in solving their problems. The researcher must be familiar with the situation of the community and be dedicated to being involved and acquainted with their lives.

The researcher must then assess the community's needs through available sources of information. The researcher must gain an understanding of the pressing problems of the community in order for the project to begin. The project that unfolds is the community's, and it

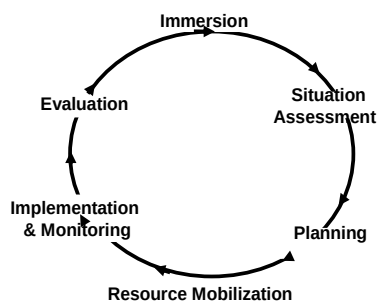
that can help yield a more cohesive picture of how to develop proper research methods to aid in the study of subsistence consumers. Although there is a significant difference between the methods, all focus on engaging the impoverished in solving their own problems.

METHODS FOR PARTICIPATORY RESEARCH

Participatory Rural Appraisal

Participatory Rural Appraisal is a method to enable local people to share, enhance, and analyze their knowledge of life and conditions using visuals such as mapping and diagramming (Chambers 1997). PRA tries to resolve the problems with research bias on subsistence consumers through learning with outsiders (Chambers 1997). The outside researcher facilitates discussion with the poor by listening and learning from the local people. Upon gaining knowledge from the local people, researchers can share methods that the local people can use to appraise, analyze, plan, take action, monitor, and evaluate their problems (Chambers 1997). PRA is an empowering process for the local people that enables them to self-critique their own situation, while the

researcher can help facilitate the process in which a resolution can be found.



Participatory Project Cycle, derived from Participatory Rural Appraisal (PRA) methods promoted by Robert Chambers (1997). A Community Facilitator works through the cycle to help community groups analyze and

FIGURE 2

As seen in Figure 2, the model of a Project Cycle is useful for organizing facilitation processes that guide interaction between field staff, children and their families. A program strategy is made up of many projects that take place over a long period while levels of participation evolve. Projects depend on collective action from marginalized members of the community. The first step, Immersion, is the continuous face-to-face process of building relationships and mutual learning between community organizers and the children, families and community, based on mutual trust and respect. Situation Assessment encompasses the critical reflection by the community people about their own circumstances, issues, causes, interests and responsibilities. Using PRA and other interactive facilitation techniques, community workers can help a community increase its confidence and analytical capacity to come together for collective action.

Planning is the crucial phase in which the community decides what actions it will take to address their identified issues. All community issues should be analyzed in terms of their root causes and link to regional and national issues. Alternative activities should be considered, and outside stakeholders should present programs they consider opportunities for addressing community interests. As well as addressing the content of the issues, the priority needs to be on how the community organization will be strengthened and contribute to improving quality of life.

Resource mobilization is the organization of human, material and financial resources for community collective action. This step involves identifying local, regional, national and international sources of support and funding. The next stage, implementation and monitoring, involves the orchestration of human, technical, financial and material resources over time in response to an established plan. Community ownership and participation can be strengthened through implementation of activities that successfully address local issues. Monitoring by systematically observing, assessing, and analyzing these activities will improve both the quality and transparency of the activities. Since the community development approach requires community ownership and participation, the approach requires the final step, evaluation, by the community itself. This community defined the program objectives at the beginning and it is logical that the ownership of the information, process and results of evaluation remain with the community and is utilized by them.

The phases of the project cycle follow in sequential order, but steps and actions are flexible and should be naturally adapted to the local situation. An outside facilitator should keep a focus on the overall objective of community empowerment so that activities within each phase are not completed mechanically but are adapted to local capacity. With success, the projects will generate enthusiasm for expanding work that mobilizes larger numbers of the community.

Participatory Wealth Ranking

Even the poorest communities have a range of power and economic levels among the population, and the poorest have significantly different needs than the upper poor. **Participatory Wealth Ranking (PWR)** is a process of identifying the wealth, poverty and vulnerability of households in consultation with members of the community itself. The method is simple: a committee is selected of representatives from all sections of a community and they work with a map which contains all households. They write the family names of all households on cards and sort the cards by relative wealth and resources into three to five categories, whose criteria they decide. Typically there is a “rich” category of landowners, a “middle class” category and then one to three upper poor, poor and ultra poor groups. For the different groups, the committee identifies common characteristics: land ownership, house materials, family size and composition, education level, assets, etc.

A typical PWR process in a South African village arrived at the categories shown in Table 1:

TABLE 1: A TYPICAL PWR PROCESS IN A SOUTH AFRICAN VILLAGE ARRIVED AT THE FOLLOWING CATEGORIES:

A	B	C	D	E
Wealthy	Moderate	Poor	Very Poor	Chronic Poor
Two parents Few children Abundant food Nice house Land and Vehicle High income	Two parents Few children Regular food Solid house Some land Regular job	One or two parents Some children Food limited Rent house Some education Low job or pension	Working widow Many children Irregular food Poor house No education Manual labour	Single parent Many children Insufficient food No fixed house No education No assets, work

While PWR can be validated with other wealth ranking methods that promote institutional targeting, its main benefit is that it raises community consciousness to promote service for all members of the community. Those who have facilitated such ranking exercises have found them easy and usually report high correlations between the ranking given by different informants or groups (Chambers, 1997). A team from the Christian Medical College, Vellore, South India has compared a formal questionnaire survey with wealth ranking for identifying the rural poor. The researchers concluded that the questionnaire survey using outsiders' 'professional' classification was only 57 percent accurate, while the classifications made by the community was 97 percent accurate in identifying the economic levels of households (Rajaratnam *et al* 1993). Therefore, allowing community members, instead of outside researchers, to determine the situation of people in their community has resulted in a better representation of the different groups and thus a better understanding of the plight of the poor and their needs.

Financial Diaries

Once the poorest families have been identified, a technique for understanding how they manage their money is called Financial Diaries. This is a systematic process of routinely interviewing poor families over a period of time and recording the different ways they generate, spend, borrow and save money. In his research with Financial Diaries, Stuart Rutherford defines three categories for events that require a lump sum of money beyond what a poor family generates in daily income:

- **Lifecycle:** predictable events such as marriages, baptisms, school fees
- **Emergency:** sicknesses, accidents, disasters
- **Opportunities:** investment in income generating or assets.

Table 2, summarizes Rutherford's assumptions on expenditures of households in Dhaka, Bangladesh slums.

TABLE 2: MFI SHARE IN THE FORMATION OF SUMS, BY CATEGORY OF USE

	Poorest households	Upper-poor households	Near-poor households	MFI Share %
	278	167	70	
life cycle use	191	96	35	6%
emergency use	41	12	6	3%
for opportunities	46	59	29	23%
MFI Share %	7%	16%	9%	

Rutherford's data shows that the "Poorest" spend relatively more money for Life Cycle events than on Opportunities compared to the "Near Poor". All levels show that the greatest financial needs are for consumption rather than income generating activities. Most financing is informal, as MFIs provide only about 10% of the microfinance services that poor people need (and this is in a country that is a world leader in microfinance). While most Upper and Near Poor are clients of MFIs, the services they receive are very limited so informal devices are used to complement their needs. The main activities for MFI funding are for Opportunities, since many MFIs restrict loan use to income generating activities. Through Financial Diaries, one sees how institutional services are not meeting client demands.

Financial Diaries also prove that not all levels of poor spend money on the same things. It is very important to allow the community members to take roster of their own spending and needs in order to find the differences between individuals. A near-poor member of the community may have very different needs than the poorest household, and using financial diaries can help researchers bring these differences to light. There can not be a mass approach to helping the poor finance their lives. Each case must be studied individually to uncover the needs of every member.

Internal Learning System

Another method that uses community and personal participation of the poor is the Internal Learning System. According to Noponen (2002), the Internal Learning System (ILS) is a participatory impact assessment and planning system for NGO development programs. ILS is a medium for working with illiterate poor through pictorial scenes of their lives that promote analysis for decisions on their money management or income generating activities over a long period of time. Professional Assistance for Development Action (PRADAN), an NGO, has adapted ILS in India. PRADAN uses ILS to generate participatory analysis of crop production and loan use in their micro-credit programs with poor women. They present women's groups with discussion points around the use of credit to generate group analysis of loan requests. The techniques used help groups learn how to monitor their internal loan behavior while the outside institution learns of the capacity of the groups to use funds. Poor illiterate women use pictures to represent an 'impact indicator' to keep record of change to their lives over time. The results of these diaries are used to create a quantitative and qualitative panel dataset that contains information on changes in participant lives with periodic summary assessment intervals over a multi-year period.

One of the strengths of using ILS is that all participants affected are involved in every aspect of the process. There are 5 levels in the process, which include: collecting data, assessing change, analyzing causes of change or troubleshooting, planning and training, and documenting, sharing and reinforcing program values. Each participant is involved in each level as they reflect upon their findings, make plans, and document experiences in their diaries. Noponen (2002) finds that ILS is flexible, as the structure, content and processes can be shaped to the needs, human resource capacities, and financial constraints of different organizations. ILS levels can even be skipped depending on program structure and needs.

ILS creates a database in which the quantitative data can be analyzed by group characteristics. Long term analysis can occur, including analysis of women's lives and whether their welfare and empowerment levels are increasing over time. The data can also be analyzed on a cross-sectional basis by age or number of loans received. The progress and results of the ILS method can be analyzed in order to determine what methods are successful over time for particular groups with certain characteristics. The ILS process focuses on what is working and what is not working, for whom, and why (Noponen 2002). Members can compare their own results with those of other group members while exploring factors that make one individual more successful than others.

It is critical to take into account individual or family-specific differences that may occur and use other participatory methods in order to uncover these idiosyncrasies (Noponen 2002). However, the ILS method used in combination with participatory methods can be used to overcome any strengths or weaknesses of the methods. Some participatory methods use one-time events for research without follow-up or long term analysis. Using the ILS method allows results of exercises to be preserved so that group members can revisit and reflect upon them as change occurs in their lives. ILS techniques have also been used by PRADAN to reduce the time and level of facilitation required in carrying out standard PRA/PLA techniques (Noponen 2002). ILS balances the learning needs of participants and program staff in order to create quantitative and qualitative information for improving the lives of the poor and enhancing the level of participation by all parties.

SUCCESSFUL MICROFINANCE INSTITUTIONS WITH THE POOR: THE CASE OF PLAN

Institutions that have learned to work with the poor have developed models based on factors such as:

- **outdoor banking**
- **loans without collateral**
- a **large client base** as individual profit margins are small
- **cost recovery interest rates** that produce business plans that lead to the sustainability of Microfinance Institutions (MFIs)
- development of **social capital**, within communities and with MFIs
- **strengthening local capacities**, understanding indigenous knowledge and practice

Moreover, successful microfinance institutions in the world have developed methods that fall mostly into the following categories:

- Grameen Bank and replicas
- Self-Help Groups (India)
- Village Bank (Latin America)
- Village Savings and Loan Associations (Africa)
- Cooperatives and Credit Unions

All of the above, except for cooperatives, work with group models that develop social capital. Membership cooperatives also focus on the social benefits of “cooperation” as responsible members. Successful MFIs place priority on knowing their clients, building a relationship among them, and establishing a relationship of continuing learning. In Bangladesh, innovative MFIs are developing products and services that reach the poorest. Plan, an MFI, has a vision, mission and program that focus on increasing the capacity of poor children and their families to participate effectively in meeting their needs and benefiting from society. Plan works with communities to identify cases of low quality services, and programs are designed to increase community participation and mobilize local resources to improve services. Plan also works with local institutions to improve their management, controls, and efficiency for sustainable service.

Emrul Hasan, Plan Bangladesh’s Microfinance Advisor, has described two steps in development of the MFIs. First, the barriers to the poor population’s accessing MFI services were analyzed, as shown in Table 3.

TABLE 3: HOW THE BARRIERS WERE ADDRESSED BY PLAN PARTNER MFIs¹: CTS, DSK, POPI

Barriers	How do Plan’s partners address them?
Fragile, fluctuating source of income	-Flexible repayment and savings system on a daily basis. -No fixed payment. -Voluntary savings with withdrawal facilities. -Customized financial products
Joint liability	-Serve clients individually and all clients are treated equally. -No group formation for financial services delivery and open for everyone.
Supply driven progressive loan disbursement	-Loan products are not mandatory and savings only is possible. -Demand driven loan product: clients can choose their loan size and repayment schedules according to their capacity and requirement.

Next, a process of mutual learning with the poor was developed to design services that meet their needs, as shown in Table 4. With Plan’s partner institutions, CTS, DSK, and POPI, microfinance services were designed with common features: daily collection of savings and loan repayment, individual

client service, flexible terms for products, small management team consisting Branch Manager, Accountant, Data Processor, computerized Information Systems and Collectors hired from the village.

TABLE 4: MICROFINANCE PROGRAM FEATURES FOR CHRONIC AND EXTREME POOR

Features	Plan's MF Partners: CTS, DSK, POPI
Poverty Targeting	Plan's partners target the chronic and extreme poor through Participatory Wealth Ranking (PWR) exercise with the community. Special focus is given to reach the chronic and extreme poor people so that these groups can have access to diverse financial services to meet their different financial needs and to cope up with vulnerability.
Participatory Product Development Process	A highly participatory process to design appropriate products for the target clients. The process starts with participatory market research conducted by a group representing the extreme poor households to understand their lives, livelihoods, and poverty dynamics and to learn their demand for and supply of microfinance services. Mass level of sharing of the findings and analysis is done with the clients and potential clients. Finalization of the products are done through rigorous consultation and cost benefit analysis. To understand how effectively the products are serving the needs of the extreme poor people, periodic review is done through continuous action research, documentation, performance monitoring and financial diaries' data.
Account Opening and Members	Clients are recruited as individuals: there is no group formation and no cross guaranteeing of loans. There are therefore no meetings. Clients may be men, women or children, though children may only borrow if they are at least 15 years of age.
Interface between partners and their clients	Partners' bank workers, known as Collectors, are responsible for visiting each of their clients once a day, six days a week. These Collectors are hired from the community. A Collector is encouraged to work with about 120-150 clients in the rural area and 200-220 in the urban area. All financial transactions between partner organizations and the client take place on the clients' doorsteps. Branch manager at branch level disburses loans. Product rules specify the timing and value of withdrawals and loans and the charging or paying of interest. This means that employees have no discretion over whether a client may borrow or not and thus helps to prevent 'rent-seeking' behavior by employees.
Savings	There is simple saving account in which clients may save as much as they like and when they like, at the daily visits by collectors. There is a longer-term savings or bond account on which clients may earn interest.

Features all adaptations of the urban MFI, SafeSave, in Bangladesh

To monitor the MFIs' outreach to the poorest, each maintains the results of Participatory Wealth Ranking in their market area communities. Table 5 shows the extent

to which MFIs have enlisted clients from the ranks of the poor.

TABLE 5: CLIENT OUTREACH BY MFIs: TOTAL HOUSEHOLDS IN 3 POVERTY CATEGORIES

Category	C – Poor			D – Extreme Poor			E – Chronic Poor		
	Total	Covered	%	Total	Covered	%	Total	Covered	%
CTS	6,457	4,786	74%	10,206	9,443	93%	1,421	940	66%
DSK	5,909	3,415	58%	4,674	2,596	56%	1,994	1,119	56%
POPI	3,520	2,298	65%	6,328	3,062	48%	744	329	44%
Total	15,886	10,499	66%	21,208	15,101	71%	4,159	2,388	57%

Plan Bangladesh

CTS achieved the highest level of client coverage as CTS Collectors stress savings accounts and outreach to the poorest families. DSK was less successful with outreach and recognized that an obstacle for the poorest was high loan interest rates. While DSK was quickly becoming institutionally sustainable, they were not reaching their target population so they lowered loan interest rates and created incentives for Collectors to attract clients from the poorest.

This case shows how the poor deal with very small amounts of income but with high percentages of interest, rate of return, or loss. The poor have high demand for financial services, and they understand the usefulness of financial services to create wealth and provide for their basic needs. Because the poor live and work outside formal systems, they are left to informal survival devices. Institutions do not generally distinguish the poorest from the non-poor so services are usually designed on the demands of middle class clients. Using participatory methods such as the ones mentioned in this chapter, MFIs and researchers can learn to cooperate with people from all levels of poverty to build programs that cater to individual community needs.

DISCUSSION AND CONCLUSIONS

Poverty can be seen as a set of conditions that prevents people from having hope filled lives and effective futures. We must be sensitive to the issues of hunger, vulnerability, victimization and the general cycle of poverty that face a large population.

Many development and financial institutions fail to work effectively with the poor for several reasons:

- Lack of commitment or mechanisms to identify the poorest
- Lack of understanding of the poor, so services do not meet their needs
- Inappropriate methods that bring research bias into the study of impoverished local communities

Local issues of poverty are caused at the macro level, nationally and internationally. Therefore, program strategies need to be designed to start with local issues of the poor and offer solutions that link them to national causes. The research process must start with communities, who together with researchers and development workers, analyze local problems and link them to national constraints and prejudices.

The participatory process is promoted by outside agents, either researcher or development worker, who can both practice the processes but with different objectives. As it pertains to the separation of researcher and practitioner, this boundary is not always clear in the world of applied research, especially when it comes to research among subsistence consumers. The researcher usually remains an outside observer of the process while a development worker must immerse within the community. The challenge for academicians interested in

subsistence consumer issues is to conduct research in subsistence settings, using methodologies that empower their respondents (such as PRA) while remaining detached from the phenomenon. The researcher extracts information to analyze against criteria of a program or hypothesis.

Similarly, the development worker with experience of successful interventions from beyond the community may act as an objective observer and then make recommendations to the community, similar to those emanating from research. A development worker has the aim of improving the socio-economic status of a community by facilitating community analysis to raise consciousness and promote action. The development worker can bring outside ideas that can be adapted by communities to promote collective action for change. The researcher can have this development objective of promoting local understanding of the research process and come close to the objective of the development worker. The researcher may remain alongside the development worker as the methods are used to extract information about the needs of the subsistence consumer. The research can measure impact while the development worker takes action on the findings.

Regardless of the amount of separation between the two groups, they must come together for open discussion to challenge, reinterpret and refute ideas in order to improve the knowledge base and come to better understanding of how best to aid poor communities. Activities can be identified which enhance indigenous knowledge and practices and strengthen community capacity to mobilize local resources.

Participatory methods can help bridge the gap between outside researchers, development institutions and the impoverished communities they are trying to help. Because participatory research involves the community being studied in the research process, factors such as cultural differences, gender issues, power imbalance in the community and family, and many other community issues should be taken into account. The poor have varying needs and participatory methods can help researchers seek to understand and efficiently solve the right problems.

Ultimately, participatory research is about respecting and understanding the people with and for whom researchers work. It is about developing a realization that local people are knowledgeable and that they, together with researchers and development workers, can work towards analyses and solutions.

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Participatory Research? *Social Science and*

Changing Consumption Patterns in Subsistence Markets

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There is increasing pressure on developing country governments from transnational corporations and the developed world to open up their retail sector to foreign direct investments. Transnational supermarket chains are seeking increased access to markets in the developing world on account of two reasons: search for new markets and to combat the squeeze on their margins in the face of intense competition in the retail sector in the developed countries. One main reason why transnational corporations have been eyeing the developing country markets is because there has been a steady reduction in poverty in the last couple of decades. With a steady reduction in level of poverty, there has been an increase in the potential market size and purchasing power in developing countries including India. The objective of this paper is to analyze the trends in consumption patterns in rural India.

Rural poverty (head count ratio) declined from 46 percent in 1983 to 37 percent in 1993-94 and further to 29 percent in 2004-05. We do not find any convergence in poverty across the states of India. Actually, the rural poor are increasingly getting concentrated in three states. Contrary to expectations, there has been no appreciable acceleration in the pace of poverty reduction in the states during the reform period.

Examining the poverty numbers in isolation might be misleading since, India's per capita gross domestic product (GDP) is \$ 2670. The total number of rural poor declined from 249.7 million to 225.34 million in 2004-05. The latest data also suggests a beginning towards the phenomenon of urbanization of poverty: i.e. there is a decline in the number of rural poor but there is an increase in the total number of urban poor.

A comparison over the last decade reveals that monthly per capita consumption expenditure (1972-73 =100) increased by 37.20 percent. In the last decade, the period of economic liberalization and reforms, real per capita consumption expenditure increased by 10-12 percent for individuals in the lower percentile groups in the rural India. Given that income levels have increased beyond the subsistence level in rural India, the share of expenditure on food items has declined steadily, i.e. there has been a shift in the consumption basket from needs based to wants based. The food basket of people across all the consumption quintiles has diversified.

The increasing trend in expenditure on non food items and a decreasing trend in expenditure on food items clearly suggest there is an emerging market for consumer durables in the rural areas. There is evidence that rural households are acquiring consumer durables. We find that even households in the bottom consumption quintiles allocated 10 percent of their expenditure to consumer goods.

The recently released Census 2001 data reveals that 31.5 percent of rural Indian households have a radio, nearly 19 percent of households have a television, less than 4 percent have a telephone, almost 43 percent have a bicycle, less than 7 percent have a scooter, and 1.3 percent of households have a four wheeler or automobile. As per the Census data 40.5 percent of rural Indian households own none of the above mentioned assets. There are clear regional patterns in the distribution of demand for consumer goods.

This paper analyzes the trends in expenditure by rural households on consumer durables using household data collected by National Sample Survey Organisation. We provide estimates (gini coefficient) of concentration of expenditure on consumer durables for each state and over time and find that the inequality in expenditure on consumer durables has increased over time. This is also brought out by our analysis of Census 2001 data on ownership of durable goods. We find that asset less households are not only poor but also constrained by lack of access to public goods and services. This implies that while income poverty might have declined there has not been adequate progress in reducing other dimensions of poverty.

We estimate a multi level probit model with a view to determine factors explain assets owned by the households. In particular we focus on characteristics of asset less households.

Households from the minority groups, the scheduled castes and scheduled tribes, are more likely to be asset less compared to households from other social groups. Households from minority groups are poorer than households from other social groups. District level controls including level of urbanization, work force participation and literacy too have explanatory power.

Long-Run Price Integration in the Nigerian Fresh Fish Market: Implications for Marketing and Development.

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This study assesses the Nigerian fresh fish market for presence and extent of long-run integration using descriptive, inferential statistics and special regression models. Empirical results revealed that some markets had prices that were either too high or too low compared with the mean. There was a high variability in prices ranging from 62.1% for Uyo market to 95.5% for Enugu market. The price series in all the markets, except those of Akure and Owerri, accepted the null hypothesis of non-stationarity at their levels at 5% significance level. The integration test showed that only 41% of markets examined had prices which are tied together in the long-run. The Granger-causality model revealed that Bauchi, Kano and Makurdi markets occupy leadership position in price formation and transmission. The implications of the empirical results for marketing and development were discussed. The study concludes that the level of competitiveness is low in fresh fish marketing in Nigeria and recommends that market information dissemination be improved upon while experimental pricing policy for reduced delivered price of fresh fish commences at the identified leader markets.

INTRODUCTION AND PROBLEM DESCRIPTION

The agricultural sector has long been recognized as the key to economic development. Within the sector, however, the role of agricultural marketing has often been neglected in favour of production because of the erroneous belief that only production or physical transformation matters while agricultural marketing passively adapts to stages of economic development. Economics scholars and planners have re-assessed this traditional belief to accord agricultural marketing its rightful place in economic development. The need for an efficient marketing system for sustaining and accelerating agricultural production and thereby promoting economic growth in developing and developed countries is now widely recognized (Mafimisebi 2001).

In terms of nutrient consumption, animal protein has come to assume a worrisome position in Nigeria probably because of its high cost relative to carbohydrate

foods. The level of animal protein consumption per day is estimated at less than 7.0g compared with the recommended 35.0g. Shaib et al; (1997) puts it at 3.25g per *caput* per day among the poor socio-economic class. Compared with other sources of animal protein in Nigeria, fish is regarded as occupying a prominent place in alleviating the protein shortage problem owing to its wide acceptability, high nutritional quality and easily metabolizable proteins. Observations in the markets show that fresh fish landed in Nigeria is very expensive to the extent that its consumption is almost an exclusive preserve of the rich. The reported dichotomy in prices between other protein sources and fresh fish may not be unconnected with the special marketing problems associated with fresh fish distribution in Nigeria. The consequence of this is the high delivered price of fresh fish with serious negative implications for animal protein consumption especially among poor households who spend more than four-fifths of their income on food items alone (Okorie 2002).

The ability of a marketing system to efficiently carry out its development function is contingent on the ease with which price changes and responses are transmitted spatially and temporally at different market levels. When data on transactions costs are unavailable or their quality is suspect as is often the case in developing countries, a proxy for measuring marketing efficiency is synchronous movement overtime of prices in contiguous markets for a given commodity. A market system in which there is synchronous movement of prices over time is described as being integrated and market integration enhances efficient allocation of productive resources, static agricultural efficiency, short-term food price stability and long-term growth (Baulch 1995).

This paper examines the relationship between price levels in fresh fish markets across Nigeria and seeks to determine (a) whether or not they are linked and (b) which market(s), if any, constitute(s) the price leaders in the country.

METHODOLOGY

Sources and Scope of Data

The data for this paper were got from secondary sources. The bulk of the data was from the monthly fresh fish price series collected by the Federal Office of Statistics

(FOS). The data collected represent the average for 15 most important fresh fish species which account for over 90% of total volume of fresh fish consumed in Nigeria.

Monthly retail prices covering between January, 1994, to December, 2005 inclusive (i.e 144 months) were obtained for twelve spatial state capital markets across the six geo-political zones of Nigeria at the rate of two markets per zone. These markets were Akure (Aku), Bauchi (Bau), Enugu (Enu), Kano (Kan), Lagos (Lag), Maiduguri (Mad), Minna (Min), Makurdi (Mak), Owerri (Owe), Port-Harcourt (Por), Uyo (Uyo) and Sokoto (Sok). The prices quoted for each state market corresponds to the average prices for all the major fish markets in the state capital.

Analytical Procedure

Both descriptive and econometric analyses were adopted in the study reported in this paper. Mean, coefficient of variation, percentages and tables were the tools employed under descriptive statistics. Other tools used in analyzing the data collected were inferential statistics and special regression models.

Mean Spatial Prices and Variability Index

Average monthly retail prices, for the whole period considered, were computed as were coefficients of variation.

Test for Stationarity

A series is said to be stationary if the means and variances remain constant over time. It is referred as I(0), denoting “integrated of order zero”. A stationary series tends to constantly return to its mean value and fluctuations around this mean value have broad amplitude, hence, the effects of shocks is only transient. Other attributes of stationary and non-stationary data and their implications in econometric modeling are as discussed by Adams (1992), Gujarati (1995) and Juselius (2006). Thus the first step in the test for co-integration is to investigate the order of stationarity or econometric integration to avoid spurious relationships. The Dickey Fuller (DF) and Augmented Dickey Fuller (ADF) unit root tests of stationarity were used in this study. The DF test is applied to the regression of the form below.

$$\Delta P_{it} = \beta_1 + \beta_{2t} + \delta P_{it-1} + \ell_{it} \dots\dots\dots 1$$

Δ = first difference operator

P_{it} = fish price series being investigated for stationarity

t = time or trend variable

The null hypothesis that $\delta = 0$ implies existence of a unit root in P_{it} or that the time series is non-stationary. The number of lagged difference terms, in equation 1 was increased. The DF test is, in this particular case, called the ADF test and equation 1 modifies to

$$\Delta P_{it} = \beta_1 + \beta_{2t} + \delta P_{it-1} + \alpha_1 \sum_{t=1}^m \Delta P_{it-1} + \ell_{it} \dots\dots 2$$

The null hypothesis of a unit root or non-stationarity is still that $\delta = 0$. The critical values which have been tabulated by Dickey and Fuller (1979), Engle and Yoo (1987) and Mackinnon (1990) are always negative and are called ADF statistics rather than t-statistics. If the value of the ADF statistics is less than (i.e more negative than) the critical values, it is concluded that P_{it} is stationary i.e $P_{it} \sim I(0)$.

When a series is found to be non-stationary, it is first-differenced (i.e the series $\Delta P_{it} = P_{it} - P_{it-1}$ is obtained and the ADF test is repeated on the first-differenced series. If the null hypothesis of the ADF test can be rejected for the first-differenced series, it is concluded that $P_{it} \sim I(1)$. The price series for all the twelve markets included in this study were investigated for their order of integration. The maximum number of lags used in the stationarity test was six (6) and the optimal lag for each price series was selected using the Akaike Information Criterion (AIC).

Co-integration Test

Two or more variables are said to be co- integrated if each is individually non-stationary (i.e. has one or more unit roots) but there exists a linear combination of the variables that is stationary. Other attributes of co-integration are as shown in Engle and Yoo (1987) and Silvapulle and Jarasuriya (1994). After the stationarity test, the study proceeds by testing for co-integration between market price series that exhibited stationarity of same order.

The maximum likelihood procedure for co- integration propounded by Johansen (1988), Johansen and Juselius (1990, 1992) and Juselius (2006) was utilized. This is because the two-step Engle and Granger procedure suffers from the simultaneity problem and the results are sensitive to the choice of dependent variables (Baulch 1995). Adopting a one-step vector auto-regression method avoids the simultaneity problem and allows hypothesis testing on the co-integration vector, r . The maximum likelihood procedure relies on the relationship between the rank of a matrix and its characteristic roots. The Johansen’s maximal eigenvalue and trace tests detect the number of co- integrating vectors that exist between two or more time series that are econometrically integrated. The two variable systems were modeled as a vector auto-regression (VAR) as follows:

$$\Delta X_t = \mu_t + \sum_{i=1}^{k-1} \Gamma_i \Delta X_{t-i} + \pi X_{t-k} + \varepsilon_t \dots\dots\dots 3$$

where

X_t is a $n \times 1$ vector containing the series of interest (fresh fish spatial price series)

Γ and π are matrices of parameters

K = number of lags and should be adequately large enough to capture the short-run dynamics of the underlying VAR and produce normally distributed white noise residuals.

ε_t = vector of errors assumed to be white noise.

Test for Causality

When two series are stationary of the same order and co-integrated, one can proceed to investigate for causality. This is because at least, one Granger-causal relationship exists in a group of co integrated series (Alexander and Wyeth 1994; Chirwa 2001 and Nielson 2006). The causality test is represented by the error correction equation below:

$$\Delta P_{it} = \beta_0 + \beta_1 P_{i(t-1)} + \beta_2 P_{j(t-1)} + \sum_{k=1}^m \delta_k \Delta P_{i(t-k)} + \sum_{h=1}^n \alpha_h \Delta P_{j(t-h)} + \ell_t \dots 4$$

Where

m and n are number of lags determined by Akaike Information Criterion.

Rejection of the null hypothesis (by a suitable F-test) that $\alpha_h = 0$ for $h = 1, 2, \dots, n$ and $\beta = 0$ indicates that prices in market j Granger- cause prices in market i. If prices in i also Granger-cause prices in j, then prices are determined by a simultaneous field-back mechanism (SFM). This is the phenomenon of bi-directional causality. If the Granger-causality runs one way, it is called uni-directional Granger-causality and the market which Granger – causes the other is tagged the exogenous market.

In the study, there was a test of the evidence of Granger-causality separately for pairs of fresh fish markets that had price series stationary of same order and co-integrated.

RESULTS AND DISCUSSION

This section presents the results and discussion of findings directly emanating from the study. It also contains additional discussions relating to the broader implications of market integration for marketing and development.

Average Retail Prices

Five markets recorded the highest average monthly retail prices (Table 1). They are Por, Mak, Enu, Bau, and Lag. The reason for this may not be unconnected with the fact that these markets (except Mak) are in states which are mainly fish consuming centres. They are also highly urbanized and industrialized locations. A pool of the local elitist class and expatriates who are mostly high-income earners, live and work in the cities/towns housing these markets. It is however a surprise that Lagos had a price lower than that of Mak, Enu and Bau. It is also interesting to note that Kan does not belong in the group of markets with the top five average retail prices. In terms of urbanization and industrialization in Nigeria, Lagos is the first followed by Kano. Lagos is a very important seaport in Nigeria and there is therefore a

TABLE I: FRESH FISH AVERAGE RETAIL PRICE AND ITS VARIABILITY (1994 – 2005)

Market Location	Retail Price (₦ /kg)	Coefficient of Variation (CV)
Akure	133.84	87.81
Bauchi	147.23	87.95
Enugu	155.38	95.46
Kano	90.91	63.40
Lagos	144.72	81.33
Maiduguri	116.48	73.99
Makurdi	196.68	80.53
Minna	120.64	90.84
Owerri	105.78	76.12
Port-Harcourt	263.49	75.72
Uyo	130.46	62.09
Sokoto	105.92	65.45
Overall Mean	142.63	78.39

Source: Computed from nominal price series data.

generous availability of the cheaper imported frozen fish of all types. This may tend to have a depressing effect on price of local fresh fish since the imported frozen fish may be a more affordable substitute to fresh fish. In Kano, on the other hand, beef and local chickens are likely to be the more affordable substitutes for fresh fish causing the price of fresh fish to be low. The market locations with the lowest mean retail prices are Sok, Owe, Kan and Mad (in descending order). One will be surprised that Maiduguri (a market location very close to the Lake Chad and in a state which records a yearly production figure higher than those of ten other northern states put together excluding Sokoto (FOS 1997)), does not record the lowest average monthly retail price. The same puzzle arises from the observation that Por market in Rivers State- a state that produces the highest quantity of fish in the Southern part of Nigeria, recorded the highest mean price. It thus seemed that the quantity of fish produced in the state (corresponding to a market location) plays little or no role in the determination of fish price. Thus, there must be other factors that are stronger than volume of production in price setting.

Variability in Average Retail Prices

Variability in average monthly retail price was quite high for the period covered by the study. It varied between 62.1 percent for Uyo to 95.5 percent for Enugu (Table I). High variability index indicates that the price of fresh fish fluctuates widely in the period and markets analysed. High variability in prices translates into unstable producer incomes, which adversely affect production planning (Olayemi 1973, Mafimisebi 2001). It would also negatively

impinge on consumers' welfare especially in a country like Nigeria where majority of the people live below the poverty line (FOS 1999) and food expenditure alone accounts for up to 80 percent of households' disposable income.

Order of Integration and Co-integration in Fish Price Series

Stationarity of Fish Price Series

The result of the unit root test by the DF and ADF method is shown in Table II. The price series in all the markets, accepted the null hypothesis of non-stationarity in their levels at 5% significance level. When first-differenced, however, the null hypothesis of non-stationarity was rejected in favour of the alternative in all the markets except Akure and Owerri (Table II).

Akure and Owerri price series were stationary at second difference and thus, they could not be included in the co-integration analysis because they were generated by different stochastic processes (Baffles 1991; Palaskas and Harriss-White 1993; Baulch 1997; Franco 1999; Chirwa 2001; Mafimisebi 2001 and Nielson 2006). The findings here corroborate earlier findings that food commodity price series are mostly stationary of order 1 i.e I(1) (Alexander and Wyeth 1994; Ogundare 1999; Franco 1999; Okoh and Egbon 2003; Chirwa 2001; Mafimisebi 2001 and Oladapo 2003). The result is probably explained by the fact that most food price series have trends in them because of inflation and therefore exhibit mean non-stationarity. They need to be first-differenced to become stationary.

Co- integration Analysis (Vector Auto-Regression (VAR) Model)

Results from two very powerful tests of co-integration (maximal eigenvalue and trace tests) are shown in Table III. Out of the 45 ($^{10}C_2$) market pairs investigated for co-integration, only 27 rejected the null hypothesis of co-integration at less than full rank at the 5% level of significance. They accepted the alternative that there is full rank in the co-integrating vectors. Both the maximal eigenvalue and trace tests are perfectly in agreement as to the number of co-integrating vectors that attained full rank despite differences in the value of the tabulated test statistics. Thus, by the co-integration analysis, 40.9 percent of fresh fish market pairs were co-integrated of the order I(1). This is the proportion of fresh fish market pairs in which prices are tied together in the long-run in spite of short-run divergences between them.

The long-run notion of equilibrium of market price series has recently become of more interest to development economists because markets with price series stationary at same order and co-integrated, are

spatially economically integrated. Modern developments in econometrics have shown that such series cannot drift far apart without bounds and hence, the existence of long-run equilibrium between them (Adams 1992; Silvapulle and Jarasuriya 1994; Franco 1999; Chirwa 2001; Mafimisebi 2001 and Nielson 2006).

There is therefore perfect transmission of information in only four of every ten fresh fish market pairs in Nigeria. When there is perfect transmission of price information in a network of markets, producers, marketers and consumers will realize the appropriate gains from trade because correct price signals will be transmitted down the marketing chain thus enabling producers to specialize according to comparative advantage. Markets that are not integrated will convey inaccurate price information that has the tendency to distort production and marketing decisions and contribute to inefficient product movements. If markets are integrated, the price differential or spread between markets cannot exceed transfer costs. The arbitrage activities of traders, who ship commodities between low and high price locations, will raise price in some

markets whilst lowering them in others until price differentials equal transfer costs and all opportunities for earning excess profit have been exhausted (Baulch 1997). In short, if getting prices right is seen as the crucial policy prescription for agricultural (and marketing) development, the presence of market integration is a vital precondition for it to be effective (Timmer 1986, emphasis mine).

TABLE II: RESULTS OF UNIT TEST OF PRICE SERIES.

Variable (market price series)	Price Level I (0)		First Difference I (1)		Second Difference I (2)	
	DF statistics	ADF statistics	DF statistics	ADF statistics	DF statistics	ADF statistics
Akure	-2.6631 NS	-2.8632 (1) NS	-2.0026 NS	-2.2960(1) NS	-6.9498 S	-7.1521(2) S
Bauchi	-1.2102 NS	-1.2127 (1) NS	-9.3268 S	-9.4462(5) S	-	-
Enugu	-2.4508 NS	-3.0201 (2) NS	-7.1724 S	-6.6848(4) S	-	-
Kano	-3.3225 NS	-3.4055 (3) NS	-7.0212 S	-8.2452(5) S	-	-
Lagos	-3.1866 NS	-3.3604 (3) NS	-4.9774 S	-5.8267(4) S	-	-
Maiduguri	-3.1486 NS	-3.2831 (1) NS	-9.0167 S	-9.7746(5) S	-	-
Makurdi	-1.9472 NS	-3.1040 (3) NS	-4.9646 S	-6.9646(4) S	-	-
Minna	-1.2848 NS	-1.7312 (6) NS	-4.4263 S	-6.8102(5) S	-	-
Owerri	-2.9792 NS	-3.0978 (3) NS	-2.0063 NS	-2.0756(5) NS	-6.0245 S	-6.3745 S
Port-harcourt	-1.2732 NS	-2.8874 (4) NS	-4.4688 S	-4.9876(4) S	-	-
Sokoto	-1.8876 NS	-1.9687 (1) NS	-5.2312 S	-6.1245(6) S	-	-
Uyo	-2.9642 NS	-3.2615 (2) NS	-3.8014 S	-4.2496(2) S	-	-

Source: Compiled from result of stationarity test.

Notes:

- (1) Critical values are -3.4519, -3.4523, and -2.8877 at the 95 percent confidence level for price level, first difference and second difference series respectively.
- (2) The numbers in parentheses indicate the optimal number of lags as dictated by the Akaike Information Criterion
- (3) If the absolute value of the DF or ADF is lower than the 5 percent critical ADF statistics, we fail to reject the null hypothesis of non-stationarity
- (4) NS means Non-stationary and S means stationary.
- (5) Dickey- Fuller regressions involve an intercept and a linear trend.

TABLE III: JOHANSEN MAXIMUM LIKELIHOOD TESTS AND PARAMETER ESTIMATES FOR I(1) MARKET PAIRS.

Market Pairs $P_i - P_j$	Maximal Eigenvalue Test			Trace Test		
	Hypothesis		Test Statistics	Hypothesis		Test Statistics
	Null	Alternative		Null	Alternative	
Bau – Enu (741)	$r \leq 2$	$r = 2$	17.392*	$R \leq 1$	$r = 2$	17.392*
Bau – Kan (321)	$r \leq 2$	$r = 2$	60.769*	$R \leq 1$	$r = 2$	60.769*
Bau – Lag (1147)	$r \leq 2$	$r = 2$	13.491*	$R \leq 1$	$r = 2$	13.491*
Bau – Mad (464)	$r \leq 2$	$r = 2$	39.842*	$R \leq 1$	$r = 2$	39.842*
Bau – Mak(471)	$r \leq 2$	$r = 2$	15.443*	$R \leq 1$	$r = 2$	15.443*
Bau – Sok (778)	$r \leq 2$	$r = 2$	29.619*	$R \leq 1$	$r = 2$	29.619*
Bau – Uyo (948)	$r \leq 2$	$r = 2$	23.628*	$R \leq 1$	$r = 2$	23.628*
Enu – Kan (924)	$r \leq 2$	$r = 2$	21.774*	$R \leq 1$	$r = 2$	21.774*
Enu – Mad (1179)	$r \leq 2$	$r = 2$	19.551*	$R \leq 1$	$r = 2$	19.551*
Enu – Sok (1149)	$r \leq 2$	$r = 2$	17.788*	$R \leq 1$	$r = 2$	17.788*
Enu – Uyo (233)	$r \leq 2$	$r = 2$	15.808*	$R \leq 1$	$r = 2$	15.808*
Kan – Lag (1156)	$r \leq 2$	$r = 2$	18.512*	$R \leq 1$	$r = 2$	18.512*
Kan – Mad (614)	$r \leq 2$	$r = 2$	53.693*	$R \leq 1$	$r = 2$	53.693*
Kan – Mak (760)	$r \leq 2$	$r = 2$	30.878*	$R \leq 1$	$r = 2$	30.878*
Kan – Min (550)	$r \leq 2$	$r = 2$	16.982*	$R \leq 1$	$r = 2$	16.982*
Kan – Por (1179)	$r \leq 2$	$r = 2$	24.269*	$R \leq 1$	$r = 2$	24.269*
Kan – Sok (583)	$r \leq 2$	$r = 2$	33.517*	$R \leq 1$	$r = 2$	33.517*
Kan – Uyo(1133)	≤ 2	$r = 2$	38.424*	$R \leq 1$	$r = 2$	38.424*
Lag – Mad (1606)	$r \leq 2$	$r = 2$	12.799*	$R \leq 1$	$r = 2$	12.799*
Mad – Mak (935)	$r \leq 2$	$r = 2$	23.862*	$R \leq 1$	$r = 2$	23.862*
Mad – Por (1460)	$r \leq 2$	$r = 2$	15.102*	$R \leq 1$	$r = 2$	15.102*
Mad – Sok (1204)	$r \leq 2$	$r = 2$	29.088*	$R \leq 1$	$r = 2$	29.088*
Mad – Uyo (1412)	$r \leq 2$	$r = 2$	29.654*	$R \leq 1$	$r = 2$	29.654*
Mak – Sok (985)	$r \leq 2$	$r = 2$	12.691*	$R \leq 1$	$r = 2$	12.691*
Mak – Uyo (479)	$r \leq 2$	$r = 2$	15.493*	$R \leq 1$	$r = 2$	15.493*
Por – Sok (1404)	$r \leq 2$	$r = 2$	13.026*	$R \leq 1$	$r = 2$	13.206*
Sok – Uyo (1358)	$r \leq 2$	$r = 2$	23.729*	$R \leq 1$	$r = 2$	23.729*

Source: Compiled from result of Cointegration Test

Notes

1. Only the 27 market links with significant parameter estimates are shown.
2. r = number of cointegration vectors
3. * means significant at 5% level.
4. The 95 percent critical values are 19.220 and 12.390 respectively for $r = 0$ and $r \leq 1$ for eigen maximal value test. The corresponding values for the trace test are 25.770 and 12.390 respectively.
5. The value shown in parenthesis before each market pair represents the approximate distance (in km) between them.
6. Cointegration likelihood ratio tests is based on maximal eigenvalue and trace of the stochastic

matrix

Granger-Causality and Exogeneity in Fish Markets

The result of the pair-wise Granger-causality test is shown in Table IV. Out of the 54 market pairs tested for Granger-causality, only 11 pairs rejected the null hypothesis of no causality. Four (4) market links of the 11 displayed bi-directional Granger-causality. These market links are Bau-Kan, Kan-Bau, Kan-Mak and Mak-Kan. Bauchi was stronger in the first link as it Granger-caused Kano at 1% significance level while Kano prices Granger-caused Bauchi prices at 5%. In the third and fourth market pairs, both markets demonstrated equal strength as they Granger – caused themselves at 1%. The remaining seven (7) market pairs exhibited uni-directional (one-way) Granger-causality. Thus, Bauchi, Kano and Makurdi are the markets occupying leadership positions in fresh fish price formation and transmission. The analysis here provides a sufficient ground to permit the conclusion that exogeneity occurs in fresh marketing in Nigeria in favour of these three markets. The case of Kano was strong exogeneity while that of Bauchi and Makurdi could be classified as weak exogeneity.

TABLE IV: RESULT OF PAIRWISE GRANGER-CAUSALITY TEST FOR FRESH FISH MARKETS (1994 – 2005)

Null hypothesis	F – Statistics	Probability
Bau←Kan	4.845**	0.013
Kan ← Bau	3.027*	0.050
Mak ← Bau	8.431**	0.0004
Bau ← Uyo	3.927*	0.022
Kan ← Enu	5.882**	0.004
Kan ← Lag	4.267*	0.016
Kan ← Mak	5.700**	0.004
Mak ← Kan	7.585**	0.001
Kan←Por	4.985**	0.009
Kan ← Sok	3.229**	0.041
Mak ← Uyo	3.967*	0.022

Source: Compiled from Result of Granger-Causality Test

Notes

1. Only the 11 market links with significant parameter estimates are shown
2. ** and * mean significant at 1 percent and 5 percent respectively.
3. Market pairs with same level of significance indicate bi-directional Granger-causality. Where only one market pair carried a sign of significance, there is exogeneity in favour of the former market.
4. A maximum of two lags were used in the augmentation.
5. Horizontal arrows between two market pairs indicates that price in the market to

which the arrow is pointing does not Granger-cause price in the other market.

The finding that Bauchi, Kano and Makurdi markets (all in the northern region) have been the origin of stochastic trends driving the market for fresh fish has the implications that these markets play dominant roles in the Nigerian fresh fish market. This may be consistent with the importance of fish production capacity in these states. Thus, causation between regional prices mainly originates in the fish-consuming southern states, likely reflecting that demand rather than supply forces are driving the market. The Nigerian fresh fish market is thus oligopolistic in structure with the tendency to exhibiting characteristics of imperfect market where the cross-sectional aggregation of demand and supply loses its foundation.

The general implications of the findings of this study is that agricultural commodity markets in developing countries may be subject to a high degree of market inefficiency owing to regional market segmentation .It also shows that the tendency for price differentials between different areas to reach their equilibrium values quickly is low as is the ability of price differences to converge to their long-run equilibrium levels. A similar modeling approach and use of co-integration analysis could provide equally useful tools in analyzing the integration of fish markets in other countries as well. This is made possible by the fact that the methodology is highly generalizable once product-surplus and product-deficient areas or regions are clearly discernible. Inferences drawn from the present study are applicable to and can help address similar market failures in agricultural commodity markets to enhance stakeholders' welfare in other countries.

Studies on spatial market integration are potentially rich in policy implications and important lessons for economic development. Higher degrees of market integration can have important implications for economic development according to Gonzalez-Rivera and Helfand (2001).They argued that the process of increasing the degree of integration of isolated or segmented markets, or market locations that are only weakly linked into a national market can bring significant benefits to local residents and market stakeholders. The income of producers can be raised through increased specialization and trade and it can increase the welfare of risk-averse consumers by reducing the variability of prices of goods that were previously non-tradable. To the extent that rapidly adjusting and well-functioning microeconomic markets are an important ingredient for macroeconomic growth, increased market integration can bring wider benefits as well.

Empirical evidence emanating from Gonzalez-Rivera and Helfand (2001) showed that with regard to market integration and economic development, a principal component representing the level of development was strongly associated with the degree of integration in the Brazilian rice market. In addition to income per capita, this component was highly correlated with measures of human

capital proxied by illiteracy and rural schooling, variables related to communications infrastructures and the relative size of the transportation sector. Thus, in the same way that less developed regions have been shown to have greater imperfections in their factor markets, this study provides evidence of similar effects in a product market. More developed states in Brazil were reported to have more unified rice markets. However, the study did not provide an answer as to the direction of causality between market integration and economic development. The authors noted that in some cases, higher degree of market integration might contribute to economic development, while in some cases, it could be a by-product of the development process.

The economic performance of many countries today can, according to Keller and Shiue (2004) be attributed to market-oriented reforms introduced in the last two decades. A long-run perspective of marketing efficiency, proxied by the degree of market integration in a country's marketing system are germane for understanding the process of development occurring today. In a study on rice market integration in China, findings indicate that the degree of market integration, even as far back as the 1720s, is a very good predictor of per capita income in the 1990s. This suggests that income differences across regions and provinces today can to some extent be traced back at least three centuries. In the case of Europe, suggestive evidence now abounds that market integration and trade led to growth effects that materialized in a time period of decades and sometimes centuries (O'Rourke and Williamson 2004; Acemolgu, Johnson and Robinson 2002).

In countries with large provincial differences, market integration investigations concentrate on how market integration and trade has changed by distinguishing between local and aggregate sources of price variations. This is the approach now being widely adopted in economic history, development as well as international economics (Clark 2002, Crucini 1999). Also, since economists nowadays view markets as economic institutions, then it is understood why there is a new emphasis on the importance of institutions for growth (Acemolgu, Johnson and Robinson 2002, Banerjee and Iyer 2002). Both local and global shocks influence local prices. Conditional on demand, if markets are fully unified, only global supply shocks determine how prices move in all regions of a country. This is because even if there are region-specific supply shocks, the region can achieve full risk sharing through trade. By contrast, the existence of trade barrier will give rise to partial segmentation of markets. In this case local supply shocks will be a determinant of local price movements. When there is more trade and better market integration, the consensus report is that there will be higher per capita income. This is usually the case both contemporaneously and over time.

The spatial dimension of increasing economic integration has posed a profound challenge to traditional economic growth and trade theories predict a process of inter-regional convergence (Rodriguez and Faber 2005). The analytical starting point to this is the observation that firms, goods and people have become more mobile through a sharp fall in inter-regional transactions costs in recent times. From the perspective of firms, this has implied a much wider choice of potential production locations to serve the growing market areas. This was referred to by Dicken (1998) as the 'global scanning' of footloose firms for specific 'locational assets' that make particular locations more attractive than others. The key to spatial dynamics of integration becomes that these locational assets are linked to the localized spill-over effects or 'external economies of scale' arising from the spatial agglomeration of economic activity, and, thus, tend to work in favour of the market core. On this conceptual backdrop, the nexus between market integration and economic development comes to the forefront.

The role of pecuniary or market-driven localized linkages between economic agents, so called supply and demand linkages is focused on in demonstrating this interplay. As market integration proceeds, a powerful process of spatial reconfiguration, whereby footloose firms have incentive to produce in close proximity to the economic centres of the market areas, is given rise to. Also, contemporary evidence abounds in favour of the notion that human capital and skill abundance and formal and informal institutional arrangements have become key drivers of innovativeness and economic growth (Dunning 2000). As integration proceeds, the principal spatial dynamics tends to foster the dominant economic position of the diverse and skill-abundant regions at the relative detriment of the periphery and ultra-periphery. Finally, Dinh Tho, Shultz and Westbrook (2006) found that in an economy dominated by agriculture and which is starting from a very low base like that of Vietnam, there can be remarkable macroeconomic stability and growth if market reforms which translate into efficiently operating marketing network are implemented. They concluded that where inequality is on the increase and the rural-urban gap is particularly of concern, decisive trade reforms which enhance market linkage through bilateral and multi-lateral trade agreements should be embarked upon. Even though, in the survey which generated the data that led to this conclusion, increased market activity was not listed among the potential reasons for changes in the quality of life, Dinh Tho, Shultz and Westbrook (2006) regarded it as potentially important. They concluded that 'a vibrant goods market enhances consumer's choice, a vibrant labour market enables workers to seek rewarding employment; a vibrant private sector invites entrepreneurship, which is a strong predictor of life satisfaction.'

SUMMARY, RECOMMENDATIONS AND CONCLUSION

Summary and Recommendations

This study is an evaluation of spatial price integration in fresh fish marketing in Nigeria. The study delineated long-run and Granger-causal relationships between market price series. In the analysis of dynamic price relationships in the long-run, the study investigated order of integration of the time series data so that spurious regression estimates could be avoided.

Five markets recorded average monthly prices far above the overall mean for all markets while another four recorded low prices far below the overall mean. Variability in mean retail price was high indicating that fresh fish price is unstable. All the price series, except Akure and Owerri, exhibited stationarity after first-differencing. Akure and Owerri price series were stationary after the second-difference. Only 41% of market pairs examined had price series tied together in the long-run and hence exhibit efficiency in price formation and transmission in relation to supply-demand situation. There was evidence of price leadership in fresh fish marketing in Nigeria. The policy implication of this is that when it is desired that a national pricing policy for increased consumption of fresh fish be implemented, the identified leader markets should be the targets. This is because prices formed in them are efficiently transmitted to the other (follower) markets with very minor distortions during the transmission process. If the same policy commences from a follower market as first point of implementation, the effects will be aborted during the transmission stage and the benefits will not reach the target beneficiaries which include the fisher-folk, fish processors, makers of fishing gears and other inputs, market intermediaries, transporters and end-users. The high variability in prices calls for an improvement in basic marketing information especially in relation to prices. Weekly or more preferably, daily collection, collation and dissemination of fish price information can be provided by an arm of the Federal Ministry of Agriculture adequately equipped in terms of finance, facilities and personnel to carry out this function. A wide dissemination of price and market supply information will permit effective arbitraging among markets, reduce uncertainties in market supplies in different locations and considerably reduce the risks associated with inter-market trade. The result of this will be an efficiently functioning network of markets that delivers fish to consumers at an affordable cost with elimination of exploitative tendencies by any group of market intermediaries.

Conclusion

There is a low level of long-run integration in fresh fish marketing in Nigeria with the implication that end-users are paying more for fresh fish than what should have been dictated by demand-supply and other conditions. This low level of price integration probably also reflects the low level of economic development in the country. Only 41% of fresh fish markets show prices which differ by an amount exactly equal to the transfer cost of one unit of fish between markets in the long-run. This is the proportion of the Nigerian fresh fish markets that are functioning efficiently in terms of synchronous movement of prices. Thus, there is a need for a nation-wide policy to improve fresh fish marketing efficiency and increase affordability and consumption of fresh fish by end-users.

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Sunday, June 3

4:00 – 5:30 **Session 5**

520 Special Session: Family – Globally

Co-Chairs: James W. Gentry, University of Nebraska-Lincoln
 Suraj Commuri, University of Missouri-Columbia

Topics and Panel Participants

United States, James W. Gentry, University of Nebraska-Lincoln

India, Suraj Commuri, University of Missouri-Columbia

Sweden & Finland, Pia Polsa, Swedish School of Economics & Business Administration

Australian Aborigines, Ronald Paul Hill, Villanova University

Ghana, Sammy Bonsu, York University

Turkey, Ahmet Ekici, Bilkent University

Overseas Chinese and Malaysians, Ken Yap, University of Western Australia

Ireland, Miriam Catterall, Queen's University, UK

Macromarketing prides itself in its coverage of issues from the perspective of multiple stakeholders. Fallows (1993, p. 70) noted that the Anglo-American economic perspective focuses on how individuals fare as consumers and on how the whole world fares as a trading system, but that “does not really care about the intermediate levels between one specific human being and all five billion.” One of those overlooked levels is family. The importance of the family institution as a stakeholder of concern in Macromarketing has been noted previously (Commuri and Gentry 2000; Gentry and Baker 2004; Gentry, Dahab, and Jun 1998). For example, recently Gentry and Mittelstaedt (2006) have discussed the role of family in the remittances of migrants, which involves monetary flows into most countries in amounts exceeding the flow of international aid.

This panel discusses “family” globally. We discuss legal issues concerning the “family” in various societies, but focus more on the underlying social norms guiding expectations concerning “family” behavior. More specifically, we will cover the following issues:

Family stability (divorce rates, marriage rates, gender roles within the family)

Existing norms (possibly changing): care of the elderly, family size, role of the child in decision making, role of extended family

Portrayal of family in media

Meaning of family in general

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Sunday, June 3

4:00 – 5:30 **Session 5**

530 Competitive Paper Session: Food, Agribusiness, and Aquaculture

Co-Chairs: Tim Burkink, University of Nebraska-Kearney
 Sylvain Charlebois, University of Regina

- 531 - *An Overview of the U.S. Ethanol Industry: Implications for Agriculture, Energy, Rural Development and the Environment*
 Tim Burkink, University of Nebraska – Kearney
 Ray Marquardt, Arizona State University
 Ted Axland, Phoenix Agricultural Club
- 532 - *Marketing Agricultural Commodities on Global Markets: A Conceptual Model for Political Economies and Food-safety Standard Asymmetries Related to Mad Cow*
 Sylvain Charlebois, University of Regina
- 533 - *Fish, Methylmercury and Health: Exploring a Market-Oriented Public Advisory*
 Renée Shaw Hughner, Arizona State University
 Jill Kurp Maher, Saint Joseph's University
 Robert Morris University, Saint Joseph's University
 Nancy M. Childs, Saint Joseph's University

An Overview of the U.S. Ethanol Industry: Implications for Agriculture, Energy, Rural Development and the Environment

Tim J. Burkink, University of Nebraska at Kearney, USA
Raymond Marquardt, Arizona State University, USA
Ted Axland, Phoenix Agricultural Club, USA

Ethanol, a petroleum-alternative fuel produced primarily from corn, is being heralded as a remedy for air pollution, geopolitical instability and rural poverty. However, there are potential negative repercussions to other agricultural commodities, the world food supply and land and water purity. This descriptive paper will explore this macromarketing phenomenon with the objective of stimulating discussion and further research.

INTRODUCTION

Ethanol is an alcohol-based petroleum-alternative fuel that is blended with gasoline to increase octane and improve emissions quality. Ethanol is typically produced by fermenting and distilling starch crops, such as corn (U.S. Department of Energy 2006). Other cellulose feedstocks can be converted to ethanol, though not yet as economically as corn. The production of ethanol has increased dramatically in the United States as interest in alternative energy has grown. United States production of ethanol increased over 150% between 2000 and 2006, to 4.8 billion gallons annually. This dramatic increase is projected to continue, as capacity is projected at 7 billion gallons in 2007 (Cassman, et. al. 2006).

Increased use of ethanol offers many potential advantages, such as decreased dependence of foreign oil supplies, environmental benefits from reduced emissions of greenhouse gases and much needed economic development in rural areas due to both increasing crop prices and increased employment. However, as more of the U.S. corn crop goes to ethanol production there are potential negative consequences for livestock feeders and domestic and global food markets. Further, some of the environmental benefits may be offset as producers use more fertilizers, less crop rotation and more marginal land to meet growing demand. Indeed, for every potential benefit of a growing ethanol industry there seems to be a potential drawback.

Agriculture and energy, two of the most strategically important sectors in the U.S. economy, have converged in the growing biofuels industry. Exploring these

interactions at the systemic level clearly falls in the domain of macromarketing as articulated by Fisk (1982, p. 3) when he wrote that “macromarketing deals with the understanding of marketing systems in their aggregate dimensions.” Myriad critical macro-marketing questions arise from this interaction and the resulting repercussions, such as 1) Are ethanol and other biofuels the answer to the environmental challenges of petroleum, or is it simply a trade-off of improved air quality for water and soil degradation? 2) Will the growing ethanol industry provide much needed economic stimulus to rural America, or is the capital investment risky speculation? 3) What are the implications for world nutrition as more food is diverted to energy production? 4) Will ethanol lead to reduced agricultural subsidies, or simply shift subsidies from corn growers to ethanol producers? This descriptive paper will not attempt to answer these complex questions; rather our goal is to introduce some of the dynamics of this complex convergence to the macromarketing community and stimulate further research.

THE CURRENT ETHANOL MARKET

Currently 97 percent of the U.S. ethanol production is made from corn. The U.S. produced 33 percent of the world ethanol production in 2005, but trails Brazil which produced 35 percent of the total production. Worldwide ethanol production is occurring in the developing countries as well as the more mature agriculture economies. China produced 9 percent and India produced 4 percent of the world ethanol production in 2005 (Licht 2006). There is a \$0.54/gallon tariff on imported ethanol, which has been extended through 2009 (Oster, et. al. 2007).

Annual U.S. ethanol production capacity in mid year 2006 was 4,819 million gallons. This output came from 101 plants located mostly in ten Midwestern states. Iowa, Minnesota, Nebraska, Illinois, and South Dakota accounted for 70 percent of the total U.S. production. In June of 2006, sufficient additional plants were under construction to increase ethanol output by 2,122 million gallons per year, nearly a 50 percent increase over current capacity. In addition another 50 ethanol plants are being planned (USDA/Office of the Chief Economist).

Over 90 percent of the U.S. ethanol output is used as fuel. Although ethanol and gasoline can be blended in any proportion, in the U.S. it is mostly 10 percent ethanol and 90 percent gasoline. Many of the newer automobiles can burn E85 which is 85 percent ethanol and 15 percent gasoline. The main limitation of the consumption of E85 is the lack of gasoline pumps carrying the E85 blend. The conversion of an agricultural commodity into gasoline depends on both the commodity and the process being used. About 2.7 gallons of ethanol can be produced from a bushel of corn, 2.8 gallon from a bushel of wheat; 20 gallons form a ton of sugarcane, and 25 gallons from a ton of sugar beets (USDA/Office of the Chief Economist).

Despite this rapid and constant increase in ethanol production, ethanol accounts for only three percent of the 2006 U.S. gasoline usage (U.S. Energy Information Administration). In 2007, ethanol will consume 15% of the U.S. corn crop (Oster, et.al. 2007). If all of the U.S. corn crop were made into ethanol, it would produce 31 billion gallons per year which is about 22 percent of the total U.S. gasoline consumption. If all gasoline consumed in the U.S. were required to contain 10 percent ethanol, nearly one-half of the U.S. corn crop would be processed into ethanol. The investment firm AG Edwards predicts that demand for ethanol will grow by 25% annually in 2007 and 2008, to 6% penetration of the gasoline market. However, they predict penetration would have to reach E-10 (e.g. 10%) by 2009-2010 to meet increasing supply (Oster, et.al. 2007).

There are many reasons more ethanol will be consumed in the future. First, recent Federal Energy Bills encourage increased production of ethanol. This legislation was passed because of the high cost of import oil and the uncertainties of foreign supplies. In addition, the 2005 federal energy bill mandates use of 7.5 billion gallons of renewable fuels by 2012. Thus, ethanol production must almost double by 2012. Second, both federal and state governments are providing subsidies for ethanol production. The federal excise tax credit amounts to \$0.51 cents per gallon of ethanol. In addition some states provide ethanol production incentives. For example, Missouri offers producers of denatured ethanol \$0.20/gallon for the first 12.5 millions gallons and \$0.05/gallon for the second 12.5 million gallons. The maximum incentive is \$3.125 million per year for five years. (Agricultural Electronic Bulletin Board).

The economics of ethanol production reveals that there are two major expense items in the production of ethanol. They are corn and natural gas or coal needed to operate the ethanol plant. Income derived from the production of ethanol comes from the sale of ethanol and of by-products, including distillers grain (i.e. DG, commonly used as a livestock feed supplement) and carbon dioxide. Estimated costs of producing a gallon of ethanol in 2005 are: 71 cents for corn, 21 cents for natural gas, 6 cents for electricity, 5 cents for enzymes and yeast, 9 cents for chemicals and denaturant, 10 cents for labor and administration, 6 cents for maintenance, 12 cents for

fixed costs and 2 cents for other costs. These costs total \$1.41. However, the byproducts (DG and carbon dioxide) are estimated to generate 22 cents per gallon of ethanol produced. Thus, the total net cost of producing a gallon of ethanol in 2005 was \$1.19 (USDA/OCE). Between 2001 and 2006, ethanol traded on average at a \$0.41/gallon premium to gasoline, more than supported by the federal subsidy of \$0.51/gallon (Oster, et.al, 2007).

Using 2005 costs, ethanol producers could pay nearly \$4 for a bushel of corn if the ethanol is \$2 per gallon, the breakeven price for a bushel of corn drops to \$3 if the per gallon price of ethanol drops to \$1.5 (Plain 2006). Wholesale gasoline prices are \$1.49, \$1.78, and \$2.07 per gallon when oil is \$50, \$60, and \$70 per barrel, respectively. Wholesale gasoline prices are projected between \$1.57 and \$1.86 for the next few years (Cassman, et.al. 2006).

IMPACT ON CORN AND OTHER AGRICULTURAL COMMODITIES

The implications of the increased use of agricultural commodities for ethanol started to be reflected in the markets for corn, soybean and wheat during the latter part of September of 2006. The December 2006 corn futures contract price was about \$2.40 per bushel in August and September of 2006. By the end of October 2006 the price had risen to over \$3.80 per bushel. (Doane's Agricultural Report 2006).

The rapid increase in corn prices pressured the markets for other crops, including soybeans and wheat. For example, the Central Illinois cash price for soybeans was \$6.60 on December 1, 2006 compared to \$5.43 on December 1, 2005 (Doane's Agricultural Report). In addition, the farmers located near an ethanol plant benefited by a reduced basis (the difference between the local elevator price and the Chicago price).

The doubling of price in corn has a dramatic effect on farmer profitability. Prior to September of 2006, the only classification of U.S. farmers who could show a profit were those with a gross sales of over \$250,000 and/or those farm families which had one or more members working for off farm organizations and companies. Since most farm production cost is a fixed cost, the majority of the price increase can remain with the farmer as profit or be used to replace obsolete farm equipment.

One might think that inflation will increase by a similar magnitude as the increase of the price of the agricultural commodity. However, the average farm value as a percent of U.S. food retail cost is only 22 for the entire market basket of food items. Only 6 cents out of every dollar the U.S. consumer spends for cereal and bakery products goes to pay for the raw agricultural grain commodity (United States Department of Agriculture, February 2006). This percentage of retail food ingredient costs is so low that it has not accounted for nearly as large

an increase on consumer foods prices as it did for food processors.

The dramatic increase in prices of grain crops also causes a significant reduction in farm subsidies. The Farm Security and Rural Investment Act of 2002 provides direct government income support to eligible feed grain producers through three major programs: direct payments, counter-cyclical payments, and the marketing loan program. With higher crop prices, only the direct payment portion of the subsidies will remain. The increased corn price being received by farmers will reduce the cost of federal farm programs by about 70 percent under current U.S. agricultural policy.

However, the impacts have not all been positive for agriculture. The rise in corn and soybeans and other feed grains stimulated a rapid decrease in the price of feeder cattle. The conversion rate of corn to fat beef is about 7 pounds of corn to produce one pound of fat beef. When the price of corn doubled, it resulted in a doubling in the feed cost in feedlot operations. The price of feeder cattle dropped 22 percent on the January 2007 feeder futures contract which sold for \$1.15 per pound in August 2006 but decreased to \$0.94 in November, 2006. Profits dropped in the food processing companies as poultry and hog producers and processors had to pay twice as much for their feed cost. Agribusiness firms that processed grains into cereal, bread, and pasta encountered the same increase in costs for ingredients.

The U.S. is a major supplier of corn and other grains to the world market. U.S. corn exports have remained at a high level even with very strong domestic prices due to adverse production conditions in many parts of the world (e.g. Australia) and the weakening U.S. dollar. This currency devaluation makes the price of U.S. commodities cheaper to foreign buyers. Corn export sales for the 2006 marketing year to date (December 7, 2006) were up 34 percent from the 2005 level, at 1,022 million bushels. Export sales of soybeans were up by 37 percent over 2005 to 621 million bushels. However, export wheat sales were down by 17 percent from 2005 due to drought-limited U.S. wheat supplies (Doane's Agricultural Report, December 7, 2006).

It is doubtful that these export levels can be sustained in light of a growing ethanol industry. Historical U.S. corn production, thanks to dramatically improved productivity, grew almost threefold between 1966 and 2005, to the current 11 billion bushels (USDA-NASS 2006). However, "increasing the rate of gain in corn yields above the current trend line will be required to expand ethanol substantially beyond (10 billion gallons per year) without major perturbation to national and global corn markets and other industries that rely on corn (Cassman, et.al, 2006, pg. 5). The implications for the world's food supply of exploding ethanol production are not clear at this stage. However, some leading economists, including former Clinton advisor David Sunding, are warning of a sharp rise in food prices worldwide which will negatively impact developing

countries. Increases in food prices might be severe enough in the United States to result in subsidies to provide affordable food, offsetting reductions in producer subsidies (Associated Press 2007).

IMPACT ON RURAL DEVELOPMENT

The construction and operation of ethanol plants in rural communities generates a significant local economic impact. The need for construction and operating employees can raise the prevailing wage rate and attract workers from nearby farms and towns. This added level of economic activity generates increased sales of gasoline, food, and other retail goods. It can also create a demand for new housing and other infrastructure that is not currently available in the local area and fill schoolrooms which have been only partially filled. For example, a proposed new ethanol plant to be built near Wallace, Nebraska will produce 100 million gallons of ethanol per year. It will refine about 38 million bushels of corn annually. The plant will create an estimated 48 skilled jobs and 133 support jobs. It will inject more than \$200 million of additional goods and services into the area's economy over the next ten years according to Lisa Domininisse, executive director of the Development Corporation of North Platte (Doane's Agricultural Report, October 26, 2006). This is a very positive economic factor in remote locations which have not been able to provide jobs to local residents and farm members.

The rural real estate markets also benefit from the increased demand for housing and the suddenly profitable contribution of farmland. Rural real estate agents report that the price of Midwest farmland is being increased because of the higher profit potential that comes along with higher grain prices. However, no additional increase has been reflected in official statistics given for third quarter 2006 farmland values by the Federal Reserve Bank of Chicago. A seven percent increase in farmland values did occur over the October 1, 2005 to October 1, 2006 period in the Seventh Federal Reserve District which covers Illinois, Indiana, Iowa, Michigan, and Wisconsin. (Federal Reserve Bank of Chicago).

IMPACT ON THE ENVIRONMENT

A major impact of a growing ethanol industry is a reduced dependence for foreign oil. This reduced dependence could reduce the volatility of energy prices. Many mature ethanol plants will hopefully produce a sustainable and stable supply of energy for many years to come.

Increased use of ethanol and soy diesel will reduce emissions of greenhouse gases. The substitution of ethanol for gasoline results in a net decrease in emission of greenhouse gases (GHGs) and air pollutants. An estimated net decrease in carbon dioxide emissions of between 12

and 50 percent results from the substitution of ethanol for gasoline (Cassman, et.al. 2006). The wide difference in the estimated reduction in greenhouse gases depends on the grain-to-ethanol-and- co-product utilization life cycle.

However, there are potential negative environmental implications of a growing ethanol industry. For example, the increased demand for corn to be used in the production of ethanol will generate an increased demand for nitrogen fertilizer and irrigation as corn is a heavy user of both nitrogen and water. The increased use of nitrogen will be amplified, as more farmers move from a corn-soybeans rotation into a continuous corn production program, which requires the increased fertilizer application. More nitrogen applied to the land can cause more leaching of nitrogen into both ground and surface water.

CONCLUSION

Ethanol seems too good to be true, with promising implications for the environment, rural economic development, and energy sufficiency. Indeed, the ethanol industry may lead the transformation of both the U.S. agricultural and energy sectors through development of the biofuels sector. Many rural communities across the U.S. Corn Belt are betting on ethanol to stop out-migration and to fuel much needed economic prosperity. Others, however, speculate this is a short-term situation and in the longer term corn will be replaced with a more efficient,

less expensive input, such as cellulose from various biomass forms, such as switch grass and wheat straw.

This convergence presents a systems dynamic, which is appropriate for macromarketing examination (Dowling 1983; Layton 1989). An open system, as Dowling (1983, pg. 23) said, “exchanges materials, energies or information with its environment.” Changes in petroleum prices, grain price, technology, public sentiment, geopolitical forces and public policy have all interacted to drive ethanol production, in a dramatic and relatively immediate fashion. What is not clear is the long-run sustainability of this momentum. The multiple impacts of the sudden surge in corn prices due to demand for ethanol has ramifications for many sectors. Some of these connections, such as the impact of rising corn prices on other grains and even livestock that use grain as an input are clear and market forces seem to adequately compensate. Others, such as how the benefits of increased ethanol use to air quality may be offset by degradation to land and water are less clearly appreciated. Also, many rural communities are collectively investing billions in ethanol infrastructure. What will happen in these communities if corn is quickly replaced by other inputs? Will they be positioned to make this change or will the result be a legacy of closed plants and empty communities?

REFERENCES AVAILABLE UPON REQUEST

Marketing Agricultural Commodities on Global Markets: A Conceptual Model for Political Economies and Food-Safety Standard Asymmetries Related to Mad Cow

Sylvain Charlebois, University of Regina, Canada

The worldwide outbreak of BSE (bovine spongiform encephalopathy), also known as “mad cow” disease, suggests that world agriculture faces many issues in relation to marketing agricultural products and food safety. In May 2003, the discovery of the first domestically-originating North American BSE case, found in Canada, dominated discussions concerning the prospects of the industry inside the country, consequently creating uncertainty in the industry. Food-safety standard asymmetries have affected socio-political structures and the processes of the Canadian beef marketing channel. By considering the industry as a political economy, the concept of the task environment paradigm, as recognized in marketing literature, is conceptually integrated. Dimensions of environmental uncertainty are presented. Furthermore, this paper provides an empirical perspective on the means by which sudden effects from the macro-environment of a marketing channel create uncertainty, which is intensified in today’s increasingly complex and turbulent agrifood markets. Keywords: Political economy framework, task environment, food safety, socio-political crises, BSE.

INTRODUCTION

The relationships between organizations in marketing channels have been frequently studied (El-Ansery and Stern, 1972; Hunt, 1974; Gaski, 1984). The question of which socio-political forces exercise power and control over distribution issues is a core element of distribution channel management research (Frazier, 1999). Food safety governance is influenced by socio-political relationships between states, industries, and consumers within food systems. Varying levels of willingness for any given state to uphold public health principles and disagreements about risk analysis have created differences in food safety standards among nations around the world. BSE (bovine spongiform encephalopathy), among other series of food safety crises, has heightened industrial and public concerns about practices to market safe products. Such crises also have had implications for levels of

uncertainty experienced by channel members, and their consequent strategic decision making. When a channel member experiences environmental uncertainty, that lack of confidence could have repercussions on interfirm relationships. Galbraith (1973) defines uncertainty as the difference between the amount of information required to perform a task and the amount already possessed by a given organization. Or, more simply, uncertainty can be regarded as the absence of information (Daft and Lengel, 1986). States, industries, and societies simultaneously seek information in order to gain food safety knowledge.

Food is a contentious issue because it is not only an economic object; food is also a basic necessity. Food safety governance is a process in which state, industry, and public alike maintain the social order of the agrifood system. Science and technology help create a micro-order between the suppliers of commodities and consumers of agricultural products. Scientific knowledge is a powerful tool that can sustain order within states. In the case of BSE, the failure of domestic food safety regulations leads governments to discipline others at fault. Subsequently, micro-orders become destabilized, and institutional measures are implemented to improve regulations. As a result, embargos and trading sanctions are raised, and targeted states can experience production over-capacity instantaneously.

BSE is a relatively new phenomenon in food distribution. On March 20, 1996, a date known as “Black Wednesday” within the British beef industry, the British Secretary of State for Health announced the possible existence of a link between BSE and the Variant Creutzfeldt-Jakob Disease (vCJD), the human variant of mad cow disease, thus creating environmental uncertainty in the food chain. In the following two weeks, retail sales of beef products fell in excess of 33 % and continued to fall over the following month, clearly demonstrating the preliminary impact of the scare on the purchasing behaviour of British consumers. Extensive media coverage about the uncertainty, the lack of information, and the significance of the announcement for public safety overwhelmed the political agenda of the British beef industry. Other countries, including Canada and members of the European Union, banned imports of British beef

products. Major restaurant chains, such as McDonald's and Burger King, saw their sales decline.

Seven years later, a comparable crisis struck the Canadian beef industry. In May 2003, the discovery of the first North American case of BSE, found in Canada, deflated the prospects of the industry across the country (Charlebois and Labrecque, 2007). The Canadian Food Inspection Agency (CFIA) began a thorough investigation and ordered the slaughter of some 2,700 animals. Despite this investigation, international trading partners' confidence level in the quality of Canadian beef and in Canada's food safety policies had dropped. Thirty-five countries issued an embargo on Canadian beef, most notably the United States and Japan, the main trading partners for Canadian beef related products, and the commodity price of Canadian beef in international markets plummeted. Initially, some industry officials denied the seriousness of the situation and downplayed the long-term impact it would have on the future of the industry. Many channel members, most notably producers, adopted a regressive attitude by attempting to maintain the earlier status quo (Labrecque and Charlebois, 2006).

This study is important for several reasons. First, as a social system subject to the same behavioural processes characteristic of all social systems, channel members behave according to their corporate culture, which, in turn, is shaped by the wider culture of its society (Alderson, 1957). Given the diversity of cultures around the world and their different methods of coping with uncertainty, channel behaviours are expected to be different from one country to another. The present study answers the call for new research studies on marketing channel behaviours in different countries or cultures, towards the goal of generalizing theories (Frazier, 1999). Second, due to surging interest in strong interorganizational ties in a global context, researchers have come to recognize the importance of food safety-related incidences and their effects (Labrecque, Charlebois and Spiers, 2007). Currently, no researchers have proposed a method to examine the primary task environment in a dyadic relationship when significant unforeseen events occur. We believe our analysis provides a solid conceptual base upon which market researchers can approach complexities surrounding these issues. We intend to enhance our understanding about environmental uncertainty in marketing channels by connecting concepts from the political economy framework suggested by Stern and Reve (1980) in producer-packager relationships through theoretical reasoning and a new analytical tool.

Subsequent to a theoretical review of the political economy framework, the task environment paradigm, and dimensions of environmental uncertainty, we investigate the Canadian BSE crisis by considering fundamental elements of the framework of marketing channels. In the second section of this paper, we discuss methods used for this study and their limitations. Discussion in the last section focuses on evidence and various tasks of cattle

producers when uncertainty is perceived. This paper concludes with recommendations for future research related to food safety and the beef industry.

The political economy framework

Interorganizational relationships significantly influence organizational strategies (Reve and Stern 1979; Porter 1980; Dwyer and Welsh 1985). Most studies in the field of marketing are based on microeconomic paradigms such as economics, learning theory, and cognitive and social psychology (Arndt 1983). The instability of world markets, in addition to extreme international competitiveness, press scholars to develop an open system explanation to channel theory and practice (Achrol and Stern, 1988). Further, as an open system, the interorganizational network that encompasses the commercial channel relies on the environment for a variety of inputs and outputs (Achrol, Reve, and Stern, 1983; Dwyer and Welsh, 1985). Many studies have suggested that there are interactions between internal and external channel variables (Dwyer and Welsh, 1985; Etgar, 1977). As a result, the political economy framework was developed. This framework currently is one of few theoretical approaches in marketing that distinguishes between political and economic aspects of marketing channel structures while evaluating dyadic interaction (Robichaux and Coleman, 1994).

The political economy framework is primarily concerned with the interface between the social units of marketing channels and the market itself. The framework utilises constructs from organization theory, political science, sociology, social exchange, behaviour theory, and transaction cost theory (Arndt, 1983). Hence, this framework recognizes the significant role of power, the objectives of power holders, and the structure of exchange (Alderson, 1957; Dwyer and Welsh, 1985). The organizations that constitute the marketing channel and the market are concerned with the political and economic pursuits of power (political) and wealth (economic). The political economy framework suggests that economic and socio-political phenomena affect marketing channel relationships (Boyle *et al.*, 1992). It also extends market relations study beyond the borders of a single organization or marketing channel by accommodating regional, international, or global perspectives. Some scholars have noted that the institutional environment greatly influences the efficiency of marketing channels (Grewal and Dharwadkar, 2002).

The political economy framework is based on four fundamental elements. One of these elements is the internal polity, which describes the distribution of power and the degrees of cooperation and conflict within the marketing channel (Dwyer and Oh, 1987). Also represented in the internal polity are the socio-political forces within the channel, such as the power and dependence balance (Stern and Reve, 1980). During the

last three decades, tremendous strides were made toward our understanding of distribution channel effectiveness. The elements of internal polity and economy were at the heart of many academic research endeavours (El-Ansery and Stern, 1972; El-Ansery, 1975; Hunt, Ray, and Wood, 1985; Anderson and Weitz, 1986; Frazier, 1999). However, external agents also have great influence over the social units of a given marketing channel (Achrol, 1997). The political economy framework appreciates external political and economic dependencies, which are fundamental to analyzing the strategic options available to channel members (Stern and Reve, 1980). In contrast, the external economic relations of an organization with its environment have no bearing on power relationships between organizations within a marketing channel because these organizations constantly refer to an agreed framework (Arndt, 1983). Decisions about the design of interorganizational relations exist at the polity level of conception. Consequently, the internal polity, or more specifically, the socio-political structures and processes of a marketing channel are vital to the present outline of the Canadian BSE crisis.

Task environment

Uncertainty ultimately affects patterns of behaviour among and relations between channel members. It is, however, difficult to evaluate whether an environment is certain or uncertain. In the context of distribution channels as political economies, Achrol, Reve, and Stern (1983) tackle environmental pluralism by discerning which forces influence channels directly and which do so indirectly. As environmental pluralism is a source of environmental uncertainty, the aforementioned study provides measurement and evaluation of the impact of environmental uncertainty.

Dess and Beard (1984) argue that complexity, or concentration-dispersion, is inherent to interorganizational interdependencies, and thus, that complexity increases the heterogeneity and range of organizational activities. In their study, environmental dimensions are assessed through the construction of three categories: environmental dynamism, environmental complexity, and environmental munificence. Definitions for each dimension are similar to that of the framework prescribed by Achrol and Stern (1988). The first dimension, dynamism, refers to the rate of change in an industry and the predictability of the actions of competitors and customers. Dynamism, as employed by Dess and Beard (1984), is similar to the static-dynamic element used by Duncan (1972). We argue that environmental dynamism characterizes the erratic nature of food-safety asymmetries that exist between nations and continents. The second dimension, complexity, refers to the level of knowledge required to understand the environment. This dimension is concerned with the factors that a firm must consider in order to analyze its external environment. The final component of the environment is

munificence, which is defined as the level of resources available to firms from various sources in the environment. A scarcity of exploitable opportunities, intense competition, and hostile environments are negative aspects of the environmental munificence which connote a lack of capacity to manage the environment. Thus, there is a strong correlation between environmental munificence and environmental capacity (Dess and Beard, 1984).

Studies by Dess and Beard (1984) and Achrol and Stern (1988) show that capacity, complexity, and dynamism are significant environmental determinants to marketing channel members. The studies complement each other in that both consider information uncertainty and resource dependence as important sources of uncertainty. The dimensions of environmental variance that concern structures and processes within the internal polity are relevant to this study.

These three dimensions assume that the primary, secondary, and macro task environments are distribution channel environments. These environmental segments can be thought of in terms of proximity to or distance from the channel member, with primary being the closest and macro being the farthest removed from the channel member.

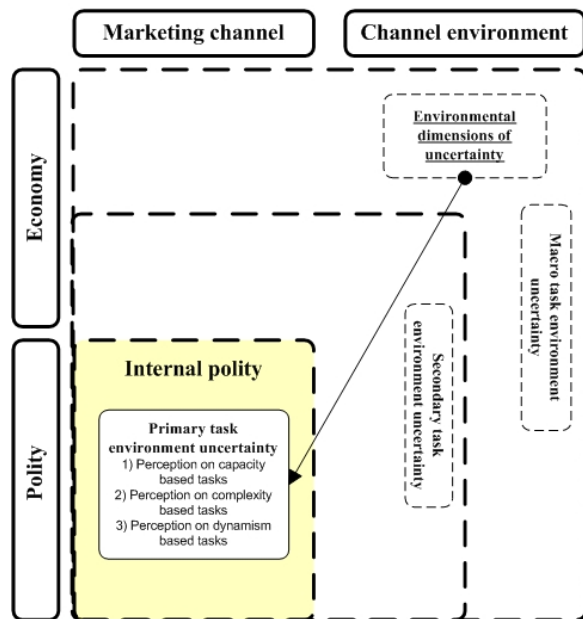
In relation to the Canadian BSE crisis, cattle producers are considered focal channel members. The direct suppliers (feed suppliers) and customers (packing plants and slaughterhouses) of cattle producers are the channel's primary task environment. The distribution channel's primary task environment resembles Duncan's internal environment. Members of the primary task environment are actors who carry out everyday business tasks. The focal channel member interrelates chronologically with the primary task environment on a one-to-one basis (Achrol, Reve, and Stern, 1983). The next level, the secondary task environment, contains the suppliers and customers of the channel's primary task environment, regulatory agents, and the channel's competition. Finally, the macro task environment comprises social, economic, political and technological forces that impact the primary and secondary task environments (Achrol, Reve, and Stern, 1983). Provincial and federal governments, domestic and foreign international regulatory agencies, and trade partnerships are examples of the macro task environment.

Environmental uncertainty, vertical integration, diversification, cooperation, food traceability, and on-farm food safety programs, for example, are actions by channel members that qualify as primary tasks (Anderson and Weitz, 1986; Pfeffer and Salancik, 1978; Williamson, 1975). Channel members have, however, very little control over secondary and macro task environments, and are usually reactive rather than proactive with regard to secondary and macro environments (Achrol, Reve, and Stern, 1983). Tasks derived from international markets are considered as belonging to macro task environments.

The effects of any variance in the secondary and macro task environments, as well as the resulting

uncertainty, are manifested in the primary task environment (see Figure 1). The primary, secondary, and macro task environments are integrally linked. Variables in the outer levels of the environment do not affect channel members directly, but will do so indirectly (Emery and Trist, 1965). In terms of food safety issues, external regulatory institutions have applied policies within the macro task environment, but their decisions often directly influence domestic channel members.

Figure 1
Environmental pluralism, food-safety standard
asymmetries and political economies



Achrol, Reve, and Stern (1983), departing from their previous work published in 1980, further segment the channel environment into sectors to which the channel member must relate. These segments consist of input, output, competitive, and regulatory sectors. The input sector of the task environment includes, for example, any suppliers that deal directly with either partner of a given dyad. The output sector consists of all direct customers to the dyad. The competitive sector of the task environment is the actual and potential competitors to the dyad.

Regulatory groups, governmental groups and trade associations constitute the regulatory sector, which influences channels to behave in certain ways. Regulatory agencies played a significant role in the Canadian BSE crisis context under study. Therefore, this sector of the task environment is important to the conceptualization of the channel environment in this paper. The regulatory sector aims at ensuring stability, uniformity, and continuity of societies. Grewal and Dharwadkar (2002) outline the importance of external regulatory institutions in the channel's environment. They specify that these institutions induce mechanisms that create transactional changes within the channel and impose coercive power on channel

members, whereas only non-coercive power was used during the Canadian BSE crisis.

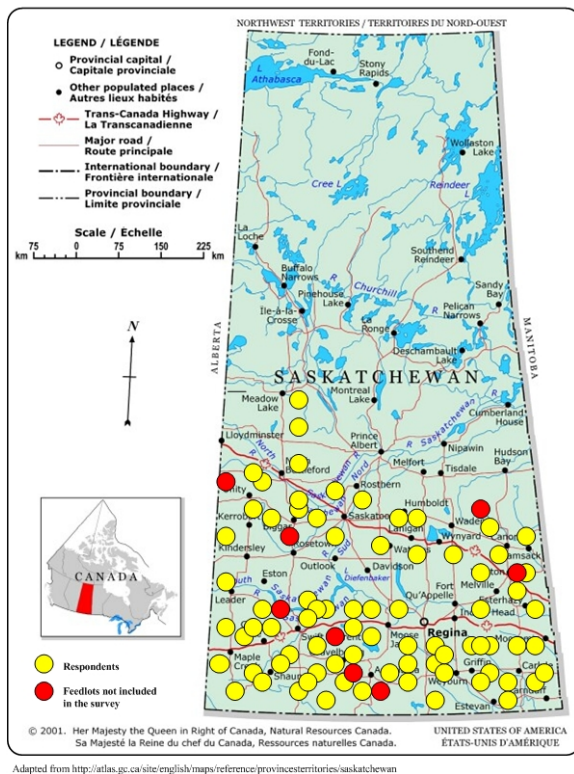
Methods

Fieldwork for this study was conducted between April and June 2005, a time when embargoes were enacted against Canadian beef. Within that period, no major event occurred that could have affected perception, and market prices for slaughter cattle remained depressed (Canfax, 2005). A total of 69 semi-structured interviews were completed with individuals representing cattle operations that were engaged in an ongoing trade relationship with beef packers. The sample included backgrounding operations and feedlots that send cattle directly to slaughter. With field interviews, we can estimate whether or not the respondent is knowledgeable about the issues in question, and we can appraise their abilities to communicate (Campbell, 1955). Second, most cattle producers are located in rural communities, and telephone interviews have proven to be an unpopular method of data collection.

All the data was gathered from the Canadian province of Saskatchewan, within the designated dyad. Geographically, most respondents were located in the southern part of the province, near Highway No. 1 and Highway No. 16 (see Figure 2): the two main highways of the province for enhanced accessibility to markets and logistics. Many send their cattle for slaughter in the Canadian province of Alberta, and before the BSE crisis, used to send cattle across the border in the United States. The most northern situated respondent was in Meadow Lake, and the most southern respondent was located in Estevan. Respondents located in the northern part of the province were included in the survey, as we wanted to find out if location was a variable that had any impact on perception. Collecting data from the producers' side of the producer-manufacturer dyad allowed us to appreciate the cattle producers' perspective. On average, an interview lasted about 90 minutes and was undertaken and transcribed by one of the principle investigators. The key-informant data collection method was used, whereby an investigator obtains information about a group through a well-informed member who occupies a key role in that group.

Figure 2

The Canadian province of Saskatchewan and location of respondents



Some limitations of this study must be noted. Although a list of beef producers could have been obtained from multiple Canadian provinces, only one provincial jurisdiction (Saskatchewan) is considered. The selection of this province is not arbitrary, as Saskatchewan is believed to adequately represent the Canadian beef industry. It is geographically situated in the middle of the country and produces 25% of Canadian cattle. In addition, since this study includes data from only one side of the cattle producer-packer dyad, the investigator established relationships with only one party in the business relationship. This relationship helped to convince the focal channel members that their information will be kept confidential, and that they will remain anonymous. The decision not to evaluate both poles of the dyadic relationship between cattle producers and packers is based on the facts that few packers exist in the sampling region, and that information is often not readily available. Even so, if marketing channel research requires a view of dyadic relations, the relative neglect of one partner in the dyad constitutes a major limitation in this study.

The findings in a study of this nature are contingent on current macro-environmental contexts. It would be naïve to postulate that one could replicate specific research findings. The present macro-environmental context in Canada is different from what it will be in the future. From the time we began data collection to the completion of the project, the political and economical context will have changed. Regardless of these

unavoidable complications, this timely research is important because it records and analyzes the turbulent conditions created by the Canadian BSE crisis.

Finally, for ethical reasons, the present study considered the following basic consideration: the need to guard the legal rights of members of the beef industry, avoiding unwarranted intrusion, obtaining informed consent, and protecting the rights to privacy of individuals representing organizations and social groups. It is for that reason why all quotes remained anonymous.

Findings

Based on the outcome of the empirical data, it is seen that components related to export markets of the environmental dimension of capacity significantly impact the primary task environment of cattle producers. The following sentiment was shared by many respondents:

« ...Since Americans and Japanese don't want our beef, we feel hopeless and powerless... »

Capacity, through uncertainty, negatively affects the primary task environment. This suggests that as resources in a cattle producer's export markets become more abundant, the less uncertainty a cattle producer experiences in his primary task environment. As is consistent with marketing theory (Achrol and Stern, 1988; Dwyer and Oh, 1987; Dwyer, Schurr and Oh, 1987), capacity via increased environmental uncertainty results in cattle producer perceptions of having less access to resources. Scarcity of resources augmented environmental uncertainty because export markets were inaccessible. The number of purchasers in exporting markets was reduced, and competition increased during the same period. The indirect impact of capacity on channel relations is also consistent with marketing research, which in the past, has not explicitly excluded the impact of environmental uncertainty resulting from environmental turbulence on channel relations (Achrol and Etzel, 2003; Dwyer and Oh, 1987). The results suggest that there was no collaboration between cattle producers and the rest of the industry during the crisis due to lack of environmental capacity.

« We know how to grow cattle, and nothing else, and don't expect to do anything else either... »

« I live in a home where my own grandfather was born. How can I possibly leave this place and go to a city and find a new job? Cattle feeding is all I know, and my generation will not be the one that will destroy a family tradition. »

The study also accumulated evidence that cattle producers were facing adversity when considering environmental capacity:

« Our bank calls home every other day, and there is nothing we can do about it. Our office is home. »

Many cattle producers consider themselves part of a livestock industry, rather than of the wide-ranging food industry. We believe that this segregation is a microcosm of the compartmentalization imbedded in the culture of the entire food industry.

However, the primary task uncertainty felt by cattle producers did not relate to compliance with new food safety measures, nor with the influence of domestic and/or foreign food safety regulators. These were unexpected results. Although the available resources from export markets significantly influence perceptions on capacity-based tasks, food safety standards and/or regulators appear to have no influence on capacity-based perceptions. A plausible explanation for this result is that food safety responsibilities do not necessarily lay with cattle producers alone, as these obligations demand effort from all channel members towards a common goal. Based on our findings, cattle producers tend to ignore the influence of food safety regulators, domestic or abroad. Many respondents addressed their concerns about food safety:

« Our beef is safe; we offer the best beef in the world. I don't understand why borders have been closed for so long. We should close our borders to Americans as well. »

The theoretical literature suggests that the effects of environmental dimensions of uncertainty create the need for more flexible structures and processes within a marketing channel (Anderson and Weitz, 1986). Generally, when channel members feel uncertain, they require room to respond and adapt to that uncertainty (Aldrich, 1979). Environmental uncertainty can result in vertical coordination, and even integration. Williamson (1975) suggests that uncertainty, one of the major factors that leads to market failure, causes integrated hierarchies to emerge (Dwyer and Welsh, 1985; Pfeffer and Salancik, 1978). Surprisingly, the will to vertically coordinate, as noted in our study, did not lead to any significant results in an uncertain environment. The theoretical literature suggests that when channel members feel uncertain, they seek to reduce this uncertainty in several ways (den Ouden, Dijkhuisen, Huirne and Zuurbier, 1996; Sturdivant, 1966), one of which is to gain access to capacity. Our results show that cattle producers did not articulate any

motivation to completely, or incompletely, vertically integrate.

Environmental dynamism and its impact on primary task uncertainty also garnered significant support in this study. Product prices are the main contributor to this phenomenon. The more dynamic the prices for a cattle producer's product, the greater uncertainty the producer will feel in its primary task environment. Based on our results, perceptions on dynamic-based tasks are influenced by product price fluctuations which can be explained by the fact that cattle producers are essentially price takers. Price taking means that producers can alter their rate of production and sales without affecting the market price of its product. Therefore, a firm operating in a perfectly competitive market has no power to influence that market through its own individual actions. Market dynamics suggest that cattle producers transact with an oligopoly, where there is no pure competition, and only a few firms have market availability. This concentration often leads to collusion among packers, such that prices are set by agreement rather than by the operation of the supply and demand mechanism. Many respondents talked about the realities of dealing with packers:

« We have 3 options here: Lakeside Packers (Tyson Foods), XL Beef and Cargill, that's it. I take the best offer. I don't want to become exclusive; I may lose my current bargaining power... »

The dyadic relationship between producers and packers is interesting. When asked if they trust packers, many respondents reacted in similar ways.

« We ship cattle worth millions to these guys, we don't send invoices, no paperwork, we get paid, but they make too much profit since mad cow started, they should share some of that wealth. »

« What should we do? Stop sending them our cattle? When they are ready to go, we can't wait. »

For an oligopoly to exist it is not necessary for the dominant companies to control all production or sales of a particular commodity or service; they only need to control a significant share of total production or sales. As in a monopoly, an oligopoly can persist only if there are significant barriers to entry for new competitors. We argue that financial, environmental, and bureaucratic barriers due to food safety concerns exist when starting a beef packing plant that intends to become federally licensed to export.

The previous results are highly consistent with the marketing literature. Achrol, Reve and Stern (1983), and Achrol and Stern (1988) note that the degree of turbulence of the environment directly affects the degree of primary task uncertainty experienced by channel members. In more recent literature, Bstieler and Gross (2003) published analogous results, and reveal that under conditions of hard-to-predict markets, channel members tend not to engage in proactive processes and strategies. When an environment is dynamic, the rate of change of uncertainty and predictability of the actions of other channel members are unstable.

Perceptions on complexity-based tasks specific to purchasers seem to be influenced by the diversity of elements in the cattle producer's output environment, but this relationship was not evinced by our study. Changes originating from purchaser's product and food safety requirements, as well as from purchaser's sales assistance, seem to have no effect on complexity-based perceptions. Also, no competition-related variables were significant in this study. A vertical relationship implies that an integrated firm may have to sell to or buy from its competitors. Based on the data collected during personal interviews, most respondents do not consider other cattle producers as competition. One respondent said:

« We are all in the same boat, we do the same thing. We meet for coffee, help each other out, that's who we are: farmers. »

This can be explained by the particular market conditions in which the respondents operate and the understanding that their present function as a producer has little influence over market behaviour.

No supplier-related variables were significant in this study. This suggests that suppliers and cattle producers have a dysfunctional relationship with their suppliers in an uncertain environment (Menon, Bharadwaj and Howell, 1996). The following statement from one respondent reflects that exact situation:

« I buy my feed from this guy, always trusted him. I don't ask for paperwork and government stuff, I don't have time to read all that. Why wouldn't I trust him?... »

Nonetheless, these findings are in sync with marketing literature. Previous research suggests that channel informational contexts on demand will have a major bearing on the ways in which channel members interact (Frazier and Rody, 1991), which may explain why financial exchange can become problematic in times of uncertainty. Dess and Beard (1984) employ two components of the external economy – heterogeneity and

variability – and state that these affect polity performance within a marketing channel (Achrol and Etzel, 2003; Dwyer and Welsh, 1985). These results, nonetheless, contradict some of preceding studies. Dwyer and Oh (1987) note that suppliers' power over a lean market arises from dependence on supplier information. Other results suggest that when channel members feel uncertain, they tend to seek more information (Dwyer and Oh, 1987; Pfeffer and Salancik, 1978), in order to understand the environment. This study reported no relation between need for supplemental information and environmental complexity.

These apparent contradictions can perhaps be explained by recognizing the crisis context in which this study was conducted. Crises lack structure and certainty by nature (Lagadec, 1991), and the Canadian BSE crisis was no exception. Even at the time of writing, researchers know very little about the disease. Based on evidence during the crisis, several beef industry representatives tried to reduce uncertainty by normalizing the event (Ward, Bailey and Jensen, 2005). This desire for normalcy, where efforts to reclaim the status quo hold greater value than acquiring new information, led to deficiencies in learning processes and searches for information advantages (Porter, 1980). The information void left by the crisis in the beef industry created potent uncertainty, and no desire to garner more information was observed. Data collection provided evidence of strategic inertia:

« We trust the CFIA, we trust suppliers, and we believe what we are told. All we want is the border to reopen as soon as possible. »

By cooperating to confront uncertainty, beef industry authorities could have exploited an unprecedented situation and discovered a new paradigm. However, the industry failed to overcome its weaknesses. By succumbing to uncertainty and by not seeking important information, the industry avoided finding definition, which is essential to its evolution and ultimate sustainability (Pauchant and Mitroff, 1995). Learning requires the knowledge holder to be motivated to transfer knowledge, and requires the recipient to be able to absorb it (Joshi and Campbell, 2003). Based on our findings, learning did not occur during the BSE crisis. The cattle industry was unable to absorb knowledge to better understand its environment.

Discussion

The modern marketing channel literature concerning the political economy framework does not sufficiently address the new globalized reality of world markets. Since the publication of Stern and Reve's conceptualization of the political economy framework in 1980, several new regulatory institutions have been created

around the world. These recently established institutions have the authority to impose measures that promote stability within societies, encourage fair competition, ensure social welfare, and protect vulnerable elements of society. Nevertheless, decisions made by these agencies can create uncertainty for channel members of an industry. The Canadian BSE crisis was generated in part by certain policies of external agencies that directly affected the internal efficiency of the Canadian beef-marketing channel. Canada's unique geographical and resource limitations and the institutional landscape of the cattle industry have, paradoxically, increased cattle producers' dependence on the state for success in the global beef market. For the Canadian beef industry, the external political shock of the BSE crisis was, to some extent, foreseeable. Some respondents did share that view:

« We knew it was coming, it was just a question of time. I think people are over reacting; it's out of control. We offer the best beef in the world. »

Nonetheless, it did happen, and based on evidence presented in this paper, the internal economic and political force of the channel of Canadian beef-related products was diminished. Future academic research that applies the political economy framework should consider the impact of recent regulatory agencies and alliances that have recently been established around the world.

In North America, tensions persist between marketing channels and markets. Most countries are primarily concerned with protecting national sovereignty; whereas market management advocates economic openness and breaking down trade barriers (Gilpin and Gilpin, 2002). Since 1980, when Stern and Reve published their political economy framework, the Canadian economy has opened itself to the world, increasing trading surpluses with its international partners, and the beef industry was no exception. International trading agreements contributed to these circumstances, and the marketing literature has rarely given explicit attention to the effects of those new forces on the internal socio-political structures of marketing channels. Food safety is undeniably a borderless matter for all nations and has forced marketing channels to acclimatize rapidly to new criteria for success. In the 1980s and '90s, governments around the world were significantly less interventionist with respect to public policies on food supplies, letting the market determine change and distribution. This ideology quickly shifted when food safety concerns began arising, particularly in the advent of BSE. The disease has become a highly significant food safety issue, generating political pressure, power disequilibria, and quarrels between nations. Yet, BSE has failed to attract attention from marketing channel researchers until the Canadian BSE crisis.

International trading agreements influenced the progression of Canadian beef exports. For example, the 1988 Canada-United States Free Trade Agreement (CUSTA) removed limitations on the geographic area of trade to foster open markets between the two countries. However, Canadian business sectors, including agriculture, were anxious about the consequences of such an agreement, and uncertainty was injected into marketing channels. Marketing channels needed to adapt and create innovative partnerships within the new market's parameters. When CUSTA was upgraded to form the current North American Free Trade Agreement (NAFTA) in 1994, Mexican business sectors were concerned that NAFTA might encroach on their sovereignty. We now understand that both Canada and Mexico have economically and financially benefited from NAFTA, subsequently reducing the perceived uncertainty of channel members in those countries.

In Europe, a new political and economic synergy was established in 1993 with the arrival of the European Union (EU) during the British BSE crisis. NAFTA and the EU are currently the two largest trading blocs in the world. New standards and normalisation processes were implemented in order to improve commercial practices within European beef marketing channels. The EU is the result of nearly forty years of political and economic negotiations intended to cultivate a cooperative environment for the European continent. The EU, however, arguably represents one of the weakest political alliances in the world, and is always on the verge of collapsing. Tensions between European nations and the European community governing body are palpable, as nations want to protect their national sovereignty with agri-food policies. Amid the BSE crisis, European countries were also constrained because of the alarmingly decreasing beef demand of European consumers, a phenomenon Canadian beef industry officials were spared during the Canadian crisis.

Recent international trading agreements and global food safety concerns have proliferated in external political forces. The influx of agreements akin to NAFTA and trading regulatory agencies like the WTO have utterly changed the geo-political symmetry between nations since Stern and Reve offered their political economy framework. For trading partners, food is connected to a country's relative political power. Some countries, like Canada and the United States, are simply better endowed with natural resources and growing conditions that enhance agricultural production. Food has historically been an essential ingredient of power and, in a sense, weaponry in international trade (McDonald, 1999). For example, in 1980, the United States embargoed shipments of grain to the Soviet Union in response to the Soviet invasion of Afghanistan. In this case, the United States used a commodity as a weapon to embarrass the Soviet government by forcing the Soviet people to reduce their

consumption of meat even though the government had recently promised its citizens more meat.

Countries that are able to function self-sufficiently as food-producers are less likely to depend on other countries. These countries profit because foreign trading partners tend to rely on them for food. However, many governments have resorted to stringent food safety policies that can be interpreted as protectionist, which has overturned the usual patterns of dependence between nations. For instance, Japan, a country that has always been self-conscious about its dependence on other nations for agricultural products, imposed harsh food safety standards on Canadian beef producers after the Canadian Food Inspection Agency diagnosed its first BSE case. Incidentally, Japan suffered a major food safety crisis in 2001 after Japanese health officials diagnosed its first domestic case of BSE, but this was quickly forgotten as the Canadian crisis took centre stage. By seeking increased beef exports, the Canadian beef industry is now extremely dependant on their trading partners even though Canada is a major global food producer. The new realities of global trade and the influence of food safety policy inverted the balance of power between Japan and Canada.

Food insufficiency weakens countries that are not able to produce an abundance of food supplies. Currently, international trading agreements increase interdependence among nations and make supplying countries, like Canada, dependant on foreign markets to absorb commodity surpluses. When embargos were issued against Canadian beef, its selling price dwindled dramatically. Since globalization is a major factor in these problems, we argue that the political and economic systems approach, which focuses more directly on international structures of wealth and power equilibrium, is best suited to understanding these issues and their impacts on marketing.

There is an increasing amount of pressure to create standardized food safety norms, and crises such as the one that struck the Canadian beef industry are likely to happen more frequently. The primary contribution of this paper is to approach the theory of environmental uncertainties from a task environment standpoint, and to apply the political economy framework to the real conditions of a food safety-related crisis. These theoretical perspectives cannot be divorced from the crisis context that resulted from the decisions of regulative agencies that, in turn, were based either on the external polity of the channel or in the macro-environment when applying the environmental pluralism paradigm. This paper attempts to merge one aspect of the political economy framework, namely the internal polity, with the task environment paradigm in a food safety perspective. This paper was designed to underscore theoretical and managerial implications.

Most of the theoretical work on marketing channels that focuses on environmental uncertainty investigates how these external inconsistencies result in uncertainty. It does not, however, evaluate the impact of

environmental uncertainty resulting from environmental turbulence (or a crisis) on channel relations. This paper provides a theoretical framework to examine the impact of environmental uncertainty on the internal polity of the distribution channel.

As for managerial implications, the safety of the food chain has always been a politically sensitive issue. On the international scene, there are significant differences between governmental authorities in terms of food safety policies. These differences become particularly striking when beef is traded between Canada, the United States, and Japan. However, political distortions are embedded in the process of improving food safety systems on the domestic front. The conceptual framework presented in this paper can help managers appreciate the sudden effects of macro-environmental uncertainty in today's increasingly complex and turbulent agrifood markets.

The BSE crisis in Canada has shown that the future of food safety marketing is unclear. We are already witnessing countries charging fees for cattle inspections and issuing unjustified trading tariffs (Robertson, 2005). Increasingly, in agriculture, the obligation of managing uncertainty originating in both secondary and macro task environments belongs to trading organizations and national governments. Evidence presented in this paper suggests future empirical research in that regard.

CONCLUSION

The main objective of this paper is to adapt the political economy framework in such a way that it can be applied to study the types of uncertainty that affect market channels in turbulent events such as the Canadian BSE crisis. By employing the task environment paradigm, the political economy framework allows marketing researchers to grasp complex market situations, as well as crisis situations that represent an immediate threat to marketing channels. This paper offers a more macro perspective on channel competitiveness in a global market. The concept of uncertainty, as generated by power instability and dependence disequilibria, was discussed in this perspective.

Respectfully, this study helped the principal investigator to juxtapose a human face to a destructive economical and political crisis that has produced many victims. Among those victims, many testimonies were captured during data collection and considered in the empirical evaluation. Below are some of the anonymous statements that provide evidence of the hardship and adversity cattle producers had to face during the Canadian BSE crisis:

« From now on, we will regard May 20th 2003 as the most important date in our lives, exceeding our own wedding anniversary and the birth of our children. »

« My wife had to find a job, 7 hours away from here, and had to leave with our three children so we can feed and care for them. »

« Our veterinary clinic went belly-up a few months ago. But when I call him for advice now a days, when one of my calving cows is having problems, he tells me to shoot it. The market price now is not worth the cost for him to come and visit. »

« For more than a year, we haven't shaved our beards. Once that border reopens, we'll call off our own barbershop boycott. »

Unquestionably, it is hard to keep an objective view of the issues at hand when one hears such testimonies. It is clear, however, by these statements, that humanity has attained a key juncture in its relationship to food supply and food policy and both public and private agencies are failing to grasp the extent of the challenge. The state, the corporate sector and civil society in general are facing difficult decisions. In food safety, public policy

often lags behind the restructuring taking place in the food system and is often reactive. Food manufacturers are driving the political agenda on food safety, arguably, to the expense of producers. Most industries are in a productionist paradigm, focusing mainly on output and trades, and failing to synchronize production and consumption (Lang and Heasman, 2004). Many agricultural public policies around the world currently concur with this paradigm.

Even though this study was not intended to become a policy paper, results of this study imply that food policy-making and food marketing are essentially a socio-political process, not just a political one (Nestle, 2002). It should become an inclusive process that involves cattle producers and consumers alike. Many countries, either explicitly or implicitly, lack policy-making directives.

Food agencies world-wide offer appealing prospects, at least in theory, to construct creative tensions into food governance between the establishers of food standards and the measures that they implement (Lang, Milestone and Rayner, 1997). In the meantime, more crises similar to the Canadian BSE crisis are bound to happen. The model presented in this study may perhaps apply to modern food-supply crises like the avian flu, but its empirical value on such crises remains to be observed.

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Fish, Methylmercury and Health: Exploring a Market-Oriented Public Advisory

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In 2004 the FDA issued an advisory to women who might become pregnant, pregnant women, nursing women, and children to avoid consumption of certain fish high in mercury (e.g., swordfish). These individuals were also advised to limit their consumption of certain other fish higher in mercury (e.g., albacore tuna fish). At the same time, the consumption of lower mercury fish was encouraged, citing fish's important nutrients. Scientists have estimated thousands of babies born each year are at risk for mercury overexposure; though, any decreased consumption in fish among the general population may have serious detrimental effects on the incidence of cardiovascular disease. Employing focus groups, this research addresses the issue of lay understanding and knowledge of mercury in fish. It explores several topics: consumer perceptions of risk; beliefs about the roles of government and industry in protecting stakeholders; and stakeholders' informational needs with respect to fish consumption. Findings have implications for regulatory policies pertaining to fish.

For the past several years the health community and related agencies have steadfastly promoted the message for the public to consume more fish. Armed with numerous studies pointing to its health-promoting properties—namely reduced risk of cardiovascular disease and increased cognitive development—Americans have increased their fish consumption over the last decade.

More recently, however, the popular press has been featuring another property of fish—its high mercury content. In December 2005, The Chicago Tribune published an investigative report claiming consumers are at risk for mercury exposure due to dangerously high levels of mercury contained in much commonly consumed seafood. It charged that “the tuna industry has failed to adequately warn consumers about the risks of eating canned tuna, while federal regulators have been reluctant to include the fish in their mercury advisories...amidst heavy lobbying by industry” (Roe and Hawthorne, 2005, p. 1). In July 2006, a Consumer Reports investigation concluded that pregnant women should avoid eating all types of tuna fish (albacore and light) and limit

consumption of several others (Consumer Reports 2006). Stories of mercury poisoning in ordinary, fish-eating consumers have begun to surface in the pages of the popular press (e.g., Wall Street Journal's front page story of a twelve-year old boy literally crippled by regularly consuming tuna fish; Waldman 2005).

This situation gives rise to several questions that serve as the impetus for our research: How knowledgeable are consumers about the seafood they eat? Are federal regulations effective in warning consumers about the risks and benefits of eating fish? Importantly, what do consumers—both those considered at risk for mercury overexposure and the general population—desire in terms of information and how can this information most effectively be delivered? The answers to these questions have important societal welfare implications.

BACKGROUND

Mercury is a toxic metal that occurs naturally at low levels in rock, soil and water. Mercury is also released into the air when fossil fuels (coal, oil and natural gas) are burned, when municipal solid waste or medical waste is incinerated and during some manufacturing processes. It eventually deposits in water bodies where bacteria then change it into a form called methylmercury (the form that is particularly dangerous to people), which is absorbed by aquatic organisms. Fish then eat these organisms, leading to mercury build-up in their bodies. When larger fish eat smaller fish, mercury amasses to high levels in the big fish. For this reason, long-lived fish and top-level predators like swordfish, shark and tuna, often have the highest mercury levels. Mercury-contaminated fish is a global problem because mercury emissions can be transported through the atmosphere over large distances. The U.S. population primarily is exposed to methylmercury by eating fish (National Research Council 2000)

Methylmercury is highly toxic, thus high exposure can have devastating health consequences (most often neurological disorders), though several scientific studies conclude the risk to the American population is low given the relatively low level of fish consumption among Americans and the fact that only certain fish are considered to have high levels of mercury. The young (fetuses, babies, and infants) are more susceptible to detrimental effects of mercury because their systems are not fully developed. The FDA states that the more mercury

that gets into a person's body, the longer the exposure time, and the younger the person, the more severe the effects are likely to be (FDA Report on Mercury, 2004). Because mercury accumulates in the body, taking up to one year for the body to expel it, the amount of mercury considered acceptable for women of child-bearing age is considerably less.

There have been two wide-scale scientific studies that have addressed the prevalence of mercury risk nationally: one, a project sponsored by the National Academy of Sciences and the Environmental Protection Agency referred to as the Toxicological Effects of Methylmercury (National Research Council 2000) and the second, an ongoing national study, performed by the Centers for Disease Control, known as the National Health and Nutrition Examination Survey (NHANES; Centers for Disease Control 2001; Centers for Disease Control 2004).

The Toxicological Effects of Methylmercury project was based upon an extensive review of the existing data on mercury risk. It relied heavily on three major epidemiological studies which looked at the long-term effects of children exposed in utero through maternal consumption of mercury-contaminated fish: the Seychelles Child Development Study; the ongoing studies of children in the Faroe Islands; and the study of children in New Zealand. This report concluded: "The risk of adverse effects from current MeHg [methylmercury] exposures in the majority of the population is low. However, individuals with high MeHg exposures from frequent fish consumption might have little or no margin of safety. The population at highest risk is the children of women who consumed large amounts of fish and seafood during pregnancy. *The committee concludes that the risk of that population is likely to be sufficient to result in an increase in the number of children who have to struggle to keep up in school and who might require remedial classes or special education* (italics added; National Research Council 2000).

The second national study, known as NHANES, is an ongoing survey administered by the Centers for Disease Control which assesses the health and nutritional status of a cross-sectional sample of the noninstitutionalized U.S. population. The most recent NHANES data covers the four-year period from 1999 to 2002 (Centers for Disease Control, 2004). Findings indicated that all women of childbearing age had blood mercury levels below levels considered harmful. However, approximately 6% of the women of childbearing age had mercury levels within a factor of 10 of those associated with neurodevelopmental effects—and thus are considered a potential for mercury overexposure. The report concludes that while blood mercury levels in young children and women of childbearing age are generally low, defining safe levels of mercury in blood continues to be an area of concern.

Some scientists have painted a more dire picture. Recent research indicates that cord blood is, on average,

70% higher in mercury concentration than is maternal blood (Stern and Stern 2003). Attempting to assess the prevalence of mercury risk under this more severe assumption, Trasande, Landrigan and Schechter (2006), again drawing on the NHANES data, derive alarming statistics. Basing their estimates on a 1:7:1 maternal blood: cord blood ratio, they estimate that "each year in the United States between 316,588 (7.8%) and 637,233 (15.7%) of the babies born have blood mercury levels greater than 5.8 microg/L – a level found to be associated with loss of IQ" (Trasande et al. 2006, p. 590).

Additionally, Hightower and Moore (2003) tested the blood mercury levels of patients in a general internal medicine practice. They found that the mean mercury level for all the women in the survey was 10 times that found in the NHANES 1999 general population survey and some of the children had over 40 times the national mean. The physicians concluded they had identified a subpopulation at risk for mercury overexposure, those with higher income and education the most apparent risk factors.

Some research has challenged the belief that fish consumption should be limited during pregnancy. Hibbeln and colleagues (2007) conducted an eight-year, longitudinal study with over 11,000 women and concluded that lower fish consumption was actually linked to *lower* scores on verbal IQ tests and motor, communication, and social development skills than those children whose mothers ate 12 or more ounces of fish per week. This finding prompted the researchers to suggest despite finding higher levels of methylmercury in mothers' blood stream, advice to limit seafood consumption could actually be detrimental.

Additionally, while higher levels of methylmercury have been detected in the breast milk of lactating women who consume fish, there is evidence that the beneficial effects of breast feeding outweigh the detrimental effects that may be associated with increased exposure to methylmercury (Grandjean 1995).

Cost-Benefit Analyses of Fish Consumption

Researchers have attempted to weigh the benefits of fish consumption (e.g., reduced coronary heart disease) against the costs of such consumption (health and cognitive issues stemming from mercury and other metals). Most notable are a series of studies conducted by the Harvard Center for Risk Analysis (e.g., Cohen et al. 2005). The researchers model a series of scenarios in which the public responds differently to messages about the health benefits and risks of fish consumption. They conclude that the potential harm of decreased fish consumption, regardless of fish mercury level, outweighs any ensuing health benefits for the public –with the exception of one group, women who are pregnant or intending to become pregnant.

Similarly, Mozaffarian and Rimm (2006) provide a comprehensive review of extant research concerned with the effects of fish consumption on cardiovascular health and neurodevelopment. They conclude “the benefits of modest fish consumption (1-2 servings/wk) outweigh the risks among adults and, excepting a few selected fish species, among women of childbearing age. Avoidance of modest fish consumption due to confusion regarding risks and benefits could result in thousands of excess CHD deaths annually and suboptimal neurodevelopment in children” (p.1885).

Importantly, however, is the caveat explicit in these studies – those most susceptible to the harmful effects of mercury (the young) need to be cautious when consuming fish, especially fish containing high amounts of mercury.

U.S. Legislation and Current U.S. Action Levels

The FDA’s action level (the “maximum level of natural or unavoidable defects in foods for human use that present no health hazard”) for methylmercury in fish is 1 part per million (ppm). In 1969 the FDA established an initial action level of .5 ppm for total mercury in fish, prompted in part by an incident in Minamata, Japan where residents fell gravely ill after consuming fish that had been contaminated with mercury discharged by a local factory. In 1979 the standards were revised to establish a more lenient 1 ppm action level. This change was prompted by a lawsuit filed by the nation’s swordfish distributors demanding that the FDA stop seizing swordfish that exceeded the 0.5 ppm limit – an action which virtually eliminated the sale of swordfish from the US market (United States v. Anderson Seafoods, Inc. 1977). In 1984 the FDA revised the mercury action level to refer only to the level of methylmercury (as opposed to total mercury) in fish.

In 2001, the FDA issued their first advisory to pregnant, nursing, and childbearing-aged women on the hazard of consuming certain kinds of fish. The FDA advised these women not to eat shark, swordfish, king mackerel, and tilefish. The FDA recommended the consumption of a variety of other kinds of fish—including canned and farm-raised fish—up to 12 ounces per week (Food and Drug Administration 2001). Noticeably absent from the 2001 advisory was tuna fish.

In 2004, the FDA issued another advisory to women who may become pregnant, pregnant women, nursing mothers, and young children to: avoid consumption of certain types of high mercury fish; limit their consumption of albacore (white) tuna to 6 ounces (one can) of albacore tuna per week and to eat up to 12 ounces (2 average meals) a week of a variety of fish and shellfish that are lower in mercury (canned light tuna is included in this category; US Environmental Protection Agency 2004).

The FDA’s action level has been criticized on several fronts. Some deem it too lenient, stating other countries’

guidelines are more stringent (e.g., Health Canada's guideline is 0.5ppm total mercury content). Some claim that the current guideline, set in the 1970’s when fish consumption was considerably lower, does not take into account the trend of increased fish consumption. Finally, the FDA has been criticized for its lack of consistent fish testing and enforcement of the action levels it has set (Bender 2003; Roe and Hawthorne 2005; PBS NOW 2003).

In addition, forty-eight states have issued their own advisories pertaining to fish consumption due to mercury contamination. These advisories have been issued for both locally-caught fish, as well as for commercial fish. However, the only state that mandates the posting of mercury-in-fish warnings is California, where legislation has been enacted that requires public notification when products expose consumers to harmful contaminants. Falling under the rubric of “Proposition 65”, California restaurants and supermarkets are required to post warnings notifying the public of mercury in seafood.

Attempting to extend the warning to canned fish, a lawsuit was filed by California’s Attorney General in 2004 against the three largest tuna processors. In May 2006, however, the tuna processors prevailed, with the court ruling “that the U.S. Food and Drug Administration is already advising pregnant women which fish to avoid and which to eat, and that the federal agency pre-empts the state from asking companies for expanded warnings that might conflict with the federal strategy” (Kay 2006, p. B1). Interestingly, the judge wrote that “the very fact that a warning sign would be posted in stores for a healthy product that the federal government encourages people to eat makes the sign misleading.” (Kay 2006, p. B1).

While not legally mandated, pressure from environmental and consumer advocacy groups have prompted other supermarkets outside of California to voluntarily post warnings about mercury near their seafood counters. Some national supermarket chains (e.g., Whole Foods Market, Trader Joe’s, Wal-Mart) now claim to post warnings at their seafood counters – yet the size, location and consistency of the warnings have been found to vary among stores (Galehouse 2005).

The Predicament

The state of California and the FDA have sought to accomplish this objective through the deployment of warnings and advisories, respectively. But how effective are warning disclosures? Next, the literature pertaining to the efficacy of warning disclosures is briefly presented.

Warning Disclosures

Many researchers have examined the impact of product warning disclosures (see Argo and Main 2004, Cox et al. 1997 and Stewart and Martin 1994 for

comprehensive reviews). Products studied have included durable goods and ingested products, namely alcohol, tobacco and prescription drugs. An extensive literature search turned up only one study which employed a food-related product; this being diet sodas with a saccharin warning disclosure (Schucker et al. 1983). Extant literature has focused on products that are generally perceived as unhealthful (i.e., alcohol and tobacco); whereas, fish is a relatively healthful product. As Stewart and Martin (1994, p. 2) state, “results of warning studies may not always generalize from one product to another.”

Measures of efficacy

There has been much research that has examined the efficacy of warning labels. While findings have pointed to disparate conclusions; overall, product warning disclosures have been found to inform consumers about potentially harmful consequences associated with the use or improper use of products and to increase safe behavior (Cox et al 1997; Morris, Mazis and Gordon 1977)

There are several dimensions to disclosure efficacy. Argo and Main (2004) draw on information processing theory to derive five measures of warning disclosure efficacy: consumer attention, reading and comprehension, recall, judgments, and behavioral compliance. Several studies have found evidence of disclosure efficacy in terms of awareness; however, research has illustrated that consumers awareness of risk fails to translate to a change in behavior or intention (e.g., Hilton 1993). This has spawned a debate on what efficacy denotes. Some believe a warning has been effective if it has informed consumers (e.g., Laughery et al. 1993); others adhere to the view that behavior modification needs to take place for a warning to be considered effective (e.g., Beltramini 1988). As Stewart and Martin (1994) point out, warnings may have unintended negative effects “such as discouraging the use of a product that offers important benefits when used appropriately.... A warning, at least in some form, may create the impression that a product is more dangerous than it is in reality (p.3). It then seems appropriate to judge warning disclosure efficacy in relation to the specific objectives the warning disclosure is attempting to accomplish.

Several variables influence the effectiveness of warning disclosures. These variables can be broadly categorized as the interaction between the message context, the message (the format, design, and content of the disclosed message) and receiver characteristics (e.g., motivation, ability, opportunity, prior beliefs; Andrews 1998).

In general, message variables that have been hypothesized to positively impact warning label effectiveness include: vividness-enhancing characteristics (attention-grabbing attributes of the warning; e.g., Argo and Main 2004; Bettman, Payne and Staelin 1986), the use

of cautionary signal words and symbols (Wogalter et al. 1987); the location of the warning message, product type and amount of distraction (Argo and Main 2004). As Stewart and Martin (1994) underscore, synthesizing the research on design issues is difficult. Often-times researchers have produced inconsistent and conflicting results (e.g., Popper and Murray 1989).

Receiver characteristics

Receiver characteristics include factors such as consumers’ ability to comprehend the message, the relevance of the message to the consumer, product familiarity, predisposition to believe or reject the message and desensitization to warnings (Stewart and Martin 1994).

Argo and Main’s (2004) meta-analysis indicated that product familiarity had no effect on consumers’ likelihood of recalling warning information; however, consumers are more likely to comply with warning disclosures when the product is familiar versus when it is unfamiliar. They explain this finding as likely being the result of having had the opportunity to learn appropriate safety behaviors in previous usage situations.

With respect to level of product usage, Andrews Netemeyer, and Durvasula (1991) found that warnings indicating the potential risk related to alcohol consumption tended to be dismissed by frequent users. Stewart and Martin (1994) suggest that the relevance of warning disclosures to consumers may influence their efficacy. This idea has been supported in the context of presenting nutritional product information that conveys health risk (Andrews, Netemeyer, and Burton 1998 ; Murphy, Hoppock, and Rusk 1998). Further, Stewart and Martin strongly advocate designing warnings based upon input from consumers, asserting market-oriented disclosures are more likely to achieve their intended effect. They caution that “conclusions based on research on warnings intended for one purpose and a specific population may not generalize to circumstances in which warnings have different purposes or different target audiences” (1994, p.14). Furthermore, they suggest that “research should not only examine the intended effects of warnings on the target population but also should assess potential unintended consequences both within the target population and other individuals who may be exposed to the warning message” (p. 14).

In the context of effectively informing the various fish-consuming constituencies of appropriate fish consumption, this field has yet to be explored. As reviewed above, few blanket generalizations can be stated with respect to warning disclosure efficacy. In this particular case, the diverse characteristics of message recipients, as well as the distinct nature of the product (healthful), require marketers and policy makers to heed

the calls of prior researchers to develop and test a market-derived warning.

RESEARCH OBJECTIVES

There are two main objectives of this research. One, this study addresses the issue of lay understanding and knowledge of the “mercury in fish” issue. In so doing, consumers’ informational needs, beliefs, and consumption practices pertaining to fish will be examined. The second set of objectives pertains to identifying the components of a market-based, consumer-driven fish consumption advisory. Doing so entails exploring several topics, among them: consumer interpretations of existing warning disclosures; beliefs about the role of governmental, regulatory, and industry in educating its various stakeholders; and participants’ informational needs and desires.

METHODOLOGY

Three focus groups comprised of between six to eight participants per group will be conducted. They will be comprised of (1) women of child-bearing age, (2) pregnant women and women with young children (under the age of six), and (3) the general population (defined as individuals falling outside of the above two groups). The FDA has targeted their fish consumption advisory to the first two groups; the health community is concerned about decreased fish consumption for the last.

At the time of submission, flyers had been posted around the local community and an advertisement run in the University newsletter calling for participants to partake in these focus groups. The study will use a convenience sample drawn from the surrounding University community, a large Southwestern metropolitan city. Respondents to the advertisements will be asked screener questions regarding their level of fish consumption and demographic characteristics to determine appropriate focus group placement. A topic guide has been developed to ensure relevant areas of discussion are addressed by the moderator. Stimuli will also be presented to participants to encourage discussion and gain feedback (e.g., the FDA advisory and California posting).

IMPLICATIONS

Are consumers aware of current federal and state fish consumption advisories? Are current methods of informing and educating consumers (e.g., web site and state park postings) effective? Do consumers (at risk and

otherwise) desire to be better informed? Upon whom do they believe that responsibility should fall? Do extant fish advisories and warnings communicate with the various stakeholders effectively? Do the segments within the at-risk population (e.g., pregnant women, childbearing age, those with young children) have unique needs or concerns? Can a single fish advisory achieve the sought after objective between the two groups (at-risk and all others)? Addressing these questions has important implications for consumers, firms, policy makers, and governments in the development of public health education and regulatory policies.

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Sunday, June 3

4:00 – 5:30 **Session 5**

540 Competitive Paper Session: Sustainable Development

Chair: Terri Rittenburg, The University of Wyoming

- 541 - *An Alternative to ‘Preaching to the Choir’: Communicating Sustainable Lifestyle Options to a Low Interest Target Group*
Lucia A. Reisch, Copenhagen Business School
S. Bietz, University of Witten
M. Kreeb, University of Witten
- 542 - *Conceptual Framework of the Precautionary Principle Approach in the Decision-making Process*
Clare D'Souza, La Trobe University
Mehdi Taghian, Deakin University
Rajive Khosla, La Trobe University
- 543 - *Research Agenda on Marketing for Sustainable Development in a Typical Sub-Sahara African (SSA) Context*
Anayo D Nkamnebe, Nnamdi Azikiwe University, Nigeria
- 544 - *Responsible Branding and Sustainable Marketing: From a New Zealand Perspective*
WITHDRAWN
Yu (Connie) Zhang, The Waikato Management School
Richard J. Varey, The Waikato Management School

An Alternative to “Preaching to the Choir” – Communicating Sustainable Lifestyle Options to a Low Interest Target Group

Lucia A. Reisch, Copenhagen Business School, Denmark
Sabine Bietz, nwd institute c/o University of Witten-Herdecke, Germany
Martin Kreeb, nwd institute c/o University of Witten-Herdecke, Germany

The paper reports on research in progress. An interdisciplinary four-year study is presented that aims at reaching consumers who are hardly interested in the topic of sustainable development and to educate and motivate them to become more sustainable consumers. At its core, the study measures the effectiveness of a TV program that tries to communicate options in sustainable consumption and production in an entertaining, emotionally positive, and fascinating way (“sustainment”). The preliminary results show that viewer-consumers do not shy away from such a difficult topic if the communication style fits with their expectations. Moreover, spin-offs such as a print magazine, a service-oriented website, and podcast offers have the potential to transform passive viewers into more active information seekers and eventually sustainability followers”.

PRIOR RESEARCH ON SUSTAINABLE CONSUMPTION

For more than two decades, behavioural consumer research has been investigating individual and institutional limitations preventing sustainable consumption behaviour (“barriers”) as well as enabling factors for the performance of more sustainable lifestyles (“drivers”). Before the 1990s, this research was conducted under the label of “environmental” and “prosocial” behaviour (see e.g., Reisch and Röpke 2004). For the development of efficient intervention strategies, knowledge about the underlying psychological variables is indispensable, and has been analyzed both as a function of stable dispositions as well as of environment-specific cognitions and emotions. While the explanatory power of generalized personality traits and broad beliefs (e.g., control beliefs, altruism, and generalized social responsibility) on various sustainable attitudes and behaviours has proven to be low and inconsistent environment-specific cognitions – in particular: moral cognitions, ecological awareness, environmental-specific control beliefs, and environmental justice appraisals – exert powerful and stable effects on

sustainable behaviour (Montada and Kals 2000). Following Shaver’s (1985) model of responsibility, the attribution of ecological responsibility to oneself as well as to powerful external agents (e.g., politics, corporations) is based on a general awareness for ecological risks and on control beliefs regarding the ability to efficiently reduce the risks. In sum, it has been shown that moral reasoning is a powerful motivational base for overcoming interest-shifts, social traps, lock-ins, and high-cost perceptions. Hence, intervention programmes have at least two entry points: They can aim at creating risk awareness (via providing information and knowledge) and/or providing immediate behaviour solutions in order to increase the perceived behavioural control (i.e., showing concrete, low cost behavioural alternatives).

Yet, this reflects only half of the story. For a long time, sustainability behaviour research has neglected the powerful and stable impact of various categories of emotions. This omission can be explained by the prevalence of rational choice-based action theories such as Ajzen and Fishbein’s (1980) Theory of Reasoned Action, the Theory of Planned Behaviour (Ajzen 1991), or Bagozzi and Warshaw’s (1990) Theory of Trying. A core element in these models is the proposition that individuals act on the basis of beliefs about consequences, cost-benefits, and importance. The basic assumption of those theories is summarized in the formula of the restricted, resourceful, expecting, evaluating, maximizing man (Coleman and Fararo 1992). Obviously, emotions do not fit and are not considered in these models. Only since the past decade or so that a significant number of studies in consumer research involving consumer emotions have been published (overview in: Laros and Steenkamp 2005).

Recent studies on the emotional foundations of sustainable (usually only environmental) behaviour that have been carried show that the moral cognitive perspective of the underlying motives for sustainable behaviour is supplemented by moral emotions. These are: indignation about insufficient pollution control of others, anger about too much pro-environmental decision-making, and feelings of guilt about own insufficient sustainable consumer decisions. Another emotional source is represented by emotional affinity or simply love of nature. Whereas moral emotions are traced back to moral

cognitions, feelings of love toward nature are based on nature experiences, which should ideally be made with significant others. In contrast, ecological fear and experienced ecological burdens are less important. Kals and Maes (2002, p. 113) summarize as follows: “With regard to the socio-ecological dilemma, the significance of a moral base makes sense, as there is only little direct personal benefit derived from sustainable behaviour. This moral dimension is reflected not only cognitively, but also experienced emotionally. [...] Sustainability should not only be appraised cognitively but also as an internalized norm, which is interconnected with personal experiences and even feelings of love”. Indeed, the emotional dimension of sustainable behaviours is increasingly taken into account in intervention programmes – such as “project balance”, where the experience of positive emotions plays a key role.

MODELS ON INDUCING BEHAVIOUR CHANGE

Social marketing research as developed by Andreasen (1995, 2001) has provided ample positive empirical evidence of its potential to influence consumers, particularly as regards health messages. Here, positive emotional appeal has proved to serve in moving a target audience from non-interest and non-knowing to a stage of contemplation of behavioural change (Monahan 1995). While fear appeals were more counterproductive than effective – provoking defence mechanisms and preventing attention (Hale and Dillard 1995) – positive emotions have proved to be much more conducive to behavioural change.

Following Andreasen (1995), approaches to induce behavioural change in consumers can be segmented into five alternatives:

- 1) the education approach with its focus on educating people - but bears the risk of boomerang effects;
- 2) the persuasion approach used in social advertising with a focus on arguments and motivational “hot buttons” that will motivate consumers to change behaviours - but bears the risks of being perceived as a (too) pushy “selling approach”;
- 3) the behavioural modification approach of behaviourists stresses the principles of learning theory, i.e., learning with reward and punishment; however successful, the approach is very costly and can hence be only applied to individuals or small groups; the social influence approach that uses campaigns directed at influencing community norms and collective behaviour; while being promising, the approach is limited to situations in which social issues and norms are well understood and accepted, the pressures to conform are extremely strong, and the behaviour to be influenced is socially important and visible (e.g., in smoking campaigns); the more educated and emancipated the individual consumer is, the

less likely it appears that group norms play a major role ;

- 4) the social marketing approach that comprises features of the above in a comprehensive and integrated manner; it places customer behaviour at the centre, uses the “Four P’s” as intervention, relies on market research, and carefully segments target markets.

For the promotion of sustainable consumption issues, the latter approach seems to be most promising. It shares most of the characteristics unique to the field, i.e., invisible benefits and consequences (while cost are real); benefits to (geographically and temporally remote) third parties; intangibles that are difficult to portray; the need for long term engagement due to large amounts of complex information; the need to change basic values; and the need to get outside opinion leaders on board.

In consumer behaviour research, high-involvement behaviours are conceptualized as being developed through definable stages. To date, several of such stage models have been proposed (Maibach and Cotton 1995; McGuire 1976). For the purpose of “project balance”, the Transtheoretical Model of Behaviour Change (Prochaska and DiClemente 1984) has been chosen as conceptual base. According to the model, consumers proceed through the following five stages: precontemplation (i.e., consumers do not think of the behaviour as being appropriate for them; this can be due to ignorance, to presumed irrelevance, or to principles); contemplation (i.e., consumers think about and evaluate recommended behaviours); preparation (i.e., consumers have decided to act and prepare, e.g., search for brands and stores); action (i.e., consumers are doing the behaviour the first time or first several times); and confirmation (i.e., consumers are committed to the behaviour and have no desire or intention to return to the earlier behaviour). The model has undergone considerable field testing (e.g., Mohr, Webb and Harris 2001), and has been validated as useful. According to this research, it is possible to separate target consumers into these five groups and to employ the appropriate intervention strategy in order to fulfil the respective marketing task, namely: create awareness and interest; change values; motivate behavioural change; create action; and maintain change (Andreasen 1995). The aim is to move consumers to respective next stages, not to bring everyone to “confirmation stage”. This will more likely be reached with tailored messages and tailored media use.

THE STUDY

“Project balance” is set up as both, a trendsetting initiative to enforce sustainability communication in the German general public as well as an academic research project that accompanies this trendsetting initiative and evaluates its outcomes. Hence, the goals of project balance are twofold: firstly, to spur communication and public

discourse on sustainable consumption and production with a cross media approach (i.e., TV, Internet, print, and podcast) based on emotionalized messages; and using accompanying research, to gain deeper insight into how such communication processes empirically work and what their factors of success and failure are. In its dual approach, the project design resembles what was termed “action research” in the 1970s. Conceptually, the project is designed as a transdisciplinary practice project with several academic and practice partners from academia, the media, and media research. In order to receive permanent feedback from other stakeholders, it is consulted by a board of advisors composed of academic experts from environmental psychology, sustainable development, green marketing, ethics, communications research, as well as of practitioners from NGOs, consumer organizations, the German Council of Sustainable Development, the leading German media research institution “Grimme Institut” among others. The project approach is iterative research, i.e., research is seen as a continuous process, not as a one-way activity with a neat defined beginning and end. It is more like an upward spiral of exploration, planning, structuring, pretesting, implementing, monitoring, and replanning.ⁱ

The basic hypothesis of the balance project is that the use of emotionalized and entertaining messages can be a successful tool in promoting attention to, interest in, positive attitudes towards, knowledge of, and positive behavioural intentions / willingness criteriaⁱⁱ regarding sustainable consumption and production issues of the “broad masses”. The key idea is a two-step approach: to first gain viewers’ attention, interest, and sympathy via “limbic” social marketing tools (i.e., triggering positive emotions), and then transmit convincing cognitive messages that inform and confirm prior attitudes towards behaviour change. It is hypothesized that an “ecotainment” (Lichtl 1999) or “sustainment” approach, i.e., the use of a social marketing concept based on positive emotions and entertaining features, would be more effective than the hitherto predominant fact-oriented style of consumer information. Prior research has shown that the latter reaches – at best – the “usual suspects”, i.e., the more educated and principally interested consumers. This has to do with the information overload in today’s attention economy. It is estimated that not more than 5% of actively sent corporate communication directed to consumers is received. The metaphor of the “atomization of the media” might explain why consumers show lesser interest in classic corporate one-sided “push-communication”, which viewer research derives from increased zapping and other forms of ad avoidance strategies increasingly employed by consumers. Hence, an alternative lies in using two-sided “pull-media” such as the internet, where recipients select customized contents and have a dialogue option to exchange views and voice their opinions. Project balance aims at developing and testing a cross media strategy of push and pull-media, with a TV clip as a teaser that ideally

redirects viewers to become users, readers, and finally, “doers”.

THE TRENDSETTING INITIATIVE

The project focuses on the very beginning of the multi-stage consumption processes, namely the generation of attention to and possibly attitude formation. The more ambitious goals of reaching later stages in the consumption process with more specific information, service tools for consumers, and deeper background information should be provided via other media outlets, such as print (“Welt der Wunder” magazine), websites (www.weltderwunder.de; with rubric “balance”), and podcasts (www.balance-p.de). In order to increase target group exposure, the messages had to be placed in media channels the target audience, i.e., people that are not or hardly interested in sustainability issues, normally uses. Channels were carefully selected regarding reach, frequency, impact, and cost. During the project, cross media spin-offs – a website, a print magazine, and a podcast show – were developed. Currently, Internet TV is explored.

As main channel for the sustainability messages, we chose the TV show “Welt der Wunder” which is weekly aired in the private television program RTL II. The reasons for this choice were as follows:

- 1) From commercial audience research, it was known that both “Welt der Wunder” and RTL II’s core audience is lesser educated and less interested in environmental and social issues than the average German TV viewer. During the project, this was verified by our own research based on GfK’s viewer profiles. Hence, RTL II and “Welt der Wunder” viewers do well represent the target group of our interest.
- 2) We were able to get free access to detailed audience research data which is collected by the prestigious German Gesellschaft für Konsumforschung (GfK) in Nuremberg.ⁱⁱⁱ The access to these data enables to track viewers’ switch on - switch off behaviour for every second of programme and advertisements. Usually, such data are unaffordable for academic research; here in the represented project, the access was provided on the base of a non-profit-cooperation with the producer of “Welt der Wunder” via public-private partnership.

The TV Show “Welt der Wunder” has switched to RTL II channel in 2004. Until then, it had been on air on another private channel (PRO 7) for a decade. To date, it is the most popular science programme in German TV with about four million viewers per show. The show is aired weekly during prime time (Sundays at 7 p.m.) and repeated twice during the week on a news channel (n-tv). Research in the effectiveness of health communication has shown that more effective campaigns use multiple media and repetition of a single message either in the form of

retransmission of the original message or in slight variations of the basic theme, and that they use the news media as a means of increasing visibility (Backer, Rogers and Sopory 1992). Hence, it was expected that a “hook up” cross-media strategy transmitting multiple repeated messages in multiple channels, tailored to the different sub-target groups, would be effective in creating attention and knowledge. It was also hoped that TV viewers could be redirected to the more informative website, the magazine, or – especially for the young age group – to podcast shows on sustainability issues.

- 3) The TV show host (who is also the producer of the show) has, in the past decade, become a well known celebrity and a “brand” by himself in Germany. Hence, it was expected that he enjoys high credibility, and audiences will particularly pay attention to messages delivered and presented by him. It turned out that this was an important asset, since it helped to drag viewers to the website and the rubric balance. After all, his interests in the project are not purely economic (i.e., to create a strong brand with a positive image that is attractive for advertisers), but he is also motivated by personal beliefs in the necessity of a more sustainable lifestyle. This turned out to be an invaluable asset since he would deliberately include sustainability information in the moderation that was not presented in the TV clips.
- 4) The editorial staff, scriptwriters, and the producer were open-minded and interested to embrace the project group’s continuous “sustainability coaching” efforts. In practice, this is highly relevant since the freedom of the press forbids external intrusion in the production of a programme. The content and design of the TV clips lies fully in the responsibility of the journalists. After the recent heated public debate and legal conflicts on national and European level on surreptitious TV advertising, product placement, and issue placement,^{iv} journalists and programme makers have become even more reluctant and highly sensitive to perceived efforts of undue influence in their work.

ACCOMPANYING RESEARCH

The accompanying research of project balance is split up into three research modules carried out by the three research groups media research, consumer research, and marketing research. There is a close interaction between those groups, in particular between media research and consumer research. Consumer research basically carries out reception analysis and content analysis. Both direct (e.g., questionnaires, video taping) and proxy measures (e.g., switch on-switch off data) are used. Data are retrieved mainly from focus group discussion, expert

group discussions, individual interviews, case studies with companies (e.g., on their sustainable marketing strategies), market response analysis and computer assisted qualitative data analysis (CAQDA), performed with ATLAS.ti, of the transmitted TV clips. Moreover, viewers are profiled via available GfK data and the employment of standardized instruments measuring their propensity to environmental and socially conscious consumption. The criteria of analysis are: comprehensibility of the message, attractiveness (measured by polarity profiles and direct questions), emotional appeal (before and after design), acceptability, and relevance (with the proxy measure of remembrance of contents and emotions). We also employed an experimental design with attendants of a driving school showing both emotionalized clips and “neutral” video clips.

The group discussions were performed between February and November 2006. The group members were specifically selected on the base of their similarity to the project’s target group (i.e., less educated and/or young age and/or “Welt der Wunder” viewer): from groups such as students of vocational schools, secondary schools, but also administrators and sports teams. For the group discussion, we designed a standardized questionnaire to measure – besides socio-demographic data – emotional appeal, attractiveness, acceptability, and relevance of the clip. Recall of the clips’ information was checked.

Special attention was given to the measurement of emotions. While there has been a significant increase of research in affective processes in consumer behaviour research lately (Richins 1997), information about the nature of emotions and their measurement are still scarce. In the consumer research module of project balance, the measurement of emotions was performed with the German version (Krohne et al. 1996) of the PANAS (Watson and Clark 1988). It proved to be very helpful to have data to the split second from both media research (switch on - switch off) and the CAQDA of the clips. Hence, it was possible to relate viewers’ reactions to tiny bits of narration or format, and to find patterns and correlations in the data.

PRELIMINARY RESULTS

While the project has only proceeded halfway, some initial results can be shared – with full respect to the provision of interim results. As outlined above, our conceptual base was the Transtheoretical Model of Behaviour Change in whose frame we focused on the early stages (which we hypothesized could most likely be influences). In contrast, monitoring and measurement of actual behavioural change (let alone its stabilization into a routine) was barely possible with a design where respective data could only be derived indirectly from company interviews and market response analysis. For such a purpose, one would require a panel design or a form of ethnographic research. For the purpose of this project,

the measurement of behavioural intentions was as close as we could get to the later stages.

In order to evaluate the initial results, we followed Andreason's (1995) description of stage-appropriate marketing tasks:

- (1) *Create awareness and interest:* In the case of project balance, most of the target group members are in the stage of precontemplation. Hence, it will be important to show new behavioural possibilities (e.g., presenting Fair Trade coffee), to show their relevance, to communicate that the proposed behaviour is not antithetical to the values of, or even a trend in the consumers' reference groups (e.g., presenting a celebrity who is consumer Fair Trade coffee; showcasing LOHAS shopping in London), and that it will improve audience members' own lives (e.g., presenting benefits and positive consequences in a positive enjoyable frame that creates positive emotions and attitudes). The appropriate tools will be the provision of positive emotional stimuli and education on behavioural alternatives. Viewer surveys conducted on the balance project website after the clips were aired showed that balance clips were perceived at least as interesting and attractive as the other clips in the show that did not feature sustainability issues. Moreover, most of the clips were able to create positive emotions. In general, clips associated with negative emotions and a fear appeal were less liked and less well remembered.
- (2) *Change values:* Some members of the target group will be in the contemplation stage, where they consider and evaluate proposed behaviours. For those viewers, it will be important to showcase the benefits and to reduce perceived costs of behavioural alternatives. In project balance, the TV clip showcasing the thrifty use of compact detergent, focused on the individual benefits (money saving, less environmental harm, health aspects) of "washing right". There was also "demarketing" in the sense that the individual and environmental cost of the behavioural alternative – conventional filler boosted washing powder – was emphasized. On an emotional level, compact detergent was presented as the modern high tech alternative, the washing powder with (non-functional, amount-boosting) fillers as outdated, dull, and even ridiculous.
- (3) *Motivate:* For those consumers who have reached stage three – preparation – it is important to provide easily accessible information and "service" guidance in order to reduce transaction costs to a minimum. Consumers at this stage are ready for a more extended information search. Here, a three to eight minutes TV clip reaches its limits as information carrier. A solution was to

guide viewers explicitly via the show host to the website where additional material (e.g., on the European "wash right" campaign, a voluntary initiative by the large washing detergent producers) and service tools (e.g., a service module that computed the optimal amount of detergent when the user entered her zip code) were provided. As log file analysis showed, many viewers were indeed directed to the website and made use of its offers: Some of them opted for reviewing the sustainability clips of the latest shows, and actively searched for more information in the rubric "balance". Many had a look at the print magazine and the podcast show, which are both advertised on the website; finally, many participated in balance quizzes (that served the project as a measure of knowledge creation), filled in questionnaires (for the research project), chatted with other community members, the producer, or the scientists. From a conceptual view, TV viewers are herewith transformed into Internet users, and the one-way passive information has been supplemented by an active and selective information search process with the option of two-way communication (Chats). This is of outmost importance, since consumers do not make their decisions in a social vacuum. They are part of families and peer groups, work teams, virtual communities, and neighbourhoods. These groups act as "communication buffers" in commenting on and evaluating information, attitudes, and consumption decisions of the individual. They can act as facilitators, as sources of (contradictory or supporting) information, and as sources of social pressure. Relevant others – people from these communities or celebrities – can act as role models and opinion leaders. These tendencies were exploited in project balance by actively involving the (already existent) "Welt der Wunder community". Moreover, interviews with the companies' PR and/ Marketing departments showed that employees of some portrayed company had liked the "Welt der Wunder" presentation of their company as a sustainability leader and appreciated to be approached by friends and family who had also watched the programme. Such "halo-effects" can be expected to have positive motivational and identity building effects both internal (employees) and external (consumers) ("internal marketing"). Moreover, as we found in the surveys and focus groups, viewers often remembered small interesting facts presented in the balance clips which they then passed on as "conversation piece" and status markers to others. All these represent a few of many possibilities to advance

the presence of sustainability issues in the public discourse.

- (4) and (5) *Create action and Maintain change*: When consumers are engaging in the behaviour the first time, this is a critical moment. Consumer research has shown that perceived self-efficacy and perceived behavioural control have a decisive moderating effect on acting upon one's intentions (see e.g., Bagozzi and Warshaw 1990). If then the behaviour turns out to be rewarding, it will likely be repeated. Securing repeat behaviour and reinforcing desired behaviour are hence the final tasks of behaviour modification. Sustainability communication can be helpful in presenting successful examples and of reducing perceived barriers to action. Research on sustainable consumer behaviour has pointed at the necessity of high quality feed back (i.e., fast, precise, independent) that can provide the necessary rewards. Without going into detail, communities (virtual or real) can play an important role in feed-backing, rewarding, and punishing. However, as outlined above, project balance does not comprise systematic follow-ups, monitoring, and measuring of behaviour change or its maintenance itself, but limits its research to behavioural intentions.

Preliminary results show that the topic sustainability is appreciated in this form of media presentation and that positive attitudes and intentions for actions are generated in the "low interest" target group. Overall the assessment, of the clips through the focus groups was predominantly positive. The clips were mostly perceived as authentic, modern, and good. This is underlined by the statements of the participants in the group discussions.

DISCUSSION

While the potentials of the "ecotainment" – or better: "sustainment" – approach at least for the early stages of consumer behaviour change process are looming, there are a number of pitfalls associated with the approach for companies that seriously want to communicate on sustainability issues with consumers:

To date, it is generally agreed that sustainability communication is a highly complex and even risky activity that needs careful strategic planning and genuine stakeholder input. Research and practice have shown that, if not practiced in a sophisticated and culturally adapted manner, it can inflict more harm than good, and consumers might easily feel misled (Becker-Olsen, Cudmore and Hill 2006). Hence, transmitting sustainability messages via a communication strategy as presented in this paper is not without risks. Not surprisingly, the "trendsetting module" of the project was blamed from the outset to jeopardize the serious contents of sustainable development by abridging and "dumbing down" the messages. Yet, the "sustainment"

approach is seen as a possible element of a much broader communication concept which does encompass other communication tools that complement mass media communication – from customer relation to stakeholder dialogues. The balance project itself is the result of a collaboration of the media, science, and corporations, with sustainability actors and consumer watchdogs closely involved. Moreover, it is targeted to a special target group of the less interested that has been proven to be hardly reachable, otherwise.

Further, the project has been confronted with the caveat that sailing close to the wind of manipulation and propaganda bears its own risks of reputation and credibility and hence of both communication and research ethics. Business ethics has long discussed the limits to the strategic use of ethics (Husted and Allen 2000; Lantos 2002). Even though forms of "stealth marketing", such as buzz marketing that relies on word-of-mouth communication, and subliminal messaging that relies on the forces of the unconscious, might be effective to some extent, it seems not advisable to employ them in a sustainability communication strategy. The pitfalls of such marketing activities – loss of credibility and reputation – have to be closely evaluated against potential desired outcomes. The charge of manipulation is substantiated if viewers/consumers are not aware of and don't realize that they are being influenced and marketed to, and that the visibility of the sender/company behind is hidden. While from a utilitarian perspective, the end justifies the means, from a deontological approach, communication ethics clearly depicts the limits. Basically, manipulation profoundly counteracts the ideas of transparency, trust, and authenticity which are fundamentals in sustainable consumption and the communication on it. In project balance, therefore, it is of utmost importance that the sender is clearly identified, which is done both in the opening credits of the TV show, sometimes also in the teasers and moderation, as well as on the website and all other media channels. The use of emotional pictures and narratives per se is not seen as problematic.

NOTES

ⁱ For a detailed overview of concept, partners, and research design see the project website www.balance-f.de. The project is sponsored by the German Ministry of Research and Education and runs for 3 years until 2007.

ⁱⁱ The original project design had included to track and measure actual consumer behaviour, not just knowledge, emotions, attitudes, and purchase intention. However, due to the fact that only a few products and behavioural strategies have been presented in the TV clips, this has proven to be difficult. Yet, previous longitudinal studies have shown that willingness criteria such as the willingness to commit oneself to the protection of nature are valid predictors of manifest behavioural decisions (Montada and Kals 1998) and can be used as a proxy.

ⁱⁱⁱ The German “Gesellschaft für Konsumforschung” (www.gfk.com) carries out most of the German audience research and owns the most prestigious TV panel. It publishes, e.g., the audience ratings for all German TV stations.

^{iv} In March 2006, the European Commission has proposed to revise the European “Television without frontiers” directive towards allowing product and issue placement. The European Consumer Organisation BEUC has criticized this step since it means that the legally-enshrined dividing line that now exists between editorial content and advertising will disappear and that topics and contents of programmes will be for sale.

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Conceptual Framework of the Precautionary Principle Approach in the Decision-making process

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This article reviews the precautionary principle as an approach in addressing decisions with far reaching environmental consequences under scientific uncertainty. The precautionary principle is intended to assist with structuring environmentally risky decisions toward sustainable development. It responds to the lack of scientific evidence of a potential environmental problem. There is currently no framework to assist with the process indicating the areas of importance and stages of decision-making. This paper suggests a framework to assist with the process of decision-making for complex environmental problems. The main areas of concern are the issues relating to the costs, risks, and benefits assessments. The main stages of the framework includes; definition of the problem, analysis of the potential environmental risks, assessments of specific anticipated legal, social, economic, political, and technological impacts, review of the key players (social, organisation and government) obligations, comparison of alternatives available, determination of accountability, implementation, decision making, monitoring and control processes.

Keywords: sustainable development; the precautionary principle, environmental risks, decision-making; the precautionary principle framework.

The environmental sustainability, climate changes and environmental risks have become a growing concern for policy makers in terms of its content, implementation and implications. Policy makers are concerned about the social and economic costs and benefits, especially in areas where hard and indisputable scientific evidence is lacking. This paper aims to review the approach referred to as the precautionary principle and suggests a framework for a methodical approach in arriving at environmental decisions. The paper has three broad objectives; firstly it addresses the importance of the precautionary principle. Secondly, it discusses the widespread relevance of its application. Despite the existing limitations of its definition, the paper sheds some light on its scope for application in lieu that the regulatory and other

environmental protection instrument does not prejudice its application. Finally, it demonstrates a conceptual framework, which will potentially; perform a directive function by providing discourse and deliberation when applied to circumstances based on each case.

Pollution, over consumption, environmental degradation, and global warming are issues that demand policy initiatives and decision making to sustain development. As indicated by the United Nations (UN), society's consumption disparities are so stark that shows the world's wealthiest 20 percent consume a massive 86 percent of the world's resources (Shah 2001). Consumption generates wastes in one form or the other. This puts most of the developed world in the spotlight to clean up their act and be more conscientious about the consequences of their behavior. The solutions to environmental degradation not only require urgent changes in human behaviour and cultural practices to reduce consumption, it also requires advances in cleaner and more efficient technologies by industry and businesses (Oskamp 2000). It is increasingly clear that now environmental sustainability has become a central concern for most countries. Whilst economic growth on one hand has contributed in a large measure to the rising of the average standard of living, yet on the other hand it is seen as a source of accelerating pollution and degradation of the environment. Thus to strike a balance between the need for economic development and environmental protection is a multifaceted task. In sum, the question is how to achieve the goal of sustainable development, presently and for the foreseeable future.

This article presents a review of the main issues that accentuates the importance of the precautionary principle. This principle is seen as a fundamental approach in addressing environment-related decisions with anticipated and far reaching environmental consequences under scientific uncertainty. The precautionary principle as it was initially intended is also an important means of implementing sustainable development. The precautionary principle can, potentially, assist with a methodical approach in structuring environmentally risky decisions toward sustainable development (NENT 2004). There is currently no framework existing that could assist with the process of investigation, analysis, and cost and benefits estimates that can provide a decision rule to assist this process. Neither is there a course of action that may be

taken to operationalize the precautionary principle approach.

This paper attempts to provide a framework for the process of decision-making, implementation, and control. It has been indicated that the precautionary principle can perform a directive function by providing clear stages of development, focused discourse and deliberation when applied on a case by case basis. In addition, it can benefit and contribute to formulating environmental public policies.

WHY USE THE PRECAUTIONARY PRINCIPLE APPROACH FOR POLICY MAKING?

The controversy over how to use the precautionary principle has stimulated a large body of research. In the past, traditionally, the anti precautionary principle has been applied in decision-making, thereby allowing corporations to pollute the environment, release high levels of toxic and radioactive wastes while contributing to global warming (Saunders 2000). The progress toward economic prosperity and society's advancement has been at the cost of environmental degradation without due regards for sustainable outcomes. This has brought together a number of institutions and countries to address these issues.

One remarkable approach was the precautionary principle. Primarily, the United States endorsed the precautionary principle when the US federal government signed and ratified the Rio Declaration after the 1992 UN conference on Environment and Development.

The precautionary principle is characterised as taking precautionary measures when any activity can be seen as a threat or harm to human health or the environment even if the cause and effect relationships cannot be fully established scientifically (Kriebel, Tickner, Epstein et al, 2001).

The precautionary principle is a doctrine that supports the logic behind human rights where people need to be protected against harmful applications of modern technology and risk to the environment. The precautionary principle is applicable to management of risks (European Commission 2000). It has been argued that this principle should go further, suggesting that even if environmental risks underlying the activities or products are negligible, they should be discontinued from being deployed.

In short, the precautionary principle advocates that a point can apparently be reached when human well-being and environmental health are put at risk by large-scale human activity or man-made system over which humans have or should be able to exercise control. At such a point the problem could be identified, a course charted, and precautionary actions taken to ameliorate or prevent a potential threat to human and environmental health on behalf of current and future generations (United Nations Conference on Environment and Development 1992). The thrust of the precautionary principle is to allow for the possibility of damage to the environment when the

scientific evidence is still lacking. It offers a demonstrable preference to err on the side of the environmental safety rather than taking undue risks.

The precautionary principle has not been clearly defined and there are varying expressions of it in international treaties and scientific literature (for further discussion see Saddin 1999; Pittinger and Bishop 1999). The consensus on the definition has not been clear as to how this principle should be invoked, or how it differs from traditional approaches to other forms of risk management when applied, nor does it provide answers to how safe is safe (enough)? Or how clean is clean (enough) (Pittinger and Bishop 1999). The principle is, primarily, based on the aphorism "better safe than sorry," whereby it attempts to formalize the application of caution in advance to regulatory decision making (Marchant 2003).

Conversely, there are some issues representing problems in applying the precautionary principle which can be briefly summarized in the following points (Kriebel et al. 2001):

- Although scientific studies reveal the costs, risks, and benefits of a proposed action, there will always be value judgments that necessitate political decisions.
- The scientific data used will be limited by some level of uncertainty, suggesting that even the best theory and data will exclude much that would not be known about estimates of risks, benefits, or costs.
- Scientists use assumptions, choices, and inferences based on professional judgment and standard practices, which make scientific results, appear to be more certain and less value laden than what is warranted.
- In these uncertain areas, activities that threaten human and environmental health are often allowed to continue because the standards dictate high confidence to reject those propositions, and so detect harmful effects.

Executive experiences have identified that society requires an innovative approach by corporations in protecting human and environmental health, based on the precautionary principle (Gilbert, Diver and Miller 2004). There appears to be an expectation for commitment to environmental care through voluntary restraints by corporations and regulatory control of corporate behaviour.

In spite of the varying shortcomings of the precautionary principle that have been posited, the principle is increasingly being used in international agreements. The last decade has seen more than a dozen international environmental agreements, specifically integrated into the legal framework of the European Union (EU), and implemented into the domestic laws of many countries. This record of accomplishment exemplifies that the precautionary principle is satisfying a previously unmet need in environmental protection policy initiatives (Marchant 2003).

The precautionary principle is also used in every day environmental situations, in making policy decisions in businesses, at the local, state and federal levels. It functions as a basis on a statement of values and can be used as a guideline in any decision-making process. Being versatile, it has also shaped the foundation of several crucial pieces of legislation that could be applied to businesses, society and government. The precautionary principle can be seen as a foundation to some successful policies for sustainability and has been widely cited in international decisions and trade disputes between the EU and USA (Som, Hilty, and Ruddy 2004). The precautionary principle is the important element of the principle of sustainability. It takes priority over other principles such as the 'polluter pays' and 'nature's toleration limit' (NENT 2004)

BUSINESS CONTEXT

Businesses are expected to exercise conscious efforts towards environmentally responsible manufacturing which involves cleaner processes that reduces or eliminates waste, minimizes energy consumption, improve resource efficiency and operational safety (Weissman and Sekitowski 1991)

Environmental practices have emerged with impact from reactive and proactive activities and policies laid by businesses. Whilst reactive measures are largely due to governmental and legal regulations aimed to sustain the activities of competitors, proactive measures are coupled with developing and maintaining a sustainable competitive advantage in the market place. Both of these measures have impacts on the strategic direction the firm should take (Ottman 1998).

Businesses witness a range of applications of the precautionary principle in regulatory practices. Even more essential is the focus on long term decisions and policy formulations to achieve the elusive objective of environmental and economic sustainable development (Pitinger and Bishop 1999). While national governments use the precautionary principle to direct policies and use it as a foundation for international agreements on environmental protection, businesses, in turn, need to apply the precautionary principle at the managerial level to curtail environmental degradation (FWI 2004).

For instance, traditional methods of environmental protection that emerged from the private sector were through *direct* or *command and control* regulation. Voluntary environmental tools consist of actions such as (Brophy et al. 1995 and Annandale et al. 2000):

- implementation of company environmental policies
- product certification and life cycle analysis
- extended producer responsibility
- environmental accounting
- corporate environmental reporting and
- environmental management systems

As can be seen, traditional instruments such as command and control and voluntary measures mentioned above including cost-benefit analysis, and risk assessment have been used to provide support for sustainable development. While these instruments have been used successfully to control certain environmental mishaps, the incidence of environmental wastes and resource consumption still remains significant. It can be envisaged that these environmental decision making processes suffer from several constraints, which often limits business' ability to identify, anticipate and prevent potential harm to the environment.

Shortfalls in the formulation and criteria used to direct its operation has restricted the wide spread use of the precautionary principle in environmental decision making and in some cases have generated controversies (Tickner 1997). There is a clear need to establish a flexible framework that will give business and government decision makers a transparent and clear direction.

APPLICATION OF THE PRINCIPLE

Currently, to our knowledge there has been no conceptual framework developed for the precautionary principle that can be used to structure strategic environmental decisions in a dynamic competitive and regulatory environment. Such a framework will, potentially, lessen the competitive, environmental and legal risks faced by many organizations (Henrique and Sadorsky 1996). To achieve clean processes, products and activities all environmentally conscious business and government practices need to be carefully designed.

The precautionary principle requires that action must be taken to avoid risks of harm even if cause-and-effect relationships are not established scientifically (Sunstein 2004). Basically what dominates the present approach is that precaution involves the application of principles that "prevention is better than cure" (Tickner 1997), that "irreversible effects should be avoided" (Jackson and Taylor 1992), that options offering better economic and environmental performance, "no regrets", should be replaced (Dovers and Handmer 1995), that appraisal should take place at the level of production systems taken as a whole (Ashford 1996), and that attention should be extended to the essential value of non-human life in its own right, a "biocentric ethic" (O'Riordan and Cameron 1994). In practice it is bounded by the application of the principles of good regulation (BRTF, 2000). As can be seen, although the principle looks firm and alluring to sustainable measures, it doesn't appear to be flexible enough from a practical point of view.

There have also been some assumptions indicating why the principle may not be effectively workable in practice. The suggestions are that the principle does not allow for consideration of environmental benefits, complete regulatory uncertainty for businesses and prohibitions or limitations on activity based on mere

allegations of harm (FWI, 2004). The framework, which is being suggested, attempts to address some of these limitations.

It is being suggested that the precautionary principle needs to be balanced against the response to environmental risks, benefits and regulatory uncertainty. This proposed framework (see figure 1) attempts to help public and private sectors first build up a case scenario on the activity or product they intend developing. They will then define the situation, activity or product and highlight its objectives. There are two forms of the precautionary principle, one is the *strict form* and the other is the *active form*. Unlike the *strict form*, the *active form* proposes choosing less risky options when they are available, and for taking responsibility for potential risks (Phoenix, and Treder, 2003). Consequently, the policy implication of using the strict form of the precautionary principle may, potentially, be imposing restrictions on economic growth and business development.

Based on the decision as to which form of the precautionary principle is applicable, i.e. strict or active, the type of activity or product may be categorized. In some cases high impact on the environment warrants evaluation of alternative actions, which can create an incentive to innovate and design new technologies. An essential factor is the requirement to assess the full range of alternatives when pursuing an activity, product or practice.

The framework demonstrates what reasonable precautionary measures businesses can take by examining environmental risks, costs, benefits, safety and regulatory

certainty. It is essentially a practice in making assumptions about the likelihood of consequences to ascertain reliable scenarios, and later using standard procedures of risk assessment to make decisions on how to address the activity, hazard, or threatened situations. The assessment should be holistic as much as possible and consider all relevant social, political, economic, technological and legal factors that will reflect the commitment to sustainable development (see Figure 1).

Environmental Costs

The perception of value and market prices of most activities fail to represent their full costs in both monetary and non monetary terms. Economists consider the market as a decentralized exchange system that allows society to allocate resources efficiently. However, when markets cannot allocate the full social costs of exploiting natural resources of environmental assets through the price mechanism, it results in market failures. Some economic activities may, potentially, impose long-term spill over costs to society. These secondary effects are often ignored in the market transaction and are referred to as externalities (examples include motoring emissions and the contribution to greenhouse gases which in turn affects rising sea levels). Some countries have initiated regulatory measures such as 'green taxes' to internalise costs but when an externality is present, the full cost of a product is not known to producers and consumers (Gilbert, Diver and Miller 2004).

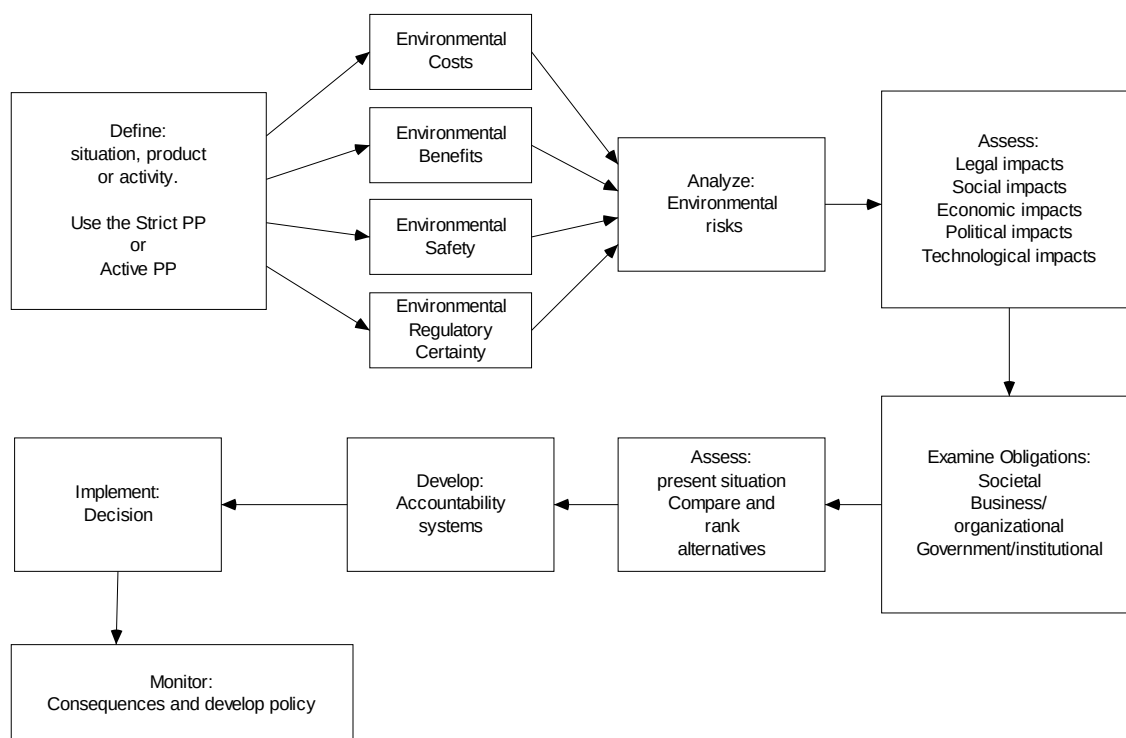


FIGURE 1 A CONCEPTUAL FRAMEWORK FOR IMPLEMENTING THE PRECAUTIONARY PRINCIPLE DECISION-MAKING PROCESS

To ensure a fully informed decision, the principle necessitates evaluating environmental costs even if the activities arising from this has a low environmental impact. In the private sector, this could raise the price of polluting products thereby creating market incentives to reduce pollution emissions.

Environmental Benefits

Arguably, one could also object to the use of the principle as it takes no account of the benefits of an action and is biased towards identifying risks since it can be better quantified (Phoenix and Treder 2003). Hence the proposed framework suggests that environmental benefits be considered. The policy implications under the precautionary scenario are that the activities undertaken, although they have an impact on the environment, can also have some environmental benefits. For example, improved production processes in the case of green products.

Environmental Safety

The central theme of the precautionary principle suggests that when any activity raises a threat to the environment or human health, precautionary measures must be taken. In case a decision maker chooses a potentially unsafe course of action, he should also accept the responsibility for demonstrating that the action is reasonably safe. Additionally, the decision maker should demonstrate that an exhaustive range of alternatives has been taken into account and were considered before the final decision was reached.

For ensuring environmental safety, the decision to apply the precautionary principle relies on three factors: the 'type of evidence' required as suitable for decision making, the 'amount of evidence', and the 'reference point' for prompting the precautionary principle (i.e. how much evidence is enough?) (Schutz and Wiedemann 2005). The key question is whether there is enough scientific evidence to indicate that the risk potential is substantial. It is also suggested that when applying this principle to public and private decisions it should be guided by very careful evaluation when considering serious or irreversible damage to the environment and it should be assessed on weighing the risks and safety of the results of various options (O'Riordan and Cameron 1994). Furthermore, strict reliance on scientific evidence may not provide all the answers, as it may involve value judgments. Eventually, it may be a political decision, and as such a structured and transparent procedure for evaluating the choice should be used (Schutz and Wiedemann 2005).

Environmental policy values should be safe to the extent that they are also practicable. Sometimes it may not

be practicable to prove high level of safety or no threat of harm (FWI 2004) but some concrete assumptions can be made.

Environmental Regulatory Certainty

It is possible that environmental policy and regulations could be developed based on mere allegations or unfounded assumptions. The precautionary principle is not an obstacle in this process, but should be looked as an innovative tool to be used to achieve a more effective result. The existing regulatory composition permits environmental agencies to provide environmental protection without curbing business activity and job creation (FWI 2004). However, in the case of the precautionary principle one is expected to prove something that is rather impossible to prove at the present moment.

The policy implications involving the environment are particularly susceptible to uncertainty. In addition, policy makers expect that regulatory measures assist to minimise or eliminate damages to the environment, even if the evidence based on which decisions were made were not fully established about the harm that could be caused. Unquestionably, scientific certainty would be the ideal situation to the extent that relying on anything less could be considered as undesirable. It can also be indicated that the accuracy of the scientifically proven facts are at times questioned by later findings. Unfortunately, scientific evidence is seldom, if ever, unconditional. In making some policy judgments to restrict business choices by using what may be seen as scientifically assessed environmental risks could, at times, result in lost opportunities for them.

This places product innovations in a predicament. On the one hand, new product developers require adequately reliable and accurate data to understand complex environmental problems to be able to formulate effective policy choices and proper product design alternative decisions. Should the management delay the new product development until perfect scientific evidence is available, the opportunity may be lost. It is, therefore, important to indicate the extent to which businesses should weigh and measure the probability of damage to the environment by their actions, as well as the process by which this evaluation should be followed.

Environmental Risks

It may be suggested that it would be more prudent, more appropriate and regard it as being more productive to provide interpretations of what is viewed as a precautionary perspective in various circumstances.

The risk assessment model is more reactionary and requires a high degree of harm before any preventive

measures can take place unlike the precautionary approach whereby it calls for preventive action because there is uncertainty.

The precautionary approach differs from the traditional risk management approach in that it attempts to prevent risk rather than to manage it. The precautionary approach calls for identifying knowledge gaps together with existing information, while risk appraisals are biased towards quantitative assessment of a restricted set of actions (Gilbert, Diver and Miller 2004). Not to say that risk appraisals are avoided totally but it is not as the end unto itself. When faced with an environmental situation one would ask whether the given product or practice, for example, is not risky to the environment and whether products and practices with lesser environmental harm would be allowed to be introduced. Environmental hazards not recognized will not be investigated, unless the risk assessment process specifically explores 'early warnings' signals (Aslaksen, Natvig and Nordal 2004), which may prove to be too late to retract to safety.

In the case of the precautionary principle, it should be invoked on the basis of the best scientific advice available in making decisions when (ILGRA Report 2002):

- There is good reason to believe that harmful effects may occur to the environment and its inhabitants that causes risks. This criterion as suggested by the Environmental Protection Act 1990 (EPA) can be shown with empirical evidence or by analogy with another activity, or in the case of product or situation which has been identified to carry a major adverse risk. One can even provide sound theoretical explanation as to how the harm may be generated.
- The level of scientific uncertainty about the likelihood of consequences is such that it may not be possible to assess risk with enough confidence for a well-informed decision making. Harmful effects could be measured by referring to factors such as severity, irreversibility, uniqueness, as well as number of people affected, temporal and spatial extent and other effects.

Participants and their Obligations

The design and the application of the precautionary principle framework rely on the intensity of concern by the key participants (society, businesses/organisations, and government/institutions) and their attitude and focus on the environment. As the application of the precautionary principle is linked with underlying choices of value, the environment may reflect differently for different interest groups in terms of their attitudes (NENT, 2004). These different participants maintain different forms of interest or obligations, responsibilities and accountabilities on the environment. The precautionary principle being normative by nature suggests two concerns. Firstly, in order to protect society, the participants' values need to be defined

according to the social system of values. Secondly, their attitudes regarding the extent of precaution that needs to be applied should be identified and assessed (Som, Hilty and Ruddy 2004). However, full account of the assumptions and values of these different groups need to be considered. There would be a need to weigh and balance the existing situation with the relevant factors discussed above. If there appears to be environmental concerns regarding the situation, activity, or product, it is then suggested that alternative products or activities need to be considered. The next step follows accountability and further implementation of the decision on the situation, and finally monitoring and control of the consequences, based on the policy measures that have been developed. The strategic goal of the framework is to contribute to sustainable development by focusing on key activities crucial for social well-being and economic competitiveness. Additionally, the framework can be applied on a case by case basis.

DISCUSSIONS AND CONCLUSIONS

Early works demonstrated economic growth as a cause of global degradation. While today's economic and business initiatives demand reforms in the eco system, whereby ecological system can sustain them. The United Nations Conference on Environment and Development (UNCED) process embraced sustainable development as a principle which characterizes the limits of ecological sustainability by what can currently be sustained economically (The Rio Declaration on Environment and Development 1992). Thus, economic arguments like 'cost effectiveness' and 'global benefits at the lowest possible cost' are no longer the principal determinants of what is, or is not, an appropriate responses. Ecological concepts like the carrying capacity of ecosystems take precedent (Taylor, 2005). Hence one cannot pay mere lip service to the precautionary principle.

A conceptual framework was proposed to rationalize the process and overcome the inherent inadequacies that currently appear to exist in the operationalization of the precautionary principle. The use of the framework can be based on individual cases. The main issues identified were the problems in the ramifications of environmental costs, risks, safety, regulatory and benefits. It was recognized that the precautionary principle typically responds to scientific warnings of an environmental problem. Unfortunately, scientific evidence is seldom, if ever, unconditional. The implication of this framework is that it takes into consideration even opportunities and environmental benefits that were overlooked in the past by the precautionary principle over uncertainty.

The contemporary understanding of the precautionary principle is that it calls for action to be taken to avoid risks of harm even if cause-and-effect relationships were not established scientifically. The precautionary principle

framework demonstrates potential for application in policy initiatives and demands a measure of care and foresight that needs the incorporation of environmental concern into every aspect of governance. It may also be seen as an answer to some of the inadequacies of traditional regulatory systems.

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Research Agenda on Marketing for Sustainable Development in a Typical Sub Sahara African (SSA) Context

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The subject of sustainability has continued to resonate calls on marketing theorists and practitioners towards demonstrating their concern for future generations in their effort to allocate present resources for present development. Yet, given the circumstances of highly challenged countries of the world, and the oftentimes associated cost of undertaking sustainability, scholars and practitioners in these countries seem not to pay sufficient research attention in addressing the challenges of sustainability marketing. The situation in Nigeria is not different; a situation that has contributed in aggravating the level of unsustainability as evidenced in the continued deletion of environment. A reversal of this situation could occur with increased effort at researching into this area. Drawing from literature, this paper calls for robust studies into the various themes that could foster sustainability behaviour among consumers, managers, firms, and public policies in Nigeria. Accordingly, it proposes research agenda that should cover the broad areas of (1) understanding and explaining the synergism of socio-ecology and consumer behaviour (2) sustainability marketing and rules, (3) strategic sustainable marketing, and (4) institutional marketing issues.

An enquiry into the historical evolution of marketing reveals that the discipline of marketing has undergone and is still undergoing serious conceptualisation and reconstruction. This can be explained from two mutually inclusive prisms. Firstly, modern marketing is still evolving. Secondly, marketing is society and technology driven as a result can hardly be said to be static. It is therefore not surprising that marketing in its organic nature has evolved from the era of *myopia* (Levitt 1960) through the era of broadened conceptualisation (Kotler and Levy 1969), and recently marketing is argued to have experienced a paradigmatic shift from the traditional marketing mix matrix to a relationship marketing orientation (Gronross 1994).

In the tradition of *broadening* the concept, scholars (see for example: Drucker 1958; Moyer 1965; Bartels 1965; Bauer 1968; Lavidge 1970; Fisk 1973, 1974; Dixon 1981; Kaynak 1986; Wood and Vitell 1986; Kumcu and Firat 1988; Baker 1996; Shultz and Pecotich 1997; Onah 2000; Ogwo 2000; Nkamnebe 2003, 2005) have argued

that marketing represents a veritable tool that could engender development, even among economically challenged regions of the world. Likewise, emerging supposition provides credence that marketing is a strong correlate of sustainable and unsustainable development (Yam-Tang and Chan 1998; Peattie 1999; Nkamnebe 2002; Belz 2005).

Regrettably, despite these realisations, research efforts in Nigeria (a typical SSA country) seem not to take notice of these realities. Accordingly, knowledge reproduction in this area has not received sufficient research attention, a situation that has continued to promote unsustainable behaviour among some organisations and consumers (Nkamnebe 2002). This may not be unconnected with the extreme poverty inflicting majority of Nigeria's over 140 million population who are struggling to meet the basic convenience of life and in the process tends to pay slight attention to the future implication of present actions. Despite this quagmire, the increasing recognition of economic potentials of the *Bottom of the Pyramid (BoP)* has been consistently recognised (Prahalad 2004), which makes sustainability a critical consideration if the economic potentials of the BoP can be preserved and harnessed.

Perhaps, one of the ways to foster groundswell of sustainability consciousness will be to increase research in the area of sustainability marketing. Anchoring on this premise, this paper is set to attain the main objective of proposing an agenda for research that could serve as a blueprint for studying sustainability marketing and consumption in SSA. The rest of paper discusses the following major themes: sustainable development, sustainability marketing, agenda for sustainability marketing research in Nigeria, and conclusion.

WHAT IS SUSTAINABLE DEVELOPMENT?

Sustainable development has become an enigma. Accordingly, the illusionary attempt to invent a universalistic definition to describe and explain sustainable development becomes obvious soon after a fresh definition is formulated. Pezzey (1989) documented 60 definitions; the number of definitions on the subject of sustainability has multiplied many folds since then. Nwankwo (2002) aptly captured the fluidity of sustainable development thus:

Taken at face value, the idea of sustainable development resonates with it the aspiration of everywhere, regardless of ideological

persuasion. While the notion of sustainability is generally appealing, its precise content has remained elusive (Schmidheiny 1992; Goldin and Winters 1951; World Development Report 2003). As a result, the discussion of (sustainable development) SD to date has become increasingly rhetorical rather than a clear guide to action, leading to a great deal of scepticism about the whole concept. This obvious cynicism is a product of the contradictions embedded in the varying images that underlie the SD debate. The way this variability is treated has embraced all the weaknesses of diversity but few of its strengths. Consequently, the debate has transformed itself into discordant tunes – arising from the diverse rationality of different players. Each player brings to the arena a set of idiosyncratic rules that are, by and large, mutually exclusive. These rules serve as justifiers for the rule makers, reinforcing the myopic prism through which they view SD. Unfortunately, because of this, opinions have been polarized among different constituencies of interest; society is divided and sectional interests dominate.

Four perspectives have been identified in explaining sustainable development; these are: neoclassical economics, ecology, intergenerational equity, and material balance perspectives (Asafu-Adjaye 2004). These perspectives may have informed the now ubiquitous definition of sustainable development proposed in 1987 by the World Commission on Environment and Development (WCED). According to them, sustainable development is defined as “... development that meets the needs of the present without comprising the ability of future generations to meet their own needs” (WCED 1987, 43). Arguably, the sustainability perspective to development implies due consideration must be given to the development needs of unborn generations in the allocation of current resources for immediate development. In the view of Sathiendrakumar (1996, 152) “renewable resources should be utilized at a rate equal to or less than their rate of natural regeneration; and non-renewable resources should be utilized in an optimal efficient manner, subject to: (1) Resources substitutability, especially with labour and reproducible capital; and (2) Technological availability and the likelihood of technical progress”.

EXPLAINING SUSTAINABILITY MARKETING

Essentially, sustainability marketing is a derivative of marketing and sustainable development. In explaining the concept of sustainable development, inter and intra-generational equity considerations were emphasized as key descriptor of the subject. On the other hand marketing emphasizes the identification and satisfaction of the needs

and wants of a people. Most times, particularly in a developing country context, both development and marketing efforts are often limited to short term considerations, to the extent that inter-generational equity is punctured. Marketing in such setting is more often than not restricted to identifying and satisfying the needs and wants of present consumers without due considerations given to the consequences of such actions on the unborn consumers to meet their own needs and wants. This attitude is been driven by the survivalist attitudes of most businesses in the Nigeria and other developing countries in SSA, the exploitative nature of first world global organizations in the region, and cases of outright ignorance on the part of consumers and local business organizations. At global level, marketing practices are largely defined by the environmental dynamisms and circumstances of the various contexts in which marketing is being practiced. In Nigeria as in most other challenged regions of the world, the aggressive strategies employed by governments to attract foreign investors do not permit such governments to insist on the rules of sustainability. Perceived differently, it does appear that such countries are no longer in control of their destiny, instead, multinationals that are richer than most of the developing countries in SSA seem to operate without due regards to the issue of sustainability (see for example, Anya 2002). Scenario such as this provides support to the widely documented evidence that many products that are considered environmentally unfriendly in the developed countries are willfully exported to developing countries without minding the repercussions on health and environment. The case where refrigerators with ozone depleting elements as CFC gases are constantly exported to Nigerian is a typical example. Such business practices no doubt create some kind of euphoric but ephemeral satisfaction to the largely challenged population in SSA, which would obviously result to environmental devastation.

Unsustainable marketing behaviour is not just associated with firms alone as final users are contributory to it (Nkamnebe 2002; Hobson 2003). In this context, *sustainable consumption* has been described as ‘the use of goods and services that respond to basic needs and bring a better quality of life, while minimising the use of natural resources, toxic materials and emissions of waste and pollutants over the life cycle, so as not to jeopardise the needs of future generations’ (IISD/United Nations Department of Economic and Social Affairs, 1999:1). Focussing on Nigeria’s over 140 million people (about a quarter of SSA population) is important on a number of grounds. Most important perhaps is the rapid population explosion in the region. According to UNFPA (2007) ‘Sub-Saharan Africa’s population has grown faster than any region over the past thirty years, despite the millions of deaths from the AIDS pandemic. Between 1975 and 2005, the population more than doubled, rising from 335 to 751 million, and is currently growing at a rate of 2.2 per cent a year.’ For every 1000 SSA population about 400

are Nigerians. Sustainability marketing involves identifying and satisfying the needs and wants of present consumers without frustrating the chances of all the other segments of consumers, including unborn generations to meet their own needs and wants. Belz (2005,2) defines sustainability marketing as an act of “building and in counting sustainable relationship with customers, the social environment and natural environment” This way, sustainability marketing sets to achieve the “triple bottom line” of creating and delivering customer value, social value and ecological/environmental value (Elkington 1999). Sustainability marketing emphasizes ecological and socio-cultural problems of products throughout the life cycle of the product. The new dimensions of ecological and socio-cultural considerations represent the socio-ecological product life cycle. This entails examining the impacts that extraction of raw materials, transportation of raw materials and finished goods, production of work-in-progress and final products, distribution, use, re-use, and disposal of waste from the product will have on the environment.

AGENDA FOR SUSTAINABILITY MARKETING RESEARCH IN NIGERIA

The scanty literature on sustainability marketing in Nigeria calls for concerted effort at increasing the quantum of research going on in the field. The challenged is to properly define where and how researchers can fit well into the big picture. It is proposed that Nigerian academics and indeed scholars interested in Nigeria’s development should heighten their efforts in conducting basic and applied research in this area to boost knowledge and understanding in this important area. A success at this would have far reaching implications particularly as it concerns public policy, corporate behaviour outcomes, and knowledge expansion. In this context, this paper is proposing the following research agenda to serve as a springboard for stimulating research in this all-important area for Nigeria and other countries in similar development stage with Nigeria. A comparative perspective is also encouraged especially between Nigeria and other developing countries. The proposal made in this paper is drawing from similar and recent call made by Professor Frank Martin Belz, which is aimed at galvanizing collective effort in addressing sustainability question in marketing. The agenda is developed alongside the discussion on the framework for analysing the concept of sustainability marketing done in the main body of the paper. Accordingly, the agenda is arranged under the following theme:

- Understanding and explaining the synergism of socio-ecology and consumer behaviour
- Sustainability Marketing and Rules
- Strategic Sustainable Marketing
- Institutional Marketing Issues

Understanding and explaining the synergism of socio-ecology and consumer behaviour

The thrust of study in this area centres on explaining the evolution of socio-ecological issues as it relates to marketing and making projection of where the society will be heading in the absence of serious efforts at embracing the tenets of sustainability marketing. Also, studies should be directed at explaining how the various stakeholders in the society perceive sustainability marketing. In specific terms, the following line of research questions are expected to be addressed:

- What are the perceptions of socio-ecological issues by the media, marketer, and consumers particularly as it related to marketing in Nigeria?
- Is sustainability perceived as serious source of competitive advantage by organizations?
- What are the likely barriers to firms’ resolve to embrace sustainability marketing?
- Do we have firms in Nigeria that utilize the socio-ecological product life cycle as a planning tool?
- Do we have consumers that utilize sustainability considerations in their buying decisions? If yes what are their profiles?
- Do we have sustainability loyalists in Nigeria?
- What kind of socio-ecological considerations influences buying and consumption decisions, the most?
- What are the diversions of sustainability marketing in SSA?

Sustainability Marketing and Rules

Judging by the additional cost of attaining sustainability, organizations in Nigeria might be reluctant to execute sustainability-marketing programmes on their own without legislations. Where these legal obligations are non-existence or weak compliance becomes common, the pursuit of sound sustainability might be hampered. It is therefore imperative to research into the preparedness and willingness of Nigerian managers and organisations toward sustainability marketing. The following research questions need to be answered:

- What is the sustainability status of marketing personnel? Are marketers and sales personnel actually taking socio-ecological issues seriously in their professional conduct? Do they even consider it in the first instance?
- Do we have laws in Nigeria that are primarily designed to impose sustainability behaviour on Nigerian firms and consumers?
- Are these laws implemented? Or, are they mere rhetoric?
- To what extent has firms integrated the sustainability considerations in their general and

specific guidelines? If they exist are they considered profitable area?

Strategic Sustainable Marketing

Success is crucial in reinforcing further investment commitment, and in attracting new firms into the sustainable market. It is therefore imperative to examine the various issues pertaining to market entry and positioning strategies, product, pricing, communications, and distribution strategies. Addressing these issues would require that answers be provided for such questions as:

- How can sustainable products be developed, and what are the key motivators and drivers of sustainable product development among SSA firms?
- What are the roles of the market in developing sustainable products?
- When is it appropriate to enter a market with a sustainable product?
- Are there any advantages and disadvantages for early birds and laggard?
- What are the roles of media and public policy in facilitating the entry of new sustainable products into the Nigerian market?
- Among reach marketing, multi-segment marketing and mass marketing, which one is the most appropriate for marketing sustainable products in Nigeria?
- What mode of communication is the most ideal for communicating sustainable product in Nigeria?
- Given the costly nature of sustainability, how can firms pursuing sustainability overcome difficulties of selling such products at higher prices in a country with low purchasing power for majority of its populace?
- What distribution mode is the most ideal?

Institutional Marketing Issues

The role of institutions in promoting sustainability behaviour cannot be over emphasized. Accordingly, relevant institutions may include but not limited to the organizations themselves acting separately and as a group through, Non-Governmental Organizations (NGOs). Understanding the operations, dynamisms, and orientations of these groups will combine to collectively ensure sustainability among consumers and producers. The following specific areas therefore call for intense research:

- What are the institutions that should foster or delay the initiation and growth of sustainability marketing in Nigeria?
- Do we have groups that are actively pursuing the goal of creating suitable environment for successful operation of sustainability marketing?

What is the nature of these organizations? Are there public sectors or private sector oriented?

- Are companies putting any conscious effort to bring about desirable change? What are the effects and direction of these changes on the overall sustainability marketing offerings, particularly on corporate performance?
- Are there any form of cooperation between organizations and government pursuit changes?
- What role does the consumer play in bringing about changes that are favourable to sustainability marketing?
- Are these efforts bringing about any change? What is the direction and intensity of such changes?

CONCLUSION

For sometime now, the attention of researchers has not been directed to sustainability issues in Nigeria and indeed other challenged nations of SSA. As if to worsen the matter, public policy process is still paying disproportionate attention to other development issues that seems to have immediate implication. This is likely to have serious consequences for the long-term survival of Nigeria and other countries that are at the same or similar level of development. Arguably, incorporating sustainability marketing in the educational curricula would assist in inculcating sustainability consciousness among consumers, managers, firms, and policy formulators. Such action would facilitate the prevailing dimension to development that envisages high possibility of economic development that must be based on policies that sustain and expand the environmental resources base for poverty eradication (UCED 1987). It is also important for synergistic partnership to evolve between research institutions and business organisations, such as to encourage organisations to willingly fund studies that borders on the subject of sustainability marketing. Such investment on the part of business organisations and research effort on the part of academia should be seen as pragmatic efforts for securing future of present and future generations of the highly challenged population of Nigerians and indeed SSA. A generation without a secured future is at best a *wasted generation*.

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Responsible Branding and Sustainable Marketing: From a New Zealand Perspective

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Responsible brands are created to build long-term sustainable success, improve human well-being, encourage responsible buying, and enhance brand value and differentiation. This is a process of promoting and enacting social and environmental responsibility. Responsible branding promotes a “win-win” situation. Benefits accrue to companies and the public, and follow the triple bottom line concept. It is also consistent with the concept of Total Quality Management (TQM).

We explore the benefits of responsible branding, with environmental, social, cultural, and economic considerations. We also examine business benefits, including enhancing corporate and brand reputation, reducing risk of reputation damage, improving operations, and building sustainable business success.

New Zealand has a special need for creating responsible brands, because it is good for the nation’s special international brand positioning. Consumers, including New Zealanders, desire to buy products that take care of the environment and human well-being. The New Zealand Government forwards the development of a sustainable nation as their vision.

INTRODUCTION

According to a recent Guardian/ICM poll, 51 percent of consumers had boycotted a company because its products damage the environment, and 63 percent agreed to use “green tax” to discourage behaviour that is harmful to the environment (“Corporate social responsibility,” 2006). Companies all around the world are overusing resources without adequate concern about the environment and public welfare. As a result, they create negative wealth, including pollution and waste. There are long-term negative impacts on the environment and human well-being that are not warranted by the economic profit achieved. Natural resources are getting used up and being damaged – some profit at cost to others.

Environmentalists have addressed this problem in recent decades. They are blaming marketers for many things: encouraging ever greater consumption of alcohol, salty and fatty foods, empty calories; of misusing water, fossil fuels and biological resources; of using too much packaging; and of limiting the useful life of products with the intention that consumers are potentially forced to

replace them earlier than necessary (Kleanthous & Peck, 2004; “Corporate social responsibility,” 2006). According to Sheth and Sisodia (2006), unethical marketers seek to “benefit at the expense of customers rather than with them”.

Many consumers have also realized that the “greening” of organizations is good for buyers and sellers as well as the environment. The 1980s is often regarded as the decade when ethics and norms started affecting consumer purchasing habits (Ethical Marketing, 2005). The idea of green marketing started seriously being addressed in the late 1980s, following some rather limited attention in the 1970s (Peattie & Crane, 2005). Many researches were cited as identifying heightened environmental awareness, a growing consumer interest in green products, and a pronounced willingness to pay for green features (Worcester, 1993). Evidently some consumers prefer brands that are environmentally and socially responsible (Prothero, 1990; Vandermerwe & Oliff, 1990). Therefore, in order to attract consumers and develop a more sustainable situation for both business and the environment, brand owners and marketers started paying more attention to being morally responsible and creating responsible brands.

Although this topic has been addressed by many researchers, a formal adoption of the term “responsible brand” is only now being realised. A *responsible brand* is created to build long-term sustainable success, to improve human well-being, to encourage responsible buying, and to enhance brand value and differentiation, all during the process of promoting social and environmental responsibility. Anthony Kleanthous (personal communication, August 22, 2006) notes that responsible marketing tries to minimize all sorts of negative impacts and maximise the positive impact for all stakeholders. Famous recognised responsible brands are The Body Shop, Green & Black’s, The Co-operative Bank, American Apparel, Progreso, and People Tree. These responsible brands not only focus on social issues and try to help their social communities, but also on improving general human well-being and protecting the environment. This they do by reducing resource usage and waste, being carbon neutral, opposing animal testing, only using healthy, renewable and sustainable raw natural ingredients, and promoting fair trade. These responsible brands are concerned with the social and environmental impact their activities have, as well as with increasing their profit, and this joint concern is what makes them so different from

conventional brands.

Conventional brands promote private brand value and differentiation without concerning themselves about the environment and public welfare. The simple bottom line for those brand holders is financial profit. These companies consume too many non-renewable resources and produce too much pollution. This is harmful and cannot be sustainable in the long run. This is in contrast to responsible brands, which try to build sustainable success, not only of the brand itself, but also of the whole environment and society, by complying with the triple bottom line of social, environmental, and economic value. Take The Body Shop as an example. It is famous for its “green” image. It is against animal testing on products and ingredients, and refuses to commission others to do so. All packages used can be recycled, which helps to protect the environment.

The concept of ‘responsible brand’ is also different from corporate social responsibility (CSR). Broadly defined, CSR refers to a company’s activities and status related to its recognised societal or stakeholder obligations (Brown & Dacin, 1997; Sen & Bhattacharya, 2001; Varadarajan & Menon, 1988). Such socially responsible corporate activity, however, may be merely a public relations exercise to gain favour. For example, many companies make cash donations each year. Many New Zealand brands promote CSR and are involved in charity giving. Only the firms and selected social communities are involved in the process. CSR is not intended to improve society overall (Sirgy, 2002). Yet, according to Bhattacharya, Smith and Vogel (2004), CSR is increasingly being recognised by firms as central to core business activities rather than a peripheral consideration associated with philanthropy.

However, with a concern for society as a whole, a responsible brand tries to do everything ethically and responsibly, and considers that its brand equity can be increased through this. Also, many more people are involved in building a responsible brand, including governments, suppliers, the social community, the media, researchers - basically all the stakeholders, and particularly consumers. More importantly, compared with CSR that pays not much attention to environmental performance, a responsible brand has the basic goal of meeting the triple bottom line, and that definitely protects the whole physical environment.

Responsible branding may be considered as a part of Total Quality Management (TQM). TQM is a people-focused system that aims to continually increase customer satisfaction at continually lesser real cost (Evans, 2005). Many of the tools and principles that apply to quality management are relevant for environmental improvements (Corbett & Van Wassenhove, 1993, Madu 2003). TQM focuses on improving quality with “zero defect”, and responsible companies improve their performance and satisfy consumers by reducing waste and exhaustion of resources, and overall minimizing negative

impacts.

The research about responsible branding has basically focused on European countries, particularly the UK, and the US, and there is little research about New Zealand brands. However, New Zealand has the particular need to value the responsible brand. New Zealand has not yet fully grasped the potential for sustainability and taken advantage of it to create wealth and well-being through protection and strategic development. Such a position would authenticate New Zealand's competitive advantage as a clean, green and ethical nation (Pratt, n.d.). Although it is still in the early stage, the Dean of the University of Waikato Management School, Professor Mike Pratt, believes that New Zealand has to awaken to the opportunities of sustainability (see www.mngt.waikato.ac.nz). The New Zealand Prime Minister Helen Clark also claimed at the 2006 Labour Party Conference that the future vision of New Zealand is to be the world’s first truly sustainable nation. Therefore, companies need to follow this lead, and embrace the idea that understanding, valuing, and creating responsible brands is essential to help New Zealand become a sustainable nation. It is also an important benefit for the whole environment, for businesses, and for consumers.

The research question of this paper is why New Zealanders should value responsible brands. Our purpose is thus to try to draw the attention of New Zealand company stakeholders and marketers to responsible brands and long term sustainable success. We first outline the benefits of building responsible brands, and then investigate the reasons why New Zealand companies need to try their best to create responsible brands, and how these can especially benefit New Zealand citizens, drawing on an initial definition of key characteristics of a responsible brand.

WHAT ARE THE BENEFITS OF RESPONSIBLE BRANDING?

Vandermerwe and Oliff (1990) found that 92% of multinational companies operating in Europe had significantly changed their product offering in response to environmental concerns, 85% had changed their production system, and 78% made changes to their marketing communications. Since so many companies are acting on the idea of acting responsibly, there must be some benefits for them if they perform like that, and costs if they do not do so.

Environmental benefits

Much evidence shows that natural resources are being indiscriminately exploited (Samli, 1992). However, responsible brands seek to do “good things”, and one important part of that is to protect the physical environment. As Peattie (1999) suggests, the sustainability agenda seeks to protect the well-being of people through

protection of the environment. Concerning environmental issues such as energy consumption and emissions, raw material usage, water consumption, waste, the volume of packaging, recycling, genetically modified foods and the use of chemicals (Jones, Comfort, & Hillier, 2005), responsible companies minimize their harm to the environment.

For example, The Body Shop, world famous as a responsible brand, promotes the use of renewable resources and sustainable raw ingredients to support environmentally responsible materials and technologies ("The Body Shop," 2006). They try to minimise waste and resource usage through minimal packaging and use of recycled materials, and to diminish their contribution to climate change through efficient use of energy, use of renewable energy sources, and offsetting of carbon emissions ("The Body Shop," 2006). Relatively small amounts of carbon dioxide in the atmosphere will have a strong impact of trapping heat (Hawken, 1993). The rising temperature will cause mountain ice to thaw quickly, retreat of the temperate forest, resulting in some animal life dying as they cannot live in those high temperatures, and a reduction in the amount of oxygen-producing and carbon dioxide-absorbing plant life (Hawken, 1993). Our habitat may be totally changed due to the excess carbon emission (Gore, 1992, updated in 2006).

Recently, Wal-Mart also joined the green revolution by announcing that the company will measure its 60,000 worldwide suppliers on their ability to develop packaging and conserve natural resources, and this initiative, which will begin in 2008, is expected to reduce overall packaging used by 5%. The action could prevent millions of pounds of trash from reaching landfills, and in addition, the initiative is expected to save 667,000 metric tons of carbon dioxide from entering the atmosphere ("Wal-Mart pledges packaging reduction," 2006). These actions show that the environment can be protected during the process of earning profit, and that it just needs some kinds of changes like these to contribute towards sustainable business.

Social benefits

Responsible brands that consider the social impact of their operations have grown very well without compromising the well-being of this and future generations (Kleanthous & Peck, 2004). Responsible companies comply with the triple bottom line concept and shift their values to a deeper level. According to Daub and Ergenzinger (2005), a sustainable management agenda encourages shareholders to have the same concern as other stakeholders, and thus "shareholder value" becomes "stakeholder value". Just as the chairman of DuPont, Chad Holliday, and of Procter & Gamble, John Pepper, said, "as the world society approaches a balance among economic, environmental and social sustainability, markets are transparent, stimulate innovation, and are effective in their role as a catalyst for change toward a better quality of life

for everyone" (Kleanthous & Peck, 2004, p. 26). Based on the responsible and sustainable marketing agenda, both stakeholder value and welfare can increase.

Peattie (1999) suggests that sustainability takes the consideration of corporate and marketing strategy beyond the long-term and into an open-ended view of considering the needs of the future as well as current stakeholders. For example, the consumption of gasoline produces atmospheric pollution, which increases the cases of asthma and other illnesses (Hawken, 1993). Responsible brands which try their best to reduce the usage of gasoline can considerably reduce their contribution to pollution, and set the standard to create a cleaner environment for people to live in. In contrast, if companies only consider their profit rather than taking the social community into account, they will definitely bring some direct or indirect problems into society. There is evidence showing that the emissions from refineries, mills, and some other factories, give nearby residents more chance of contracting cancer (Hawken, 1993).

Mokhiber (1989) states that companies kill 28,000 people and seriously injure 130,000 people every year through their selling of dangerous and defective products. For example, cigarettes may "satisfy" a craving smokers have, but it hurts both the physiological and psychological health of their relatives. They are exposed to cigarette smoke indirectly, and it is a serious hazard to them. Also, they have to face some unexpected situations such as the smokers' absence from work in the early age due to the health issue, and even the grief of their early death through smoking. Also, communities, including taxpayers, have to bear the healthcare costs.

Responsible brands minimize these negative effects, like Green & Black's, the company producing the darker, less sweet chocolates to provide a healthy option for chocolate eaters. They claim to use the finest ingredients and trades directly with the growers, paying them a premium for the organic cocoa and an additional Fair-trade price ("Green & Black's case study," 2004). Moreover, when companies bring closer the exhaustion of nature's finite resources they are robbing the people of the future of their choices, so that they have to pay more and more to use those resources, such as power and water, or may have no access to them.

Marketing should not be like this. According to Fisk (1974), "marketing is more than an operations technology for detecting, stimulating, and supplying demands. It is a social process." Responsible brands, properly using nature and sustainable material, and reducing waste and emission, normally require their suppliers and co-operators to operate responsibly just as they do. The Walt Disney corporation is a good recent example. The company has started replacing their fries and soda with vegetables and juice, and now refuses unhealthy food with its high calories and sugar ("Disney dumps junk," 2006). Disney also terminated their 10-year cooperation with McDonald's ("Disney dumps junk," 2006), a company that has yet to

get the message. Responsible brands align with their suppliers and co-operators to provide better choices for consumers, and in this way build human well-being in the long-term.

Cultural benefits

The prevailing value system just measures in monetary terms alone, which has little or nothing to do with the search for a sustainable future (Hawken, 1993). Many companies only consider maximizing their economic benefit rather than promoting ecological and social benefits to society. However, responsible brands change people's values and norms by promoting ecological appeals, which can persuade them that what seems a novel conception is vital, which is that the physical environment is important to everyone and that its protection is essential to future well-being.

In the traditional view, green consumer behaviour is ethically oriented, being motivated not only by consumers' own personal needs, but also by their concern for the environment and the welfare of society in general (Osterhus, 1997; Pelton, Strutton, Barnes, & True, 1993; Singhapakadi & LaTour, 1991). Such concern is echoed by the responsible brands that promote social and environmental responsibility. Traditionally, the factors that mattered most to consumers when forming an opinion of a company or a brand were such things as product quality, value for money, and financial performance. But now, corporate responsibility plays a growing role in influencing consumer decision-making (Dawkins & Lewis, 2003), and this is an observable change of the consumer culture. More and more consumers are critical of the level of business commitment regarding corporate responsibility. This shift and change in behaviour has been manifested in trends associated with the goals of the sustainability agenda, including promoting organic food and drink, healthy living, fair trade, and so on (Kleanthous & Peck, 2004). Consumer values are shifting to a deeper level and most now prefer brands that are environmentally and socially responsible (Kleanthous & Peck, 2004; Prothero, 1990; Vandermerwe & Oliff, 1990; Kleanthous & Peck, 2004).

A recent New Zealand Herald-Digipoll survey revealed that 77.7 percent of New Zealanders believe they need to make lifestyle changes such as installing energy-efficient light bulbs and switching to a more fuel-efficient car in order to reduce global warming (Kiong, 2007). About 26 percent are interested in a "lifestyle of health and sustainability" (the so-called LOHAS market segment) (Allen, 2006). Consumer valuation of environmental and social performance is important enough to them to influence their choice of brand (Kleanthous & Peck, 2004). Moreover, responsible brands provide consumers more chance to buy ethical products, which is also good for the environment and society. Some time ago, Kardash (1974) proposed that, with all other things being equal, most customers would differentiate in favour of greener

products. Responsible brands, created to protect the environment and to improve human well-being, can build close and long-term customer relationships and encourage responsible buying. Consumer buying behaviour may also be continually changed as more and more responsible choices become available. In short, responsible brands that have minimal reliance on polluting material or wasting energy not only help businesses cut costs and enhance profitability, but they also encourage people concerned about environmental and social issues (Diana, 2006).

Economic benefits

Not only are they good for society and environment, but responsible brands also create great profits and improve economic development. Studies using a number of predictors, including product/service quality, customer loyalty, service value chain, and customer satisfaction, have generally concluded that companies that are more responsive to customers tend to generate greater profits (Johnson, 2003). Company profit is improved when operating costs are reduced and revenues increase. Evidence suggests that where a 'clean technology' approach is applied, the new technologies that reduce the inputs and the amount of pollution and waste produced can be very cost-effective (Irwin & Hooper, 1992). In addition, previously, the social and environmental costs involved in production, distribution, and product use were assumed to be 'externalities' and irrelevant to marketing strategies. However, nowadays that is increasingly unrealistic and the government could impose a tax on corporations that fail to clean up such "externalities" (Peattie, 1999). It could be said, therefore, that companies probably in the past were already paying for the social and environmental costs without being aware of it, and that others certainly were. But if companies can operate more responsibly and ethically, they will not need to pay the tax to clean up "externalities".

In addition, responsible brands use resources more efficiently and effectively, which also saves costs. 3M's environment program, Pollution Prevention Pays (3P), saved US\$537 million in fifteen years by reformulating products, changing processes, redesigning equipment, and recovering waste for reuse or recycling (Hawken, 1993). On the other hand, economic effects also arise from the opportunities that sustainable products offer businesses to raise their profile among customers and differentiate themselves from their competitors (Dawkins & Lewis, 2003). Such differentiation may increase sales, as consumers can recognise the brand easily and the responsible products provide consumers the chance to engage in ethical buying.

Monsanto's CEO, Robert Shapiro, suggests that environmental sustainability, which is defined as the ability of a business to operate without degrading the future integrity of the natural environment, is a core strategy designed to enhance long-term corporate performance

(Magretta, 1997). Those who do not agree that corporate responsibility can increase economic outcomes ignore the potential cost savings that may result in a typical pollution prevention program. Such a program includes process innovations, product quality improvements, lower costs of capital due to lower investor and insurer perceived risks, lower HRM costs associated with a safer and higher quality/morale work environment, lower costs of goods due to minimization of the cost of lost ingredients and reworking, and enhanced long-term economic sustainability (Miles & Covin, 2000). Peattie and Crane (2005) conclude that when marketers realise greening can create cost savings, they will become more enthusiastic about protecting and enhancing the environment. Economies, in terms of energy and material input efficiencies, packaging reductions, and logistics rationalisation, are strong incentives for companies to develop their environmental programmes (Peattie & Crane, 2005).

Other benefits to business

Enhancing corporate and brand reputation

Nineteen percent of UK consumers actually make a purchase as a result of a company's ethical reputation (Kleanthous & Peck, 2004). According to Caves and Porter (1977), a superior corporate and brand reputation is both an intangible asset and a source of competitive strategic advantage, enhancing the long-term ability to create value. The off-balance sheet intangible assets such as corporate image and reputation are becoming more important to overall organizational performance judgments (Lusch & Harvey, 1994). Consumers perceive a brand through a series of images that include brand and company reputation. Therefore, company reputation is really important, giving the competitive advantage to responsible brands.

Fombrun (1996) proposes that the reputation of a company is related to credibility, trustworthiness, and responsibility. Growing evidence suggests that enhancing environmental performance is rational and builds the corporation's reputation to its advantage (Spicer, 1978; McGuire, Sundgren & Schneeweis, 1988; Fombrun & Shanley, 1990; Hamilton, 1995; Klassen & McLaughlin, 1996; Waddock & Graves, 1997). Many chief executives agree that ignoring the environmental and social impacts of businesses is to risk damaging their reputation, which has the potential to hurt the brand for years (Corporate social responsibility, 2006). Demonstrating a lack of concern with the environment may directly break brand image and corporate reputation.

It is obvious that responsible branding helps companies achieve value positioning and create market differentiation and awareness. When a company commits to providing sustainable products and services, it will virtually transform itself automatically into a sustainable

and profitable business through the enhancement of its reputation (Daub & Ergenzinger, 2005). Cramer (2001) also states that, to an increasing degree, a firm's reputation is earned by the values of the products and services it sells.

The successful chocolate brand Green & Black's is an example of the spin-off of economic profit that came from their great reputation. The company's promotion of its ethical stance is a major reason for people to buy their products as they feel they are healthier to use. Fairtrade manufacturers, who ensure growers get a fair price for their crops, make Green & Black's chocolate. Green & Black's Maya Gold chocolate was the first product to be awarded the Fairtrade mark. In addition, the products are also organic, with the ingredients grown in soil that has been certified pesticide free by the Soil Association ("Green & Black's case study," 2004). Those social ethical concerns are what have brought Green & Black's a great reputation, and it has directly led to increased sales. Green & Black's has a three percent share of the large confectionery bar market in the UK, with a retail sales value of £10.5 million for the 12 months to January 2004 ("Green & Black's case study," 2004).

Improving operations and reducing risk of reputation damage

Peattie (1999) mentions that responsible company innovations lead to improvements in efficiency and the creation of effective new production technology. This allows companies to become more efficient, through the reduction of waste, and of material and energy inputs, to use environmental improvement as the basis of a cost leadership strategy. In order to be more responsible and sustainable, companies typically have to modify their operational structure or production processes. In this case, they can use the current resources more properly without waste, which benefits the environment and the public. Also, as a responsible brand, a company has to be concerned about stakeholders and socially and environmentally responsible. The result is it is unlikely the public can blame it for any ethical mistake or offer much criticism, reducing the corporate risk. For example, in the fast food industry, the public blames SUBWAY for obesity much less than other food providers. While there is concern about health issues such as obesity caused by McDonald's, SUBWAY has retained a positive brand image as it uses healthier and fresher ingredients with less calories. With their improved production, distribution, and operation, responsible brands get more credit and are seen by the public as more trustworthy.

Building sustainable business success

A superior corporate reputation is both an intangible asset and a source of strategic advantage, enhancing a corporation's long-term ability to create value (Caves & Porter, 1977), which is a sustainable competitive advantage.

Responsible brands may expect sustainable success, particularly with the increasing demand for ethical products. The global market for organic food and drink has already grown from almost nothing ten years ago to about US\$25 billion in 2005 ("Corporate social responsibility," 2006). In the UK, 50 percent of baby-food sales are now organic, and in the US, sales of organic products have been growing at 20 percent per annum, ten times the pace of the conventional food market ("Corporate social responsibility," 2006).

Not only is this happening in the food industry, but also the market demand for responsible products is increasing in other industries as well. For instance, Marks & Spencer and Oasis have launched clothing ranges made from organic cotton in the UK, the demand for which considerably outstrips the available supply ("Corporate social responsibility," 2006). More and more people are concerned about the environment, preferring green products, making it probable that responsible brands will build sustainable business success in the long-term.

WHY NEW ZEALAND NEEDS RESPONSIBLE BRANDS

European countries have realised the benefits of ethical behaviour in business, and most international corporations have addressed social responsibility. It is particularly necessary for New Zealand to value responsible brands. Besides the benefits explained in the last section, there are some more issues New Zealanders should concern themselves with.

International Brand Positioning

New Zealand is famous for its "clean and green" image, and this is one of the country's strengths. People all around the world see New Zealand as a green and pleasant land, particularly after the movie "The Lord of the Rings". In July 1999, the New Zealand Tourism Board launched its global marketing strategy with a "100% Pure" campaign (Woodham, 1999). The slogan of the campaign is "the unique experiences New Zealand offers", which makes most people think about the 100% pure clean and green image ("New Zealand is only 50% pure," 2004). This campaign has been good in promoting the country, and also through association for New Zealand brands (the 'country of origin effect'). According to Hickton, the architect of the 100% Pure campaign, "the key is to keep focused and recognise what New Zealand's unique strengths are in the international arena". He further mentions that the 100% Pure branding offers a foundation the nation can build on by bringing in other elements, including creativity, innovation, culture, and fashion, and all undertaken "in a well kept, clean and green country" (Gray, 2004).

Just recently at the Labour Party Conference the Prime Minister Helen Clark (2006) stated that the unsustainable

way of life is a great environmental challenge to the developed nations like New Zealand, and she said: "why shouldn't New Zealand aim to be the first country which is truly sustainable?" She also added: "I want New Zealand to be in the vanguard of making it happen - for our own sakes, and for the sake of our planet", and "I want sustainability to be central to New Zealand's unique national identity". Protecting the New Zealand clean and environment therefore becomes important to support the 100% Pure campaign and the New Zealand government's aspirational vision of the nation's future, which is not only good for life in the special habitat that is New Zealand, but also (to a point) for the New Zealand tourist industry, and also in promoting the products and brands that fit into this ethos.

Anholt, who has advised Scotland, Croatia, and the Czech Republic, regards the New Zealand 100% pure label as a powerful image, not only for food exports and tourism, but also to show that New Zealand technology is about purity and environmental sustainability (Vernon, 2003). This positive image will help in building positive brand positioning internationally. The intention is that when people see a New Zealand brand, they may think the product is green and healthy, and does not harm the environment and themselves. Branding professor Martin Lindstrom states that 30 percent of the world's top brands represent their country of origin (Gautier & Owens, 2003). For example, Disney, an obvious example of a brand that exploits the culture of its country, offering the American image all around the world (Gautier & Owens, 2003). New Zealand's core brand values are cleanness, naturalness, variety to explore, and sport (Gautier & Owens, 2003). In Lindstrom's opinion, New Zealand is a very strong brand already (Gautier & Owens, 2003). Branding is powerful in confronting supplier competition, and product parity and substitutability (Morgan, Pritchard, & Piggott, 2003).

The Auckland-based brand Ecostore sells eco-friendly household cleaning and beauty products in Korea and Singapore, on the basis of New Zealand's clean and green image. Ecostore's packaging features "New Zealand icon" photography, and they guarantee their products are natural, plant-based, free of nasty chemicals, GE free, not tested on animals, packed in recyclable packaging with refills and bulk sizes, and made in New Zealand with safe ingredients from renewable resources ("What we stand for," n.d.). The company does its best to build a sustainable New Zealand. Although the company has not made a huge profit from exports, the company decision-makers still have confidence that New Zealand's image makes them different, and they have ambitions to be a very big company in the long-term (Gautier & Owens, 2003). Here is another example. Zeacom, a contact centre company with offices in New Zealand, the US, Australia, and the UK, serves over 2,000 customers in 21 countries (Company overview, n.d.), and is also happy to exhibit its Kiwi-ness. Using speakers with New Zealand accents on advertisements to get listener attention, the company has

been able to cut-through into the highly competitive US market because of its exotic origin (Gautier & Owens, 2003).

New Zealand will have to bear a heavy cost if it loses its clean green reputation. The government report "Valuing New Zealand's clean green image" (Ministry for the Environment New Zealand, 2001), assesses the annual value of the New Zealand clean and green image to the dairy sector at between NZ\$241 million and NZ\$569 million, and to tourism at between NZ\$530 and NZ\$938 million. It is a key driver of the value of goods and services in the international market place, which offers this country long-term economic benefit. If New Zealand brands could not keep to the clean green image, it would have a huge effect on the economy and there would be a loss the competitive advantage in the international market.

If New Zealand can be recognised as the first sustainable country, brands that are associated with the New Zealand clean and green image may be easily differentiated from other brands all over the world. However, for this to happen it needs all the companies and marketers in New Zealand to work together in order to build this image, just as Ecostore already does. So they must comply with the standards set and give their support to building a sustainable nation in order to benefit both the environment and brand image. Only if the corporates and stakeholders are serious in their concern about both the environment and social responsibility, can New Zealand remain with and strengthen its positive green and clean image, so that the equity of New Zealand brands can be high.

Market potential and consumer desire

New Zealand's clever "100% Pure" campaign has won 39 different awards since December 1999 (Gray, 2004). Consumers all around the world, including in New Zealand, want to consume from the responsible brands if possible, and they particularly have high expectation towards New Zealand products. People think brands from 100% Pure New Zealand should be green and should be socially and environmentally responsible. Former TIANZ CEO, John Moriarty, considers New Zealand has been a great brand that can offer "reasonably good products", but businesses and industries do need to understand more about the customer and "more about what motivates them to convert their choices into action" (Gray, 2004). Many customers choose New Zealand brands simply because they believe the products are green and without harm to themselves and the environment.

Urdde (1999) suggests that when consumers choose a brand, including a destination, they are making lifestyle statements, as they are buying not only into an image but also into an emotional relationship. They prefer to buy things from responsible brands, and do not like those that are not ethical. Thus, if two similar products are available in the market at the same price level, and one is commonly

known to be unethical, then most consumers will boycott it. For example, negative attitudes to genetically-modified (GM) foods have been reported from many countries, including New Zealand (Knight, Damien, & Mather, 2005). If it is at the same price level, organic food will attract most consumers because they perceive it to be less harmful than 'treated' foods.

Clearly, therefore, as there is a market for responsible brands and consumers have the need to buy products that are positive for their well-being and the environment, the real green and clean New Zealand brand can be highly competitive. Businesses have already realised that consumers have not just become conscious of social and environmental issues, but have the power to force the needed changes (Bussey, 2006). Consumer desire is what is pushing companies to create more responsible brands.

Public concern

Over the decades, highly effective environmental groups with wide public support have exerted pressure on the New Zealand government to ensure that environmental quality be maintained and enhanced (Wilson, 1982; Memon, 1993). Although New Zealand is well known for being green and clean, the nation still needs to put much effort into achieving the sustainable vision goal. And there are still many environmental and social issues to be considered by business operators. For example, about one eighth of the rubbish sent to landfills for disposal is used packaging at present, and The Ministry for the Environment reports that New Zealanders throw away an average of 83 kilograms of used packaging every year (Gray, 2005). Lindsay Gow, New Zealand's deputy secretary for the environment, also says the Asian and Pacific booming economies are threatening the environment (Roberts, 1996): "Rapid growth in Asia has put pressures on the environment ... [that] are now to the point where something significant has to be done before sustainable development can ever be realized".

In order to protect the clean and green environment and create a sustainable nation, New Zealand companies should produce, deliver, and sell products "carefully". Therefore, responsible brands become important, as sustainability is the keystone of responsible marketing (Peattie, 1999). Some New Zealand brands have already tried to minimise the negative environmental and social impact, such as Grove Mill, Fisher & Paykel, Progressive, Untouched World, and so on. Take the example of Grove Mill, a wine brand. Grove Mill has committed to minimising the environmental impact of all aspects of its business, and it is the first winery in the world to achieve the CarboNZero Certification, which is to address climate change impacts with the aim of adding no net carbon dioxide (CO₂) emissions to the atmosphere during the production and distribution process ("Sustainable Practices," n.d.). The company has also developed a unique waste water system for the winery in order to

protect, recycle, and care for their/our environment (“Sustainable Practices,” n.d.). It is public concern about the environment that motivates New Zealand companies to operate ethically and responsibly, and responsible brands are essential to cope with public criticism.

Many companies promoting sustainability have already paid attention to some issues, including energy efficiency, waste management, exhaust emissions management, health and safety, resource conservation, opposition to animal testing, support for fair trade, co-operation with suppliers to use sustainable raw natural materials, consideration of the cost benefit for customers, and their support of social communities. We consider these to be basic requirements in classifying a brand as responsible. The following analysis (Table 1) shows some of the leading brands that tend to be responsible according to our criteria, including five New Zealand native brands.

Table 1: Responsible brands

	New Zealand brand					Overseas brand			
	Zespri	Hubbard	Grove Mill	Earthwise	Ecostore	Sheep Poo Paper	Innocent Drinks	The Body Shop	The Co-op Bank
Energy efficiency		*	*			*			*
Waste management	*	*	*		*	*	*	*	*
Exhaust emission management	*	*	*	*			*	*	*
Health & safety	*	*	*	*	*	*		*	*
Resource conservation	*		*	*	*	*	*	*	
Animal welfare			*	*	*			*	*
Supporting fair trade		*	*			*		*	
Sustainable raw material usage	*	*		*	*	*	*	*	*
Considering cost benefit for customers	*	*	*	*	*	*	*	*	*
Community support		*	*	*	*		*	*	*

Sources: <http://www.zespri.com/>
<http://www.hubbards.co.nz/TBL01.pdf>
http://www.ecostore.co.nz/our_vision.cfm
<http://www.earthwisedirect.co.nz/aboutus.php>
<http://www.groovemill.co.nz/philosophy/SustainablePractices.aspx>
http://www.creativepaperwales.co.uk/environmental_policy.asp
http://www.innocentdrinks.co.uk/us/?Page=our_ethics
<http://www.thebodyshop.com/bodyshop/values/index.jsp?cmre=default- -Footer- -ValuesPassion>
<http://www.co-operativebank.co.uk/servlet/Satellite?cid=1053329498743&pagename=Smile%2FNCView&cpid=1148453764077&c=Page>

CONCLUSION

Some researchers have defined “sustainable marketing” as the marketing that contributes to, rather than subtracts from, environmental sustainability (see, for example, Kotler, 2006). Similar to the sustainable marketing idea, responsible branding creates life-enhancing goods and services to build the long-term sustainable success for all stakeholders (who are at once beneficiaries who pay the price), to improve human well-being, to encourage responsible buying and consumption, and to enhance brand value and differentiation, during the process of promoting social and environmental responsibility. Responsible brands build a “win-win” situation that benefits both companies and public, which not only creates economic benefit but also protects the environment and improves human welfare. They are the true followers of the triple bottom line concept.

Responsible brands protect the environment by reducing resource consumption, and emissions and waste, and promoting recycling and the usage of natural materials. Besides taking care of the physical environment, responsible corporations also align themselves with their suppliers and co-operators in building the well-being of humanity. Responsible brands exchange or extend “shareholders’ value” to “stakeholders’ value”, and minimize the negative social impacts by providing both psychologically and physiologically healthy and life-enhancing products. As responsible brands they encourage responsible consumption and provide consumers with more responsible product choice, resulting in public values and norms being changed for the better. A growing number of consumers tend to prefer buying brands that are good for sustainability and be more critical of how the corporates are fulfilling their responsibility.

By producing and operating more efficiently and effectively, responsible brands also save costs, particularly “externalities” costs, which contributes to economic sustainability. In the long-term, the social, environmental, cultural, and economic goals are not conflicting but integrally connected. Moreover, companies can also get their own benefit from creating responsible brands. Their corporate and brand reputation can be improved due to the companies concern for environmental and social issues. Their innovative technology allows companies to produce more efficiently and effectively, and in this way “produce more using less” (Hawken, 1993, p.65). The company operation is improved, and risk of reputation damage is reduced. As a result, responsible brands help to enhance their companies’ long-term ability to create value, which builds sustainable business success. In short, responsible brands provide environmental, social, cultural, and economic well-being as a whole, and help in building sustainable success for all the parties in our commercial society.

New Zealand has the special need for creating responsible brands. Firstly, it is good for international

brand positioning. Responsible brands support the New Zealand Tourism Board’s “100% Pure” campaign, and help to build the first sustainable nation. With the clean and green image continually being presented and leaving a good impression, it will be easier for New Zealand brands to be promoted internationally. The brands will take benefit from the positive country image. Secondly, there is market potential and consumer desire. More and more consumers, including New Zealanders, prefer brands that take care of the environment and human welfare. They desire to buy green products from a clean and pure New Zealand. Thirdly, public concern is a further push toward creating responsible brands in New Zealand. Although New Zealand is already well known as clean and green, it still needs much effort to achieve the sustainable vision goal, as there is still waste and pollution threatening the environment. In order to create the sustainable nation that the Prime Minister Helen Clark envisioned, New Zealand companies have to play their pivotal part and act responsibly.

Traditional marketing is more about the maximization of profit, with emphasis on the short-term effects. However, as the founder of The Body Shop, Anita Roddick, said “the business of business should not be about money, it should be about responsibility. It should be about public good, not private greed”. In complying with the triple bottom line concept and creating sustainable success for all the parties, responsible brands should be valued by all people, particularly New Zealanders. The “win-win” situation in the long-term gives good reason for companies to go beyond their traditionally reactive and compliance-orientated approach to the environment (Peattie & Crane, 2005). Yet, Peattie (1999) also mentions that creating more sustainable marketing has been an “uphill battle” while the majority of people remain ignorant of what sustainability is all about, and if they know they are uncertain about the capability of companies to contribute to it. “Winning this battle will be a key challenge for marketers” (Peattie, 1999, p. 146). Therefore, this topic still needs more in-depth and compelling research.

Future research may include how to educate marketers and consumers to be more responsible, how to select and reward marketing managers to encourage them concerning sustainable development, how government can do more to promote responsible brands, and how companies can cooperate with suppliers to perform more responsibly. We plan case studies and action research, providing vivid examples to show what some New Zealand responsible brands can do, and how they operate to achieve these goals.

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Monday, June 4

8:30 – 10:00 **Session 6**

610 Special Session: Free Markets in the New Russia

This panel focuses on the perceived problems in converting Russia's economy to a free market system, and the difficulty for managers to adopt a market-oriented perspective. The main speaker is a well-known academic authority on marketing in Russia, and two business executives with long experience “on the ground” in Russia will offer their perspectives.

What is Putin's Economic Model? The Market versus the Service State

James R. Millar, George Washington University

Discussants: Nicholas Lugansky, Manager, Government and Corporate Affairs, Bechtel National, Inc.
Dr. Trevor Gunn, Director, International Relations and Project Management, Medtronic Inc.

Moderator: Johny K. Johansson, Georgetown University

Monday, June 4

8:30 – 10:00 Session 6

620 Special Session: Panel Discussion on Emerging Tools for Urban Development and Decision Making

Chair: Deirdre Hahn, Arizona State University

Stability Operations in Re-Urbanizing Environments
David Warner, MindTel

Project Management, Business Development, and Collaborative Policy Decision-making: The Decision Theater in Practice
Deirdre Hahn, Arizona State University

The rapid growth of cities poses some of the greatest scientific and political challenges to countries around the world. Rural to urban resettlement has allowed unprecedented numbers of people to escape from poverty. Yet, dense urban populations generate the highest levels of pollution, consume most of the world's resources, and have some of the worst living conditions. Advanced technical innovations for rapid simulations of growth planning and urban design offer efficiencies of scale that may be mankind's best hope of achieving truly sustainable development. The Decision Theater at Arizona State University concentrates advanced visualization, simulation and collaboration technology innovations to generate applied solutions for rapid urban growth.

David Warner is a medical neuroscientist with his MD/ PhD from Loma Linda University. He has gained international recognition for pioneering new methods of physiologically based human-computer interaction. Dr. Warner leads MindTel, a company that provides Operational Assistance and Civil Support for Stability, Security, Transition, and Reconstruction/Humanitarian Assistance and Disaster Relief Operations. MindTel supports cross domain information sharing and

distributed intelligence resources for Civil-Military Operations in post conflict and disaster relief missions.

Deirdre Hahn is the lead for regional engagement initiatives at the Decision Theater at Arizona State University. She manages a team of professionals in the areas of collaboration, geospatial informatics, and graphic programming. Her research and project portfolio is focused in the areas of: collaborative decision making tools, sustainability, residential and commercial development, regional planning policy initiatives, and continuing education for stakeholder groups. Project partners include city councils, planning and zoning committees, legislative commissions, private developers, and state agencies. Her academic research and publications examine how immersive visualization as a communication medium influences individuals in decision making. Dr. Hahn holds a Ph.D. in Educational Psychology, a Master's in Counseling Psychology, and a Bachelor's degree in Psychology from Arizona State University. She is also a licensed counselor specializing in group dynamics.

Monday, June 4

8:30 – 10:00 **Session 6**

630 Competitive Paper Session: Economic Development

Chair: Ken Yap, University of Western Australia

- 631 - *Do Local SMEs Value International Support in Transitional Countries and Why?*
Maya Velmuradova, Université du Sud - Toulon – France
- 632 - *The Application of Guanxi to Modern Management*
Hongping Fei, Shanghai University
Anthony Pecotich, University of Western Australia and University of Split, Croatia
- 633 - *Class Stratification and Women's Market Involvement in Croatia*
Katherine Sredl, University of Illinois Urbana-Champaign
Natasa Renko, University of Zagreb
Anthony Pecotich, University of Western Australia and University of Split, Croatia
- 634 - *Dynamics of Entry Mode Choice in Transition Economies: The Theory and Practice of Conversion of FDI in Vietnam*
Bui Huy Nhung, National Economics University, Hanoi
Michael W. Hansen, Copenhagen Business School

To What Extent Do the Local SMEs value the International Support in Transitional Countries and Why?

Maya Velmuradova, University of Occidental Bretagne, France

The current research objective is to investigate the concept of *Perceived Customer Value* (PCV) as applied to the domain of international SME Support in developing communities.

Following the incitation of the leading Social Marketers, the above Consumer behaviour concept is confronted to the context of the social goods of International Development Aid, particularly as it relates to the Economic reform sector (SME Development support). Indeed, this latter one is still almost unexplored in regards to the Social marketing concepts application, with the rare research in this direction having been done within the recent World Bank's "Bulldozer Initiative" project in Bosnia Herzegovina (Andreasen & Herzberg 2005).

While there is a clear deficit of corresponding theoretical literature, the author's interest in this particular field has emerged from earlier empirical participative observations of the weak/absent demand problem faced by the SME support programs in some post-soviet transitional countries (Turkmenistan, Kazakhstan). Thus, despite the low/absent Tariff ("Costs") and "Benefits" augmenting efforts (for ex., through CRM), local SMEs often show little interest in provided services – resulting in cutting off the project's respective activity components (in this case, advising services).

Why wouldn't the local SMEs value the social services proposed? That is, as Andreasen (1997) puts it, *can we generalise the Consumer behaviour models on the frequent situations of the negative/absent demand in the social context?*

This research attempts to provide some elements of reply to this question, based on the critical examination of the literature on the CV concept compositional structure and on the empirical explorative observation results.

METHODOLOGY

The theoretical body of literature concerning CV has been examined using two different data collection and analysis techniques, aiming to reply to the following question:

What do we know about CV (what is the advancement of knowledge) and *How* do we know about it (what different approaches/paradigms are used)?

The habitual procedure of theoretical literature exploration realised initially, resulted in the conclusion that the vision of the CV concept within the Consumer Behaviour and Management Sciences research would be multi-paradigmatic: several, conceptually very different, approaches seem to be used simultaneously depending on the underlying explicit or implicit psychological paradigm assumptions.

Therefore, a second procedure was used for verifying and reinforcing this statement, with the aid of what could be considered as a representative sample of bibliographic records dealing with CV within the Management Sciences.

For examining the divergences within the research explicitly treating the concept of CV, the *BSP* textual/bibliographic database was searched for records, e.g. the article references (1900 - November 2006) in peer-reviewed journals containing in title: "Customer" AND "Value" (266 records); or "Consumer" AND "Value" (178 records).

After downloading and screening for irrelevant references, 384 records were retained for analysis. They were encoded under several broad categories: by *object* ("PCV" (demand side) or "Created CV" (offer side)); by transaction *clientele* ("B2C" or "B2B", self-reported); by transaction *goods* ("products" or "services", self-reported); by transaction *finality* ("for-profit" or "non-profit", self-reported).

Two types of analysis were then conducted: frequencies analysis (under bibliographic managing software Biblioscape 6.6); and Titles/Abstracts content analysis (style, concept groups, concept relations – under QDA software Tropes 7.01).

Prior empirical exploration included a four-month emersion as a "complete participant" in above cited context, involving participating observation and open informal interviews of various actors, combined with some intervention techniques.

RESULTS

The results drawn from the literature exploration confirm the initial conclusions on multi-paradigmatic vision of CV construct, with a frequently existing confusion or a sort of mixture among several divergent paradigms. A simple look at the Keyword frequencies can illustrate this statement (Appendix 1); other supportive results from descriptive statistics and content analysis are presented in the paper.

However, a closer examination of related economic and psychological literature permits a clearer picture of the underlying assumptions of different approaches and a more precise positioning in this regard.

Thus, in author's mind, the CV construct might be first re-inserted in its historical economic context, bounded to the economic (inter-)subjective Theory of Value (von Neuman & Morgenstern 1947; Debreu 1959).

Yet, its evolution within the economic theory and afterwards within the Cognitive Psychology is influenced by (neo-)behavioral paradigm viewing Perceived Value from the Utility point of view (Simon (1955); Lancaster (1966); Kahneman & Tversky (1979) and others).

On contrast, Dynamic & Personality Psychology paradigm is used to characterise CV from the instinct based Attitude-affect point of view, differing from the interactionist Gestalt & Social Psychology paradigm of constructive goals-based Attitude point of view (Allport (1935) and others).

Finally, the Integrationist positioning attempts to integrate *cognitive* VS *affective* evaluative judgements and/or their *deep-instinctive* VS *functionally autonomous* motivational bases (Katz (1960), Fishbein & Ajzen (1975), Ajzen (1991) and others). Nevertheless, a prior belonging to one or another paradigm makes such efforts not neutral, and the attention should be made, in the author's mind, to *what* we integrate and *how* we integrate it.

Basing on these theoretical conclusions, the author finalizes the paper by proposing for discussion some conceptual adjustments in the recent integrationist models of Perceived CV. The empirical experience is used to illustrate the difficulty of bypassing such adjustments when the CV concept is applied to the negative/absent demand situations within the sector of social goods.

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APPENDIX

KEYWORD (listed more than 1 time)	Freq uency
Marketing	193
Retail Trade	190
Industrial Management	116
Business	110
Consumer Behavior	100
Selling	97
Customer Services	80
Management	77
Customer Relations	75
Economics	66
Consumer Satisfaction; Consumers	58
Consumers -- Attitudes	43
Value	33
Finance	30
Advertising	29
Customer Loyalty; Executives; Industries	28
Service Industries	27
Research, Industrial	25
Business Logistics	21
Accounting; Business Enterprises; Consumers -- Research; Consumption (Economics); Industrial Procurement; Industrial Relations; Marketing Research and Public; Marketing Strategy	20
Corporations; Customer Value; Marketing Research; Values	18
All Other Miscellaneous Store; Consumers' Preferences	17
Relationship Marketing; Strategic Planning; Telecommunication	16
Banks & Banking; Other Commercial and Service I	15
Competitive Advantage; Quality Control; Service Establishment Equipmen	14
Customer Relationship Manageme; Customer Retention; Marketing -- Management; Quality of Service	13
Social Values	12
Business Planning; Decision Making; Market Segmentation; Quality of Products; Research	11
Consumer Lending; Electronic Commerce; Personnel Management; Product Management	10
Brand Name Products; Business to Business Electroni; Corporation Law; Customer Lifetime Value; Electronic Commerce -- Law & L; Franchises (Retail Trade); Internet; Prices; Pricing; Purchasing	9

Competition; Consumer Goods; Electronic Shopping; Hospitality Industry; Product Demonstrations; Stockholders	8
Brand Choice; Commercial Buildings; Culture; Internet Industry; Publishers & Publishing; Shareholder Value; Shopping; Stores, Retail; Supply Chains	7
Administration of General Econ; All Other Consumer Goods Renta; Commercial Banking; Commercial Law; Commercial Products; Customer Satisfaction; Education; Financial Services Industry; Life Style; New Products; Perception; Taxation; Value Chain	6
Attitude (Psychology); Brand Image; Commodity Contracts Brokerage; Commodity Contracts Dealing; Consumer Protection; Cost; Customer Loyalty Programs; Demand (Economic Theory); Display Advertising; Economic Forecasting; Employees; Ethics; Industrial Process Furnace and; Information Storage & Retrieva; Internet Service Providers; Manufacturing Processes; Market Surveys; Natural Resources; Other Justice, Public Order, a; Other Services Related to Adve; Profitability; Public Utilities; Research and Development in th; Suppliers; Target Marketing; Transportation	5
Brand Loyalty; Business Intelligence; Cellular and Other Wireless Te; Communication; Corporate Profits; Cost Effectiveness; Cross-Cultural Studies; Cultural Values; Direct Marketing; Food Industry & Trade; Hotels; Hotels (Except Casino Hotels); Information Resources Manageme; Instruments and Related Produc; International Trade; Investments; Knowledge Management; Medical Care; Mental Health Services; Performance; Psychology; Public Relations Agencies; Research -- Methodology; Revenue Management; Sales; Surveys; Total Quality Management; Web Sites	4

All Other Professional, Scient; Branding; Broadcasting; China; Collectivism; Computer Software; Computers; Consumers -- United States; Corporations -- Finance; Costs, Industrial; Customer Equity; Database Marketing; Discount; Durable Goods, Consumer; Econometric Models; Economics -- Sociological Aspe; Evaluation; Hotel Management; Human Behavior; Human Capital; Income; Industrial Marketing; Information Technology; Innovation Adoption; Insurance; International Business Enterpr; Internet Publishing and Broadc; Interpersonal Relations; Lifestyles; Managed Care Plans (Medical Ca; Market Share; Materialism; Methodology; National Cultures; Nonprofit Organizations; Organization; Organizational Change; Other Miscellaneous Durable Go; Perceived Value; Pharmaceutical Industry; Physical Distribution of Goods; Product Design; Public Relations; Quality; Revenue; Sales Personnel; Service Quality; Stochastic Processes; Stockbrokers; Supply Chain Management; Technological Innovations; Telecommunications Resellers; United Kingdom; United States; Valuation; Value Added; Value Analysis; Value Analysis (Cost Control); Value Creation; Women Consumers	3	(Psychology); Factory Management; Finance, Personal; Financial Institutions; Food Service; General Medical and Surgical H; General Rental Centers; Health Facilities; Hedonism; Hospitals; Human Resources and Executive; Industrial; Industrial Design Services; Industrial Productivity; Insurance Companies; Insurance, Health; Interpersonal Communication; Inventory Control; Investment Advice; Labor Productivity; Leadership; Lease & Rental Services; Least Squares; Local Telephone Service; Manufacturers' Agents; Manufactures; Market Orientation; Market Potential; Market Prices; Marketing -- Planning; Marketing Consulting Services; Marketing Executives; Mathematical Models; Means-End; Meat Industry & Trade; Meat Markets; Meat and Meat Product Merchant; Mobile Communication Systems; Mobile Communications; Mobile Services; Modelling; Mothers; Moto; Nonfiction; Objectives; Operations Research; Organizational Effectiveness; Original Equipment Manufacture; Other Direct Insurance (Except; Performance Standards; Periodicals; Personal Service Corporations; Personality; Photographs; Power Marketers; Power Resources; Preference; Probabilities; Product Acceptance; Product Development; Product Strategy; Production (Economic Theory); Production Management; Production Standards; Profit; Psychographics; Psychology, Industrial; Public Finance Activities; Quality Assurance; Questionnaires; Rate of Return; Real Property; Regression Analysis; Regulatory Fit; Regulatory Mode; Relationship Value; Rendering and Meat Byproduct P; Resource Allocation; Sales Financing; Sales Promotion; Satellite Telecommunications; Satisfaction; Service; Social Interaction; Social Sciences; Stocks; Strategic Alliances (Business); Supply & Demand; Targeting; Tax Planning; Technology; Technology Attitudes; Telecommunication Systems; Transportation, Automotive; Trust; Utility Theory; Value From Fit; Wireless Communication Systems; Word-Of-Mouth Advertising
Administration of Human Resour; All Other Information Services; All Other Miscellaneous Manufa; All Other Support Services; Animal (Except Poultry) Slaugh; Associations, Institutions, Et; Automobile Industry & Trade; Best Practice; Books -- Reviews; Brand Equity; Brand Identification; Business Education; Business Models; Business Referrals; Business-To-Business Marketing; CRM; Capital Investments; Capitalists & Financiers; Choice Strategies; Cognition; Collaborative Filtering; College Students; Colleges, Universities, and Pr; Computer Industry; Computer and Software Stores; Congresses & Conventions; Consumer Price Indexes; Convention Facilities; Convention and Trade Show Orga; Correlation (Statistics); Cost Control; Costs; Credit; Customer Interruption Cost; Customer Value Analysis; Customer Value Creation; Customers; Customization; Data Mining; Databases; Decision Support Systems; Direct Health and Medical Insu; Electronic Information Resourc; Employees - - Rating Of; Evaluative Judgment; Expectancy Theories; Expectation	2	

Guanxi in China a Review for Marketing Application

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Guanxi has been an important factor in Chinese social and business activities throughout history and even during the recent socialist period. However, since 1979, with the development of sino-foreign economic and cultural cooperation, Guanxi and its role in enterprise development has become of significant interest to all active in Chinese business. We review the research and practice of Guanxi during the past twenty years; and suggest an agenda for future research.

The preceding two decades have marked an immense social and economic development in China and the general recognition of the huge potential of its market and labor force (Economist The 2006b). However, cultural, social, political and infrastructure difference continue to worry management and in some case frustrate progress. The too frequent slow advancement or even failure of formerly successful western mature market businesses is perplexing. Foreign business people sometimes explain this by referring to the “mysteriously inscrutable Chinese” market but the question remains: Why is it that the principles, strategies and tactics successfully applied in western nations appear not to work? At the same time, Chinese managers eagerly learning Western marketing theories and practices are seriously questioning their usefulness in the Chinese context. Both of these groups as well as the academic community tend to fall back on cultural explanations frequently involving Guanxi. Our intention in this paper is to review the research and application of Guanxi by Chinese and foreign scholars within the past twenty years and so to provide some bases for future research.

GUANXI – TYPOLOGY AND STRUCTURE

Since liberalization in 1979, as more and more multinational companies entered the Chinese market the critical role played by the culture and Guanxi in enterprise management has become apparent, so initiating a desire for knowledge and understanding. Scholarly interest has emanated from many nations and disciplines, using various methods (Cheng and Chan 2000; Chienjen 1999; Daryl 1999; Durham and Johnson 2003; Elliott 1999; Finlay 2000; Harvey 1999; Ho 1982; Holt 1997; Hsu 1996; Hwang and Staley 2005; Inoue 1999; Jiang 2001; Li and Li 2003; Li, Xu and Thacker 2000; Li and Jianmin 2000; Lin 2001; Marr and Fowler 2006; Pecotich and Chia 2002a; Pecotich

and Yang 2001; Seung and Luo 2001; Su and Littlefield 2001; Su, Sirgy and Littlefield 2003; Warren, Dunfee and Li 2004; Wong and Chan 1999; Woodbine 2004; Xin and Pearce 1996; Zhai, Lu, Zhang et al. 2001). Within this research there is a degree of agreement that Guanxi is one of the central elements for the successful management of enterprise in the Chinese market. As relationships existing between various entities it is not surprising that research has involved the business to government, business to business and individual relationships within the enterprise.

BUSINESS TO GOVERNMENT (B-G) RELATIONSHIPS

The evidence suggests that the relationship with the Government is vital especially during the initial entry period. The general conclusion is that the establishment and maintenance of good relationship with the government, especially the local departments and officials is essential for Multinational corporations to ensure success in the Chinese market. The reasons for this phenomenon may be found in the “traditional Chinese values” and the imprecise definition of the administrative system. China is in the process of transformation from a planned to market economy, and the necessary systems to make this work are poorly understood and have not been developed. Perhaps more importantly the traditional Chinese culture is based on hierarchical Guanxi, where males dominate and the government has authoritative power over social and economic life.

Poor definition or absence of system and historical influence compel many enterprises to choose the government as their business partner so that the market is developed on the basis of an official-business relationship. This is essential for private enterprises as an offset against the inequality of competition with state-owned organizations (Xin and Pearce 1996). Therefore, private enterprises must make relationships with the government a high priority. Research suggests that Guanxi and availability of credit may be more important than a formal contract (Tan and Yeung 2000).

To summarize in China, 1) high political and social risks exist in the marketing environment; 2) bureaucracy prevails; 3) necessary systems for the efficient functioning of the market system are either missing or poorly implemented; 4) reliable information, resources and infrastructure may not be available or are difficult to obtain; 5) the development of trust is time consuming and require cultural competence. Given this multinational corporations

must recognize the significance of Guanxi and develop their cross-cultural skills so that they place themselves on the same level as Chinese companies.

Business to Business (B-B) Relationships Between Enterprises

In social activities, Chinese establish their trust on the basis of the interpersonal relationship circle centering on them. The closer A is to the center in B's social relationship structure, the better relationship he/she has with B, and the higher the trust between A and B. This structure applies to business where good personal relationships are essential for effective negotiations and the achievement of corporate goals. Jiang (2001) provides evidence that the B-B relationship may be the most important in the smooth development of an enterprise.

Interpersonal Relationships (I-I) in Enterprises

Interpersonal relationships between managers and workers in all their combinations are highly relevant to organizational efficiency and performance. Within state-owned and private enterprises of China, interpersonal relationship is of high importance. Close ties based on family bonds dominate private organization while bureaucratic cronyism dominates state organizations. The issues, therefore, facing Multinational corporations (MNC's) involve the management of Guanxi or reducing its influence. Studies suggest that this may be achieved by rational clearly understood management processes that place emotion at arm length and that this may vary according to industry type and technology (Elliott 1999; Holt 1997; Hung 2006; Lee and Daves 2005; Li and Jianmin 2000; Seung and Luo 2001). Seung and Luo (2001), for example, found that in the newly developed service industry laws were passed that facilitated government relationships and contributed to success.

GUANXI – EVALUATION AND IMPLICATIONS

Guanxi and Profits

Guanxi reduces environmental uncertainty and in the short term brings substantial benefits such as the strengthening of interpersonal trust, reduction of trade costs, facilitation of information sharing as well as forming the glue for the trade network. However this has to be balanced against: (1) the cost of establishing and maintaining Guanxi; (2) the costs of subjectivity of decision making; and the costs associated with a short-term orientation. Therefore, in the long run, Guanxi does not necessarily bring benefits and may damage the market (Mohr 2004; Pecotich and Chia 2002b; Pecotich and Kingshott 2005; Wai-sum 2000). However, the prescription is still that enterprises who are unable to develop Guanxi will have problems in not the Chinese market.

Chinese and Western Relationship Marketing

Guanxi, as a form of relationship marketing has both similarities and differences with western ideas of relationship marketing as recently formalized (Geddie, DeFranco and Geddie 2005; Grönroos 1990; Grönroos 1997; Gummeson 1999). Geddie, DeFranco and Geddie (2005) after a careful evaluation of the literature found six major constructs in common to Guanxi and relationship marketing i.e. bonding, empathy, reciprocity, trust, satisfaction, and customer loyalty. The most important difference between western relationship marketing and Chinese Guanxi is that Chinese Guanxi is established before the trade and integrates two parties through trade; while western relationship is established after the trade and customer is only a part of the company's trade object (Geddie, DeFranco and Geddie 2005 p., 614).

Guanxi ethical or not?

The philosophical basis of US marketing is based on the notion of competition. Anything that injures competition is illegal according to anti-trust laws and conspiring to do so may be against the law (Wells 2002). Most western scholars seem to be uneasy with the use of Guanxi or personal relationships (particularly family ties) as a means of obtaining a competitive advantage (Daryl 1999; deLisle and Lane 1997; Pecotich and Kingshott 2005; Wells 2002). An implication is that the use of Guanxi is unfair and monopolistic. It is often asserted that the application of traditional personal connections results in corruption and is therefore unethical. Countering this is the argument that Guanxi is a characteristic of China's social culture; it exists and will continue to exert an influence no matter what laws are passed. It is asserted by some that it is improper to judge the application of China's traditional values on the basis of western ethics. Therefore, the advice often given to western corporations entering the market is to adapt to what cannot be changed in the short run (Daryl 1999; deLisle and Lane 1997; Lovett, Simmons and Kali 1999; Pecotich and Shultz 1998; Pecotich and Shultz 2006; Wells 2002).

Given these two positions the key issue concerns the future. Some suggest that, with globalization and the movement of China's economy towards the market there is no turning back (Economist 2004; Economist 2006; Economist The 2006a; Economist The 2007; Wong and Ching 2000; Wong 1998b; Wong 1998a; Wong and Chan 1999). This inevitably means the Chinese traditional practices will be replaced by Western systems, legalism and management practices. Others emphasize the inertia in China and the difficulties of cultural change. They suggest that traditional Chinese values will strengthen and even influence the west (Lovett, Simmons and Kali 1999; Wong 1998b; Wong 1998a). It seems most likely that a little of both will occur as in Taiwan.

CONCLUSIONS AND FUTURE DIRECTIONS

The evidence to date indicates that mystery of China is slowly being unraveled. However, much more research is needed before even a small step can be taken towards resolution. To assist in this an understanding of the current research of approaches is necessary so that a clearer direction can be established. A major difficulty emanates from cultural myopia which leads to different approaches and different topics being addressed by Chinese and for and foreign scholars.

Chinese scholars tend to either take Guanxi for granted and therefore consider that no further research is necessary, or invest considerable time seeking evidence to establish the superiority of traditional Chinese management methods and history. Foreign scholars (including Chinese scholars outside China) place more emphasis on the connotation and characteristics of China's traditional culture to explain the difference between China's Guanxi and western relationships. The purpose of much of this research is to describe the process for establishing relationships with the Chinese, and enumerate the prescriptions for successful business.

The generalizations that can be drawn from this research are limited due to inadequate sampling of regions and the failure to examine time differences. China is a vast culturally diverse nation but most of the research that has been done has focused on the East China coastal regions. This is a severe limitation and the findings cannot be generalized to the more distant areas and subcultures. There exist very few comparative studies between regions. It is self evident that China's traditional culture has changed due to internal reforms and external cultural shocks. For example, modern relationships are quite different from the traditional social Guanxi. Nevertheless, many, particularly foreign, researchers disregard the changes and focus on the traditional Chinese culture as a basis for evaluation. Chinese culture as it exists today is quite different from that described in ancient texts.

Future research need to be directed to overcome these two defects and to take a more current cross-cultural perspective. It is necessary to gain an understanding of the Chinese subcultures and languages similarly to the U.S. research on Hispanic or African Americans. A major research effort should be directed towards the understanding of and the developments for remedying the differential development among the regions. A focus on the issues of traditional Guanxi in management in the face of variations in Chinese subcultures, regions, social structures, economic conditions and industries. In this way, it can not only fully reflect the Chinese situation, but also be more instructive to the enterprise management. To conclude, the application of the traditional Guanxi to modern management is an issue that is both old and new. Over the past 30 years, scholars have accumulated research experience and much has been achieved. But many changes

to traditional values have taken place and these need to be taken into account by future researchers.

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Class Stratification and Women's Market Involvement in Croatia

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Women's experience of privatization in Zagreb, Croatia, since the 1990s, presents an opportunity to understand the social forces that influence women's market involvement. Most research on transformation economies has focused on women's consumption during privatization without considering how local social dynamics might influence this experience. Preliminary analysis of qualitative data presented here suggests women's class position during state socialism is an important factor in determining their employment and class position after privatization, as well as their consumption capabilities. Changes in gender and market structures during and after state socialism have also contributed to their position as family breadwinners and status providers.

INTRODUCTION

Research on the role of women in Eastern Europe's market transforming economies has, in general, focused on stratification in politics, education and labor (Gal and Kligman 2000; Holjevac and Galicic 2005). In post communist Croatia, Pavlovic (1999) has argued that women were excluded from the public sphere by a state that sought to legitimate its ideology by rejecting socialist gender equality and by mobilizing the public during the war from 1991-1995. We extend the research questions of women's experiences of marketization by researching an important, but overlooked area: social stratification. The extent and the nature of gender equity is expected not only to vary according to social class but it is also anticipated to have a major impact on the experience of market change (Marshall et al. 1988). We seek to describe a preliminary exploratory investigation of the effects of variation in pre-war socialist status on women's experiences of economic welfare after marketization in Croatia.

WOMEN'S CONSUMPTION AND CLASS

The consumer behavior literature tends to explain women's consumption in Eastern Europe as a reaction to either state socialist or consumerist ideologies (Coulter,

Price and Feick 2003). In that literature post-socialist purchasing and consumption has tended to be treated as a somewhat new phenomenon (Belk and Ger 1994). However, purchasing and consumer behavior were everyday events, even under state socialism (Reid and Crowley 2000). In this context despite restrictions the consumer behavior of some was highly sophisticated and the suggestion that materialism did not exist is debatable. Feminist philosophy, attacks both socialism and liberalism on the grounds the sources of gender oppression existed not only in public manifestations but in the "private and personal" spaces of the family and the power relationships between men and women (Bryson 1992). The nature of women's consumption experiences is therefore of critical interest and the impact of other forces, such as class, is largely unexplored.

In the marketing literature, Holt (1998) has applied Bourdieu's (1998) theories to argue that cultural capital, "a set of socially rare and distinctive tastes, skills, knowledge, and practices" is influential in the replication of social stratification through consumption in the United States. The fundamental thesis is that the dominant class imposes its culture through education of the new generation thus maintaining its dominance. It is postulated to exist in "three primary forms: implicit practical knowledge, objectified in cultural objects and institutionalized in official degrees and diplomas that certify the existence of the embodied form" (Holt 1998; Bourdieu 1984). Yet scholars know very little about how these theories hold outside the US and its context of class mobility, variety of goods, and large income differences.

Croatia was a Republic of the Socialist Federal Republic of Yugoslavia from 1945 to 1991 when Croatia declared independence. Class stratification and income difference was part of that experience, but without the huge differences characteristic of the contemporary United States (Sredl 2007). Moreover, goods were available on the domestic market, although they often lacked quality and variety (Pecotich, Renko and Shultz 1994). Zagreb is an ideal site for extending theories of class and consumption because its class stratification, the local variety of goods and large income differences are not the norm for most of the informants in this research; they have only arrived in the last ten to fifteen years. This work gives a concrete, empirical example of how differences in social

status influence contemporary consumption in an emerging market.

METHODS

The methodology for this research ethnography: the first-hand study of people over time, using participant observation, interviews and fieldnotes to explore the meanings that underlie social actions (Geertz 1973; Lincoln and Guba 1985). This research explores the meanings of class that relate to patterns of consumption. Ethnography requires living with a group for a number of years, taking an active part in the daily activities of a group, observing events, and asking informants for explanations about behaviors. The first author is a graduate student at a university in the United States. As part of preliminary dissertation research, the author has already spent over one year living in Zagreb, speaking the language and participating in daily life rituals with friends and family, prior to conducting this research and has the skills and cultural knowledge to ask for and comprehend local interpretations. The second author is from Zagreb and is a professor there. The third author is professor Visiting professor at the University of Split and has worked extensively on numerous prior research projects in Croatia.

Analysis and interpretation of data was compared constantly with topical literature. Emergent design, purposive sampling and depth interviews, (Lincoln and Guba 1985; Glaser and Strauss 1967; Wallendorf and Belk 1989) were applied. Member checks brought to light insights from observations and directed the research to important new areas of exploration (Belk, Wallendorf & Sherry 1989). Interviewing informants is a complex aspect of fieldwork. It is at once a means to access local history, cultural patterns, and directions for developing conclusions further (McCracken 1988).

In this research, the informants were women who are now between the ages of 45 and 65. They fall roughly into two categories of social status during state socialism and after: women who are now University professors and worked during state socialism as either professors or in another professional job, and women who are now working outside the official economy, usually as domestic maids, and worked during state socialism as factory workers. The interviews are conducted in Croatian by the first author in the homes of informants (for domestic maids) or at their offices (for professors, although future in-home interviews are planned).

The informants are usually accessed through the snowball method, within the social network of the second author. So far, there have been four ethnographic interviews of about sixty minutes with professors, and two of about ninety minutes with a laborer (the total informants will be five and five with two interviews each). In addition, data for analysis includes audio tapes of the interviews, demographic information provided by the informants, including questions related to education and

gender issues in the family, such as how childcare was managed, as well as details observed in the home. These two groups were chosen because of their contrasting social status during and after state socialism.

Research questioning followed a semi-structured style that addressed common themes across the interviews as well as allowing for in-depth probing of terms that emerged in participants' descriptions. Some common themes were: specific toys given to children, shopping abroad and at home, sewing, expenditures on food, items used for preparing the table for Sunday meals, media consumption, vacations and housing, places where they shop, the context of employment, and self-perception of class.

PRELIMINARY FINDINGS: DETERMINANTS OF STRATIFICATION DURING STATE SOCIALISM AND AFTER

Two contrasting Examples

From the apartment that she received from the factory in 1985, on the fifteenth floor of a high-rise in Dubec, a suburb across the Sava River from Zagreb, Kata rides bus 295 for thirty minutes. Arriving at the main train station, Kata waits for tram 8, along with a few other women in their mid fifties, who, like her, carry heaving, plastic reused shopping bags, and wear the same heavy-soled shoes made by Borovo they have worn all of their working lives. Then Kata fights for a seat for the jolting 20 minute ride to the green suburb of Maximir, where the Ivancic family lives. Kata has worked here as a cleaning lady since the textile factory closed in 1995 and she lost her job. This job does not have the security or dignity of her old job, but it allows Kata to pay the rent for the apartment she shares with her husband and two sons. These are gendered class practices, expressed through consumption, which have marched on, unchanged after privatization, as informants during current research in Croatia describe.

Kata greets her employer, Ana, a woman who is also in her mid-fifties, just as she is leaving for work. From the home she inherited from her mother, Ana walks to the market research firm in the city center where she has worked for the last twenty years, as director of research for the last five. On the way, Ana makes a few phone calls to her secretary and clients on her sleek, pink Motorola cell phone. With each step of the short journey, she is aware of her Cesare Picotti shoes bought in a city center boutique, which click a staccato along the sidewalk, as if to remind her how hard they have been won. Though their price could have paid for weeks of family meals, the shoes announce Ana's social status, career achievements, and cultivated European taste. Amid the social uncertainty in Zagreb over the last fifteen years, they are an important investment for a professional woman in Zagreb. Ana is typical of the professional women interviewed this research.

Education and Family Prestige

It has already been recognized that women experienced benefits from state socialism (Gal and Kligman 2000). During state socialism, women working in the urban, skilled middle or lower middle class of industrial workers represented the social and gender enlightenment of socialism and its constraints: urbanization and industrialization liberated women from village provincialism, but it did not diminish patriarchy (Ramet 1995). Women participated in public life in new ways—as workers and party members—even if their contributions tended to be considered trivial compared to men's, and even if, according to preliminary findings, some worked part-time as cleaning ladies.

Yet preliminary findings based on interviews with women in Zagreb suggest they experienced the benefits of state socialist class and gender equality in different ways. This is not to ignore the contribution of state socialism towards modernizing the norms of gender relations, but to understand the forces that influenced class membership during state socialism. For example, higher education, although it was available to all, would have been an option for women whose parents, especially the father, were educated urbanites or who had the social connections to secure housing in the city as students. Thus, education benefited women from middle class families from cities more than urban working class women whose parents were not formally educated or were peasants. Economic liberalization and the growth of universities would have similarly benefited women with the appropriate degrees as well as the connections necessary for employment as professors and the cultural capital necessary to succeed as intellectuals.

Of the maids who have been interviewed in this research, none of them has completed higher education. None of their parents finished primary school. In all cases, their parents were from villages. Among those whose parents migrated to Zagreb, they worked as skilled laborers. Otherwise, parents remained in the village, where they worked in agriculture, tending to their own small landholdings or working as agricultural laborers. The spouses of laborers were also laborers who completed primary education (the first four years were required in Croatia during state socialism). In the higher income group, all of the women completed higher education and their parents were from cities or towns. In most cases, either both parents or at least the father completed higher education and worked as professionals. Their husbands finished University or higher degrees and were employed as professionals as well. Thus, how much education a person completed, how much education the parents completed, and the family's prestige were important factors of stratification during state socialism and after. However, across the classes, the gap between the women's earnings and her husbands was often slim. Among women who are now working as maids, many of them are the

primary breadwinners in the family through their employment as maids (their husbands are contributing through their pension or unemployment income or benefits received as veterans of the war from 1991 to 1995).

The Party

Although party membership might seem to go with career success in state socialism, this was not always the case with informants to date. First of all, it was expensive: members were required to give the party ten percent of their income. Second, membership was time consuming as it meant attending meetings after the work day ended. Although those at the highest professional levels were party members, it was not required for the affluent middle class or the laborers in the middle class. It could be used as a sign of having connections, for example in having the connections required to access some goods or jobs, but connections to the party were not the same as party membership. Party membership did relate to elite status, but it was not a determinant of status within the middle class. After state socialism, membership in the party that has held political power the longest, the *Hrvatska Demokratska Zajednica* (HDZ, the Croatian Democratic Union) seems to relate to elite status, but not in many cases to membership in the lower or upper middle classes.

Subjective Experiences of Stratification

While many informants who are now working as professionals describe differences in prestige during state socialism as a rare experiences, those who worked in factories, according to preliminary results, expressed understanding they were middle class but many others were above them in income and prestige. The director of the firm is always described as someone above, as well as people living in the center of town, where housing prices have always been higher. For professionals, the referent point for people above would have been politicians, and bakers or laborers for those below. There were perceptions of status inequity during state socialism. They are expressed mostly by those who worked in factories and are now working as maids. Now, stratification is recognized by members of the upper middle classes. These informants tend to refer to elites as well as the newly poor and very poor, for example those who are not only outside the formal economy but also lack basic necessities such as daily food. Inequities are often related to the methods of privatization as well as forces of globalization such as outsourcing labor to China.

Stratification in Consumption Patterns

Although it might seem to be an ideological contradiction, class and consumption were central to the experience of social stratification in Zagreb during state socialism. The literature has argued consumption was a

sign of membership in the urban middle class (Svab 2002). It was also a symbol of the high standard of living the state provided. Shopping across the border in Trieste, the economic and social development of the 1960s, and the rise of youth culture expanded the symbols available for expressing middle class identity, or even showing difference (Bartlett 2004). According to preliminary findings, there is now a tension over class that is played out in consumption; the tension lies in the top of the middle class and the development of new class positions: rich, upper middle class and poor. Thus, as women often describe their consumption practices during and after socialism as an example of the difference in socialist middle class equality and post-socialist stratification. The former factory workers who always had enough are now barely able to survive or enjoy shopping “which all women do” as one informant described, while others describe working more now and having more now.

One example of the difference is in walking the streets of in Špansko and other suburban neighborhoods that have developed outside Zagreb since the break with Yugoslavia in 1991. Here, there are occasional small shops with inexpensive clothes that informants who work in the informal economy mention they can sometimes afford. As a contrast, *Kaptol Centar* was once a factory and is now a high-class city center shopping mall where upper middle class women shop. It has very elegant and high quality clothes with brands like Lacoste. The small shops have lower quality clothes. The difference between having the money to shop at Špansko or *Kaptol Centar* points to the boundaries of the hidden and the public, the low and the high class in the patterns of consumption after state socialism. Formerly, it was possible to show difference in the quality of clothing one wore, according to informants, but everyone had something. Now, differences are still visible in issues like quality of clothing. Yet it is no longer the case that everyone has something.

Vacation is another difference in consumption and class. Before World War I, the elite of Zagreb, many with connections to Vienna or Budapest, spent vacations in Opatija or other cities on Croatia's Adriatic coast. It might have also been a part of the experience of wealthy landowners as well during the era between the wars, but holiday was never available to most people. Part of changing the class system during state socialism involved reorganizing the experience of holidays. Summer holidays for the masses were a central part of the state socialist experience in Croatia (Duda 2005). Creating a tourism industry allowed for economic development of the coastal areas. It also brought development to the interior as new roads were built for access from Zagreb to holiday destinations by bus or car. Planning modes of transportation and what to wear at the beach, the summer holiday became a form of mass consumption.

One former factory worker described her family's annual summer holidays spent at the factory's vacation hotel in Bol, a beach village on the island of Brac, on the

southern end of Croatia's Dalmatian coast. In the 1980s, Bol was the fashionable destination for many professionals in Zagreb. They bought property or renovated ancestral homes there. Even so, holidays there were also accessible to workers. Now, however, women who are working as domestics can not afford any holidays at all. Most professional women continue to holiday at the coast. The pattern of going on holiday has changed in that it is no longer available on a mass level.

Another area that women differed in status and consumption was often in the tableware they used to prepare the family meal on holidays or Sunday afternoon. Women who are professionals, members of the upper middle class, recall special glasses or china bought on trips to Italy or inherited from their mothers or grandmothers. Women who were laborers do have glasses and plates designated as special by their use and acquisition. In this case, plates were often gifts from friends or neighbors rather than inherited. The practice of special meals marked by the use of special goods was prevalent across classes, but a difference was found in how the goods were acquired: inherited from the mother or given by members of the social circle. Thus, professional women whose parents (especially mothers) were also educated inherited material capital as well. Women who were laborers and whose parents were also laborers were not in a position to inherit material capital.

PRELIMINARY CONCLUSIONS AND FURTHER DIRECTIONS

Cultural Capital

These preliminary findings opened with the proposition that just as Holt (1998) has argued that cultural capital determines the replication of social stratification in the United States, so too might cultural capital influence the replication of class differences in Zagreb during state socialism and after (Bourdieu 1984; Holt 1998). Zagreb is an important site for this research as its context is counter to the case in the United States in many ways. Family prestige, education and employment rather than wealth would tend to determine status according to informants in Zagreb. In the United States, with its social and geographical mobility and generalized access to higher education, these would be less influential as determinants. Moreover, the overall affluence and availability of goods in the United States compared to Zagreb is significant. It is also important to note that in general it is not possible to say the government limits earnings in the United States, while in Zagreb during state socialism, this was the case. Regardless, informants participating in this research described class differences during state socialism. Many of these differences are related to forms of cultural capital: education and prestige of the parents and the informant. Thus, preliminary findings suggest that cultural capital is a factor in the replication of social stratification not only

outside the United States but also outside the conditions of market capitalism.

Gender and Processes of Stratification

This research also added gender as a factor in exploring cultural capital and the replication of social stratification. This has largely been overlooked in the marketing literature. The implicit assumption is that status comes from the father or husband's position because women tend to face discrimination in promotions and wages. The official arrangement of state socialist gender equality, however, brought equality on all forms at work. The party also sought gender equality on a broad, social level, for example through education, as a means of ending patriarchy. It tended to be the case that patriarchy continued in practice, but the benefits of state socialism in bringing women into public life were significant. This research asks how those benefits might have influenced women's roles in replicating class differences through consumption. First, the goal was to determine women's cultural capital as part of social stratification and then how it influenced consumption.

This research has so far determined education, education of parents (especially the father) and prestige of the family as determinants of a woman's status during state socialism. The process of the replication of these differences seems also to have been a part of the socialist experience. They influenced where she could afford to live and what job she could be qualified for. There also seems to be connected with whom she could marry. The informants married men with an equal educational and professional status. The education and employment of a spouse is often recognized by scholars as important in determining a woman's social status (Marshall et al. 1988). In this case, it is not clear if the husband's position enhanced the woman's because they tended to be more equal from the beginning. Perhaps the gender equality of state socialism came not so much from equal access or the so-called elimination of patriarchy, but the preliminary findings suggest something more was going on. The notion of equality came because social status continued to be important during state socialism and a woman's employment and education contributed to the family's status. Thus, it was the continuation of social stratification during state socialism and new ways for women to contribute to the family's status, or at least the decline in men as the sole determiners, that might have influenced the dynamics of gender equity during state socialism but not, as has been argued, the elimination of social stratification and its replication in patriarchy. It may even have been the status of women that replicates stratification. Their consumption and their ability to contribute the family's consumption of holidays and clothing as well as display of status at the table during holiday meals would have been influential. What they inherited from their parents would also contribute to the status of the family.

The next step for this research is to explore that further through data collection and analysis.

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Dynamics of Entry Mode Choice in Transition Economies: The Theory and Practice of Conversion of FDI in Vietnam

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A firm, which expands into foreign markets through foreign direct investment (FDI) has to decide between full ownership of the activity or sharing ownership with local firms. Recently, Vietnam has liberalized its FDI regulation, allowing investors to go from joint ventures to fully owned subsidiaries in a large number of sectors. This change has fundamentally altered the strategic space regarding entry mode and ownership for MNCs in Vietnam. Consequently, a large number of MNCs has converted their original investment into new forms of investment. This paper will analyze the dynamics of entry mode choice in Vietnam and explore how changes in the Vietnamese FDI legislation affected the ownership configuration of MNCs. The paper provides a review of the literature on entry mode and conversion of investment, an analysis of 257 conversions of foreign investment projects and a presentation of the preliminary findings of an empirical survey of more than 100 of converted FDI projects in Vietnam

A firm which expands into foreign market through FDI, must choose between acquiring existing firms or setting up new business. Moreover, it has to decide between either keeping or sharing control of its subsidiaries. Entering the local market by any entry mode does not mean that the ownership configuration is kept unchanged indefinitely. The investor can convert into other forms of investment as the mission of the business changes or as the conditions in the host country changes.

There are many studies of the determinants of the choice between full and partial control of subsidiaries. However, very few studies have focused on MNCs in Vietnam. Moreover, where the literature focuses on the initial entry mode choice, few studies examine the mode changes, as the project matures. This post investment issues is particularly important in Vietnam, where the government in recent years has made substantial changes to its FDI regulation, *inter alia* allowing full foreign ownership in a number of sectors. This change in policy encouraged a large number of MNCs to convert their initial investment into new forms of ownership, especially, from joint ventures (JVs) to wholly-owned subsidiaries.

Our research project analyzes the dynamics of entry mode choice and ownership configurations of MNCs in Vietnam. It is the aim that this research contributes to the entry mode literature by providing new and interesting empirical evidence from Vietnam, a transitional economy in the Third World. Practically, it is hoped that the research will assist expatriates as well as Vietnamese managers to understand the challenges and opportunities of conversation of investments. Finally, the research may have implications policies on foreign investors.

SCOPE OF THE RESEARCH AND RESEARCH QUESTIONS

Scope of the Research

According to the Vietnamese regulations on foreign direct investment, the words "*restructuring*" or "*re-organizations*" include divisions, demergers, mergers, consolidations, or conversion of the form of investment. In this research, we only focus on conversion of the form of foreign direct investment (*henceforth referred to as the conversion*).

Research Questions

The research aims at answering following questions:
How did TNCs select entry modes in Vietnam and what was the key factors that influenced their selection?
How and why were FDI projects converted?
How the Vietnamese FDI legislation affected the ownership configuration of MNCs?

THE ENTRY MODE AND CONVERSION LITERATURE

The Entry Modes

Basically, there are two main types of entry modes, wholly-owned enterprise and joint-ventures.

Wholly-Owned Enterprise

This entry mode is one that gives the full control over operations. Before investing in a country, the foreign investor must analyze its environment to assess the country

attractiveness. An wholly-owned investment gives the investor full control over operations and access to the full earnings of the investment. Sometimes however, the feeling of “full control” may be illusory if the company has sent expatriates with an inadequate knowledge of the country and lack of cultural sensitivity. In terms of finance, a wholly-owned investment makes the foreign investor bear the full risk of equity and debt.

Joint Ventures

The term joint venture can cover over several forms of partnership (Lasserre, 2003; 194). In some countries, hybrid forms of equity are common, e.g. ‘project partnership agreements’ and ‘contractual joint ventures’ in China, or ‘business cooperation on contract’ in Vietnam. ‘The definition of a joint venture is that it “has equity participations in a separate legal entity in which two or more partners invest tangible and intangible capital” (Lasserre, 2003; 194). Why are firms embarking on joint ventures? Three commonly cited reasons are administrative requirements, capabilities requirements and risk hedging (Lasserre, 2003; 194).

TABLE 1: COMPARING VARIOUS ENTRY MODES

	Wholly-owned	Joint venture
1. Up-front investment	High	Medium
2. Speed of entry	Slow	Quick
3. Market penetration	Medium	Medium/High
4. Control of market	High	Medium
5. Political risk exposure	High	Medium
6. Technological leakage	Low	High/med
7. Managerial complexity	High	High
8. Potential financial return	High risk High/Med return High payout	Med/High risk High/Med return Medium payout

Sources: Based on Lasserre, 2003

Some governments want to ensure that domestic firms get maximum benefits from FDI. They therefore ask foreign investors to link up to local firms before granting them a licence. This practice is strongest in developing countries like China, Vietnam or Indonesia. In such countries, foreign investment is banned or severely restricted in strategically sensitive sectors like media, telecom, electronics, or hotels.

Conversion of Foreign Investments

Types of Conversion

Conversion of the form of foreign investment means that a project which has been started in a form stipulated by the Law on Foreign Investment, converts into another form. Theoretically, the following types of conversions can be envisioned (i) from Greenfield joint venture to Greenfield wholly owned, (ii) from Greenfield wholly owned to Greenfield joint venture, (iii) from on form of joint-venture to another form of joint-venture.

TABLE 2: ENTRY MODES AND TYPES OF CONVERSION

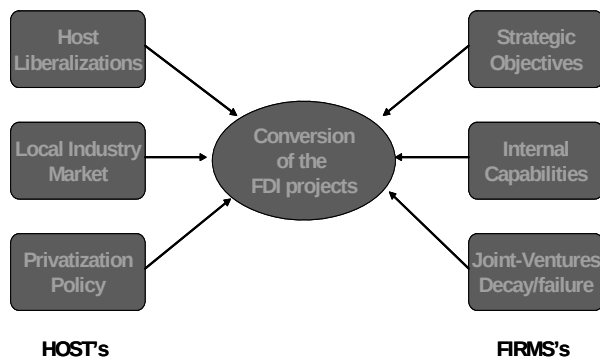
	Entry Modes	Conversion
1	Greenfield joint ventures Joint-venture Enterprise Contractual Joint-venture Business Cooperation on Contract BOT, BTO, BT	Greenfield wholly ownership fully owned enterprise BOT, BTO, BT*
2	Greenfield wholly ownership fully owned enterprise BOT, BTO, BT*	Greenfield joint venture Joint-venture Enterprise Contractual Joint-venture Business Cooperation on Contract BOT, BTO, BT
3	Joint ventures Joint-venture Enterprise Contractual Joint-venture Business Cooperation on Contract	Joint ventures Joint-venture Enterprise Contractual Joint-venture Business Cooperation on Contract

Sources: Authors own development

Reasons for conversion

There are a number of factors influencing the conversion of foreign invested enterprises, including factors of the host country and factors of investors. Those factors are summarized in figure 2.

FIGURE 1: FACTORS INFLUENCING CONVERSION OF INITIAL INVESTMENTS



A number of factors in host country lead to conversion, including change in government policy, local industry or market, and privatization policy.

Developing countries often push foreign investors into partnership with local firms in strategically sensitive sectors. After a few years, they remove restrictions and open up for wholly-owned enterprises. More over, more forms of investment are allowed for foreign investors.

When entering into a foreign markets, the investor may fear that the investment would not generate enough long-term revenues because of a lack of purchasing power or the absence of a demand for the product or service. In this case, the investor may partner up with a local company to reduce risk. As the market size increases, the investor may like to expand the activity to get the economies-of-scale. For 100% foreign invested enterprises, they may want to access co-finance from a local partner. In some instances, the foreign investors had to buy out the local partner due to incapability of the local partner to contribute additional capital. Foreign subsidiaries can obtain additional capital from their parent companies or, like local firms, from the local capital market. If funds for expansion are obtained from local sources, the firm will represent diminishing foreign investment as it converts. In contrast, some foreign partners prefer to expand through their parent companies, in which case the parent company holds all, or nearly all, of the equity and permits the subsidiary to expand with its own earnings.

In many emerging markets, the government may want foreign investors to buy shares of privatized SOEs to promote privatization programmes.

A number of investor' factors lead to conversion, including strategic objectives, internal capabilities, and joint venture decay/failures.

The major types of strategic objectives when entering new markets are market development, resource access, learning and coordination. Those objectives could be reached through different entry modes. For instance, if the investor

wants to achieve learning and coordination objectives, it should enter by shared ownership. But if the long term objective is maximization of profit, it must change ownership. So, conversion of the form of investment is a way of achieving strategic objectives.

The capabilities of the firm concerning the local market affect the conversion. When the market, policy, and internal capabilities change, conversion provides an opportunity for a firm to reconfigure toward a more optimal partnership. The very operations of the subsidiary in the foreign country, its knowledge of the market, the conditions of production, the experiences gained by its officials, and the position it may have established for itself with its own customers, all tend to create new opportunities for full ownership, that did not exist at the time the firm was established.

Two parties of joint-venture have to find and make effort to adapt. The main causes of failures are the absence of strategic vision, failing to understand the local partner's strategic logic and culture, haste in negotiation, insufficiently prepared staff, and lack of organizational support, and believing without seeing. These causes of failure are often inter-related, contributing to a vicious circle of misunderstanding which can degenerate into open conflict and end in frustration, loss of market share and sometimes legal action.

RESEARCH METHODOLOGY

The Research Design

In any scientific undertaking, the choice of method is dependent on the purpose of the research. To fulfill the purpose of this research, we used both secondary data and primary data. For secondary data, after reviewing the literature closely, we contacted the Ministry of Planning and Investment to get a database of the converted FDI projects in Vietnam. For primary data, we interviewed 5 foreign and Vietnamese investors and 20 experts at the Foreign Investment Agency and at the provincial Department of Investment and Planning.

Identifying the Population

According to the Vietnamese regulation, all restructured FDI projects must be reported to the Foreign Investment Agency, depending on the Ministry of Planning and Investment (FIA/MPI). Consequently, there exists a list of converted FDI projects at FIA/MPI. This is the population of the research. Based on the personal contacts, we were provided with a list of all converted FDI projects in Vietnam by FIA/MPI. There were 257 converted FDI projects in the whole country. Note that this is the most official and original source of information on FDI in Vietnam, and those converted FDI projects reported by provincial DPI in the whole country.

Based on this database, we analyzed the general

TABLE 3: THE CROSS-TABULATION OF LOCATION, TNC'S ORIGIN AND SECTOR OF POPULATION

TNCs origin		Sectors	HCM	BD & DN	HN	Others	Total
EU	57	Industry	11	9	6	9	35
		Agriculture	1	2	0	4	6
		Service	5	0	3	8	16
American	17	Industry	5	3	3	2	13
		Agriculture	0	0	0	0	0
		Service	2	1	2	0	4
Asia	164	Industry	37	29	11	31	108
		Agriculture	1	2	0	17	20
		Service	19	2	6	9	36
Others	19	Industry	3	2	2	5	12
		Agriculture	0	1	0	1	2
		Service	2	0	2	1	5
All			88	31	50	88	257

Source: FDI Agency, Ministry of Planning & Investment (MPI)

situation of conversion of the form of FDI in Vietnam. This provided a basis for development of a questionnaire and a guide for in-depth interviews.

In-depth Interviews

We interviewed 5 investors, including two expatriates and three Vietnamese, all of them board members. We also interviewed 20 experts, including 5 experts from MPI in Hanoi, 3 experts from the MPI in Hochiminh, 2 experts of the Provincial Department of Planning and Investment of the following provinces: Ha tay, Hung yen, Haiphong, Hai duong.

RESULTS AND INTERPRETATIONS

The Evolution in Regulation of Forms of Foreign Investment

From the first issuance of the Law on Foreign Investment, foreign investors were allowed to invest in any of the following forms (1) Business co-operation on the basis of a business co-operation contract; (2) Joint venture enterprise; (3) Enterprise with one hundred (100) per cent foreign owned capital. During the implementation of projects, investors could not convert the form of investment. The Law on Foreign Investment was amended in the years of 1990 and 1992. Although it did not allow more forms of investment, it provided incentives for enterprises to move toward one hundred per cent foreign owned capital. This was an important incentive for foreign investors in the following years.

In 1993 - although there was no amendment of the Law - the Government of Vietnam issued the Decree

87/CP dated 23/11/1993. It created new form of investment – BOT- in order to attract more FDI into Vietnam. The Law on Foreign Investment was amended in 1996, allowing foreign investors to expand capital. In the year 2000, Vietnam officially permitted enterprises with foreign owned capital and parties to business co-operation contracts to, in the course of their operation, convert the form of investment, split, de-merge, merge or consolidate. This is the central important legal basis for converting the form of investment in Vietnam.

To increase the efficiency of the operation of foreign invested enterprises and to provide further dynamics in the Vietnamese stock exchange market, Decree 38/2003/ND-CP dated 15/4/2003 allowed conversion of a number of foreign invested enterprises operating under the Law on Foreign Investment into shareholding companies with foreign invested capital.

Enterprises eligible for conversion must satisfy the following conditions (i) contributed full legal capital in accordance with the provisions of the investment license; (ii) officially operated for at least 3 years, and the last year prior to conversion was a profit-making year; and (iii) submitted a proposal for conversion.

The Ministry of Planning and Investment has the primary responsibility for coordinating with the Ministry of Finance and related State bodies to select foreign invested enterprises which satisfy the above conditions, for submission to the Prime Minister for consideration and decision.

To implement the National Treatment as required by the international trade and investment law (equal treatment between foreign and Vietnamese investors), Vietnam issued the Law on Investment No 59/2005/QH11, dated 20th Nov, 2005 on the basis of combination between Law

on foreign investment and Law on domestic investment. This Law has been enforced since the beginning of July, 2006. The Law, either conceded all the forms of investment issued in the above different legal documents, or issued indirect forms of investment for foreign investors. Nevertheless, Article No 21 of the Law continues to allow the conversion of the form of investment.

Current Forms and Conversion of the Form of Foreign Investment in Vietnam

Trends

Since the issuance of the law on foreign investment in Vietnam of 1987, forms of FDI into Vietnam has fluctuated. If JV and BCC projects have been declining, 100% foreign-invested projects have been on the increase. In the first years of attracting FDI, JV projects accounted for a majority of FDI projects, in terms of number of projects, as well as in terms of registered capital. Right now, 100% foreign invested projects have accounted for a majority of FDI projects. Between 1988 and 1990, JVs accounted for up to 75% of number of projects, BCC accounted for 18%, and 100% foreign invested projects only accounted for a little bit more than 6% of projects. Up to the end of 1995, FDI projects registered in JV and BCC had been reduced, accounting for 64% and 8.13%

respectively; but FDI projects registered in 100% FOEs increased to 18.25%. Up to the year 2000, there was only 39.38% of FDI projects that was registered in JVs and 4.9% of FDI projects registered in BCC. In contrast, the number of FDI projects registered in 100% foreign owned enterprise accounted for 55.5%. By 2005, although forms of investment have been diversified, 100% foreign invested projects account for the majority of FDI projects; nearly 75% of number of projects. 22.4% of projects was registered in JV, 3.0% of projects registered in BCC. There has been more than 20 FDI projects invested in BOT, joint-stock companies and holding companies. There are some reasons for the fluctuating trends of FDI projects in Vietnam for the last 18 years:

Why did investors initially prefer JVs

On the foreign investors' side, in the early years after the issuance of the Law on Foreign Investment, they may not have had information about the challenges of the Vietnamese investment environment. Through the Vietnamese partner in JVs, they could gain a better understanding of the Vietnamese business environment, and share initial capital and risks.

Foreign investors made a partner with local firms, either because they wanted to do so, or because it was a legal requirement in some sectors, such as electronics, cement,

TABLE 4: FDI PROJECTS IN VIETNAM BY THE FORMS, PERIOD OF 1988-2005

Forms of investment	1988-1990		1988-1995		1988-2000		1988-2005	
	Number of projects	Registered capital	Number of projects	Registered capital	Number of projects	Registered capital	Number of projects	Registered capital
Build Operate Transfer		-	0.02	0.21	0.15	1.14	0.09	2.68
Business Cooperation on contract	18.22	38.33	8.13	13.11	4.94	10.44	3.0	8.17
100% FOEs	6.07	9.33	21.91	18.27	55.51	29.39	74.1	50.1
JVs	75.7	52.33	64.55	74.33	39.38	59.01	22.4	38.3
Joint-stock foreign invested	-	-	-	-	-	-	0.13	0.39
Holding company	-	-	-	-	-	-	0.02	0.10
Total	100	100	100	100	100	100	100	100

(Source: FDI Agency, Ministry of Planning & Investment)

automobile, and motorcycles. The Vietnamese partners could learn management and technological skills through foreign partners in the JVs. Frequently, foreign investors were not allowed to register in 100% FOEs in these sectors. Moreover, the Vietnamese government provided financial incentives for JVs to encourage more JVs, including tax exemptions. As administrative formalities for application/establishment of foreign invested companies were complicated, the foreign investor frequently asked the Vietnamese partners to complete it.

Why did the number of JVs diminish in recent years and 100% FOEs increased in recent years?

This is simply because legal rules and regulations on 100% FOEs have been relaxed. The Law on Foreign Investment in Vietnam of 1996 removed from the list some industrial sectors that required applying in JV, and opened up more sectors of industries to 100% FOE. As a result, FDI projects registered in JVs diminished and, in contrast, in 100% FOE increased.

Foreign investors have become better at handling the Vietnamese business environment since the first issuance of the Law on Foreign Investment. 100% foreign owned greenfield projects are becoming more and more common. Foreign investors that controlled their projects fully, could maximize profit and receive better assistance from home TNCs.

Vietnam allowed foreigners to invest in industrial zones, export processing zones and high-tech zones by infrastructure development enterprises, where the infrastructure is available, the land rent or the rent for sub-leased land on which the infrastructure is developed and the fees for use of infrastructure facilities shall be paid on the basis of a easy contract signed with the infrastructure development enterprise. So, often, in respect to greenfield projects in industrial zones, they are registered as 100% foreign invested capital.

Why then are BCC not popular in Vietnam?

In term of legal regulation, a business co-operation contract is a document which is signed by two or more parties and which stipulates the responsibilities of, and the sharing of business results between, the parties for the purposes of conducting investment and business in Vietnam without creating a legal entity, through Vietnamese legal entity. Many foreign investors did not like this regulation. It was restricted to promote their prestige in the Vietnamese market. Moreover, it was more difficult to convert into other forms of investment.

Business co-operation contracts normally applied for prospecting, exploration and exploitation of oil and gas and a number of other natural resources in the form of production sharing contracts. These must be implemented in accordance with the provisions of the relevant law and the Law on Foreign Investment. Especially, when BCCs

were implemented within telecommunication, Vietnamese parties have the full right to manage their operation with reference to national security. Foreign partner only contributed and controlled technology.

Often, the duration of BCC is relatively short; less than 10 years. So either the foreign investors had to extend deadlines many times, or they felt that this form is not worth promoting in Vietnam.

Why are BOT, BTO and BT contracts not popular in Vietnam?

Although the government of Vietnam encourages foreign organizations and individuals to carry out investment on the basis of BOT, BTO, and BT contracts; shall protect the ownership of invested capital and other legitimate interests of foreign organizations and individuals carrying out investment on the basis of BOT, BTO, and BT contracts and shall, at the same time, create favorable conditions and simple and expedient procedures for the implementation of such projects; shall grant preferential treatment to BOT enterprises and sub-contractors, but there have been totally 7 FDI projects invested on basis of BOT contracts approved for the last 13 years. Unfortunately, the implementation of those projects was not so good because of following reasons:

Investment on the basis of BOT, BTO, and BT contracts, in the fields of transportation, production and business of electricity, water supply and drainage, waste treatment, usually requires huge amounts of initial capital and takes long payback time. So, many foreign investors do not want to invest in those.

In BOT, BTO, and BT contracts, there are many subcontracts that must be completely signed before signing the final contract. It takes long time to negotiate subcontracts, e.g. three years. Sometimes, Vietnamese partners, providing inputs and buying BOT' products, will not compromise their owned benefits. For example, in connection with a BOT contract in the field of production and sale of electricity, there were two corporations managed by the Ministry of Industry involved. The Coal Corporation charged the higher price of coal than the normal market price. The Electricity Corporation asked to buy the power at a price set by themselves, even though power prices were below the cost of production; These price policies of two Vietnamese partners obviously created huge problems for the foreign investor.

BOT, BTO and BT contracts require the Government' guarantee of foreign currency balance of enterprise, as well as, the Government' guarantee of payment for Vietnamese parties.

State body authorities often find it difficult to find an appropriate party for BOT, BTO and BT contracts. Although, with respect to regulation, these contracts are entered into by an authorized state body and a foreign

TABLE 5: FDI PROJECTS BY FORMS OF INVESTMENT PRIOR AND AFTER THE CONVERSION

Forms of investment	Number of projects prior to conversion	Density	Number of projects after conversion	Density
- 100% FOEs	17	6.61	231	89.88
- Joint Ventures	226	87.94	20	7.78
- BCC	14	5.45	0	0
- BOT	0	0	0	0
- Holding company	0	0	0	0
- Joint-stock foreign invested	0	0	6	2.33
Total	257	100.00	257	100.00

Source: FDI Agency, Ministry of Planning & Investment

TABLE 6: TYPES OF THE CONVERSION OF THE FORM OF INVESTMENT

Types of the conversion	Number of projects	Density
- Converted from JVs to 100% FOEs	228	88.72
- Converted from business co-operation on contract to JVs	8	3.11
- Converted from business co-operation on contract to 100% FOEs	3	1.17
- Converted from 100% FOEs to JVs	12	4.67
- Converted from 100% FOEs to Joint-stock company	6	2.33
Total	257	100

Source: FDI Agency, Ministry of Planning & Investment

investors, in reality, the state body delegates the contract to a corporation directly under themselves. With respect to investment in joint-stock companies as

well as, holding companies, these forms have not yet been developed in Vietnam, but are still in a pilot phase.

The current Situation of the Conversion of the Form of Foreign Investment in Vietnam

Vietnam has officially permitted FDI projects to convert the form of investment and the conversion of the form of investment started by 1997. Until 2005, there have been more than 257 conversions of FDI projects. The FDI projects with conversion of the form of investment are detailed in the following table:

In 257 FDI projects of the conversion of the form of investment originally registered in only there forms of investment, including 100% FOE, JV, and business co-operation on contract. Of which, there was 17 hundred percent FOEs, accounted for 6,61% of number of projects; 14 projects of business co-operation on contract, accounted for 5,45% of number of projects with the conversion of the form of investment. In contrast, there was up 226 JVs, made up more than 87% of number of projects with the conversion of the form of investment. So, majority of converted FDI projects are JVs.

In 257 converted projects, 231 FDI projects converted into the form of 100% FOEs, accounted for more than 89%; there was only 20 projects required to convert to JVs, made up 7,78% and, especially, 6 projects converted to joint-stock company, accounted for 2,33%. There were following types of the conversion of the form of investment: (1) converted from JVs to 100% FOEs, 228 projects, accounted for 88.72%; (2) converted from business co-operation on contract to JVs, 8 projects, accounted for 3.11%; (3) converted from business co-operation on contract to 100% FOEs, 3 projects, accounted for 1.17%; (4) converted from 100% FOEs to JVs, 12 projects, accounted for 4,67%; and (5) converted from 100% FOEs to Joint-stock company, 5 projects, accounted for 2,33%.

According to the above table, majority of FDI projects converted from JVs to 100% FOEs, due to the main following reasons.

- Disputes between parties to some joint venture could not be resolved through negotiation and conciliation, as a result, (i) foreign parties bought Vietnamese share of capital contribution, JVs converted to 100% FOEs; or (ii) Vietnamese parties bought foreign share of capital contribution, JVs converted to 100% Vietnamese enterprises, such as the oil filter project Number 1 in Quang Ngai province. This research does not survey this type of the conversion.

To operate smoothly in Vietnam, foreign company need partner with SOEs, that have good relationship with local

government. While operation of business, JVs created special challenges for foreign investors. SOEs pursue a broader set of objectives and are subjective to direct interferences from their governing authorities. After establishment of JVs, foreign investors discovered challenges of "forced marriages". Foreign investors faced considerable challenges for knowledge sharing and organizational change in the local entity. Similar challenges would apply to foreign investors taking over local firms if and when restriction on the acquisition of

TABLE 7: YEAR OF ESTABLISHMENT OF CONVERTED FDI PROJECTS

Year of establishment	Number of projects	Density (%)	Year of establishment	Number of projects	Density (%)
1988	1	0.39	1997	28	10.89
1989	3	1.17	1998	17	6.61
1990	5	1.95	1999	11	4.28
1991	13	5.06	2000	14	5.45
1992	13	5.06	2001	8	3.11
1993	24	9.34	2002	14	5.45
1994	25	9.73	2003	6	2.33
1994	38	14.79	2004	7	2.72
1996	28	10.89	2005	2	0.78

Source: FDI Agency, Ministry of Planning & Investment

local firms removed. So, they found the way to buy the share of capital contribution of Vietnam party in order to manage over the firm.

Many TNCs consider JVs as intermediate step in accessing foreign market. After moving into the foreign market, they converted the form as well. Often in Vietnam, foreign companies increased advertising cost as high as possible to promote their prestige, to kill/cancel local competitors, even they became loss. To overcome this loss, or to expand the size of operation, foreign investors asked Vietnamese parties to contribute more capital, but most of Vietnam parties had no more capital to contribute. To cope with this problem, Vietnamese parties and government must accept to assign their share of capital contribution for foreigners.

The conversion from JVs to 100% FOE had some advantages, including (i) Vietnamese parties had no longer to become government's debtor. In the past, Government of Vietnam allowed SOEs to borrow land to contribute capital in JVs. After the conversion, new 100% FOEs have to pay rent of land directly to the local government; (ii) Government of Vietnam received types of taxes from effective operation of 100% FOEs after the conversion; (iii) In some cases, foreign partner provided assistance for Vietnamese partner, as well as, local government authorities. Some Vietnamese companies became subcontractors of the new 100% FOEs.

Vietnam has removed restrictions on 100% FOEs, so many JVs converted to this form. Most of those JVs projects concentrated in sector of industries that were originally required registered in JVs by legal force, and established at the time before official converted allowance.

TABLE 8: CONVERTED FDI PROJECTS BY ECONOMIC SECTORS

No	Sectors	Number of projects	Density (%)
A	- Industries	164	63.80
B	- Agricultures	31	12.08
C	- Services	62	24.12
	Total	257	100.00

Source: FDI Agency, MPI

Some projects converted JVs because of some reasons, such as (i) As the effect of financial crisis in Asian region, many foreign investors faced bankruptcy. They were forced to transfer their capital for Vietnamese, or other foreign investors, accompanied with the conversion of the form of investment; (ii) Some foreign companies wanted to finance capital from Vietnamese parties in order to increase volume of sale; and (iii) Few foreign companies have collected enough initial investment capital. Otherwise, Government of Vietnam has just allowed FDI enterprises transferred into shareholding company since 2003, but it is in the pilot phase, so there are few companies permitted to be transferred. Some investors think that this type of company is flexible to finance capital for projects.

The conversion of the form of investment by the time of establishment

By the time of establishment, most of converted FDI projects established in the duration of 1991-2000, made up more than 72% of number of projects. So, those FDI projects were forced by legal regulations to be registered in JVs in the past (see table 7).

The conversion of the form of investment by the economic sectors

Activities of the conversion of the form of investment taken place in all sectors: industry, agriculture, as well as service. Of converted projects, projects in industry sector made up a majority of 164, more than 63%; with the total capital of 55%. This is resulted from the fact that most of FDI projects applied in this filed. Projects in agriculture field were of 31 projects, accounted for 12% of number of projects and 7% of total converted capital.

There were 62 service projects converted in the form of investment, made up 24% of projects and 34% of total capital. More detailed, projects in hotel, tourism, real

estate converted more than others. Because, those sectors were more competitive than others. Otherwise, in the past, Vietnam law forced to make JVs when applying in these sectors (see table 8 on the previous page).

The conversion of the form of investment by the destination

Converted FDI projects mainly concentrated in Ho Chi Minh City that is much more than other provinces, 88 projects of 257 converted projects in Ho Chi Minh City, accounted for 36% of projects and 44% of total capital. Followed by province near Ho Chi Minh City, that is Binh Duong, this province had 32 converted projects, made up 13,5% of projects and 4,27% of total capital, respectively. Hanoi ranked the third position in term of number of converted projects with 31 projects, but the fourth position in term of registered capital (see table 9).

TABLE 9: CONVERTED FDI PROJECTS BY DIFFERENT DESTINATION

No	Destination	Number of projects	Density (%)
1	- Ho Chi Minh	88	34.24
2	- Binh Duong	32	12.45
3	- Ha Noi	31	12.06
4	- Dong Nai	18	7.00
5	- Lam Dong	12	4.67
11	- Others	76	29.90
	Total	257	100.00

TABLE 10: CONVERTED FDI PROJECTS CLASSIFIED BY TERRITORIES

No	Countries/territories	Projects	Density (%)
1	Taiwan	51	19.84
2	Korea	29	11.28
3	Singapore	24	9.34
4	Hong Kong	19	7.39
5	British Virgin Islands	17	6.61
6	Japan	16	6.23
7	USA	14	5.45
8	Australia	12	4.67
9	France	12	4.67
10	China	12	4.67
11	Others	51	19.84
	Total	257	100.00

The conversion of the form of investment by countries/territories

Over 70 countries and territories invested into Vietnam, more than 30 countries that made the conversion of the form of investment. Generally, as much number of FDI projects invested into Vietnam, as much higher number of converted projects, such as Taiwan, Korea, Singapore and Hong Kong. Their number of converted projects made up nearly 50% of total converted projects and 58% of total converted capital (see table 10).

CONCLUSIONS

This paper has built factors influencing on the conversion of foreign direct investment and types of the conversion in transition economies. It has also analyzed how the change in the Vietnamese FDI legislation affected the ownership configuration of MNCs. It provided a review of the literature on entry mode and conversion of investment as well as a preliminary analysis of 257 conversions of foreign investment projects in Vietnam.

The results from the above sample are robust, and they tell a consistent story. They suggest that the mode of the entry chosen by MNCs before the conversion permitted is driven by firms' strategy and Vietnamese legislation. They entered by greenfield JVs because of Vietnamese regulations on restricted sectors, that were not opened for wholly owned foreign investors. Hence nearly 90% of the FDI projects converted from JVs to wholly ownership. Moreover, most of the converted firm established prior to the conversion officially allowed. However, this paper will be further developed after our empirical survey of nearly 100 FDI projects of the above 257 converted FDI projects in Vietnam.

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Monday, June 4

4:00 – 5:30 **Session 6**

640 Working Paper Session: Macromarketing Issues in Advertising, Branding, and Packaging

Chair: Yorgos Zotis, Aristotle's University of Thessaloniki

641 - *Do Consumers Hold the 'Large Economy Size' Belief?*

Polixeni Palla, Aristotle's University of Thessaloniki

Christina Boutsouki, Aristotle's University of Thessaloniki

Yorgos Zotos, Aristotle's University of Thessaloniki

Maria Archontoulaki, Aristotle's University of Thessaloniki

642 - *Psychic Distance and Brand Convergence: A New Analysis*

Pandora L. Patton, The University of the Nations

Charles R. Patton, The University of Texas, Emeritus

643 - *Men Portrayals in Print Advertising: Insights from the Greek Context*

Emmanuella Plakoyiannaki, Aristotle's University of Thessaloniki

Christina Boutsouki, Aristotle's University of Thessaloniki

Yorgos Zotos, Aristotle's University of Thessaloniki

644 - *Young Women's Perceptions and Attitudes towards Print Advertisements in the Post-Feminism Era in Greece*

Athena Zotos, Aristotle's University of Thessaloniki

George Tsourvakas, Aristotle's University of Thessaloniki

Do Consumers Hold the “Large Economy Size” Belief?

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Several academic studies on grocery products have documented incidents of quantity surcharges for more than 40 years in the USA and in Europe. Though, consumers hold the strong and consistent belief that larger sizes cost less per unit rather than the smaller ones. This is a follow up study, focused on consumers’ “large economy size” belief, 12 years after the first approach, in Greece. During this period many changes had occurred in macro and micro economic level, in grocery market, in marketing philosophy, as well as in consumer behavior that affect the actual shopper in their buying decision process. Moreover, Greek consumers have become more discriminating buyers and more critical of inadequacies. The present study attempts to investigate consumers’ heuristic belief in the era of intensely competitive retail environment, consumer-oriented marketing philosophy and extremely demanding customers.

Key words: Consumers vulnerability; Food shoppers; Unit Price; Quantity Surcharge; Greece.

INTRODUCTION

Several field studies have investigated the phenomenon of quantity surcharge (Widrick 1979a, b; Nason and Della Bitta 1983; Cude and Walker 1984; Moore and Heeler, 1992; Agrawal, Grimm, and Srinivasan, 1993; Gupta and Rominger 1996; Manning, Sprott and Miyazaki, 1998; Zotos and Lysonski 1993; Schmidt 2001), though limited research has addressed consumers’ attitudes towards surcharges. The present study forms a part of a wider survey, wherein the phenomenon of quantity surcharge is explored not only to the retail level at grocery stores but, in addition, considers consumers’ attitude towards this practice. Having ascertained the incidents of surcharged products in the Greek grocery market at the level of 13.6 per cent for the year of 2004 and in order to provide a comprehensive picture of this marketplace phenomenon, this study explores consumers’ beliefs towards surcharged products. In particular, the research objectives are:

1. To identify consumers’ perception of the most expensive per unit package size.

2. To record consumers’ awareness of quantity surcharges and reaction to this marketplace phenomenon.

3. To identify the levels and sources of consumers’ familiarity with the unit price concept.

CONSUMERS AND QUANTITY SURCHARGE PHENOMENON

A quantity surcharge exists when a larger size of a brand carries higher unit purchase price than a smaller one, assuming that the quality and the packaging are the same. Furthermore, consumers hold the “large economy size” belief when they expect larger size to be less expensive per unit than the smaller one (Granger and Billson 1972; Widrick 1979 a, b; Nason and Della Bitta 1983; Agrawal, Grimm and Srinivasan 1993; Wansink 1996; Gupta and Rominger 1996). This belief may result in choices, which are suboptimal in terms of monetary consequences where surcharged pricing policy is applied (Nason and Della Bitta 1983; Zotos and Lysonski 1993).

Awareness of Quantity Surcharges

A significant important proportion of consumers surveyed in a number of studies (Rhode Island; 43.5%, Greece; 45.1%) seemed aware of the quantity surcharge phenomenon. Results indicated that they underestimated its frequency (Nason and Della Bitta 1983; Zotos and Lysonski 1993). However, both studies suggest that many consumers may have responded “yes” to the question regarding their knowledge on the existing of surcharged products, so as to avoid appearing ignorant.

Reaction to Quantity Surcharges

Overall, surcharges were found to have a significantly negative impact on purchase behavior (Manning, Sprott, and Miyazaki 1998). In Greece, more than half of surveyed consumers would refuse to buy a surcharged package, 20 percent would prefer the smaller size of the brand, while 10.7 percent stated that they would keep purchasing the same size of the brand (Zotos and Lysonski 1993).

Reasons for non-discovered surcharges

Many surveys focused on the reasons for the non-discovered surcharges (Capon and Kuhn 1982; Nason and Della Bitta 1983; Dickson and Sawyer 1990; Moore and Heeler 1992; Lennard, Mitchell, McGoldrick, and Betts 2001). Moore and Heeler (1992) agree that consumers are apt to make interbrand comparisons rather than intrabrand ones in order to detect surcharges. In addition, surcharges can not easily be detected when (1) unit price information is not understandable by consumers, (2) unit price labels are not available, or (3) consumers are unmotivated to make intrabrand comparisons using unit price information and have high search cost (Capon and Kuhn 1982).

Economic theory-economics of information

Contrary to the consumers' volume discount heuristic belief the economics of information model suggests that a consumer will search for information as long as the economic benefits are higher than the cost of searching (Stigler 1961; Telser 1973; Goldman and Johansson 1978). However, computing and comparing unit price requires effort. It seems costly for shoppers to obtain price information (Stigler 1961; Salop 1977; Salop and Stiglitz 1977). Binkley and Bejnarowicz (2003) conclude that buyers of surcharged products are mainly those with high information and search cost.

The Grocery market in Greece

Despite being a member of the European Union, Greece in 1996 belonged to the group of the less developed economies, reflecting a society in transition with small, family owned retail operations (Lysonski, Durvasula, and Zotos 1996). During the nineties, many changes had occurred in macro and micro economic level, in marketing philosophy, as well as in consumer behavior that affect the grocery market and actual shoppers. Hypermarkets (i.e. Carrefour) and large supermarket chains (i.e. Masoutis) as well as discount retailers (Lidl) replaced the existing family operations and introduced modern management practices in the market (Bennison and Boutsouki 1995). Following by, the merge between hypermarkets and large market chains the current situation in retail industry shows that "the top 10 supermarkets account for 84% of total supermarket sales" (GAIN Report 2004). Furthermore, Greek consumers seem to be more discriminating buyers and more critical of inadequacies in the marketplace (Lysonski, Durvasula, and Zotos 2004).

METHODOLOGY

Having provided an up-to-date reference point of the quantity surcharge phenomenon up to 13.6 percent, the present study is conducted to determine consumers'

awareness of quantity surcharges, familiarity with unit pricing and other issues. A structured questionnaire approach was used. Overall 751 questionnaires (740 usable) were collected between March and June 2004. Interviews were conducted between Mondays to Saturdays at shopping hours. Field researchers interviewed consumers in randomly selected supermarkets out of the major Greek grocery chains, located in different parts of the metropolitan area of Thessaloniki. Consumers were interviewed at the exit of supermarkets having completed their purchases. The purchase process and the criteria of purchase selection were recent, direct and therefore easy to recall. The total population was the actual shoppers. Random sampling was used. As soon as a questionnaire was completed, field researchers approached the next available customer.

ANALYSIS OF RESULTS

Unit price- Volume Perception of Consumers

Respondents' perception regarding price-volume relationships were analysed on the basis of their age and education. The majority of the surveyed shoppers stated that the smaller size costs higher per unit. This indicates that a large portion of Greek consumers hold the larger size heuristic belief. Chi-square analysis indicated that age does not affect consumers' perception of the quantity surcharge phenomenon. Instead, education seems to be a significant factor affecting consumers' perception of quantity surcharges. University graduates were more likely to hold the quantity discount belief.

Awareness of Quantity Surcharge

More than half (59.5 %) of the consumers responded that they were not aware of the existence of surcharged incidents, while 14.1 percent responded that they were not knowledgeable of the phenomenon. The remaining 26.3% of the responders claimed to be aware of the phenomenon but at the same time they failed to detect any quantity surcharge incidents. Thus, quantity surcharge as a pricing policy seems to remain undetected by the majority of consumers.

Reaction to Quantity Surcharge

Respondents' potential reaction towards detected surcharged products was also reviewed. A significant number of the respondents (36.1%) stated that they would select another package size from the same brand. Almost a quarter of the respondents (24.1%) indicated that they would stop buying the particular brand in any offer size. Others (8.2 %) would continue to buy the same size even if it was surcharged. Some consumers would just express surprise (7.7 %) while others would complain to the administration of the supermarket (6.6 %). Only 5.5

percent of the consumers would switch supermarkets for their grocery shopping. A few consumers (4.4%) would remain inactive and only the 3.2 percent would express its disappointment to consumer organizations.

Unit Price Concept

The majority of the respondents (73.7 %) reported that unit price information would have been useful if it was provided. A significant number of them appear little or not at all familiar with the use of unit price. Chi square analysis indicated a statistical significance of education and age in terms of consumers' awareness of unit pricing. Consumers seem to use various sources in order to familiarize with unit pricing. However, only age seems to affect the choice of information source as indicated by chi square analysis. Own experience seems to be the most popular way to be informed about unit pricing.

CONCLUSIONS

According to results, a large portion of Greek consumers holds the "large economy size" belief. In addition, more than half of them (59.5%) appeared unaware of the existence of the phenomenon, further supporting previous studies where an ignorance of the quantity surcharge phenomenon (Zotos and Lysonski 1993; Nason and Della Bitta 1983), low familiarity with the unit price concept and refusal to buy surcharged products (Zotos and Lysonski 1993) were recorded.

Thought, unit price is considered as the most valuable means to disclosure surcharges (Widrick 1979b; Nason and Della Bitta 1983; Agrawal, Grimm, and Srinivasan 1993), many consumers face difficulties in calculating it, or even more, whenever available in the store, to benefit from it. The familiarity with unit price information is prerequisite in order to avoid purchase of surcharged products.

Only 2 of the surveyed supermarkets provided unit price tags (Carrefour- Macedonia and Carrefour- City Gate). However, unit price tag deficiencies were observed. The percentage of cases where unit price tags provided accurate information to consumers was as low as 27%. As a consequence it could not be claimed that in the Greek grocery market unit price information is provided to consumers as a means of detecting surcharges.

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Psychic Distance and Brand Convergence: A New Analysis

Pandora L. Patton, University of the Nations, USA
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The author proposes that there are more dimensions to the internationalization theory and concept of psychic distance than those proposed in previous research. (Johannson, and Vahlne 1993; Patton, 1995; O'Grady, Lane, 1996) The movement of brands to converge from multiple points of origin to a central location is suggested to represent a low psychic distance cross cultural crossing. There is evidence of brand convergence, of similar brands moving from the country of origin to the country of destination from multiple sourcing. The authors find this transfer, rather than prove evidence of globalization, shows increasing brand loyalty with decreasing psychic distance between countries and cultures. Brands are seen as proxy for national or ethnic identity.

CHINA as a country of origin. Chips Ahoy in most of Asia are manufactured in China. Why is an American chocolate chip cookie manufactured in China?

JERUSALEM AND BRAND CONVERGENCE

A city of great convergence of ideas, also seems to be a magnet for brand convergence. Kit Kat, a candy, normally made by Nestle, was seen in one ten square meter shop. It had three countries of origin for candy bars that were similar in identity. Germany and England as origin made sense, as German and English chocolate differ in "theory." English believe in high fat chocolate while the German taste is different, so Kit Kat uses slightly different formulas in each country. The third origin of Kit Kat represents an anomaly, Hershey's is a competitor to Nestle and is not supposed to distribute that brand outside of the United States. However there must have been either plenty of Americans or Palestinians (the shop was in Arabic Jerusalem in the "Souq") who had acquired American taste in chocolate and who preferred American style Hershey Kit Kat, as the three red and white bars lay side by side in the shop. The consumers were "pulling" the bars past product import regulations and in fulfillment of desires of product that reinforced their own identity, with low psychic distance.

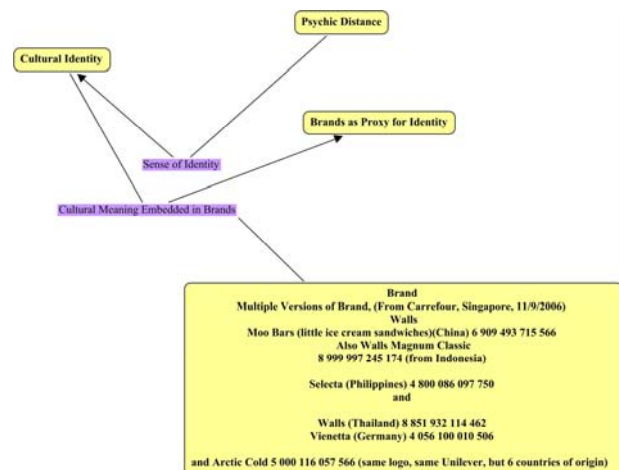
CAIRO, EGYPT

Pantene shampoo, had four origins in the same market in 2001: Egypt, England, Germany and France. (Now they put one code 5 413 on most products from P&G so the exact country of origin is rarely known.) Each bottle, though the same weight and shape was differently priced.

NORTH OF AUCKLAND, NEW ZEALAND

The ubiquitous Pantene, in the same shaped bottles had three countries of origin and three barcodes confirming the printed country of origin on the package. Why? Was this just a paper mix up by the distributor/wholesaler? The author was in a resort town, where Australians, Europeans, and Americans all mix with local New Zealanders to view the Maori artifacts and take advantage of the local sailing. While on vacation (holiday) the customers of the small upscale tourist pharmacy must have preferred a price premium and low psychic distance to a familiar product, than to take a chance with a similar looking product that was "not quite the same."

BRAND MOVEMENT MAY REFLECT THE PSYCHIC DISTANCE BETWEEN COUNTRIES



This phenomenon can be understood as the pull of consumers “pulling” a product across borders, regardless of price, because the familiarities of the product outweigh the price differential. It can be summed as familiarities in packaging (ie. language, color and style of the home country or PsyD1).

ANOMALIES

Previous longitudinal studies of branding data, from 21 countries has yielded several anomalies if the movement is viewed economically. Why does Brazilian coffee get exported to another coffee producing country? The author proposes that there is a psychic distance to brand movement, which belies the marginal utility of economic decisions. The study of this movement and the reasons why it exists may help to shed light on international development of MNC’s and their overseas production and distribution, which has increasingly led to factories in Vietnam and Thailand and other former marginalized economies.

WHAT IS PSYCHIC DISTANCE?

The term psychic distance was coined by Beckerman (1956, as cited in Patton, 1995)) in the concluding paragraph to his empirical research on trade flows:

‘... a special problem is posed by the existence of “psychic” distance. It is probable that the manner in which the purchases of raw materials by a firm are distributed geographically will depend partly on the extent to which foreign sources have been personally contacted and cultivated. While the transportation costs paid by an Italian entrepreneur on a raw material supplied by Turkey may be no greater than the same material supplied by Switzerland, he is more likely to have contacts with Swiss suppliers, since Switzerland will be “nearer” to him in a psychic evaluation (fewer language difficulties, and so on), as well as in the economic sense that air travel will absorb less of his time.’

UPPSALA, SWEDEN

Researchers from the University of Uppsala began studying it in the 1970’s: Their formal definition of psychic distance became ‘the sum of factors preventing the flow of information to and from the market’ (Johanson & Wiedersheim-Paul, 1975) p 308, Vahlne and Wiedersheim-Paul (1977) became the first to measure the construct. Patton (Tse, Tsou...1995) created a psychic distance scale which corresponded to countries and their cultures, noting that nomadic Mongolians PsyD 4.0 with no access to television became the farthest psychic distance from suburban North Americans.(PsyD 0) However psychic distance did

not correspond to geographical distance, noting that suburban and inner-city consumers may have at least a PsyD 3.0 reflected in brand choices, total shopping environment and style/meaning in consumption. (ie. brand name sneakers in the suburbs may be perceived as utilitarian: quality lasts longer; vs. in the inner city they mark the consumer’s identity.)

THE PSYCHIC DISTANCE PARADOX (AMA)

Entering a country psychically close to home may result in failure. We refer to this as the psychic distance paradox. The similarity perceived to exist when entering psychically close countries does not necessarily reduce the level of uncertainty faced, nor make it easier to learn about the country, due to a failure in the managerial decision making process. Whereas the implicit assumption is that similarity in cultures (low psychic distance) makes export easier, it also may hide unexpected and unforeseen barriers to successful entry and performance. The study of this movement and the reasons why it exists may help to shed light on both the internationalization of brands and the management of the supply chain involved .

HISTORY OF THE “PSYCHIC DISTANCE CONCEPT”

Johanson and Vahlne (1977) created a theoretical framework where the internationalization of the firm is viewed in incremental stages. American employees caused great consternation for Canadian managers. The communication between the managers and the employees was not effective, sometimes it appeared that the employees were doing the exact opposite of what the managers thought they had asked them to do. The authors came up with the concept of “psychic distance.” This helped explain that the communication which the managers thought they were giving was being decoded differently as perception of the Americans was of a psychic distance from the Canadians. Once the management learned how the Americans were decoding the messages and adjusted the communications accordingly the psychic distance was lessened.

SUBTLE CULTURAL FACTORS IN BRAND PERCEPTION

As Marketing becomes more aware of the subtle cultural factors involved in the perception of brands chosen they become aware of the psychic distance between their home culture (PDOrigin) and the culture of the purchaser (PDConsumption). The authors have seen Lux barsoap in Vietnamese writing, alongside an American origin Lux barsoap for twice the price. However the Vietnamese writing barsoap has a perceptual value added to the customer/consumer in that

he has a perceived psychic distance from his host culture (in this case Albuquerque, New Mexico) and that product brings to the customer an affirmation of his identity. If the product is selling for twice the price, that identity affirmation is worth the extra price to the customer. Therefore the soap is not just a utilitarian cleansing product but serves as a proxy for identity affirmation.

THE GRAVITATIONAL PULL OF CLOSE PSYCHIC DISTANCE PRODUCTS

Brands are moving across borders, possibly more from consumer demand (pull) than the push of export managers. The psychic distance concept yields at its core, a knowledge of cultural distances between countries. The theory is that close cultures are more easily understood than distant ones. Operations in psychically close countries are not necessarily easy to manage, because assumptions of similarity can prevent executives from learning about critical differences.

WHAT IS CULTURE?

Culture is defined as the shared attitudes and values of the members of a country. Thus, culture refers to common, deeply rooted attitudes and values, which exist largely irrespective of individual differences. There is a large general literature on attitudes and values that primarily focuses at the individual level of analysis. This shows that culture influences a person's attitudes and values which have an effect on his/her behavior. However there are aggregate or societal values.

SOCIETAL VALUES

Much less is known specifically about societal attitudes and values, or the differences in national culture. The cross-cultural literature indicates that the culture in which people are raised can affect ways of thinking and behaving. Although it does not hinder the ability to manage within one's own country, where business practices generally are similar, it can affect the ability to manage in other countries /cultures. People seldom reflect on and articulate their values, although they feel uncomfortable when these values are violated. Also, they are usually not aware of the assumptions that underlie and guide their actions.

WRONG ASSUMPTIONS

Wrong assumptions can also lead to cross-cultural misinterpretations, such as subconscious cultural "blindness." As a result of different mental programming, people from various cultures often see situations differently and have different approaches and solutions to problems. Each tends to believe that his or her way makes the most sense and is best.

MARKETERS MUST UNDERSTAND THE CULTURE RECEIVING THEIR PRODUCT

To market effectively cross-culturally, marketers must understand the culture of the people who they are trying to sell to. However, marketers also must be aware that their own culture can act as a barrier to accurately understand and interpret the environment and culture of the other.

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ABOUT THE AUTHORS

Pandora L. Patton lives in Jerusalem, where she is involved in multi-cultural and multi-generational education and research. She has studied in over sixty countries and believes more of the same is needed today. "The only way we can avoid interpersonal "jihad" is to learn to appreciate our strengths, our weaknesses and those of others. We must learn to value them and love them, even if we do not agree or like them."

Charles R. Patton, currently living in Texas, has researched, taught and learned in over one hundred countries and as an octogenarian, does not have much patience for ethnocentric myopia. His career as Marketing professional, professor, researcher and statesman has helped others see the bigger picture by telescoping his experience through the lens of wisdom.

Both Pattons are actively involved and interested in Cross-cultural Marketing Research including Branding, Supply Chain movement and Anomalies, and the technology of Barcoding and RFID which both enables globalization and local market expansion.

Men Portrayals in Print Advertising: Insights from the Greek Context

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Research on gender stereotypes in magazine advertisements has focused primarily on female role stereotypes. The current study addresses this gap by examining portrayals of men in print magazine advertisements in Greece. The purpose of this study is twofold, it seeks: 1) to provide an empirical view of male role portrayals in Greek print magazine advertisements, and, 2) to offer an in-depth analysis of male images in print advertising by investigating aspects of male models' facial expression, namely point of gaze and relation to the camera. A total of 1356 advertisements featuring male models were content-analyzed from a sample of ten high-circulation consumer outlets including women's, men's and general audience magazines. The findings indicated that male role stereotypes in Greek print advertisements emphasize the notions strength and masculinity

Introduction

Since the late 1960s, research into gender stereotypes in advertising has been prolific. Interestingly, the majority of these studies concentrated on female representations in the USA, while limited research has been undertaken to explore male images in magazine advertisements (cf. Zotos and Lysonski 1994). Viewed in this light, it becomes an early priority to investigate male role stereotypes considering that their images and identity in society may be of importance for marketers in relation to advertising and consumer behavior. In addition to the relative scarcity of studies investigating images of men, there is a distinct lack of detail and depth of the content analyses of male images encountered in relevant literature (Kolbe and Albanese 1996). Especially, in print advertising, male role portrayals can be systematically observed because the creator of an advertisement has only very little space to appeal to the audience and needs to work with strong but simple symbols, such as gender stereotypes to communicate a message (Gauntlett 2002). It would be also interesting to examine male representations in the Greek context that seems to incorporate "patriarchal" beliefs and values linked to the Greek tradition, and egalitarian Western European influences in terms of the role of men in society.

We address the following research questions:

1. What types of role portrayals are used to depict men in Greek magazine advertisements?
It explores whether advertisers use different images of men across varied magazine types with the purpose of targeting and communicating to selected audiences.
2. Is the hard and detached "macho-man" image, as conveyed by model's gaze and relation to the camera prevalent in the sampled magazine advertisements?

The point of gaze of the model's eyes in relation to the camera is central in an advertisement because it defines the relationship of the viewer/observer with the model of the advertisement. The point of gaze captures the attention of the viewer and symbolically represents detachment/alooofness or involvement of the model with the viewer/setting of the advertisement.

Literature Review

As far as male representations are concerned, Skelly and Lundstrom (1981) evaluated the level of sexism of male models featuring in advertisements by using a five-level consciousness scale to male images while Wolhete and Lammers (1980) examined occupational/non-occupational roles of men in magazine advertisements. Similarly, Kolbe and Albanese (1996) investigated physical characteristics (hairstyle, facial hair, clothing style etc.) of males featuring in advertisements of men audience magazines. Their findings suggest that males usually have an upscale appearance in print advertisements, i.e. male models feature in business suits or casual clothes that convey an upscale lifestyle. These studies establish the need for further exploration of male representations in print media using the content analysis method. They also suggest that a wider range of publications including female and general audience magazines could be used as sources of sample advertisements (Kolbe and Albanese 1996; Wolhete and Lammers 1980).

Another body of literature that has examined the portrayal of men in advertising is associated with studies that look both genders in print media. Wiles et al. (1995) investigated gender stereotypes in USA, the Netherlands and Sweden and found similar patterns in terms of the depiction of men in these countries. According to their findings, advertising is linked to gender bias by depicting

men solely in occupational roles and as high-level executives. Klassen et al. (1993) highlight the importance of evaluating visual images of men in advertising since such an approach may potentially offer a greater understanding of the phenomenon of sexism in society. This study addresses these points by concentrating on the study of the depiction of men in advertising drawing insights from varied magazine titles. Following recommendations of relevant literature (Goffman 1976; Kolbe and Albanese 1996), the authors attempt to provide detail and depth in the content analysis process of the current study by investigating aspects of facial expressions of models, namely the point of gaze of male models.

Methodology

Content analysis was chosen because it is the best at providing “a scientific, quantitative, and generalizable description of communications content” (Kassarjian 1977, p.10). The sample for the content analysis was drawn from the population of advertisements more than one third of a page found in consumer magazines published in Greece during May 2004 to April 2005. The sampling frame was constructed from a list of consumer magazines by type (male, female and general audience) and included 10 high circulation monthly publications. A total of 1356 advertisements were content analyzed for male stereotypes. Four male and four female coders were trained to content-analyze the advertisements. Inter-coder reliability reached 0.93 for category decisions of male stereotypes, and 0.95 for dimensions of point of gaze indicating that the coding process is highly reliable.

Discussion of Findings

The examination of the data on the types of the role portrayals used to depict men in advertising indicated that male stereotypes of “*sex appeal*” and “*dominant over woman*” are the most frequently used in all magazine types. “*Sex appeal*” in particular accounts for 29.57% in general, 44.17% in female and 55.08% in male audience magazines. The stereotype “*dominant over woman*” is most frequently used in general (17.39%) and female (15.95%) audience magazines. The stereotype of “*family man*” is mainly present in general audience magazines (16.52%) whereas the depiction of men concerned with “*activities and life outside home*” is mainly used in male audience magazines (12.68%). On the contrary, the stereotypes “*frustrated male*”, “*career-oriented men*” and men engaged in “*traditional activities at home*” described only a small proportion of the total number of advertisements in all magazine types ranging between 0.98% and 2.61%.

The most common dimension of point of gaze across the three magazine types was “model looking directly at the camera”. More than a third (39.1 to 41.4 per cent) of

advertisements depicted male models looking directly at the camera conveying involvement of the model with the viewer and setting of the advertisement. The second most frequently used dimension of point of gaze involved models looking at an object /person appearing in the advertisement. Although frequently employed in the female (23.46%) and general audience (25.22%) magazines this aspect was of limited use in the male audience (9.40%) magazines.

Conclusions and Directions for further research

Our analysis of images in such advertisements proposed that the men depicted are not ordinary, average males. The majority of these images promote a male icon based on the notions of strength and masculinity. Toward this unrealistic image of men, magazine advertisements seem to have a merit in cultivating the belief that “muscularity is masculinity” (Cortese 1999, p. 58), i.e. a physical powerful look validates masculine identity and provides a dominating image for safety and protection. Using negative stereotypes to depict men in advertisements can influence identities and self-concept of males, impose pressure to meet unrealistic standards and limit men’s social role. It follows that negative or sexist depiction of men in advertising may harm companies that choose such an approach to promote their brands, products and services. In addition to social and commercial implications, this study suggests several directions for research. *First*, additional research is needed on the portrayal of men in advertising. The insights provided by this study may serve as a basis for further research in this area. Future studies could investigate the function of the male model within the advertisement. Facial expressions and aspects of body language can be used as additional elements for enriching our understanding of male role stereotypes.

Second, it may be also useful to consider male images by product category. Toward this end, aggregated image categories similar to those used in the current study may provide understanding on how firms communicate specific products/services to selected target audiences. *Third*, cross-cultural studies of advertising may be conducted in order to provide an understanding of the diversity of male roles portrayed by advertisers of other countries.

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Young Women's Perception and Attitudes towards Print Advertisements in the Post-Feminism Era in Greece

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This paper provides qualitative data about young women's perception and attitudes towards Greek print advertisements. The instrument of focus group was used to collect the data. Five groups each one consisted of six participants (young females, age 20-26 years) were involved in this research. The results indicate that women in print advertisements are presented in an inferior manner relative to their potentials and capabilities. Contrary to their beliefs participants are not very critical about the stereotypical ads. The findings also indicate that their attitudes towards the ads are positive.

Advertising is considered as a structuring institution in consumer's society and so it has a great influence on structuring attitudes and behaviour of the people (Jhally 1995). It reflects the prevailing attitudes and stereotypes held by society and in certain cases, acts as an agent of emphasizing and reforming society's norms and beliefs. Advertising has been accused of depicting women in a stereotypical manner. Over the past decades the portrayal of women in advertising has been transformed in various aspects.

The purpose of this study is to provide qualitative data about young women's perception and attitudes in print advertisements.

DEFINING POST-FEMINISM

Feminism was undoubtedly one of the most influential movements of the twentieth century. It is true that feminism has transformed our reality and also our gender relations. However there is a lot more changes that we can work for.

Post-feminism does not absolutely mean that feminism is over, even though some people believe so. It is better to say that it signifies a shift in feminist theory. It is a step further on feminism. Post-feminism refers to a time when complete gender equality will be achieved. This hasn't happened yet, even though the

media and advertising make contemporary women's generation thinks it has.

LITERATURE REVIEW

Advertising gender role stereotyping has been an interesting topic in the literature since 1970s (Wolin 2003). Research findings indicated some progress in advertising's treatment of female roles (Schneider and Schneider 1979), while the utilization of fixed, traditional female stereotypes (e.g. women as domestic types, sex objects, obedient to men, etc.) continued in the 1980s (LaTour 1990, Loudon and Della Bitta 1988, Soley and Reid 1988).

As Leppard et al. in 1993 and Ruggiero and Weston in 1985 mentioned in their findings through content analysis in print advertisements, advertisements found in predominantly male-oriented publications and more established magazines tend to stereotype women more often than general publications. Established magazines were more likely to profile women in traditional occupations but both males and females were portrayed stereotypically (Leppard et al. 1993, Ruggiero and Weston 1985). As Ferguson et al. in 1990 investigated by content analyzing some advertisements from 1973-1987, in their findings they presented that women have been increasingly portrayed as sex objects. Klassen, Jasper and Schwartz (1993), in their research they found out that while there is still a high number of advertisements that portrayed women in traditional poses, these depictions have been diminishing since 1980's and more equality poses are seen. In addition to these findings, after a comparison of eight magazines' ads from 1958-1989, women shown in family and home roles have been decreasing, women shown without men is decreasing too and women's roles are more autonomous (Busby and Leighty 1993).

According to the findings of Zotos and Lysonski (1994) in the Greek context, magazine's advertisements in Greece do not seem to be responsive to the changing roles of women. Although the appearance of women as dependent on men and as housewives has diminished, still females are likely to be shown in decorative and non-active positions in print advertisements.

Lindner's in 2004 examined the portrayal of women in advertisements in a general interest magazine (e.g. Time) and a women's fashion magazine (e.g. Vogue) over the last 50 years. Findings showed that ads in Vogue magazine (a female magazine referring to female audience), depicted women more stereotypically than did those in Time (a general magazine with general public as a target audience). Moreover it was indicated that only a minor decrease in the stereotypical depiction of women was found over time, regardless of the influence of the Women's Movement.

Overall, the literature suggests that females continue to have a negative perception toward stereotypical role portrayal in advertisements. However, this negative view is to be less severe over time (Kates and Shaw- Garlock 1999).

STUDY OBJECTIVES AND RESEARCH QUESTIONS

The following research questions are addressed:

- How young women in Greece perceive women's representation in print advertisements? (i) Do they consider advertisements as representative of their roles in Greek society? (ii) Do they perceive advertisements as portraying women in stereotypical manner relative to their capabilities and potentials?
- What are young women's attitudes towards print advertisements in Greece, what they think when they first see the advertisements? (i) Do they like or dislike them? (ii) What they like or do not like in them?
- What attracts them most? (i) What advertisements are saying? (ii) The way advertisements are presented?

METHODOLOGY

In order to answer the research questions, the instrument of focus group is used in this study. The aim of the focus group discussion in this research is to develop insight into femininity and the role of the woman in print advertisements, from the perspective of young women. Five groups each one consisted of six participants, (young females between 20 to 26 years old undergraduate and postgraduate students from Aristotle University of Thessaloniki). The duration of each session was about 1 hour and 30 minutes and the whole discussion was taped.

Every session started with a short introduction by the researcher-moderator, covering some background information about the research and the purpose of the study. The researchers look for spontaneous answers,

and thoughts, so a very detailed explanation to the participants of the purpose of the research would destroy the whole spirit of the study.

The participants were given 12 advertisements to be observed. Focus group transcriptions were used to place the gender symbols and to derive categories of common and also differing beliefs, opinions, perception and attitudes (Carey 1994).

FINDINGS – DISCUSSION

Referring to the first research question, the young female participants agreed that women are stereotyped by print ads in many different ways (housewives, sex-objects, career-oriented, decorative-objects, equal to men etc.). Print ads are portraying women in stereotypical manner, and not always according to their capabilities and potentials. *"All women in print ads are represented in a stereotypical way. Every woman represents something different and they are referring to a specific group of people. There is a model for everyone."* (discussant C1,22). It is interesting to notice that this view of the participants does not coincide with what the young females said about the general representation of the women in print ads.

The idea that advertisements present beautiful, young, slim and in style women's stereotypes seemed not to bother the female participants. In most ads there is an implicit sex reference, and less often sex is used explicitly and it is omnipresent. Participants seem to be impressed with physical attractiveness stereotype. They comment that almost all advertisements are using attractive models or good looking women for presenting their products.

In reference to the second research question, young women's attitudes towards ads are positive. The majority, likes watching ads and make comments on them, *"I enjoy watching ads in magazines. So many different styles and products and always a woman is the main character"* (discussant C2, 24). What they like or dislike varies. The discussants prefer equally 'ordinary' people or celebrities to present a product in the ads.

Referring to the third research question, most of the participants were attracted by what the ads are saying and how they are presented. *"It is boring and difficult to understand the concept from the first sight. The concept and the comments of the ad are confusing, so I think that this is not a very successive ad for the product"* (discussant F2, 24).

Participants also pay attention to the colours of the ads and that is the first thing that attracts them when they see an ad.

CONCLUSIONS

The findings provided interesting insights of how young women in Greece perceive and respond towards the print advertisements.

They believe that print ads are portraying them in stereotypical manner and not always according to their capabilities and potentials. This finding runs parallel to the results of a previous study conducted in Greece about women's stereotypes in magazine advertisements (Zotos and Lysonski 1994). Although the respondents believe that print ads do not represent them in an appropriate way, at the same time they were not very critical towards the ads, and even in some cases they were satisfied by the depiction of women in them.

Sex is presented in an implicit or an explicit way in advertisements. It can be related or unrelated to the advertised product. Women get along with the idea of being sexy and looking desirable.

There has been a time lag in Greek society to adopt the changes in women's role and as a consequence, magazines' ads mirror in some aspects this situation. Therefore, depict women not always according to their potentials. Advertisers have to follow the social patterns. They should be careful and aware of the implicit cues communicated in advertisements, and how these messages may reproduce the existing stereotypes.

The findings support that most of the participants were attracted by the content of the advertisements. They are attracted by the way ads are presented and also by what ads are saying. The colours of the ad are a significant attraction for the participants. They like to watch nice and beautiful images accompanied with a good slogan.

Nowadays women in Greece are well educated they have their own discretionary income and representing 44.7% of the Greek workforce. Companies are trying to obtain as much as they can from this income. The products, which they offer should satisfy their needs, and be advertised in a way that does not insult woman's personality. Advertisements should avoid showing women in an inferior manner in relation to her capabilities; on the contrary should depict women as active, independent, pursuing professional careers and being contemporary. Women as consumers may refuse to buy products, which are advertised, in a diminishing for them manner and spread the word, about company's bad business practice.

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Monday, June 4

10:30 a.m. – Noon **Session 7**

710 Special Session: Social Entrepreneurship and Macromarketing

Session Chair: Mark Peterson, University of Wyoming

Social entrepreneurs are individuals with innovative solutions to society's most pressing social problems (Bornstein 2004). They are ambitious and persistent, tackling major social issues and offering new ideas for wide-scale change. Rather than leaving societal needs to the government or business sectors, social entrepreneurs find what is not working and solve the problem by changing the system, spreading the solution, and persuading entire societies to take new leaps. In this way, they serve as a linchpin of the growing "citizen sector". Social entrepreneurs represent the embodiment of applied macromarketing in their societal focus, their harnessing of business skills, their systems view of complex phenomena, and their cross-disciplinary approach. Because of the context of developing countries where many social entrepreneurs have succeeded in inspiring broader movements, social entrepreneurs demonstrate how marketing can be used in the development of societies.

Panel: Trabian Shorters, Ashoka-US Director
Ashoka social entrepreneur, TBA
Mark Peterson, University of Wyoming
Elten Briggs, University of Texas at Arlington

Moderator: Mark Peterson, University of Wyoming

Monday, June 4

10:30 a.m. – Noon **Session 7**

720 Special Session: Macromarketing and Business Curricula in the 21st Century

Co-Chairs: David M. Hunt, University of Wyoming
Scott K. Radford, University of Calgary

721 - *How Macro Should Macromarketing Education Be?*
William E. Kilbourne, Clemson University

722 - *Marketing, Society, and Controversy: An Online Course from a Macromarketing Perspective*
Stanley J. Shapiro, Simon Fraser University

723 - *Marketing, Society, and Government: Reflections on an Undergraduate Elective,*
David M. Hunt, University of Wyoming
Scott K. Radford, University of Calgary

724 - *Integrating Macromarketing into a Managerial Marketing Curriculum*
Robert A. Mittelstaedt, University of Nebraska-Lincoln

How Macro Should Macromarketing Education Be?

William E. Kilbourne, Clemson University, USA

George Fisk once said that the purpose of macromarketing is to “save the world.” If so, there is a difficult problem of transition when considering who we address in the classroom. Most of those we teach are undergraduate business students. Most of them (but not all) seem to know little of the “world” and are even less inclined to “save” it. If this is the case, then one of the goals of macromarketing education ought to be to break the cycle of self-fulfilling prophecy and of self-evident truths. As John Dewey once said, “When habits are so ingrained as to be second nature, they seem to have all the inevitability that belongs to the movement of the fixed stars.” Macromarketing education should have as one of its functions, the critical assessment of habits of thought within contemporary liberal society. This implies that

macromarketing education needs to be as macro as possible.

This is the premise upon which my approach to the class is based. The trans-disciplinary framework is used to examine the self-evident truths upon which contemporary marketing is based. These include political, economic, scientific, ecological, and cosmological bases for modern thought. Once these are examined thoroughly, then specific macromarketing topics such as globalization, development, distributive justice, quality of life, and the environment are examined. In the end, students should have a greater appreciation for Thomas Paine’s precautionary principle, “...a long habit of not thinking a thing wrong, gives it the superficial appearance of being right...”

Marketing, Society and Controversy: An Online Course from a Macromarketing Perspective

Stanley J. Shapiro, Simon Fraser University, Canada

Can an MBA level Macromarketing course be taught that will intellectually excite prospective managers? Can it be taught entirely online? Could it be taught, either face-to-face or online, but only using assigned materials all of which are available online? The answer to all three questions is “yes” and “most easily if that course is issues-oriented and controversy-based”

One course developed along these lines will be presented by its designer. All communication in that course is asynchronous, all submissions are individual rather than team-based, and the following, fairly common “online” evaluation tools are used.

QUESTIONS FOR DISCUSSION

By the end of week one of each of the course’s six, two-week modules, each student will answer that Unit’s discussion question. (i.e. What, if any thing should be done, and by whom, to deal with the problem of obesity?) In addition, by the end of week two, each student must respond to another student’s posting on the same subject and that student must, in turn, reply..

CRITICAL THINKING EVALUATION

Using a recommended format, each student will submit, by the end of week one of each two week unit, a written evaluation of one of the more “conceptual” or think piece” assigned readings for that Unit.

CONFLICT AND CONTROVERSY

By the end of the second week of each unit, a 1,000 word, policy-oriented paper will be submitted. (i.e. What should be done to meet the rising demand for human body organs and what should not be allowed?)

Though the course is designed to familiarize students with macromarketing concerns, many of the assigned readings are drawn from other disciplines that have explored the same issues. This suggests that macromarketing thought, rather than itself striving to become multidisciplinary, should be used to provide a marketing perspective on complex, multidisciplinary problems. The use of Internet based search engines has also has resulted in most of the assigned readings being fairly current ones and in extensive use being made of European sources.

Marketing, Society, and Government: Reflections on an Undergraduate Elective

David M. Hunt, University of Wyoming, USA
Scott K. Radford, University of Calgary, Canada

This presentation explores the value of incorporating macromarketing as an elective course in a managerial marketing curriculum. To that end, we will draw on our experiences teaching a course, *Marketing, Society, and Government*, that has been co-developed by the authors and administered at two universities.

The underlying philosophy of the course is that market forces, regulations, and economic conditions that impact businesses, society, and government are characterized by a constant state of change. Developing the skills necessary for analyzing these issues – identifying critical components, interpreting the effect on various publics, etc. – is as important as learning about the issues themselves. Business and societal issues are in

a continuous state of change, but the analytic skills used for interpretation and understanding may be applied to issues past, present, and future.

The course emphasizes the development of critical thinking skills by exploring a holistic, macro-market view of marketing theory and practice. Students are challenged to revise their own worldview and their preconceived notions of marketing, society, and government. The course combines textbook readings, readings in market theory, case analysis, and written assignments. The reading list for the course includes writings by Milton Friedman, R.E. Freeman, Ayn Rand, John Steward Mill, and Karl Marx and Friedrich Engels.

Integrating Macromarketing into a Managerial Marketing Curriculum

Robert A. Mittelstaedt, University of Nebraska – Lincoln, USA

Looking at marketing textbooks, there would seem to be very little discussion of the interaction between managerial actions and the environment in which those actions take place. Principles books contain the obligatory chapter on the environment – one which has changed very little over the last 40 years – and chapters on international marketing are sprinkled with anecdotes designed to show that cultural differences affect marketing decision making. Some managerial marketing

texts have short discussions of environmental scanning but the focus of most of the cases, which are the heart of the course, is on short term solutions to immediate problems. The purpose of this presentation is to examine the nature of the interactions between managerial actions and environmental forces (i.e., the domain of macromarketing) and demonstrate several ways in which the resulting issues can be brought into the standard marketing curriculum.

Monday, June 4

10:30 a.m. – Noon **Session 7**

730 Competitive Paper Session: Food, Agribusiness and Aquaculture

Co-chairs: Tim Burkink, University of Nebraska – Kearney
 Sylvain Charlebois, University of Regina

- 731 - *Alternatives to Mass-Consumption: The Desire for Relationships and Information Disclosure*,
Melea Press, Penn State University
- 732 - *The Big “O”: Organic Food Aesthetics in American Everyday Life*
Renée Shaw Hughner, Arizona State University
Pierre McDonagh, Dublin City University
Andrea Prothero, Dublin City University
Clifford J. Shultz II, Arizona State University
Julie Stanton, St. Joseph’s University
- 733 - *Organic Foods and Advertising: Are Consumers Well-Informed?*
Julie Stanton, Saint Joseph’s University
Deirdre Guion, Saint Joseph's University

Alternatives to Mass-Consumption: The Desire for Relationships and Information Disclosure

Melea Press, Penn State University, USA

This paper looks at a socio-economic model of local food production called Community Supported Agriculture (CSA) as an alternative to mass-produced consumption. This paper focuses on two attributes of CSAs, which are different from mass-produced purchasing experiences: personal relationships with food producers (farmers) and complete information about growing and production practices. Data from CSA websites are used to illustrate how CSAs meet consumer desires for personal relationships, and for more information about their food purchases.

INTRODUCTION

American customers have a rapidly growing interest in eating locally produced food (Senge 1990). During the past decade farmer's markets have more than doubled to 3,800 nationwide (Halweil 2006), and at least 400 school districts in 22 states, as well as scores of colleges and universities have started using food grown or raised by local farmers (Halweil 2006). In the past year, writing on local food has been published in a wide range of sources, from the national newspaper USA Today (Weise 2005), to Time Magazine (Cloud 2007), to the alternative magazine Mother Jones (Halweil 2006, Scott 2006, Weise 2005).

The purpose of this paper is to look at local food purchases as an expression of unmet consumer desires for personal relationships with their food producers and unmet consumer desires for more varied and detailed information about the production practices of the food they buy. This paper focuses on those consumers for whom personal relationships and information disclosure in food purchasing situations are important.

There are several reasons why consumers choose to purchase locally-grown food, including a desire to support their local economy, a belief that local food is fresher, of better quality, or more nutritious, a belief that local food is better for the environment (not shipped the average 1200 miles). This paper will focus on two motivations for wanting to purchase local food: a desire for personal relationships and a desire for more detailed information about the food they are buying.

The data for this paper were collected from CSA

websites. These data were then compared with information in secondary data sources, namely books and articles written about CSAs, to ensure accuracy.

This paper will focus on one alternative model of food production, called Community Supported Agriculture (hereafter, CSA). This socio-economic model of local food production provides consumers with two things that mass-produced purchasing experiences cannot: personal relationships with food producers (farmers) and complete information about growing and production practices. CSAs are programs in which consumers can purchase fresh, produce from a local farm. Many farms that have CSAs are certified organic, but many are not. Farms that are not certified organic usually grow produce using sustainable methods, organic methods (even though they are not certified), and typically keep pesticide use to a minimum. Consumers join a farm as "members" and prepay for a season of produce. During the growing season, CSA members receive a box of fresh produce once a week. These programs will be discussed in more detail below.

CSAs were started in Japan, Germany, and Switzerland, in the 1960s by consumers who were concerned about food safety, and the degradation of farmland (<http://www.localharvest.org/csa/>). This socio-economic model of food production was introduced to the United States with one CSA at Indian Line Farm in Massachusetts in 1985. The number of CSAs in the United States is growing quickly. Although it is difficult to get an exact number of CSAs in the United States, several surveys have been conducted. A 1999 the survey produced 368 responses from farmers who indicated they had CSAs (Lass, Stevenson, Hendrickson and Ruhf 2003). A survey in 2001, indicated 761 CSAs, and in 2004, there were 1034 responses from farmers who had CSAs (Adam 2006). As of January of 2005, over 2000 were documented CSA farms across the US and Canada, and many more that are not registered with the main CSA databases located at www.localharvest.org and <http://www.csacenter.org> (Weinstein 2006, p.38).

According to the USDA, the average American consumer unit (i.e. household) spent \$40,817 on food in 2003, which includes food consumed in the home and away from home ((USDL) and (USDLS) 2006). The 1999 CSA farm survey, reported average farm income from CSAs was \$28, 553 (Lass, Stevenson, Hendrickson and Ruhf 2003). This figure is multiplied by 2000 (a low estimate of the # of CSAs in the U.S.) to estimate how much Americans spend on CSAs each year, which yields \$57,106,000. Although it is estimated that Americans only

spend about 1% of their income with farmers, processors, and wholesalers (USDA 2006), this alternative way of purchasing produce currently takes in over \$57 million and is continuing to grow.

BACKGROUND

Personal Relationships

Certain consumers want personal relationships in their exchange experiences (Zuboff 2004), and are dissatisfied with existing shopping opportunities. These consumers want relationships that are built on trust (Schumacher 1973, Senge 1990), and they want personal connections to the companies they purchase from (Sheth, Sisodia and Sharma 2000).

The marketing literature has dedicated many pages to the study of relationships, how to improve them, and how they relate to consumption habits (Dwyer, Schurr and Oh 1987, Fournier 1998, Gila and Simon 2005, Wilson 1995). We know that consumers trust people they have relationships with more than they trust strangers (DiMaggio and Louch 1998). We also know that the presence of relationships in consumption situations leads consumers to feel more positively about their shopping experiences, and thus, to perceive that they are buying a better product or service (Chiu, Hsieh, Li and Lee 2005). With such intimate purchases as food, these feelings may be even stronger (Pollan 2006).

Relationship Models

The importance of relationships to business has been a subject of much research in marketing (Dwyer, Schurr and Oh 1987, Fournier 1998, Jaworski and Kohli 1993, Liljander and Roos 2002, Narver and Slater 1990). In the past, marketing management literature has conceptualized various kinds of relationships between businesses and consumers, including, market orientation (Jaworski and Kohli 1993, Narver and Slater 1990), customer relationship management (Liljander and Roos 2002), and consumer-centric marketing (Sheth, Sisodia and Sharma 2000). These models for relationships are based on sales figures, and the main purpose of the relationships is to increase sales and profits.

The above-mentioned profit-based relationship models do not adequately describe the importance of personal relationships to many individuals. Many consumers want to be part of a community and to increase their personal well-being through shared commonalities (McAlexander, Schouten and Koenig 2002, Muniz and O'Guinn 2001). Existing relationship models do not take into account the desire for shared and lasting experiences that many CSA members harbor. Many CSA members want to experience shared ideals and goals (Thompson and Coskuner Forthcoming).

Themes Identified

Some concerned consumers want information about their food, and labeling is one way they can get this information. The FDA recognizes the importance of providing information about food to consumers, and thus mandates labeling standards for such products as vitamins, organic foods, and diet foods (USFDA 1999).

Although typical food labels include nutrition, calorie information, and a list of ingredients, there are many aspects to food production that not covered by these types of labels. Because enough consumers want more information about what they are purchasing and ingesting, other labels have been developed. These include Certified Organic, Fair Trade, and Certified Humane Raised and Handled, American Humane Association Free Farmed Certified, Biodynamic, Predator-friendly, Cruelty-free, "Natural", GMO-free, Antibiotic-free, Free-range, Hormone-free, to name a few. These labels provide information about intangibles of food production: how the food products were raised and processed (Weinstein 2006). But does labeling satisfy consumers, and do consumers trust labels?

Organically grown and prepared food can use an official organic label on their packaging, which indicates that the food was grown according to certain national standards (USDA 1990). However, many consumers who are interested in purchasing and consuming organic foods are concerned that the Organic Label is becoming less meaningful as large corporations begin using it (OCA 2005, SmartSupplier 2006). An unprecedented amount of public revolt was showered upon the USDA in 1997 when their attempt to standardize Organic Standards was seen as degrading the standards (Morris 1999). As Wal-Mart becomes the largest seller of organic food, these consumers are looking for non-corporate, local options.

Impact of Internet on Information

Since the rise of the Internet, consumers have had access to much more information about food than in the past. Websites such as *Organic Consumers* post articles about food companies, issues with food production and distribution, and environmental news (<http://www.organicconsumers.org/btc.htm>). Such websites publish or link to articles that bring into question current food production practices. Although consumers may seek out this kind of information, they often end up feeling like they are not sure what to trust (Morris 1999).

Consumers have various responses to these growing concerns and mistrust of labels and are choosing to purchase products locally and in situations where they can ask the producer any questions they have (Thompson and Coskuner Forthcoming). CSAs offer access to information in a way that supermarkets cannot. When consumers buy directly from producers, they have more opportunities to

ask questions about the products they are purchasing, and to see first-hand how food is grown or raised.

OBJECTIVE

CSA is different from other marketing models

This paper focuses on two differences between typical marketplace exchanges (i.e. those in a supermarket), and typical exchanges in a CSA. Namely, it will focus on the existence of relationships, and the amount of information about the products that is available to the customers.

CSAs are a new and different model for relationships between producers and consumers. They are an alternative way to purchase produce for consumers who desire personal relationships in their consumption experiences, and who want high levels of information about their purchases. CSAs are tied to their local market. They are small and remain small due to land constraints, technological constraints, the number of hours farmers can work in each day, and a mutual desire between farmers and consumers for personal connections that necessarily limits size. Their market is local, by definition, which ensures the freshness of the product and helps keep the quality high.

In the next section, the methodology used in this research will be described. Following that, the rest of the paper will look at how CSAs encourage relationships with their customers and build trust through disclosure of information.

METHODOLOGY

In order to discover how product information and producer-consumer relationships are handled in CSAs, an examination of the websites of CSAs from across the United States was conducted. Looking at CSA websites from all 50 states provides insight into the values of the farmers who start CSAs and the members who join them. Given the variety of characteristics different areas of the country express, if a trend in the data was seen, it would be a signal that a real trend exists.

A database was created that included 50 websites for CSAs, one for each state. These websites were found on the national database for CSAs (<http://www.csacenter.org>). For states that had more than one CSA website listed, one website was randomly chosen for examination. It should be noted that CSAs are low-technology operations, and thus many CSAs that are listed in the database do not have websites. However, because most of the non-website CSAs include statements in the national database that express sentiments similar to those expressed on the CSA websites, the existence or nonexistence of a website does not indicate a difference in philosophy among CSAs.

Once the websites were chosen, a database was created for ease of content analysis and comparisons across websites. The content was analyzed for indications

of relationship-building activities, such as a CSA newsletter, work days on the farm, personal information about the farmers or the history of the farm. Websites were also analyzed for whether and how the CSAs disclosed information about their farm, their production practices, and their produce. For example, several CSAs put include detailed information about their growing practices and what they mean on their websites, several put their annual reports from previous years online, and most CSAs either invite people to come to the farm at any time, or to come to work days or pot lucks at the farm.

Two CSAs were purposely included in the sample, because of their importance in the CSA movement. Indian Line Farm in Massachusetts was included because it was the first CSA in the United States, and Angelic Organics in Illinois was included because, with over 1000 members, it is currently the largest CSA in the United States.

Two trained researchers coded the data, and were in agreement as to the meaning of the website contents 96% of the time. Information that was not agreed upon was discussed until an agreement could be reached. A general comparison was also made between information from the CSA websites and information found in secondary sources. Every CSA website that was analyzed showed evidence of relationship-building activities, and presented opportunities for members to gain more information. These two themes are discussed in detail below.

FINDINGS

Relationships, Information, and Input

CSAs sell more than just food (Pollan 2006, Thompson and Coskuner Forthcoming). CSAs are one way that consumer desires for individual relationships and transparency of growing practices in their food purchases can be satisfied. These two pieces complement each other; the personal relationships and the willingness to disclose information about the production process increase the trust that consumers feel toward the producer, which strengthens the relationship. The University of Massachusetts at Amherst's Agricultural Extension website describes and promotes CSAs in the following way:

"This mutually supportive relationship between local farmers, growers and community members helps create an economically stable farm operation in which members are assured the highest quality produce, often at below retail prices. In return, farmers and growers are guaranteed a reliable market for a diverse selection of crops."

(http://www.umassvegetable.org/food_farming_systems/csa/index.html, retrieved 6/5/06)

CSAs bring relationships back into the food market by providing consumers with a chance to know and develop relationships with their food producers. The farmers offer

their customers personal accountability for the overall quality of the product through high levels of disclosure about growing practices. Genuine Faux Farm near Tripoli, Iowa answers a question on its website about why one would join a CSA:

“...You gain direct access to us. We encourage feedback and we will do our best to respond to your suggestions. If you want specific varieties or types of vegetables, let us know and we will see if we can meet the request.”
(<http://www.thefauxden.net/GFF/GFFOptions.html>, retrieved 6/5/06)

Genuine Faux Farm CSA promotes the exchange relationship on a level deeper than money. They encourage their customers to use the farmers as a resource to get information about food and food production, and give feedback. This type of encouragement was found in almost all the CSA websites examined in this study.

Consumers Know Who Grows Their Food

CSAs are marked by a commitment of members and farmers to a set of shared values. Both the farmers and members of CSAs value fresh, locally grown produce that comes from a specific farm, not a packaging plant or a grocery store. According to information on the CSA websites, the farmers are often people who have left lucrative and stable jobs for farming (Thompson and Coskuner Forthcoming). CSA members typically forego their typical one-stop shopping trips and go out of their way to purchase their produce directly from these farmers.

CSA members make a multi-month commitment to a particular farm, by paying for their food in advance. Members also develop bonds to the CSA through weekly contacts, either in person or through newsletters that are e-mailed or given to members each week; through daily contact with the produce; and through the *idea* of being a member (i.e. part of the group) (Bhattacharya, Rao and Glynn 1995).

The Local Harvest website is where the USDA sends consumers who are interested in CSAs. Local Harvest highlights relationships several times in their list of reasons why CSAs are important. This list includes:

- CSA creates opportunity for dialogue between farmers and consumers.
- CSA creates a sense of social responsibility and stewardship of local land.
- CSA puts "the farmers face on food" and increases understanding of how, where, and by whom our food is grown. (<http://www.localharvest.org/csa.jsp>, accessed 6/6/06)

Since their inception, CSA programs have been about consumers knowing the producers of their food. Chiu, Hsieh, Li and Lee (2005) write about the role of social

bonds in buyer-seller relationships, and claim that social bonding has important psychosocial benefits for consumers (p.1683). They find that through social bonding — “personal ties that focus on service dimensions...” — businesses positively influence “experiential, emotional, and affective worth of consumption.” CSAs use social bonds to strengthen their popularity. Desert Roots Farm in Queen Creek, AZ highlights the importance of relationships:

“This mutually supportive relationship between local farmers, growers and community members helps create an economically stable farm operation in which members are assured the highest quality produce, often at below retail prices. In return, farmers and growers are guaranteed a reliable market for a diverse selection of crops.” (<http://www.desertrootsfarm.com/>, retrieved 6/6/06)

CSA websites highlight the desire for, existence of, and development of relationships. Websites also provide a platform to show the human face of the farm to which they belong.

CSA Farmers Promote the Transparency of Their Farming Practices

Without such a high level of disclosure of information about food and production practices, CSAs would be providing a similar product to what is available in the supermarket. CSAs want consumers to understand what they are buying when they purchase produce from the farm. The farmers who have CSAs believe they have a product that is superior to the produce sold in supermarkets and they want to disclose information to their customers so that the customers will understand the superiority.

The websites of most CSAs highlight the organic or sustainable growing methods they employ. Often they include additional information about their growing practices or philosophy. The first CSA in the country, located at Indian Line Farm in Massachusetts publicizes access to information about their farm. In their mission statement they write:

“We seek to make our operation transparent to all our members; and we encourage them to visit the farm, look around and see how we grow our food. We stand behind all that we do.” (<http://www.indianlinefarm.com/about.html>, retrieved 6/6/06)

In CSAs, disclosure is part of the product. Every CSA website that was analyzed made this clear. Some did it by including a message to “see for yourself;” others had extensive information about their farming practices and what they mean. Others had links to websites where consumers could learn more about issues that the farmers

had raised on their own website (i.e. links to organic consumers groups, environmental groups, etc).

Indian Line Farm not only has statements on its website about the growing standards they comply with, it also encourages its CSA members to be part of the operation and see for themselves. This farm is not unique in having this sentiment. All the CSA websites that were visited in the course of this research had similar statements on their marketing materials, and at each farm the farmer was available to talk with the consumers. The CSA website continues:

“When you pick up a bag of our produce, most of which was harvested the very morning of your pickup, you KNOW [sic] you’re getting the very freshest possible food... How often have you purchased vegetables at the supermarket and had no idea of the story behind that food?”

(<http://www.indianlinefarm.com/csa.html> retrieved 6/1/06)

Instead of having labels as the only source of information, at a CSA, members can talk directly to the farmers, and have their questions answered immediately. Indian Line farm wants people to be conscious that what they are getting from the farm is more than produce; consumers also gain knowledge about how and where their produce was grown, and when their produce was harvested. This kind of disclosure encourages trust and relationships between the consumer, the producer, and the food.

CSAs are a Socially-responsible Alternative to Mass-marketing

Some customers look into the level of corporate social responsibility that firms demonstrate. Consumers tend to punish firms if their actions are not seen as sincere (Becker-Olsen, Cudmore and Hill 2006). The CSAs examined for this research come off as very sincere in their efforts and the values behind their goals. This sincerity is backed up by their willingness and desire to have consumers ask questions and find out more about their products.

As an alternative to mass-produced food, CSAs educate their consumers about the full cost of the products they have for sale and contrast those to the lack of information about the products in the grocery store. This sharing of information, time, and food builds relationships between the producers and consumers.

The following consumer testimony comes from the website for Eat Well Farm’s CSA in Dixon, CA (<http://www.eatwell.com/>, retrieved 6/5/06). It addresses the importance to consumers of having information about growing practices at the farm:

“Seriously, this food will change the way you cook, eat and enjoy vegetables and fruit. It’s amazing stuff. And you can be happy knowing that you are contributing not only to a great local family farm (Nigel, Frances and their twin boys feel like family to me) but also to sustainable agriculture and all the good things that come with that (improved water and soil quality, no pesticides and other horrible-for-us chemicals, reduced landfill because of reduced packaging, reduced dependence on oil because of reduced food miles, and on and on!).”

This person’s relationship with the farm is close enough to say they feel like family. He/she is not only knowledgeable about organic food, but can also talk about farm issues. He/she is clearly excited and knowledgeable about the food from Eat Well Farm.

IMPLICATIONS AND FUTURE RESEARCH

There is a growing segment of consumers who want real relationships with people who can help them get what they need (Zuboff 2004). CSAs offer an alternative for consumers who value relationships and desire clear and trustworthy information about where their food came from and how it was grown. Michael Pollan writes that, “it is odd that something as important to our health and general well-being as food is so often sold strictly on the basis of price” (Pollan 2006). Many consumers are starting to base their food purchasing decisions on more than price; they want to be closer to their food sources, and want more information about their food. CSAs fulfill these desires.

Based on the CSA websites, it is clear that farmers with CSAs want people to know as much as possible about the farm so that consumers understand what goes into growing the produce. Farmers advertise the knowledge of their customers on their websites.

Without information about the growing practices, the biodiversity the farm provides, and the intentions of the farmers in having their CSA, the consumers cannot fully appreciate the real value of their food beyond price and quantity. Disclosure and relationships are an integral part of the product of a CSA, and based on the research in this paper, farmers market these ideas as well as their material product.

Far from the counter-culture movement they may have been in 1985, over twenty years later, CSAs are a viable and thriving business model that provides consumers with the reassurances and relationships they desire. Although this paper examined only two aspects of CSAs, consumers have other motives for joining as members. These motives include, a belief that the produce from CSAs is better quality and has higher nutritional value, a desire to support rural land, a desire to limit urbanization, a nostalgic connection to farms, and sustainable environmental practices. There is a need for future research to explore

these and other motives for joining CSAs, and to identify which motives are most salient to consumers.

The number of consumers who currently purchase produce from CSAs is very small compared to those who shop at grocery stores. However, this segment is growing and as it grows, it is important to understand what this population desires in their exchange relationships, and how to facilitate meeting these new consumer demands.

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The Big “O”: Organic Food Aesthetics in American Everyday Life

Renée Shaw Hughner, Arizona State University
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This paper presents insights into the American consumption of the Big “O”, organics. In drawing from a dataset of video taped interviews, ‘shop withs’ and observations from consumers in leading organic retail settings, such as Wholefoods, Trader Joes, Wild Oats as well as from a dedicated organic co-operative store the authors examine the macro consequences of the organic phenomenon. Data analyzed seems to suggest a new 4 P’s for marketers to consider when examining this

growth food: Passion, Purity, Personal Health and Prose are notable elements visualized in the paper.

The results are considered from both an American and European perspective and address the question as to whether or not the market for organics is good evidence of the trend in risk society towards what is called ‘Glocalization’ against a backdrop of the alleged ‘Disneyization’ of everyday life.

Organic Foods and Advertising: Are Consumers Well-Informed?

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INTRODUCTION

Growing attention to the American diet, whether motivated by fitness goals, disease prevention or reduction of childhood obesity has changed both the environment in which food advertisers operate as well as the information demands on consumers. As the industry attempts to position its products as healthful, consumers are bombarded with new claims, new products and new concepts. The breadth of information is such that consumers do not absorb the information about product health claims readily (Nestle 2002; Derby and Levy 2001). Yet information flow achieved through advertisements is a key component of market function (Butters 1977).

For the case of organic foods, the battle for the minds of consumers may be even more difficult. While the U.S. organic food industry is regularly reported to be growing at the rate of 20 percent per year, it still comprises a relatively modest portion of the overall food industry (only about 2 percent in 2004 according to the Organic Trade Association). Supply-side factors (e.g. lengthy organic land certification processes) are certainly important as they impact price, but even with a larger supply, there will still remain a challenge to engender greater consumer interest in organic foods, particularly given the array of newer food products available.

In this study, we examine the advertisements for food products in popular magazines to gauge how organic foods have been portrayed, particularly vis-à-vis their conventional counterparts. Latent content analysis is employed in this study with a goal of assessing whether organic food ads have given consumers any information that would set them apart from conventional foods, especially those with claimed health attributes. Without considerable differentiation, it is less likely that organic foods will succeed in today's complex food market (Chrysoschoidis, 1999).

Various events have influenced the industry during the period studied (1997-2006) including the establishment of a national organic standard in 2002 and recent legislation requiring disclosure of transfat content on labels. A careful study of how food advertising claims have changed in their wake will illustrate how policy influences market forces. Further, the trend toward healthier diets is credited with leading both the general consumer to seek out organic

foods (see e.g. Chinnici et al. 2002; Zanolli and Naspetti, 2002; and Squires et al. 2001), and in particular the parents of small children (Cicia, Del Guidice and Scarpa, 2002; Hill and Lynchehaun 2002; Thompson and Kidwell 1998; Hutchins and Greenhalgh 1995). Special attention to advertisements in magazines read by health enthusiasts and parents could therefore serve as a magnifying glass to the overall strategy of the organic food industry.

In the next section, we offer a brief review of the strains of literature related to organic food consumers and consumer confusion. It is clear from the literature that many consumers are in fact confused about organic food, suggesting that the marketing strategies of organic food producers are not yet sufficient to prevent that confusion. Testable hypotheses are then discussed. The methodology used to analyze the strategy taken by both organic and conventional food advertisers is then explained, followed by a discussion of preliminary results. Implications for policymakers and industry conclude.

RELATED LITERATURE

According to Foxman et al. (1992), confusion arises when consumers use the attributes of familiar products to form what become inaccurate beliefs about less familiar products. Finding and processing relevant information about a new product is both a time-consuming and potentially difficult exercise, particularly when the usefulness of that information depends on an understanding of scientific and market principles. As a result, many consumers avoid the effort (Mitchell and Papavassiliou, 1997).

In the case of organic foods, this fundamental information problem is compounded by the proliferation of other label claims about the healthfulness of foods (Hutchins and Greenhalgh, 1995). Redmond (2005) argues that food marketers reacting to consumer interest in healthy foods but motivated by competitiveness and profit have too often misled consumers through the choice of what is included on labels and ads versus what is left off. The extent of consumer confusion that results can directly affect the original goal of healthy eating, a considerable concern for many consumers and for many in public health circles. More generally, the wide variety of terms (e.g. low in cholesterol, heart-healthy, light, lite) makes it

difficult for the consumer to grasp a precise definition of each (Derby and Levy 2001). Add “organic” to the list, and it is little wonder than consumers are unsure of its meaning.

Indeed, many studies of consumer attitudes toward organic food have concluded that, while consumers comprehend the core attributes of it being “chemical free”, they still remain confused about the term (e.g. Chryssochoidis 1999; Fotopoulos and Krystallis 2002; Hutchins and Greenhalgh 1995; Stanton and Guion, forthcoming). Among the terms frequently deemed synonymous are “cage-free”, “natural”, and “green” (Schifferstein and Oude Ophuis, 1998). Similarly, many organic food consumers often cite health interests as motive for purchasing organic foods, perceiving them to be of greater nutritional value, yet there has been little scientific evidence of such a difference (Hutchins and Greenhalgh 1995).

In his study on late introduction of differentiated products, Chryssochoidis (1999) argues that the marketing challenge for the organic food industry is made worse by the “pioneer” advantage held by conventionally-grown food. To induce consumers to engage in the higher cognitive effort required to fully comprehend how organic food is different; the industry cannot simply rely on repetitive advertising but instead needs to consider wholly new strategies regarding its positioning. The avenue discussed by Chryssochoidis would have organic food portrayed as satisfying distinct uses from those achieved with conventional foods, triggering the development of new associations among food types.

Our study of food advertisements is designed to shed light on the strategies employed by organic and conventional food advertisers, the degree of differentiation between them and the message sent to consumers regarding organic foods. There are not only meaningful consumer welfare implications of revealing these strategies, but the organic food industry itself can benefit from a clearer understanding of their relative position to conventional foods.

HYPOTHESES

Chryssochoidis’ (1999) work suggested that consumers have some idea that organic foods are healthier for them, but also appear to evaluate organic foods based on the attributes of the more familiar conventionally grown foods – that is, using incorrect criteria. As this reflects in large part the information made available to consumers, our hypotheses are intended to test sub-elements of the organic food industry’s advertising strategy and thereby offer targeted insight into what needs to change.

Because the organic food industry is only beginning to market its products through conventional supermarkets in any significant way, its advertisements have probably been concentrated more in “organic lifestyle” magazines than in more mainstream publications. However, after the

National Organic Standard was implemented in 2002, the industry has had a worthwhile tool with which to educate consumers and should fare better in the mainstream press.

H1: Advertisements for organic foods are more prevalent in magazines catering to and already purchased by consumers interested in the organic lifestyle.

H2: After October 2002, advertisements for organic foods became more common in mainstream magazines than before.

H3: After October 2002, advertisements for organic foods are placed in a wider range of mainstream magazines than before.

H4: After October 2002, a wider variety of companies is reflected in advertisements for organic foods.

Based on the growing interest in healthy diets, it is expected that, as appropriate, any food product may be advertised using health claims, whether specific (e.g. “helps reduced cholesterol”) or general (“wholesome”). While organic foods derive from very specific production methods, studies have shown that ecological concerns are not the driving force behind purchase of organic foods (e.g. Magnusson et al. 2003). It is thus likely that organic food advertisements have emphasized health attributes rather than environmental benefits.

H5: Advertisements for organic foods rely on health cues to convey the benefits of organic foods, rather than explaining environmental benefits.

If the “organic” label has been viewed as meaningful to consumers, the conventional food industry may have felt a significant competitive pressure to both create its own organic product lines as well as to increasingly position its conventional foods as meeting the same criteria which lead consumers to organic foods, namely health attributes.

H6: The conventional food industry has used health-related claims with greater frequency since the establishment of the National Organic Standard.

H7: Advertisements for organic foods and conventional foods do not differ dramatically in their emphasis on health claims.

H8: An increasing number of the products advertised as “organic” have been developed by companies whose primary business has been conventional food production/manufacturing.

Because more committed organic food enthusiasts mention health, environment, food safety, animal welfare, support of the local economy and even taste as factors that influence their purchases (e.g. Roddy et al. 1996; Schifferstein and Ophuis 1998, Stanton and Guion, forthcoming), a more segmented view of organic food advertisements may reveal distinct strategies for this group versus others. In particular, parents of young children are motivated by perceived health benefits of organic foods to the near exclusion of other factors (Hill and Lynchehaun 2001). It is expected, therefore, that advertisements in “organic lifestyle” magazines will vary in message from

those targeting parents, as might the products those advertisements promote.

H9: Advertisements for organic food in magazines geared toward the regular consumer of organic foods (RCOF) will more often use environmental benefits, support for local economy, and animal welfare as cues for consumer interest than do advertisements in magazines geared toward parents and the general population.

H10: Advertisements for organic food in magazines geared toward parents will more often feature products that are typically consumed by small children.

Studies that have attempted to describe organic food consumers have shown some consistent results as far as demographic correlates. The most pronounced among those is that organic food consumers are typically female, have small children and are older (Magnusson et al. 2001; Cicia, Del Guidice and Scarpa 2002). An examination of such indicators in advertisements for organic foods may demonstrate that the industry takes those demographic correlates seriously, perhaps to the extent that real motivators are ignored.

H11: The organic food industry has segmented its consumers by demographic variables such as age, gender, family status.

Together, these hypotheses, when tested, provide a deeper understanding of the information provided consumers by the organic food industry. To the extent that they reflect a failure of the industry to truly differentiate its products from those already available to consumers, Chrysoschoidis' (1999) predictions of slow diffusion may ring true. Where differentiation has been markedly achieved, one would expect consumer confusion to be reduced.

METHODOLOGY

Advertising Sample

Data collection and analysis in this study is achieved through latent content analysis of twelve different magazines over a ten year period. An appropriate method for this study, content analysis has been described as "an observational research method that is used to systematically evaluate the content of all forms of recorded communication. These communications can also be analyzed at many levels (image, words, roles, claims etc) thereby creating a realm of research opportunities"(Kolbe and Burnett 1991, p. 243). The magazines chosen for the study include two general readership magazines (*Reader's Digest* and *Newsweek*), two women's magazines (*Better Homes & Gardens* and *Good Housekeeping*), two popular parenting magazines (*Parents* and *Parenting*), two healthy lifestyle magazines (*Prevention* and *Shape*), two cooking magazines (*Cooking Light* and *Bon Appetit*), and two magazines devoted to organic lifestyle enthusiasts (*Organic Gardening* and *Organic Style*). These magazines are consistently at or near the top of the rankings for each

type. An analysis of strategy by the organic food industry with respect to these six magazine types should offer a comprehensive insight. Food and beverage ad spending in magazines has consistently ranked in the top 10 by category (Ad Age 2006), suggesting that subscription rates and readership remain stable. This further substantiates that magazines are credible points of analysis of marketing strategy and information flow to consumers.

Because the National Organic Standard was implemented in 2002, we chose a 10-year period that roughly straddles that point in time – about 6 years prior to the standard and 4 years following its debut. Thus we focus on January 1997 through December 2006. Because little variation is expected month-to-month, only 3 issues per year are examined: February, June and October. For magazines with more frequent issues, we chose the first to be published in the given month. When a back copy of the chosen month is not available through either print or microfilm collections, the nearest available month is used.

Advertisement Content

Latent content analysis is used in this study because of its power in determining what was communicated to consumers, a key part of evaluating whether the organic food industry has adequately conveyed its value. Cohen (1992) argues that latent content analysis is superior to manifest content analysis in this context. Giving attention to latent variables in advertisements not only better captures the information flow, but, in our case, also helps to differentiate between the influence of specific events, such as the establishment of the National Organic Standard, and that of more gradual trends, such as growing interest in fitness. We use a collection of newspaper databases to identify major national news stories related to health claims, food and nutrition to contextualize consumer perceptions of advertisement elements.

All food and beverage advertisements contained in each issue are included in the study, and any advertisement appearing in multiple magazines is included in our sample each time it appears. Messages are coded according to general categories (health, ecological concerns, local economy, etc.) and then to subcategories as appropriate (e.g. "reduces cholesterol", "low-fat"). These subcategories are generated via the emergent design method and are informed by Food and Drug Administration guidelines for health claims on foods. Visual images are also considered and recorded as they contextualize the written message (e.g. runners, parents feeding small children, etc.). Additionally, company, product type, brand(s), number of products in ad, size of ad, and placement of ad in the magazine are recorded, as are any demographic indicators.

Data Analysis

Much of the purpose of hypotheses 1 to 11 can be evaluated using graphical analysis and tests of proportions. Basic indications of the strategy used by the organic food industry will be derived thusly. Where initial indications suggest that a pre- and post-National Organic Standard differential can be detected, however, additional regression analysis using trend and regulatory dummies is conducted.

PRELIMINARY RESULTS

Our preliminary findings focus on three particular genres of magazines: women's, news and current events and organic lifestyle. As table 1 illustrates, advertisers' reliance on magazines such as *Better Homes & Gardens* to communicate messages about food appears to be much stronger than their reliance on *Newsweek* and *Organic Gardening*.

TABLE 1: NUMBER OF FOOD AND BEVERAGE ADS PER YEAR

	<i>Better Homes and Gardens</i>	<i>Newsweek</i>	<i>Organic Gardening</i>
1997	33	9	3
1998	40	5	4
1999	37	5	9
2000	41	4	16
2001	36	6	9
2002	46	3	3
2003	47	0	0
2004	40	2	2
2005	47	0	1
2006	39	1	6
TOTAL	406	35	53

Notes: Better Homes and Gardens – February issues only; Newsweek – all February issues; Organic Gardening – February, June and October issues combined

Analysis of the 406 ads appearing in *Better Homes and Gardens* reveals some interesting findings. For example, food ads have demonstrated a varied (usually increasing) reliance on health-related claims or cues during the past decade. These include “health/healthy”, “wholesome”, “low carbohydrates”, “smart”, “no/low transfat”, “fat free/ low fat”, “high fiber”, “no/low cholesterol”, “American Heart Association symbol / heart healthy”, “whole grains”. In contrast, claims such as “taste/flavor”, “light/lite”, “vitamins/minerals”, “lean”, “no/low calories”, and “sugar-free” show no significant variation (using the Kruskal-Wallis test).

Further, conventional food ads do not appear to have changed their emphasis on cues which are often associated with organic foods. That is, while a subset of the cues we found across food ad could lend themselves

easily to describing the organic food ideal, they are potentially suitable to conventional foods as well. These include “natural/nature”, “pure/100%”, “no preservatives”, “real/no fake” and “grown by a cooperative of farms”. It does not appear, however, that such cues have increased in frequency of appearance despite the growing interest in organic foods in the United States. Thus, advertising strategy for conventional foods does not appear to be strongly influenced by a sense of competition from organic foods.

Reviewing all advertisements in our sample, it is interesting to note that claims of “health/healthy” and “nutritious/wholesome” are highest among beverages (20.6% of beverage ads) followed by meal-oriented foods (16.3% of ads). Milk and orange juice play an important role in this distinction.

An examination of the food ads appearing in *Newsweek* suggests that a similar thread of health claims is present. The bulk of food ads represented the beverage and cereal categories, with beverages dominated by milk and orange juice.

A look at food ads in *Organic Gardening* reveals additional interesting trends. First, there are fewer food ads in relation to other categories, and their format varies from full page to “product directory” boxes. Gardening supplies and technology and even Chevy trucks dominate the advertisements.

Further, the effort to educate consumer about what “organic” means has varied considerably, at times offering a detailed explanation for the organic nature of their products, and other times touting the more mainstream benefits such as “whole grain goodness”. The strategy is not linear with respect to time. When “organic” is described, the ads utilize details of production (inputs applied or not, treatment of animals), cooperative relationships between farmers, the sustainability of family farms and responsibility toward the Earth as key positioning tactics.

However, it is clear that even the food ads appearing in an organic lifestyle magazine are not limited to organic foods and that health cues carry great importance to marketers here as well. For some organic foods, health attributes or benefits appear more prominently than do explanations of the “organic” label. However, in contrast to health cues typically found in *Better Homes and Gardens* and *Newsweek*, those used in *Organic Gardening* are often more lengthy, explaining such things as the value of omega-3 fatty acids.

While these results are limited to a subset of our magazine sample, they suggest that the effort to educate consumers about “organic” is indeed greater in organic lifestyle magazines than in women's or news magazines, but still struggling against the appeal of using health claims in ads.

IMPLICATIONS FOR POLICY

While our study examines only a 4-year period since the National Organic Standard was implemented, the dearth of informative advertising (beyond health claims) may suggest that the policy has yet to reduce consumer confusion as it was designed to do. Consumers may not see organic food as any different from conventional foods after all. Further, Gutman (1999) argued that, while reducing consumer confusion is a common justification for single national standards, doing so for products based on ethical considerations (e.g. environmental impact) restricts individuals from making choices according to their own beliefs. For consumers interested in animal welfare more so than chemical run-off, the "organic" label may mean very little.

Where our study demonstrates an increasing reliance on health claims in food advertising, one might question their overall efficacy as Redmond (2005) and Derby and Levy (2001) do. While the Food and Drug Administration regulates much of the terminology used in advertisements, there is nothing regulating their frequency in print or requiring full disclosure.

IMPLICATIONS FOR INDUSTRY

This study offers a careful examination of the differences and similarities between organic food and conventional food advertisements. Where there is considerable overlap in messages and audience, it cannot be surprising that consumers remain confused and cannot therefore justify the price premium charged for organic foods. As suggested by Chryssochoidis (1999), it remains incumbent on the industry to differentiate itself through informative advertising and educational efforts.

LIMITATIONS

While this study offers a broad examination of the messages conveyed to consumers regarding food choices, it does have its limitations. First, content analysis is applied to consumer magazines and thus does not include messages conveyed via television, newspapers and more recently, the internet. However, since consumers tend to hold onto and refer back to magazines more so than newspapers, they are more likely to retain information therein. Television and the internet are also more likely to be 'fleeting' sources. In addition, advertisements in print magazines were specifically chosen since spending by food and beverage companies has remained strong in that medium as have magazine subscription rates and readership (MPA 2007). Second, the study addresses information conveyed directly to consumers and does not evaluate the food industry's efforts to have members of the medical profession, for example, make dietary suggestions to their patients. Third, the timeframe of the study is 10 years. As an analysis of policy effects, this study can only

identify strategic changes occurring in the four years since the implementation of the National Organic Standard. Everything from supply restraints to market research limits could delay industry reaction to the standard. A future study could therefore offer additional insight into industry reaction.

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Monday, June 4

10:30 a.m. – Noon **Session 7**

740 Competitive Paper Session: Health Care

Chair: Pia Polsa, Swedish School of Economics and Business Administration

741 - *Criteria and Motivation of Women When Choosing a Maternity Clinic –A Qualitative Investigation*

Vanessa Hessenkamp, University of Dortmund

Hartmut Holzmüller, University of Dortmund

Debra Neumann, University of Dortmund

742 - *A Comparison of Health Systems in Finland, The People's Republic of China and Nigeria*

Wei Fuxiang, Tianjin Normal University

Pia Polsa, Swedish School of Economics and Business Administration

Karen Spens, Swedish School of Economics and Business Administration

Imoh Antai, Swedish School of Economics and Business Administration

743 - *Intellectual Property and Pharmaceuticals: What Type of Failure?*

William H. Redmond, Bowling Green State University

Criteria and Motives of Women When Choosing a Maternity Clinic – A Qualitative Investigation

Vanessa J. Hessenkamp, University of Dortmund, Germany
Debra Neumann, University of Dortmund, Germany
Julia Ingwald, University of Dortmund, Germany

Although research concerning patients' hospital choice criteria in general has been ample, there is lack of understanding choice criteria of expectant women in particular as well as the underlying motives behind these factors. Expectant women represent a group of patients with special expectations and needs, which may differ from other patients' expectations and needs. This qualitative study examines not only factors affecting hospital choice decisions of expectant women in Germany, but especially the underlying motives by using the laddering-technique in depth interviews. The findings suggest that pregnant women reflect thoroughly over the hospital choice in the run-up to the birth and base their selection on a clear mix of criteria derived from four underlying motives.

The hospital industry has been undergoing enormous change processes during the last decades. Hospitals are no longer seen as institutions for the ill, but increasingly resemble conventional enterprises, whose ability to survive depends on their economic success. Professional quality and competence are seen as standard conditions which have to be complemented by special service qualities and economic efficiency to stay competitive as a hospital (see Hermanns and Hanisch 2002; Leisen and Hyman 2004; Riegl 2000; Rosenstein 1985). Not only in Germany have funds in health care become increasingly tight because of ever new reforms and sharp increases in the cost of health care (Anderson and Poullier 1999). Reasons for this can be found in the rising expenditures due to medical and technical progress, the growing demand for health care-related products and services (multimorbidity, demographic change, 'senior boom') (Noble, Schewe and Kuhr 2004), and the imbalance between payers and recipients of care within the social system (Riegl 2000). Another phenomenon adding to the increased competition in the health care market place are active, health-conscious, media-informed and more critical consumerist patients, whose expectations continually rise and who engage in "hospital-shopping" or "doctor-shopping" (Berkowitz and Flexner 1981; Boscarino and Steiber 1982; Coulter and Magee 2003; Lane and Lindquist 1988; Mechanic

1998; Phibbs et al. 2006; Peyser 1997; Rosenstein 1986; Rosenstein 1985; Verma and Sopti 2002).

Maternity hospitals are in an exceptional position in the "hospital world" as they face complicated general conditions in addition to the above developments. Firstly, maternity clinics' patients are not "ill" in the conventional sense and do not have to make a quick decision regarding the clinic choice because of an acute illness. The decision process of expectant women for a maternity clinic stretches over a period of up to nine months. Different hospitals can be visited during that time to find the subjectively best clinic for the delivery. Secondly, maternity hospitals face heightened competition because of the strong decline in the birth rate. Because of this declining market, Germany's hospitals have to meet the challenge to convince expectant women not only by their professional competence but to create a uniqueness in obstetrics which influence women's choice positively. These developments emphasize the need for a deeper understanding of patient choice criteria. It is vital to analyze patients' decision process in order to align services with patients in order for hospitals to stay competitive.

This study aims to understand the criteria that expectant women use to select their maternity hospital and to analyze these factors thoroughly. The objective is not only to explore the factors but also to identify the motives behind these factors. Through in-depth interviews with expectant women and the use of the laddering-technique (Gutman 1982; Reynolds and Gutman 1988) basic demands (attributes, means) concerning a maternity hospital, consequences and underlying motives (values, ends) are identified and investigated. Existing knowledge will be deepened in this study as the insights of previous studies dealing with decision criteria concerning the choice of a maternal clinic will be completed by the motives behind them and thus provide deeper insight and comprehension why these factors are important.

In the discussion which follows, a review of relevant literature will precede a description of the empirical research, including methodology, results and analysis. Finally, the findings will be discussed briefly.

PATIENTS' DECISION CRITERIA

A number of studies in different countries have been carried out analyzing patients' decision criteria in general. These suggest that patients can use several inputs for their hospital choice, which vary depending on the situation, type of care needed and urgency of the need.

There is extensive but also contradicting literature on general decision criteria of patients choosing hospitals. Within this research area and over the past 30 years, numerous decision criteria have been identified and assessed according to patients' ratings in surveys. When choosing a hospital, patients seem to mainly focus on

accessibility and proximity of the clinic, attitude or friendliness of physician and staff toward patient, the quality of care as well as the quality of medical treatment which is connected to modern facilities and equipment, a hospital's reputation, doctors' or friends' recommendations and past experience with the hospital. Other criteria include the cleanliness of a hospital, the hospital affiliation of the physician, the medical school affiliation, whether a hospital is in public or proprietary ownership or the price of care.

Table 1 gives a detailed overview of empirical studies analyzing choice criteria and their results.

Table 1: Selection of existing literature on hospital choice criteria (in chronological order)

Author(s), year	Research focus, objective, method	Principal results
Parker and Srinivasan (1976)	Collection of patient preferences from existing literature	Analysis produced four factors: (1) availability or accessibility or convenience of care, (2) personal matter, personal interest, personal qualities, attitude or friendliness of physician and staff toward patient, (3) quality of care or technical competence of physician, (4) price of care.
Berkowitz and Flexner (1981)	Empirical study (n=1053, US) to determine whether there are patients who act as independent consumers	There are three segments of patients: the "choice", "no choice" and transitional segment. Patients mainly focus on four most important factors when making a hospital decision: the quality of care, the cleanliness of the facility, the attitude of the staff and a hospital's reputation.
Boscarino and Steiber (1982)	Telephone survey data collection (n=800, US) to describe consumers' selection criteria for general hospital, specialty care and emergency care hospital services	Decision criteria general care and emergency care: proximity of the clinic, doctors' recommendations and past experience; specialized care: best specialist doctors most important.
Wolinsky and Steiber (1982)	Data-based assessment of the extent to which traditional predictors of health services utilization are directly associated with individuals' identifications of the important factors in their choices of new doctors (n=1530, US)	Selecting a new doctor is one of three phases in the overall, iterative process of patient-practitioner encounters. Identification of five major patterns of typical behaviour which are influenced by socioeconomic status and access to medical care, criteria cover psychosocial aspects of the patient-practitioner relationship, cost of an office visit, hospital affiliation of the physician, physician's affiliation with a medical group, recommendation of friends.
Wolinski and Kurz (1984)	Examination of hospital decision criteria after conducting a telephone survey (n=445, US)	Quality most important consideration in choosing a hospital, followed by prior knowledge of the hospital and recommendations, costs are least important.
Lane and Lindquist (1988)	Analysis of hospital choice literature of the 1980s	Analysis yielded seven categories: care, staff, physical facilities, clientele, experience, convenience and institutional.

Luft et al. (1990)	Hospital discharge abstracts (US) are analyzed by using the conditional logit method by McFadden to estimate choice influences	Quality plays important role in hospital choices, greater distance and public or proprietary ownership reduced, medical school affiliation increased likelihood of selection.
Heischmidt and Enterman Heischmidt (1991)	Empirical study (n=364, US) to determine choice criteria used by customers in selecting a hospital	Most important choice criteria: Modern facilities and equipment (80,5%), friendly and helpful employees (72,8%), overall reputation (62,1%), previous contact or experience with hospital (55,2%).
Heischmidt, Hekmat and Gordon (1993)	Empirical study (n=789, US) to determine important choice criteria used by customers in selecting a hospital	Importance of choice criteria: Modern facilities and equipment, friendly and helpful employees, overall reputation, previous contact or experience with hospital , differences in age and sex, education and income.
Bornstein, Marcus and Cassidy (2000)	Assessing the relative importance healthcare consumers attach to various factors in choosing a primary care doctor (PCD) in a cross-sectional, in-person survey (n=636)	Participants perceived professionally relevant factors (e.g. whether the doctor is board certified, office appearance) and management practices (e.g. time to get an appointment, evening and weekend hours) as more important than the doctor's personal characteristics (race, age, gender, etc.).
Schotten et al. (2003)	Telephone survey (n=1545, Germany) to examine different aspects concerning hospital image, choice and quality	The following criteria rated most important when choosing a hospital: quality of medical treatment (87,1%) , quality of care (62,9%), technical equipment (54,6%), human atmosphere (50,5%).
Akinci et al. (2004)	Examination of factors affecting hospital choice decisions based on empirical study (n=869, Turkey)	Confirmation of factors like closeness of the hospital, modern equipment and facilities, image and reputation. Cost of hospital services is not important among patients surveyed.

Despite this abundance of studies analyzing patient choice criteria, only a few studies have examined the decision criteria of female patients in the context of maternal delivery. Hoerger and Howard (1995) conducted a standardized telephone survey of 963 women to comprehend the decision behavior of expectant women in the US. The factor “Physician expertise” (55,7%) seemed to be by far the most important factor in a woman’s choice. “Cost” (33,3%) and “Physician recommendation” (14,9%) were the least important determinants. Combier et al. (2004) aimed at understanding the choice factors of recently delivered women in France by doing a standardized survey of 536 women. Accessibility and proximity was the most selected choice criterion (33%), reputation of the maternity (29%) came second. Cost did not matter (insurance covers expenses). Phibbs et al. (2006) modelled hospital choice as a function of quality, price and payment, hospital ownership and geographic distance to test whether or not hospital choice factors differ for selected subgroups of the population. By analyzing discharge abstracts and hospital data from California, US (n=61.436), hospital quality tended to be more important for high-risk than low-risk women.

In Germany, Tscheulin, Helmig and Moog (2001) rated expectant women’s decision criteria with the help of a standardized survey of 430 mothers of new-borns. Riegl (1996) did a national quantitative study with 180 maternal

units in Germany and 16.000 women in childbed taking part, answering questions regarding their evaluation and satisfaction with the clinic. But these purely descriptive studies do not explain women’s choice of maternity clinics.

As we can see, the aim of the existing (quantitative) studies was to determine what factors were most important when selecting a clinic. However, these are generally on a superficial level only and give no explanation of the motives underlying these criteria. Our study aims at understanding these underlying motives behind the obvious criteria to gain a deeper understanding of expectant women’s choice process.

EMPIRICAL STUDY

To grasp the full and complex picture of the criteria and motives of expectant women, using a qualitative research approach was considered necessary. The qualitative approach is characterized by the objective of understanding the experiences and the actions of the subjects by identification of their underlying reasons (von Kardoff 1995). To get down to the women’s deeper motives the laddering-technique is applied by using directed probes like “Why is that important to you?” and thus sequentially elicit elements. This probing technique causes the respondent to think critically about the

connections between the object's attributes and personal motives. With the help of this technique, the "means" and "ends" or "values" as well as their connections can be identified (Gutman 1982; Reynolds and Gutman 1988).

After analysis of the existing literature on this topic, the empirical study consisted of extensive semi-structured interviews with expectant women. An interview guide was used, but structured very openly, so that no answers were directed and no criteria provided. First, general questions concerning pregnancy were posed which were easy to answer and thus allowed a comfortable entry in the topic. The following questions concentrated on the decision process and especially on the sources of information which were central during the process. The interviewed women were asked why they chose to deliver at their maternity clinic and factors mentioned were discussed. Finally, the women were asked to talk about general expectations and requests to isolate the critical choice criteria. Throughout the interview the laddering-technique was used to advance into deeper patterns of meaning of the person.

Altogether, 21 expectant women were interviewed. The interviews, which lasted between one and two hours, were recorded and transcribed. The texts were analyzed with the support of the software QSR NUD*IST VIVO (Bazeley and Richards 2000). The extensive amount of material was reduced by coding inductively along the interview guide. Analysis was performed according to Reynolds & Gutman (1988), an implication matrix constructed and a hierarchical value map built.

SAMPLE

The subjects were recruited during information evenings of three participating maternity clinics in Germany. To enhance the participation rate, three premium beach buggies were raffled for participation. Four weeks later, the women were contacted by phone to ask whether they had already made their decision in favor of a particular maternity clinic and whether they were available for an interview. If this was the case, it was agreed on a date for an interview which took place mostly in the women's homes.

The average age of the interviewed women is 33 years. Among the 21 expectant mothers, 16 were first time mothers and 12 had risk pregnancies. The sample is characterized by quite a high age and a high proportion of risk pregnancies, which though not a normal distribution in the population, is increasingly found in low birth rate countries like Germany. In addition, due to the fact that first time mothers are more likely to visit information evenings as they lack previous experience with hospitals and birth-giving in general, the make up a large part of the sample. Furthermore, the sample shows a unusual high level of education. These sample characteristics clearly indicate that the interviewed women belong to a specific group of patients. Although this sample does not represent the average patient, we can assume that the needs and

requirements of well-educated, demanding and high-risk patients will mirror those of average patients but be more profound. Nevertheless, the interviewed women could be more security oriented and put more weight on criterions such as an affiliated pediatric clinic, as they experience risk pregnancies. Thus, trust might be even more important. In addition, attending the information evening might shift weights from some criteria to others, as clinic staff guiding the evening could influence the women.

Altogether, both women in favor of the participating clinics and women who chose other clinics were interviewed. After 10 interviews, the congruence of statements was already very high. After 18 interviews, theoretical saturation was assumed as no new criteria or aspects emerged. Overall, 21 interviews were conducted.

FINDINGS

When analyzing the interviews, several choice criteria were identified. Firstly, the women explained that they considered staff's technical and social skills as well as the proximity of the clinic as most important. The staff's technical skills mainly represent competence, women expect "well-trained physicians and midwives". The respondents want "everything to work". The social skills include staff's adjusting and responding to the women as well as calming anxious women. The women want "intensive care", "humanity in care" and "staff taking worries and fears". "Midwives' empathy, motivation and encouragement" seem to be very important. But although staff's technical and social skills represent the criterion with the highest priority in the interviews, it is very difficult for lays to differentiate between different skill levels. Furthermore, the women take technical and social skills in hospitals for granted, so this criterion lacks significance in explaining choices between clinics. As pointed out before, the proximity of the clinic plays an important role in many empirical studies concerning decision criteria of patients in general and of expectant women in particular. Our findings support this. When asked why they chose a certain hospital, the women first mentioned this criterion ("And how did the maternity hospitals come to your attention?" – "That's easy, the proximity was deciding. These are the two nearest clinics from here."). This seems to be a natural reason which comes to mind easily. But proximity is easily satisfied in congested areas like the Ruhr Area in Germany, where there are lots of clinics close-by. The three considered clinics each have at least one clinic in close vicinity. Therefore, the criterion of proximity cannot be seen as a critical decision criterion. It represents more a necessary basic but is insufficient to explain the choice of a clinic.

If we follow the remarks of the participants, we see that other important factors were crucial for the choice of hospital, namely an affiliated pediatric clinic, the obstetrics ward, the labor room, a freelance midwife and the clinics' information evening. All these criteria can be described as

“means” which serve consequences and on higher level lead to “ends” (see Means-End-Theory by Gutman 1982). When the women were asked why these attributes (A)

were important in their hospital choice process, they gave different consequences (C), which in the end yielded higher motives (V) (see Figure 1).

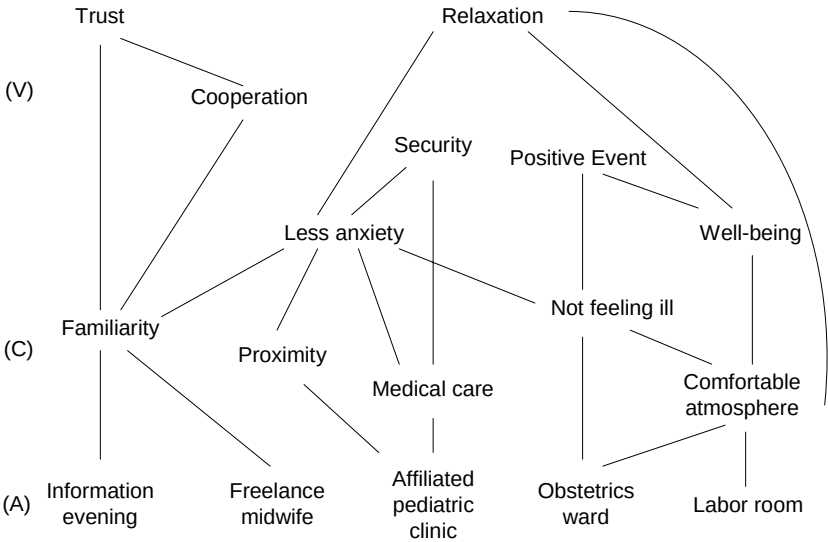


Figure 1: Hierarchy Value Map

This hierarchy value map represents the respondents' ladders in the aggregate. It shows the identified ladders from attributes to consequences to values/motives. It does not say anything about the importance of the motives in comparison to each other. Overall, trust, relaxation, security and birth as a positive event were identified as higher motives of the interviewed pregnant women when selecting a maternity hospital. These result primarily in five decision criteria which are used by women to assess maternity hospitals.

The information evening seems to be one key criterion for building familiarity towards the clinic and its team. It allows women to get to know the hospital, its team and environment and thus gives them the chance to form a first impression of the clinic, the obstetrics ward and labor room ("It is all about seeing how it looks like"; "seeing the premises on-site and live"; "getting an impression of the people"). This familiarity enables better cooperation and helps to establish trust ("Because it is the only opportunity to decide 'Where do you feel better?' Well, everybody, I think, who is pregnant, is glad that one has the possibility. Before, I could not have come to a decision").

Another criterion which is becoming more and more important in countries like Germany is a freelance midwife. A freelance midwife works autonomously and accompanies women throughout the pregnancy and childbirth. She provides individual care before, during and after birth. She goes with the woman to the clinic and cares for her. Whereas a clinic's midwife changes her shift every 8,5 hours, the freelance midwife stays with the parents during all phases of birth. The first contact to such a freelance midwife is usually made by women's gynecologists in early stages of pregnancy, so there is time for the woman to become acquainted with her and form a trusting relationship. This facilitates better cooperation. The midwife thus is no „totally unknown woman“, who is met in the moment of birth. A clinic's midwife - which is not known to the woman beforehand - seems to be perceived as an element of uncertainty by women ("During birth there are - in a sense - strangers with you. I would really like to work with a person who knows you very well and your body and your worries or your wishes. Well, they know better to understand the signs"). Women without a known freelance midwife assume that the clinic's midwife is not necessarily a person who is likeable, because "especially when giving birth sympathy and antipathy play a role". Familiarity means less anxiety for the women, which in consequence leads to the underlying motives security and relaxation.

Many women need additional backing by medical care to cope with their fears. In this context the medical safety of an affiliated pediatric clinic is mentioned. 15 out of 21 women chose a maternity clinic with an affiliated pediatric clinic. This criterion is sometimes even crucial for

preselection, which means that only clinics that fulfill this condition are short listed. The short distance between maternity and pediatric clinic seems especially important in case of an emergency shift. Furthermore, women fear that their new-born is taken away from them in case of an emergency ("And I heard from somebody who had a Caesarian, the baby was taken to the clinic and the woman has seen the baby only one week later. That is not what I want"). An affiliated pediatric clinic offers close-by medical care for newborns which decreases the mothers' anxiety, gives them a feeling of "extra security" and relaxation ("And I think one feels more secure and better if you know that, if something happens, there they are close-by. I think so, I think it is simply reassuring and it is a crucial point in favor of the hospital").

The obstetrics ward played the most critical role in our inquiry for women who visited several clinics in advance. This is not surprising, as it can be easily assessed by women and provides differentiation between hospitals. Women who only looked at one clinic rated this criterion as less important. But whenever the women made the choice between several maternity wards, they chose the one with "nicest furnishing". Only women with risk pregnancies selected clinics with obstetrics wards they did not like. The women prefer wards which differ substantially from other wards in hospitals, which are homelike and comfortable as they do not want to feel as if they were ill ("a pregnancy is no illness"). They wish for "more colors" (in curtains, linen) and "more pictures", bigger rooms (and preferably double bedrooms), no hospital beds, "more decoration", sofas, one bathroom per bedroom, family rooms and carpets. This helps them to experience birth as a positive event and relaxation.

The women make similar demands on the labor room as on the obstetrics ward. They attach great importance on "comfortable" furnishing which differs from typical clinic style, so that they do not feel as if they were ill. Pleasant furnishing of the labor room (for example dimmed light, wooden furniture, candles, colors, wooden floor) induces a feeling of comfort rather than illness. This contributes to the women's well-being and in consequence to relaxation and seeing birth as a positive event. It "takes away the fear, this homelike atmosphere".

DISCUSSION

This study explored the choice criteria and the underlying consequences and motives among expectant women in Germany when choosing a maternity clinic. We found five relevant motives which seem to be important in this situation. These underlying motives not only help in understanding the "cognitive" positioning of hospital services and midwifery, but can also be used to develop funded (marketing) strategies for maternity clinics. Along these motives new offerings regarding services and environments for expectant women can be provided which serve women's deeper needs. Offers which intensify

women's perceptions of trust, cooperation, security, relaxation and birth as a positive event (p.e. massages to reinforce the feeling of relaxation) influence women's choice positively and increase a maternity hospital's competitiveness.

The importance of the affiliated pediatric clinic in this study is on one hand attributed to the fact that the respondents were recruited on information evenings in clinics which had an affiliated pediatric clinic available. Women attending information evenings of other clinics without affiliated pediatric clinics surely do not attach that much importance to this factor. On the other hand, the sample characteristics affect the affiliated pediatric clinics' importance. The women's high mean age (33 years) and the correlating high proportion of risk pregnancies explains the fact that the respondents anticipate complications during pregnancy and giving birth. Therefore, an above-average weight of this criterion is found in this study. But as the mean age of expectant women and thus the number of risk pregnancies is increasing continuously in Germany, in the near future there seem to be the need and even the necessity to provide a high level of medical security.

Although our findings apply to the German health care context where women have free choice of maternity hospitals, they demonstrate the possibility of focusing on patients' motives which help to gain a deeper understanding of choice criteria.

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A Comparison of Health Systems in Finland, the People's Republic of China and Nigeria

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The aim of a healthcare system is to mobilize healthcare, social and other resources to meet people's requirements within a given region. A well functioning health system provides well being to the region and is thus of primary importance. The paper describes and assesses three health systems: Finnish, Chinese and Nigerian. The three systems represent in many ways very opposite views and ways of functioning, Finland representing a high-income, high public expenditure, high density in terms of physicians in relation to population, whereas Nigeria is a low-income country with low public expenditure and a low density of physicians. The People's Republic of China falls in the middle of the two extremes. The paper concludes by presenting propositions of how differences in health systems may influence service quality perceptions of health care.

INTRODUCTION

The aim of a healthcare system is to mobilize healthcare, social and other resources to meet people's requirements within a given region (Kerleau and Pelletier-Fleury 2002). Ideally, a healthcare system should encompass everyone from the individual that is sick and in need of care, to the paramedic that brings that individual to a hospital, the nurses that tend to the sick person, to the doctor that diagnoses the patient, to the pharmacist that dispenses drugs for the patients' use and to the surgeon that performs surgery on the patient. In many countries, it also includes the insurance agencies (social or private) that take decisions on the type and extent of care to be administered. Large variations in healthcare systems exist between countries. These variations are even more evident between developed and developing countries. The more developed countries approach healthcare provision as a social responsibility and thus provide universal coverage for its citizens usually financed by the tax or social security system. For

most less-developed countries, however, universal healthcare coverage is still more or less a dream.

Consequently, many of such countries have turned to the private sector for its health needs - basic healthcare as well as health insurance.

This paper is the first in a series of proposed international studies on healthcare service quality in Finland, China and Nigeria. In studying health services quality across countries, the variation between health systems is important as it may influence how health service quality is perceived in different countries. In addition, other factors influence the perception of quality. This paper seeks to establish the basis for future studies by examining the inherent characteristics of health systems in three countries, one low-income, one upper middle-income country and one high-income country. This investigation is conducted through examining the following components: Cost, Access to Healthcare, Health and Well-being, Responsiveness, Fairness of Financing, and Performance (The World Health Report (WHR) 2000 and Ricketts and Goldsmith (2005)). The aim of the current paper is to compare and thereby highlight the differences that exist in the three health systems and provide propositions for further studies on the assessment of service quality of health care.

The paper is structured in the following manner. The first section provides a brief overview of the three countries health systems. Then we discuss the method used and the indicators chosen in order to conduct the comparison of the countries. The following section then compares the three countries in view of the components chosen for investigation. The paper ends by presenting the developed propositions and provides the basis for future studies.

THE BASICS OF THE THREE HEALTH SYSTEMS

In order to provide an insight into the health systems of the three countries chosen for investigation, we give a brief overview of the health systems in each country

Finland

Finland¹, one of the Nordic countries, has 5 million inhabitants and is scarcely populated. Finland is divided into approximately 450 municipalities and each municipality is responsible for arranging health care for its inhabitants.

Primary health care

Primary health care is provided by health centers, which can be established by a single municipality or by joining forces with neighboring municipalities. Municipalities can also decide to buy services either from other municipalities or from the private sector. Health centre services include medical consultations and provision of dental care, preventive care and environmental health care and they also have maternity and child health clinics, and arrange school and occupational health services.

The size of health centers varies from large ones employing hundreds of doctors and providing highly specialized services. Nevertheless, in health centers in remote areas physicians have to be able to cope with emergencies as well as providing basic health care. The health centers are usually attached to small hospitals that treat mild or chronic illness, provide a small laboratory and a radiological and physiotherapy unit.

A more recent development in the provision of primary health care has been the switch from a primary health-care system to a family doctor system. Each family doctor is responsible for about 2000 patients. In this system the aim is a familiar doctor is contacted who should be able to assess the needs for treatment within three working days. The system has proved very successful and treatment can be provided more quickly than before. In addition, the relationships between doctors and patients have become closer and as a result a reduced need for hospital population. Local municipal authorities are responsible for funding specialist treatment provided to inhabitants of their areas. Each hospital district has a central hospital with departments for most main specialties. The university hospitals, of which there are 5 in Finland, are the most specialized. These provide the most advanced medical care, including highly specialized surgery and treatment for rare diseases.

In comparison to the situation in other countries, the number of hospital beds in Finland is fairly high. There has been a trend towards reducing the number of hospital beds by grading of care, introducing short-term postoperative treatment, and transferring patients, for example those receiving psychiatric treatment, to receive outpatient care. The number of emergency units has also

been reduced, in an effort to save costs and reduce the workloads of doctors.

China

The population of the world's largest country is 1,37 billion. The People's Republic of China has 31 provinces (of which, four cities, Beijing, Shanghai, Tianjin and Chongqing, are directly under the jurisdiction of the Central Government) and two Special Administrative Regions (Hong Kong and Macao). The paper explores the mainland, i.e., the Taiwan, Macao and Hong Kong are not included.

Primary Health care

Primary health care is provided by the governmental hospitals established by a province, city or even a county. Delivery of medical services relies heavily on hospitals, which usually have large outpatient clinics. State-owned hospitals managed and operated by central, provincial and municipal governments form the backbone of the urban delivery system, accounting for about 50% of inpatient beds. They were historically financed by government budgets, but in recent years rely increasingly on user charges and profits from sales of pharmaceuticals (44.4%) to offset the operational costs. On the other hand, most state-owned enterprises and government offices, as well as the universities (all these institutions are called as Danwei in Chinese) often have their own hospitals; indeed, they account for nearly 40% of the inpatient beds. The remaining ten percent are private hospitals or joint-ventures.

State-owned governmental hospitals, as well as some organizational (Danwei) hospitals vary greatly in size. Some of them might have more than ten thousand doctors and nurses, and provide highly specialized services; some might be relatively small, especially the private hospitals, but as the definition of the Ministry of Health, a hospital must have its own permanent examinations. As a result, health-care costs have been reduced.

In Finland, employers are under an obligation to provide occupational health care for employees. Occupational health care can be arranged either through municipal health centers or by using private practitioners. It is estimated that 4% of Finnish doctors work in occupational health care, offering both preventive services and primary health care.

Specialist care

Finland is divided into 20 hospital districts, each providing specialist consultation and care for its address, certain amount of capital, as well as the constitution, let along the license granted by the

¹ The section on Finland is based mostly on information obtained from the official websites of the health ministry. <http://www.stm.fi/Resource.php/eng/subject/health/hcare/index.htm>

government. Some small-sized hospitals might be lack of laboratory, radiological machines and other necessary equipments.

The Chinese government is endeavoring to build a new system to replace the old one. Nowadays, most cities have built numerous community clinics; Over 95 percent of cities above county level in China provide community health services and more than 3,400 community health centers and 12,000 community health stations have been set up. The door-to-door health service is available in most cities, but it's still in its infancy stage and because of the lack of experienced doctors and needed equipments, and because of the high price, it has been proved not so successful, although the health care can be delivered more quickly, conveniently than ever before.

Specialist care

Municipal government bears the responsibility to deal with specialist care, but the facilities, as well as the know-how of the hospital will be shared among many neighboring municipals. In fact, most of the top-grade specialized hospitals are usually located in big cities, such as Beijing, Tianjin, Shanghai and Chongqing.

Occupational Disease Prevention and Control Hospital is in charge of occupational disease treatment, the governments establish many such hospitals on the municipal level (some county might also have such hospitals). The employers (state-owned or private) are obligated to arrange health care examination every year, for some special occupations, the interval might be shorter. The modus operandi is that the employers pay certain amount of money, and invite the doctors from the governmental hospitals to carry out examinations for the employees in their clinic. But for the occupational disease, it's just the opposite; all the employees should go to the hospital instead of receiving medical check in the clinic.

Nigeria

The Federal Republic of Nigeria consists of thirty-six (36) states, an administrative headquarters, the Federal Capital Territory (FCT), Abuja and 774 local government areas. There are about 250 ethnic groups in Nigeria. With an estimated population of 131859731 (CIA Fact book July 2006 estimates) unofficial estimates put the population at over 150000000, the population growth rate is estimated at 2.3% (2006 estimates).

Primary healthcare

Primary healthcare in Nigeria is the responsibility of the local governments. Along with basic primary education and the provision and maintenance of basic infrastructure, the local government authority, which is

the lowest governing authority in the country, is responsible for providing healthcare at the most basic level. This level of governance is comparable to the Municipalities and regions in other parts of the world, e.g. Finland and Sweden. At this level, such healthcare institutions like health centers, local health clinics, and community health clinics provide healthcare services to the population. However, it is at this healthcare level that the private sector has made most of its impact in Nigeria. Due to the dearth of health facilities provided by the local government authorities, private clinics and hospitals have practically taken over the role of providing basic healthcare needs to the general populace.

Secondary healthcare

This level of healthcare provides healthcare services at a level higher than that obtained from the primary healthcare facilities. Healthcare at this level is provided by the state government (i.e. they are operated by the state ministry of health) and basically provide specialized services to patients referred from the primary healthcare level through out-patient and in-patient services for general medical, surgical and community health needs. Secondary healthcare services include institutions like the state general hospitals and private specialist hospitals. Support services like laboratories, diagnostic, and blood bank are provided. Located in every major city, there are 1,170 general hospitals in Nigeria (Akanji et al, 2002). The secondary healthcare level is mostly patronized by the private sector as they provide the bulk of the medical services needed at the primary level.

Tertiary healthcare

Tertiary healthcare services comprise healthcare services that are provided by highly specialized institutions and thus represent the highest level of healthcare service in the country. This level of healthcare institutions provide highly specialized healthcare services in many areas including orthopedic, psychiatric, maternity and pediatric specialties. Institutions at this level include university teaching hospitals, federal medical centers and other national specialist hospitals. Healthcare institutions at this level are primarily the responsibility of the federal government (in terms of financing and maintenance). These institutions are thus operated by health management services at the federal level. As of 2002, there were 14 university teaching hospitals affiliated to the respective university colleges of medicine (Akanji et al, 2002).

As can be seen, this brief overview of the countries points at vast differences between the chosen countries in terms of their geographical location, the

population number, and also between the health systems deployed in each country. However, as the systems are so different we need to find some common comparison grounds in order to compare the health systems under scrutiny. In the following section, we will thereby give a more detailed view of the indicators chosen to show the status of the chosen health systems.

HEALTH SYSTEM INDICATORS

The concepts of health system or health care system are terms commonly used in literature but seldom defined. The seminal work of comparative health system studies (The World Health Report 2000: health systems: improving performance) defines a health system as ‘all the activities whose primary purpose is to promote, restore or maintain health’ (ibid, p. 5). This broad definition covers almost everything that directly or indirectly influences health of citizens. As the aim of this paper is to provide the basis for further studies regarding the link between health systems and the perception of quality, we need to establish the criteria on which the comparison is conducted. A literature review provided the basis for choosing six indicators of a health system, which are defined and operationalized for the purposes of our study and described in the following sections.

Cost

Cost of health care is measured as national health expenditure per capita and total expenditure on health as percentage of Gross National Product (The WHR 2000). The two variables measure the national investment on health and thus reflect the quality of health care in general.

Access to health care

The expenditure on health care does not give an accurate view on how well health care reaches the citizens. Access to health care assesses this important aspect of a health system and is measured in the volume of health services. Volume of health services is operationalized as the number of physicians.

Health and well-being

While expenditure on and access to a health system provides information on the structure of the health system in a country, these measures give little information on how well the entire organism functions as a health providing system. Thus, health and well-being needs to be assessed in order to get a view on how well both investments and access work as tools in improving health. The indicators of the WHO are used to compare health and well-being in China, Finland and Nigeria. Those indicators are infant mortality rate and life

expectancy.

Responsiveness

Health and well-being measure the overall health of a population but do not give any guidelines for how people perceive the system of health. Responsiveness, however, is one of the objectives of the health system and determines ‘responsiveness to people’s non-medical expectations’ (The WHR, 2000, p. 27). The WHR (2000) ranks membership countries according to the responsiveness of a country’s health system which is used in the current paper to compare Finland, China and Nigeria.

Fairness of Financing

An overall health system may be responsive and provide good health in general terms. However, the above measures are indicators on the average level and inform little about how health system is distributed within a nation. There may be and, in fact often are, large differences of health and health distribution within a nation. Fairness of financial contribution is a measure to assess how well the health system is distributed in a given country (the WHR, 2000).

Performance

The World Health Report (2000) also ranked all the membership countries according to the performance of health care. We use their ranking to compare the three countries of our interest.

COMPARISON OF HEALTH SYSTEMS IN THE PRC, FINLAND AND NIGERIA

In the following sections we will compare the three countries related to the chosen indicators.

Cost

Cost, calculated as the health expenditure of the GDP and per capita expenditure, is highest in Finland. The public share is by far the highest of the three countries, actually almost the opposite of Nigeria, where the private share is approximately the same. The total expenditure of Finland amounts to 7.4% of GDP and the per capita spending is over 2300 US dollars.

TABLE 1
Health expenditure

HEALTH EXPENDITURE (% of GDP)

	Private (% of total)	Public(% of total)	Total
Finland	23.5	76.5	7.4
China	63.8	36.2	5.6
Nigeria	74.4	25.5	5.0

(WHO Report 2006; Data: 2003)

The health expenditure in relations to GDP is approximately same in China and Nigeria; being 5.6 % and 5.0% of GDP respectively. In per capita terms this relates to an expenditure of 61 US dollars in the PRC and 22 US dollars in Nigeria. In both countries private sources covers over half of the expenditure.

TABLE 2
Per capita health expenditure

	PER CAPITA HEALTH EXPENDITURE (total average exchange rate US\$)
Finland	2307
China	61
Nigeria	22

(WHO Report 2006; Data: 2003)

Based on the above indicators it can be concluded that Finland invests most in health care followed by China and Nigeria, which is illustrated in Figure 1. Also the public investments are highest in Finland indicating a good access to health care that will be assessed next.

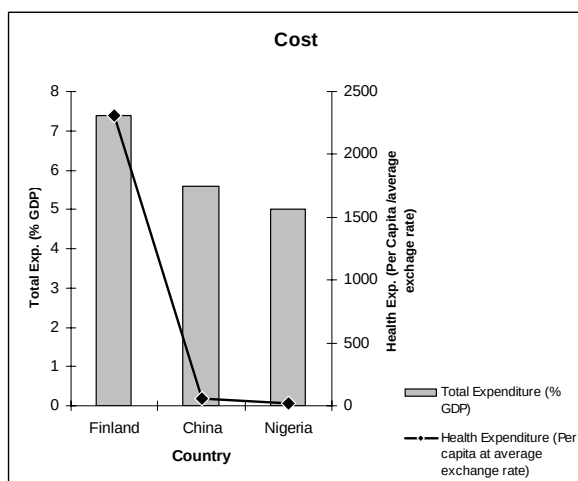


FIGURE 1 Cost of health care compared

Access to healthcare

Nigeria has a low density of health workers in relation to population with only 0.28 doctors per 1000 inhabitants. China has 1 doctor and Finland 3 per 1000 inhabitants.

TABLE 3
Distribution of health workers

DISTRIBUTION OF HEALTH WORKERS (Physicians)		
	Total	Density (per 1000 pop.)
Finland	16446 ^b	3.16
China	1364000 ^a	1.06
Nigeria	34923 ^c	0.28

(WHO Report 2006; Data ^a2001, ^b2001, ^c2003)

The number of physicians per capita is the highest in Finland and the lowest in Nigeria leaving the PRC in the middle of the two extremes. It can, thus, be concluded that Finland has the best access to healthcare while in Nigeria the access to treatment is lowest. See comparison in Figure 2.

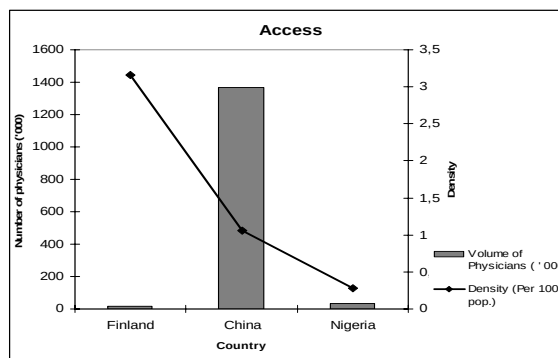


FIGURE 2 Access to health care compared

Health and well-being

As expected the health and well-being is highest in Finland which Table 4 shows.

TABLE 4
Health and well-being

	HEALTH AND WELL BEING			Infant mortality rate
	Life Expectancy at birth			
	Both Sexes	Male	Female	
Finland	79	75	82	4
China	72	70	74	31
Nigeria	46	45	46	103

(WHO Report 2004: Data 2000)

Given the low expenditure on health and relatively low access to health care providers the life expectancy at birth is high in China being almost the same as in Finland. However, the other indicator of health and well-being, infant mortality rate, is low in China but not as low as in Nigeria. If not entirely, at least to some extent, both investment in and access to health care correlate with general well-being.

Responsiveness, fairness and performance of health systems

WHO 2000 report has assessed the responsiveness, fairness of financing and performance of Finnish health system as the best of the three countries in focus. The Chinese health system has been evaluated as the second best even if the index for fairness of financing is lower than that of Nigeria. See for indices in Table 5.

TABLE 5
Health system indices

	HEALTH SYSTEMS INDICES (as a WHO Index)		
	Responsive-ness	Fairness of financing	Performance
Finland	6.76	0.977	0.881
China	5.20	0.638	0.485
Nigeria	4.60	0.827	0.176

(WHO estimates for 1997)

INFLUENCE OF THE HEALTH SYSTEM ON ASSESSMENT OF SERVICE QUALITY: PROPOSITIONS

In health care studies there is seemingly a division of studies in those focusing on describing health care system quality as viewed by experts in the field (e.g. WHR 2000; Streefland, 2005) or then focusing on the perceived quality by the users of the system (e.g. Schoen & Doty, 2004; Boshoff & Gray, 2004; Kara, Lonial, Tarim, & Zaim, 2005; Youssef, Nel, & Bovaird, 1996). Some studies point at the inclusion of both perspectives, advocating that just having one view is inadequate. For example, studies on access in health care, include the perspectives of the users (Ricketts & Goldsmith, 2005). This study does not, however, only include the views of the users, it aims at investigating the association of health systems on perceived service quality. No studies, according to our literature review, have so far looked at this proposed association, although they are (Ricketts & Goldsmith, 2005) inherently linked.

Our paper has compared health systems in Finland, China and Nigeria based on statistical indicators and experts' views on health system in respective countries. All the health system indicators used in our study place Finland as highest, China in the middle and Nigeria as lowest in the scales. We propose that in addition to culture (Wei, Polsa, & Pei, 2006) the level of the health system, as assessed in the current paper, influences the way patients and other users of the system perceive the service quality of health care providers such as hospitals, health care centers and like. It can be assumed that service quality dimensions such as tangibility and reliability are more important in countries of a lower ranked health system while patients using more developed health systems put more emphasis on service quality dimension of responsiveness, assurance and empathy. Hereby, we are interested in investigating whether there is an association between health system indicators and the perceived quality of the users. If the links are weak or nonexistent, this might indicate that the argument for regional differences holds stand as argued in an article about national comparisons. This is certainly true in China and Nigeria, where there are arguably huge differences between the rural and urban areas in terms of e.g. access to health care.

CONCLUSIONS

Health and the provision of health care is a vast study area, which has received much interest both in media and in academic research. Health care systems and parts of the system are frequently compared and benchmarked in order for countries and health care providers to improve health care and health by large. Large variations in healthcare systems exist between countries. These variations are even more evident between developed and developing countries. This paper is the first in a series of proposed international studies on healthcare service quality in Finland, China and Nigeria. In studying health services quality across countries, the variation between health care systems is important as it may influence how health service quality is perceived in different countries.

This paper seeks to establish the basis for future studies by examining the inherent characteristics of health systems in three countries, one low-income, one upper middle-income country and one high-income country. As this paper is the first one in a series of papers in this study area, it only aims at discussing the differences between the countries in focus in terms of the health care systems. For this purpose, we chose indicators, as proposed in literature, for comparing the three systems. The three systems represent in many ways very opposite views and ways of functioning, Finland representing a high-income, high public expenditure, high density in terms of physicians in relation to population, whereas Nigeria is a low-income country with low public expenditure and a low density of physicians. This comparison of the three countries provides a deeper understanding of the health systems in each of the cases, i.e. for the countries chosen for this study. Further research will focus on exploring the proposed link between health systems and service quality.

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Intellectual Property and Pharmaceuticals: What Type of Failure?

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The market for intangible assets differs in characteristic ways from the market for commodities, and is prone to particular types of market failure (Pereleman 2003). In such a situation, individuals are not assured of an adequate return on their creative efforts and thus have diminished motivation to offer potentially useful innovations to society via the market system. One solution is intellectual property rights. In common with other types of property rights, intellectual property rights are legal constructions. That is, property rights are institutions with force of law which have been contrived in order to secure some benefits to society.

In the case of intellectual property in general, and patents in particular, the specific rationale for granting property rights varies from time-to-time and place-to-place. For example, patents in the U.S. and U.K. legal systems are typically justified on the basis of incentives for creative activity and investment, whereas in some European systems patents are more likely to be viewed as rewards for creative activity (Dolfsma 2006). The present discussion follows the incentives rationale and examines the effects of pharmaceutical patents in terms of market failure.

FAILURES FRAMEWORK

Harris and Carman (1983) categorize market failures as falling into eight possible types. The type of failure which intellectual property is designed to remediate is known as a public goods failure. Harris and Carman (1983) specify: ABy public goods, we mean economically valuable goods or services that are characterized by indivisibility and nonexcludability, when goods cannot be privatized for these reasons, exchange fails because of the >free rider= problem,@ (p. 56). Nonexcludability refers to the innovator=s difficulty of preventing use by nonpayers, absent other forms of protection. Intellectual products are thus prone to the public goods type of market failure.

Harris and Carman (1984) also discuss regulatory responses to market failures. At issue here are the types of activities that governments and governmental agencies may undertake in order to correct or reduce market imperfections. In the Harris and Carman (1984) framework, there are eight categories of regulatory

response of which one, the creation of legal rights, applies to the present case. Governments can and do create property rights in intellectual objects in order to attempt to mitigate the disincentives to creation and investment due to nonexcludability. In the case of the U.S. legal system, such property rights are embodied in the Constitution (Article 1, Section 8) which provides for exclusive rights to market the innovation for Alimited times@ (N.B.: the Constitutional provision is not specific with respect to number of years).

Finally, Carman and Harris (1986) discuss regulatory failures, that is, situations in which the regulatory response to a market failure turns out to have undesirable economic or social ramifications. In diagnosing regulatory failures, Carman and Harris (1986) focus on several kinds of consequences including various sorts of inefficiencies, ineffectiveness and misallocations. Given that eight types of market failure and eight types of regulatory response are identified, the result is sixty-four categories of potential regulatory failure. The present case, however, has an interesting characteristic not discussed by Carman and Harris. By the grant of exclusive rights to sell, patents create one of the original eight types of market failure, namely monopoly power. While Carman and Harris do deal with the possibility that the net effects of regulation may be more harmful than the market failure they were intended to alleviate, they do not discuss the creation of market failures through regulation.

PHARMACEUTICALS

The above are generalized points concerning intellectual property. The case of pharmaceuticals in particular is both interesting and controversial. New drugs can have important health care benefits - - literally life-saving in some cases - - but are introduced at high prices under patent protection. Pharmaceutical firms maintain that such high prices are necessary to fund the research and development of yet newer drugs. Critics, however point out that roughly half of pharmaceutical firms profits are spent on marketing and advertising (Sell 2003) and that much of the R&D effort is an Ame-too@ drugs of small marginal improvement over existing treatments (*Economist* 2007).

Four additional points relating to pharmaceuticals are also of note. First, the economic impact in the U.S. is both large and growing. Because of monopoly pricing, and as a

result of legislative restrictions on price negotiations by government programs such as Medicare, American consumers pay the highest prices in the world for prescription drugs (Goozner 2004). The grant of monopoly pricing power over pharmaceuticals, even for a fixed term, involves the conversion of many billions of dollars of potential consumer surplus into producer profits. This is known in the case of some elderly, for example, to force difficult choices between buying medication and adequate food.

Second, externality effects on third-party payers of drug costs are substantial and growing. Organizations and agencies with obligations to fund medications are increasingly burdened with additional costs. The diversion of funds from alternative uses represents a reallocation of resources of a magnitude which is difficult to quantify, but seemingly large. One example of this is a reduction or restriction of state-level funding for education in order to meet Medicaid obligations. Third, in consequence of affordability issues, is the externality effect on public health. Unmedicated or under-medicated individuals amount to a sub-population of the ill, with attendant negative consequences for economic productivity, quality of life, longevity, and long-term health care provision.

Fourth, a substantial funding of scientific research which provides the foundation for pharmaceutical patents is provided by public sources. Through the National Institutes for Health (NIH) and other government agencies, taxpayers provide critical funding for medical research. Goozner (2004) observes: "Over the years, NIH-funded research played not only the key role in virtually all of the basic scientific breakthroughs that underpin modern medicine but also a central role in the application of their findings to the search for many new therapies," (p. 8).

The four points outlined here suggest that in the case of pharmaceuticals the grant of monopoly power has substantial negative impacts at both individual and societal levels and that the use of public funds has created a public interest in the protected drugs. This suggests that the policies which conferred such monopoly power on pharmaceuticals should be revisited.

DISCUSSION

The analysis of patent rights in terms of market failure is particularly interesting in the U.S. because of the legal status of these rights. Unlike rights which emerge in a case-by-case manner under a system of common law, the Constitutional provision for patent rights in the U.S. indicates that a clear and conscious choice was made. The Framers preferred one form of market failure (monopoly power) over an alternate form of market failure (public goods). Hence at that time, a period of monopoly was viewed as an acceptable cost in return for the encouragement of innovation.

A number of factors currently associated with the economic and social impact of pharmaceuticals make a

clear contrast with the general situation of inventions in the eighteenth century. At that time taxpayers did not fund basic research, employers and governments had no financial obligations to pay for medicines, and costs of illnesses were typically not a governmental responsibility. In addition, the rate of diffusion of innovations was formerly much slower than now, with the result that the period of monopoly power affected a much smaller proportion of the eventual buyers. Due to shortening product life cycles the seventeen (now twenty) year period of monopoly power today encompasses a larger portion of the product life cycle than in years past.

Industry observers trace a changing role of patents in economic activity over the years from a point at which patents mainly protected individual inventors against firms appropriating their ideas, to a point at which large corporation use patents strategically to protect a stream of profits (Perelman 2003). Observers thus note a shift in the U.S. from patents-as-incentive to patents-as-reward by pharmaceutical firms (Sell 2003). The strengthening of intellectual property rights over the last few decades is seen as a "tragic mistake" for consumers (Perelman 2003), and is viewed by some as a disincentive to subsequent innovation and economic development (Dolfsma 2006). In this light, a variety of remedial actions have been proposed, including confiscation of intellectual property through eminent domain proceedings (Adkisson 2002), compulsory licensing laws (Sell 2003), and the use of monopsony bargaining power by governmental agencies (Goozner 2004). More frequently heard are proposals to limit the length of patent protection (Alpert 1991; Dolfsma 2006).

CONCLUSION

Carman and Harris (1986) identify two basic sources of regulatory failure: design failures and implementation failures. Correspondingly, there are two routes to remediation under the failures framework. The design failure approach would be to conclude that in the case of pharmaceuticals the public goods failure is preferable to the monopoly failure, trusting that ordinary market pioneering advantages are sufficient to induce innovative activity. Although known as intellectual property *rights*, it has been noted in the case of trademark that such protections are more in the character of a privilege than a right (Kingston 2006). On the other hand, the implementation failure viewpoint would conclude that the monopoly failure is preferable to the public goods failure, but reduce the period of monopoly power by a substantive amount. Patents could be granted for a shorter term, or for different lengths rather than a fixed term as a particular situation requires (Stern and Eovaldi 1984).

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Tuesday, June 5

8:30 – 10:00 Session 8

810 Special Double Session: Twenty Years after Vietnam's Doi Moi: Toward More Elastic, Comprehensive and Meaningful Measures and Interpretations of Socioeconomic Development

See also Session 910.

Chair: Clifford J. Shultz, II, Arizona State University

811 - *Success Criteria and Factors for International Development Projects: A Life Cycle-based Framework*

Do Ba Khang, Asian Institute of Technology
Tun Lin Moe, Universität Karlsruhe

812 - *Vietnam and the WTO: Vietnamese Perceptions and Implications for Markets, Marketing, and Society*

Steven A. Schulz, The Gallup Organization
Clifford J. Shultz, II, Arizona State University
Raymond Marquardt, Arizona State University

813 - *New Meanings of Development-Consumption Nexus? A Manifestation in Vietnamese Weddings*

Thuc-Doan T. Nguyen, University of Utah
Russell W. Belk, York University

814 - *Life Gets Better, Much Better: Vietnam's Successful Transition*

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Twenty Years after Vietnam's *Doi Moi*: Toward More Elastic, Comprehensive and Meaningful Measures and Interpretations of Socioeconomic Development

Clifford J. Shultz, II, Arizona State University, USA

In 1986, the government of the Socialist Republic of Vietnam initiated a policy to shift the nation's economy toward the market. That policy is known simply as *Doi Moi* – commonly interpreted as renovation, renewal, or restructuring. Initial implementation was directed toward agriculture, enabling farmers to select crops to grow, to set prices, and to retain a portion of their profits. Vietnam, in the span of three years, subsequently went from a net importer of rice to one of the world's three largest exporters. Increasingly liberal interpretations of "market socialism" have resulted in systemic changes to just about every sector of the economy, many social institutions, and even political institutions (e.g., CIA 2007; Dapice, Haughton and Perkins 1994; Karnow 1997; Shultz et al 1994; Shultz, et al 2006).

Outcomes, twenty years subsequent to the landmark *Doi Moi* policy, are remarkable. Vietnam has transitioned from one of the 10 poorest countries of the world, on the brink of famine and social unrest, to a country full of hope and promise. Vietnamese now take pride in nearly double-digit annual growth in GDP, diffusion of ideas and technologies, inclusion in the process of globalization, reduction in poverty at rates that exceed millennium goals set by the World Bank, and generally improved standards of living. Vietnamese, in short, now have many dreams – as well as fears – shared by consumer-citizens around the world (e.g., World Bank 2007; *Foreign Affairs* 2005; see also Shultz and Pecotich 1993).

This double session assembles scholars committed to the longitudinal study of Vietnam: its evolving policy changes, its impact on regional dynamics, its integration into the global economy, and the societal well-being of Vietnam and its neighbors. An objective of this session is to share some insights into Vietnam's transition, which are not typically captured in traditional measures of economic development. A secondary objective is to alert fellow macromarketers that there is considerable value to be derived from longitudinal study on transitioning marketing systems. Indeed, if scholars truly are to develop more elastic, comprehensive and meaningful measures and interpretations of socioeconomic development and welfare, serious commitment to longitudinal assessment from varied perspectives and tools is imperative; in embracing

this commitment we recognize positions espoused in various forms by macromarketers for nearly four decades (e.g. Slater 1968, Kumcu and Firat 1988; Shultz 1997; Klein and Nason 2001), with hopes to (re)inspire other macromarketers to use multiple methods and to engage longitudinal studies in complex marketing systems. Abstracts of presentations are found below.

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Success Criteria and Factors for International Development Projects: A Life Cycle-based Framework

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Critical success factors have been one of the central themes of project management research in the past few decades. However, there is relatively little research addressing the not-for-profit projects that play a vital role in the socio-economic development process of developing countries. The paper fills this gap by presenting a new conceptual model that identifies different sets of success criteria and factors in the different life cycle phases of not-for-profit international projects in developing countries, and then provides the dynamic linkages among these criteria and factors. The model can serve as a basis to evaluate project status and to forecast the results progressively throughout stages.

The model is tested empirically with a survey conducted with 368 respondents from both Official

Development Assistant (ODA) and international Non-Governmental Organizations (NGO) projects in Vietnam and Myanmar. Myanmar data are shared to provide a comparison to Vietnam trends, and to indicate variances in outcomes from different models of transition. Analysis of the data collected confirms the model's validity and also contributes important managerial insights of these projects. The proposed model provides the project management team and other stakeholders a forecasting and diagnostic tool to evaluate progressively and objectively the project chance of success. It also helps prioritize the management attention and scarce development resources to ensure successful project completion.

Vietnam and the WTO: Vietnamese Perceptions and Implications for Markets, Marketing, and Society

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Clifford J. Shultz, II, Arizona State University, USA
Raymond Marquardt, Arizona State University, USA

The General Council of the World Trade Organization (WTO) approved Vietnam's accession into the global trade group in November of 2006. This accomplishment represents over a decade of effort to develop an economy through progressive economic reforms. While this transition has taken place in a country once on the brink of famine, an important question is the long-term impact of membership in the WTO. The United Nations Development Programme states that although many Vietnamese have been lifted out of poverty, they teeter on the line and could easily fall back into such deprivation.

Many salient questions pertinent to macromarketing / marketing and development emerge in light of Vietnam's transition and membership in WTO. For example, will membership create opportunities for Vietnam and its people? How do Vietnamese citizens view current leadership within the country and the rest of the world? Do Vietnamese have confidence in their marketing system; are they optimistic about their future? What do Vietnamese think of products that are proliferating and now dominating their markets? The overall goal of this report is to provide a benchmark on attitudes and perceptions regarding such issues, prior to WTO membership. In particular, this report will focus on perceptions of life satisfaction, product quality and leadership at the national and international levels. Data from the Gallup World Poll will be used to provide these insights. These results were based on face-to-face interviews with a randomly selected sample of 1,023 Vietnamese, aged 15 and older. Interviews were conducted from March 1 - 28, 2006. [Steve, is the sample representative, who were the interviewers? No need to answer the second question for purposes of this abstract, but the first one probably should be answered for those purposes]. Synopses of some initial findings follow.

Up to this point, urban citizens have benefited more from economic reform than have rural citizens. Roughly three-quarters of urban Vietnamese (73%) were satisfied with the amount and quality of food available to them. Only 62% of the rural population felt the same way. Forty-two % of urban Vietnamese reported that they were happy with their income while only 32% of rural dwellers felt the same way. A rural-urban gap also exists for

security from forced evictions. Sixty % of urban citizens felt secure from forced evictions while only 34% of rural citizens felt this way.

Perceived corruption in Vietnamese government and business was relatively low. Out of 101 countries included in the Gallup Corruption Index, Vietnam was ranked 14th as one of the least corrupt countries. The top three countries (least corrupt) in this index included Finland, Denmark and New Zealand while the bottom three countries included Lebanon, Poland and Lithuania. Forty-eight % of the respondents were satisfied with efforts to control crime and corruption.

Eighty-six % of the Vietnamese population reported confidence in their national government. Approval of leadership in other countries was mixed for the following countries: Russia 46%, China 40%, Singapore 40%, South Korea 38%, Thailand 37%, Japan 35%, Australia 34 %, France 31%, USA 31%, UK 31%, and Germany 29%. The main question is how perceptions of the international community will influence economic opportunities.

In addition to leadership, respondents were asked to rate the overall quality of products manufactured in other countries. Vietnamese ratings of manufactured goods from other countries varied to a great extent. The percent of Vietnamese reporting very good or excellent ratings for manufactured goods include: China 79%, South Korea 36%, Vietnam 32%, Singapore 28%, Thailand 22%, Germany 9%, UK 9%, France 8%, USA 4%, and Japan, 1%. Again, how will country of origin enhance or inhibit economic opportunities in the international community.

The Vietnamese outlook toward the future tends to be very positive. Eighty-five percent of the population believes that they can get ahead by working hard and 57% were satisfied with efforts to increase the number and quality of jobs available. Eighty-eight percent indicated that economic conditions in their country were getting better. When considering the next generation, over 80% felt that Vietnamese children were treated with respect and had the opportunity to learn and grow everyday.

In summary, this project is focused on identifying opportunities to leverage Vietnam's membership in the WTO. Perceptions of corruption, gaps in rural versus urban development and perceptions of other countries will likely influence future economic development. In the end, this project represents a baseline measure of perceptions in Vietnam prior to membership to the WTO. It should be noted that some of the findings reported here do not coincide with other studies on levels of corruption, attitudes toward governance and attitudes toward countries' products. These discrepancies raise interesting and important questions about methods, future studies and the extent to which any study to date has accurately measured or assessed these issues; it also raises questions about how best to proceed with future measurement and assessment. Post membership assessments will be conducted in subsequent years, beginning in 2007.

New Meanings of Development-Consumption Nexus? A Manifestation in Vietnamese Weddings

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Russell W. Belk, York University, Canada

The purpose of this presentation is to introduce some emergent patterns of development-consumption, which are manifested in, for example, Vietnamese wedding consumption. Similarly to other less affluent societies, Vietnam has joined a project of development-consumption: "As people seek the good life in consumption, societies seek it in economic development" (Ger 1997, p. 110). The Vietnamese state is proud of its achievements: nearly double-digit growth, increasing GDP, rising trade surplus, and greater consumption. However, this material performance approach to development has been criticized for its reduction, universality, and lack of specific contexts, history and humanity (Dholakia and Dholakia 2001; Ger 1997; Joy and Ross 1989).

In this presentation, the focus on development goes beyond material performance. That is, the focus is on personal experience of historical, social and cultural contexts of Vietnam's transition. To assess such personal experience, the authors participated in and observed wedding consumption in Vietnam. Findings from in-depth interviews with wedding consumers in Ho Chi Minh City are used to articulate common themes of a development-consumption nexus; in particular, cultural, social, and historical contexts.

The presentation begins with a descriptive account of development-consumption nexus in terms of the increasing consumption, choices, quality services and products in wedding contexts. It should be noted that increasing consumption, choices, quality services and products in wedding contexts were not permissible or even possible prior to *Doi Moi*, from years 1975-1986, in HCMC (i.e., Saigon, until May 5, 1975); nor were most of the cottage industries and systems that support them. Following the material measurement is some discussion of the "dark side" of consumption, which is brought to Vietnamese consumers via development projects. Lastly, meanings of development-consumption nexus experienced by local consumers are uncovered. Scholars

have identified power of consumption in the project of development including freedom and enablement, self-cultivation, liberation, empowerment and resistance to dominators, and also frustration, envy, unhappiness and dissatisfaction (Belk 1985; Ger 1997). These arguments are based on Western values of freedom and individual.

This presentation reveals that Vietnamese consumers find power of development-consumption from its instrumental functions to fulfill their traditional values of filial piety, respect for ancestors, harmony, and community bonds. The presentation concludes with a re-emphasis on double-edged nature of development-consumption. More important, what is good and what is bad should be understood from the insiders' experiences; that is, what and how "...are constantly felt in the lives of those trying to get from one day to the next" (Friedman 1994, p. 193).

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Life Gets Better, Much Better: Vietnam's Successful Transition

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For several years we have followed the quality of life question in Vietnam's Living Standards Surveys. We have modeled large amounts of data and have engaged field observations in various urban- and rural-scapes throughout the country to assess whether Vietnamese are satisfied with -- perhaps even happy with -- Vietnam's evolving transition. Our data and interpretations of field observations show that most Vietnamese are satisfied with their transition experience.

While our focus is on Vietnam, comparative insights from other transitioning countries may be of interest and helpful to frame the Vietnamese findings. These results might also suggest the *extent* of satisfaction or happiness by Vietnamese. Sanfey and Teksoz (2005), for example, use data from the *World Values Survey* to examine life satisfaction in transition countries in central eastern Europe and the Baltic states, southeastern Europe, and the Commonwealth of Independent States. They conclude that people in transition economies tend to have lower scores on self-reported satisfaction with life compared to people in countries not in transition; satisfaction moreover tends to be highest in transition countries where market-oriented reforms are most advanced and also where inequality is lower.

But how does the preceding conclusion reflect on Vietnam? In 1993, 1998, 2002, and 2004 a battery of surveys were administered across Vietnam, sampling

community leaders and as many as 46,000 households. A primary objective was to measure whether Vietnamese life was better, worse, or unchanged as compared to the previous time of measurement. Results from the surveys contain an enormous wealth of detailed information on characteristics, consumption patterns, and ownership of durable goods, education, employment, and health. The data have enabled us to define household well-being over several dimensions and track its evolution over nearly the whole transition period.

Our results indicate that life has improved nearly universally and the durability of the results over four survey waves is striking, especially in view of evidence that people quickly adjust their expectations as circumstances change. Our results indicate that Vietnamese are considerably more satisfied with transition than are the peoples measured by Sanfey and Teksoz (2005). Indeed, one could assert Vietnamese are *happy* with transition. Our results complement those presented by Schulz, Shultz, and Marquardt. In particular, they go some distance toward explaining why 86% of Vietnamese report confidence in their national government (as suggested elsewhere in this session by Schulz, Shultz, and Marquardt): the transition has delivered substantial improvements to a very large share of the population. Further discussion of the reasons for these findings will be shared, with implications for policy and future research.

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Tuesday, June 5

8:30 – 10:00 **Session 8**

820 Competitive Paper Session – Macromarketing in a Changing World

Co-Chairs: David Hunt, University of Wyoming
 Scott Radford, University of Calgary

821 - *Open Range and Open Sources: Establishing and Maintaining Property Rights in the Public Domain*

 Robert A. Mittelstaedt, University of Nebraska-Lincoln
 John D. Mittelstaedt, Clemson University

822 - *From Univservqual to Educational Excellence – The Malaysian Dream*

 Aliah Hanim M. Salleh, The National University of Malaysia

823 - *Marketing Sustainability in Higher Education*

 G. Scott Erickson, Ithaca College
 Bonnie O'Hara, Ithaca College

824 - *Revisiting Governance: Toward Democratization of Marketing Systems*
 WITHDRAWN

 Rohit Varman, Indian Institute of Management, Calcutta

Open Range and Open Source: Establishing and Enforcing Property Rights in the Public Domain

Robert A. Mittelstaedt, University of Nebraska, USA
John D. Mittelstaedt, Clemson University, USA

This paper explores the commonality of the development of ranching in the 19th Century Western United States and growth of the Internet as medium for transmitting copyrightable material today. As ranching developed on the public domain of the high plains, the environment was found to be very different from the lands in which public policies had been developed to encourage and protect the rights of private property. An accommodation had to be found and public policy adjusted accordingly. In a somewhat analogous fashion, during the past twenty five years, the Internet has developed as a more-or-less public domain in which firms and non-firm organizations have attempted to establish and maintain property rights, especially intellectual property rights.

As Carman (1982) has shown, the functioning of a market depends on the existence of property rights, defined as “the exclusive authority to determine how a resource is used.” Whether held by individuals, organizations, or the government, property rights involve three basic elements: “(1) exclusivity of rights to the choice of use of a resource, (2) exclusivity of rights to the services of a resource, and (3) rights to exchange the resource at mutually agreeable terms” (Alchian 2007). The “property” may be real, personal or intellectual. By contrast, the public domain refers to: (1) land owned and controlled by the government; and/or (2) publications, products, and processes that are not protected under patent or copyright. In other words, the public domain is a realm in which there are no rights of private ownership and yet, as we know, marketing entities operate and even thrive in the public domain.

This paper considers two examples, the development of ranching in the arid land of the Western United States and growth of the Internet as medium for transmitting copyrightable material. As ranching developed on the public domain of the high plains, the environment was found to be very different from the lands in which public policies had been developed to encourage and protect the rights of private property. An accommodation had to be found

and public policy adjusted accordingly. In a somewhat analogous fashion, during the past twenty five years, the Internet has developed as a more-or-less public domain in which firms and non-firm organizations have attempted to establish and maintain property rights, especially intellectual property rights.

As the visionary John Wesley Powell observed about the western lands (Powell 1879, p. 25), the ultimate success of public policy to achieve its goal depends on the alignment of its incentives with the realities of the environment. Today, many are questioning whether the development of the “information age” and the global economy have created an environment in which the traditional regimes to protect intellectual are up to the task (Mittelstaedt and Mittelstaedt, 1997). Our purpose, then, is to review the experience of the western lands, especially the open range, to see what might be learned that could be applied to the present tension between intellectual property rights and the public domain.

The paper begins by looking at the history of ranching on the high plains and the development of public policies to accommodate the necessity of maintaining property rights in that environment. It will be seen that privatization of the public domain never become complete and a model suggesting the reason for this will be presented and, later, applied to the public domain of intellectual property.

HIGH PLAINS AND THE OPEN RANGE

Ranching Comes to the High Plains

During the last third of the nineteenth century, one effect of the growth of railroads and the invention of mechanical refrigeration was the development of the American beef industry. The stockyards and packing houses of cities such as Chicago drew cattle from the feed lots of the corn-belt. Most of these animals had been born and raised on Western ranches, many on open ranges on the high-plains, an area between the hundredth meridian and the continental divide, including the western halves of the Dakotas and Nebraska and the eastern halves of Montana, Wyoming and Colorado. This area became part of the United States through the

Louisiana Purchase of 1803 and, at the time when ranching first spread into it, all land was owned by the federal government. Of course, the cattle were the property of the ranchers, and the exercise of the rights of private property within the context of the public domain led to substantial conflict and eventual resolution.

Beginning at roughly the hundredth meridian and extending west to the Continental Divide, the land in the northern half of the U.S. is, quite literally, high and dry. Elevations start at about 2500 feet above sea level and, by the eastern edge of the Rocky Mountains have reached at least 5000 feet. As the floor of an ancient inland sea, the terrain is broken by sharply rising hill formations, with steep gullies and canyons produced by the forces of erosion from wind and irregularly flowing streams. The growing season is short and rainfall is less than 20 inches per year. There are few trees and much of the land is covered with native grass that grows less than a foot high. Note that these conditions are also true of other western and southwestern lands. However the Treaty of Guadalupe-Hildago which ended the war with Mexico and brought those lands into the United States preserved the land grants established under Mexican rule and created huge ranges under private ownership and not “open” in the sense that they were part of the public domain. (Peake 1937, p. 65) The climatic and topographical factors combine to make the country well suited to grazing and, in the absence of irrigation, ill suited to conventional farming.

Toward the eastern edge of the high plains, the native grass on as few as 10 acres of range will support a single cow and calf; toward the western edge of this area, the required acreage may be as high as 40. There are almost no naturally occurring fencing materials and the sorts of plants that provide hedgerows in other environments do not grow well. On the other hand, the hills, gullies and canyons mark “natural” boundaries to wide expanses of relatively flat land which, it should be noted, bear no relationship to the boundaries of political subdivisions.

In this land a “cattle boom” developed over the two decades following the Civil War (for detailed descriptions see: Osgood, 1929; U. S. Department of the Interior, pp. 40-59). By 1866, in Texas, substantial herds of Longhorn cattle roamed, more or less in the wild. From their origin as animals abandoned by Mexican ranchers leaving Texas at the end of the war with Mexico, these free-roaming herds grew during the Civil War when the market for them was effectively shut off. Beginning in the late 1860s, drovers rounded up many of them and moved them north to the “free” land of the high plains. The expansion of the railroads opened markets and huge

ranching operations formed with thousands of head ranging over literally hundreds of thousands of acres. Stories of great returns abounded, investment funds flowed in, including substantial amounts from Europe, especially Great Britain, creating a true “bubble.” The ranges began to approach capacity and overgrazing became a real possibility. A bad winter in 1882-83 reduced the size of some herds. Cattle prices began to slide and a disastrous winter, 1886-87, finally broke the bubble. By then ranchers were scurrying to establish claims to land, especially land with access to water, by ownership or lease. The invention of barbed wire had made it possible to fence large areas and farmers were fencing their land both to establish their claims and keep out the ranchers’ cattle. However, the cost of building and maintaining fences made it impractical to apply to much of the high plains and the desire to maintain open ranges persisted in many places.

Federal Land and Water Policy

At this point, it is necessary to say a few words about U. S. land policy (for a complete history see Hibbard, 1924). From the beginning of the nation, it was the policy of the federal government to dispose of the public domain into the hands of private individuals. The combination of a Jeffersonian “yeoman farmer” ideal and the desire by Northern politicians to prevent plantation agriculture from spreading into the Western lands led to a series of actions, up to and including the Homestead Act of 1863, that effectively divided the land into 160 acre farms that were either sold for cash or given for some form of effort. (The strength of the agrarian tradition and its reflection in the North/South struggle for a land policy are described by Smith (1957), chapters 12-14.)

Note that 160 acres is one fourth of a square mile, known as a “quarter-section” or, simply “quarter.” Toward the eastern edge of the high plains this much land might support 16 cows but, near the western edge, it would more likely be 4. Thus, while a quarter would make a good sized family farm in Wisconsin and a marginal farm in central Nebraska, it was not enough land to make a feasible cattle operation on the high plains – unless the ownership of that particular quarter gave its owner exclusive right to water which, in turn, gave effective control over the adjacent, waterless public domain.

In an environment with many streams and lakes, the question of water rights had been addressed by the application of so-called riparian rights. This concept, from English common law, gives the landowner whose land physically touches a stream or body of water the right to withdraw water in

proportion to his/her frontage. Many Western streams run only seasonally and some run underground, popping out of the ground at intervals. Thus the exercise of riparian rights to these streams were seen by many as the basis of extraordinary power and, gradually the doctrine of riparian rights was replaced by one called prior appropriation. In essence, this doctrine divorced water rights from the adjacent land. Of course, the same quarter with water would make a very good irrigated farm and, to the extent that farm fronted a stream, farming interests favored the retention of riparian rights. All of this led to political and legal struggles over water rights between farmers and ranchers and, in some instances, violence.

At first, when cattle first arrived on the high plains, there was enough room for all; each ranch could establish its own territory and find its own water. And, as more ranchers and cattle arrived, along with farmers and sheep owners, the tendency was for each ranch to take whatever steps it saw fit to protect its territory and cattle. Webb described it this way:

“The Easterner, with his background of forest and farm, could not always understand the man of the cattle kingdom. One went on foot, the other went on horseback; one carried his law in books, the other carried it strapped round his waist. One represented tradition, the other represented innovation; one responded to convention, the other responded to the necessity and evolved his own conventions. Yet the man of the timber and town made the law for the man of the plain; the plainsman, finding this law unsuited to his needs, broke it and was called lawless” (1931, 206).

While farmers and sheep owners remained the ranchers’ enemies, they began to accommodate other ranchers by sharing the vast pasturelands in the arrangement known as the open range.

Ranching on an Open Range

Assuming access to pasture land and water, the business of raising livestock on an open range involves many issues. With several, perhaps many, cattle owners running their stock on the same land, the possibility of overcrowding – the phenomenon of the tragedy of the commons – is a constant possibility. In a dry climate with a short growing season, the need to allow pastures to replenish themselves is vital to survival and means must be found to keep cattle off the winter pastures in the summer and the summer pastures in the winter. The age-old practice of transhumance (i.e., all owners move their animals between winter and summer pastures simultaneously to foreclose cheating)

requires a fairly high degree of community solidarity, one that was often lacking on the high plains.

Establishing and keeping track of the ownership of animals that are co-mingled presents several challenges. The branding of cows was not a new idea and worked well to identify the producing units of the operation, i.e., the cows.. Branding requires that the validity of the brand be established by registration with some agency that all parties recognize as legitimate. The registration of a brand that, with some alteration, would be mistaken for a previously registered brand must be forbidden. Thus, for example, if the simple letter “X” was registered as a brand, variations such as the addition of another letter or mark could not be allowed. Further, the registration agency would need to have enforcement power to, at least, apprehend brand “counterfeiters” and a justice system would need to be in place to dispense appropriate punishments.

Calves, typically born singly and in the spring, present a different set of issues. For months after their birth they tend to stick with their mothers and, until they are weaned, establishing their ownership is relatively straightforward. However, like pasture management, it is possible for those who wish to cheat to begin branding calves before other owners are present on the range. A spring roundup, with all owners participating, forecloses this form of cheating. However, the issue of strays or mavericks (i.e., unattached calves) is not easily solved in a way that all parties consider equitable. Further, strays or mavericks can be “created” by those bent on cheating. Again, some mutually agreed upon agency with enforcement powers must be in place to punish cheaters and establish the timing and rules of the roundup.

Presumably each owner would place bulls in the common herd in a ratio to the number of his/her cows. Of course, the incentive is to minimize one’s contribution of bulls – another form of cheating. On the other hand, there is no incentive to contribute bulls that might improve the bloodline of the herd.

Finally, there are several problems that potentially affect the herd; disease and predators are two of the most prominent. A common problem requires some common solution and, again, an agency to take the appropriate measures and apportion the relevant costs is required. When only part of the herd is affected, either each owner accepts his or her own loss or there needs to be a system for sharing the loss.

Policing the Open Range

Because the presence of cattle owners on the high plains predated the arrival of most other settlers, the state and local governments were, at best, rudimentary. In this void, “cattleman’s associations” arose to act as the agencies that were needed to make the open range “work.” In several places, especially in Montana and Wyoming, these associations became, in effect, the government. While the interests of all owners were united with respect to sheep herders and farmers, when it came to cattle on the open range, the interests of large owners were not always the same as those of the small owners. Tensions arose and sometimes led to violence. The growing number of farmers resented the control of the cattlemen’s associations and, eventually, the political tide turned against these organizations.

By 1900 the “public domain” lands were diminished in size, although well over half of Colorado, Montana and Wyoming and the western portions of the Dakotas still held that status. Generally, the lands within the public domain are valuable for one or more of several purposes: grazing; mineral and petroleum production; timbering; and recreational activities. In addition, the rivers of the area are good for more than watering cattle; they could be tapped for irrigated farming and dammed for recreational activities and/or the generation of electric power.

During the twentieth century, the expression of these varied interests led to “a tug of war between the forces advocating the continuation of the process of settlement and development, and the growing number of those maintaining that the equity of the public in the valuable resources that remained should not be dissipated” (Peffer, 1951, p. 5.) In recent years the states have become involved in the struggle over the ownership of water. As for the land, the general response has been to reserve federal lands into areas administered by agencies with special purposes, e.g., the U. S. Park Service, the U. S. Forest Service, etc. Grazing can and does take place among the other activities on these reserved lands. Of course the various interests, all of which are constituencies of the federal government, must be balanced when they come in conflict.

Thus, in a real sense, the old open range continues to exist, but now it is embedded in a political landscape, one in which the rancher exerts less influence. The rancher’s need for an enforcement agency remains and the federal government, as the landowner of the public domain, acting through several agencies that control permits and fees to graze on public land, has become the ultimate manager of the open range that remains.

THE OPEN RANGE EXPERIENCE AND THE OPEN SOURCE ECONOMY

Looking back, several points seem to stand out that might benefit our understanding of the open source economy. First, the arid lands of the high plains are ill suited for farming and well suited for ranching. Public policy, in the form of the Homestead Act, intended to encourage private ownership of land had been developed in a much different climatic and topographical environment than the Old West, and could not accomplish its goal. Similarly, public policy based on restricted ownership may be ill-suited for an open source environment, and its implementation may well infringe valuable economic development.

Second, even the very small parcel of land allowed one individual by public policy could, if it contained access to water, become the means to control a vital resource. Thus, the singleness of the public policy led to, at the one extreme, near irrelevancy and, at the other, the means by which great power could be achieved. Similarly, there may be natural advantages to some in an open source environment unavailable to others, and policy intended to create equity may, in fact, create the exact opposite.

Third, private ownership of the cattle on grazing on common ground gives rise to many forms of cheating. Not all parties have the same interests and, in the absence of community solidarity, some agency is needed to provide the means of protecting the property rights of individuals. In short the tragedy of the commons – overgrazing – was not the tragedy of the plain – cheating. Is enforcement of traditional intellectual property rights intended to prevent overgrazing of ideas, music, movies, and the like, or to prevent cheating?

Finally, the open range provided resources for many different interests and, in the end, the governing body’s actions reflect the interests of all parties. On the open range, issues of property rights become political issues. The same can be said for an open source environment.

Today, when we speak of the public domain, we likely mean publications, products and processes that are not under patent or copyright, rather than land owned or controlled by government. But like public domain of the open range, our challenge is to understand how an economy can be built on a platform antithetical to our traditional notions of property rights and their enforcement. Like the Old West, the value of the property itself is limited, and enforcement of rights may or may not be in the domain of the government. As well, public policy regulating the “new” open range – the open source

economy – is designed to facilitate exchange in a very different context.

On the old open range the most important property rights were those that facilitated mobility. On the open range of the twenty first century, will the spoils go to those that own (intellectual) property, or to those that control the means to facilitate the mobility of property? How do we control cheating, rather than overgrazing? Who enforces the law of the law of the new open range? Are the incentives of the new open range aligned with the realities of the environment?

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From *Univservqual* to Educational Excellence – The Malaysian Dream

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This paper aims to gain insights from Malaysia's experience with its accelerated developments to promote its universities' services quality ("univservqual"). Malaysia is chosen as the setting in view of its aspiration to be the center of excellence in education in the Asia-Pacific region, besides the many challenges that this emerging, multicultural South-East Asian nation strives to confront, as she gears to reach developed nation status by the year 2020. The rapid growth and market demand with intense competition characterising the higher education industry, have largely been spurred by strong government support and a politically stable and vibrant economy. Two emerging issues are (1) What underlying performance dimensions define service quality of Malaysian universities?; and (2) What role if any, can re-branding of private higher educational institutions play, to assure quality of this industry? Future research directions are then suggested arising from these questions and related issues.

The objective of this paper is to understand issues that emerge from developments in Malaysia's tertiary education system in relation to university service quality, with a view of suggesting a research agenda. The paper begins by tracing the unprecedented and accelerated developments in the higher education industry of Malaysia. It then reviews key research on the inquiry of how can universities' service quality be measured, as a starting point for benchmarking of best industry practices. Implications for upgrading the quality and future growth of the tertiary education market and suggestions for future research on university service quality, will then be featured in the conclusion section of this paper.

DEVELOPMENTS IN THE HIGHER EDUCATION INDUSTRY – AN OVERVIEW

A key strength of Malaysia's services sector is its higher education industry, with national law and politics shaping higher educational developments in the country (Faizah 2006).

Opportunities for higher education for the masses were very limited during the colonial years prior to independence from the British in 1957. But as the nation transitions into the next stage of development – the Ninth Malaysia Plan (2006-2010), there must be adequate human capital as output of the education system, who are armed with a solid base of good ethical values, possessing the right skills, knowledge and expertise to compete in a globalized marketplace.

For instance, about 25-30 per cent of Malaysia's estimated 26 million population in 2006, is in the college-age group. Furthermore, sixty-three per cent of the population is in the fifteen to sixty-four year age group. The Malaysian "quality of life index (MQL)" increased notably by 38 per cent for income and distribution and 37 per cent for education, with a 23 per cent increase for the MQL sum score over the 18-year duration between 1980 and 1998. (Malaysian Quality of Life Report cited in Aliah, Che Aniza and Pecotich 2006). This is indicative that with education positioned as life-long learning, there is obviously a tremendous market potential for the adult education market.

The development of higher education has indeed been dynamic, with the existence of 35 degree- and diploma-conferring higher education institutions ("HEI's"), compared to the existence of only three institutions (namely public universities) 35 years ago. The latter are namely, Universiti Malaya that was established in 1962 distinct from its earlier entity located in Singapore; Universiti Sains Malaysia was established in 1969 and Universiti Kebangsaan Malaysia (The National University of Malaysia) was established in 1970. The Malaysian Ministry of Education targeted that by 2020, 60% of the 17-23 age group should be at tertiary level education (Education Quarterly 2000). But, in 2002, since these institutions collectively served the tertiary needs of only 25 percent of the 17-23 age group;

hence can this target be met? Even this (25) percentage is relatively lower than that of other industrialized nations such as U.S. (81%), New Zealand (58%) and South Korea (48%) (Abdullah S. Ahmad 2002).

In the pressure for 'quantitative' goals, the government instructed public higher educational institutions: (1) to corporatize in seeking full autonomy over academic and financial decisions; (2) to increase student enrollment in science and technology-related disciplines and (3) to shorten the duration of their undergraduate programs (Aliah and Sallehuddin 2003). (The corporatization plan could not be implemented fully with the onslaught of the Asian financial crisis of 1997-1998). Many efforts have been done to realize the government's dream of making Malaysia the regional hub for educational excellence. This includes more liberal education policies, Education Acts specially formulated for private higher education and tax cuts/exemptions for private higher education institutions conforming to the regulatory requirements stipulated in the Acts (Faizah 2006).

However, to make the quantum to reach developed nation status by the year 2020, the vital factor for Malaysia's future competitiveness lies in *the quality* and not just quantity of its workforce. One indicator of this that emerged is the concern over pockets of unemployment of bachelor degree graduates in certain fields. For instance, the unemployment debacle among IT bachelor degree graduates may be a symptom of skills shortage and mismatch. Several methods to address these have been taken, including implementing the Human Resources Ministry's Graduate Retraining Scheme and the Multimedia Development Corporation's technical training program, the latter focusing on equipping graduates with Java and Net skills, which are currently sought after by employers (Selvaratnam 2006).

What Underlying Performance Dimensions Define Service Quality of Malaysian Universities?

From the foregoing developments, it is imperative that a re-examination is made on the quality standards attained by Malaysia's higher education. Amendments to the Education Act 1996 for tertiary institutions in the private sector, the establishment of the National Accreditation Board of Malaysia, dominance of a young population and increasingly stringent entry requirements among Malaysian public universities, have resulted in the mushrooming of 652 private colleges with 209,589 students up to 2001. (Ministry of Education's Department of Private Education statistics).

Such an intense competition "..... may propel private colleges to cut corners in key areas such as facilities, courses, teaching staff; hence impeaching on their quality standards. This is evident as 55.6% of total complaints submitted to the ministry's private education

department were against private colleges (Faridah and Nooraini 2001, p. 536). Of total complaints recorded in 2001, predominant were those concerning fraudulent advertising, inadequate teaching and learning facilities, high fees, inexperienced teaching personnel and unsuitable premises (Faizah 2006). These complaints and the closure of eighty private higher education institutions in 2002 have tainted this industry's reputation.

MEASURING SERVICE QUALITY IN UNIVERSITIES

This section discusses past studies on measuring university service quality ("*Univservqual*") before suggesting future research areas to be explored from the emerging issues and implications of the findings of these studies. Reviewing past service quality work on universities reveals the prevalence of measurement of quality attributes of higher education to be based more on 'management effectiveness', rather than the other three approaches in Brennan and Shah (2000)'s classification. Examples of 'management effectiveness' focus are procedures and structures that yield quality. The second approach focuses on professional and academic qualities, while the third approach is pedagogy-based, focusing on teaching skills and classroom management competencies linked with teachers' training and development (e.g. Aliah and Tih 2005; Cannon and Sheth 1998; Cheng and Tsui 1998; Pace and Kuh 1998). The fourth approach is based largely on the outcome of the learning process, for instance graduate characteristics and learning outcome/standards (e.g. Juhaimi and Pertti 2000; Hennig-Thurai, Langer and Hansen 2001; Mavondo and Zaman 2000).

These studies predominantly use adaptations of the generic "*Servqual*" service dimensions (Parasuraman, Zeithaml and Berry 1985; 1988; 1994) notably sourced from perceptions of business students (e.g. Aliah et al. 1999; Faizah 2006; Hampton 1993); and student perceptions of open learning and distance programmes (e.g. LaBay and Comm 2003; Hodgkinson 2002; Zabid and Hairudin 2004). These studies also tend to be case-study in design using a particular programme or institution as the unit of analysis (e.g. Brendam and Baron 2000; Geal 2000; LeBlanc and Nguyen 1997; Ford, Joseph and Joseph 1999; Oldfield and Baron 2000; Soutar and McNeil 1996; Tih and Aliah 1999) As such, their research limitation would be low generalizability to the education market population, thereby limiting the usefulness of the study for industry-wide applications. Also, as they are predominantly at the "micro" level, macro-perspective insights of these issues are still limited (e.g. understanding the relationship between national educational planning by policy-makers with

market responses to these and the societies they operate)
 . See Table 1 summarising salient features of selected

Univservqual studies out of the few that have been
 conducted in the Malaysian
 setting.

**TABLE 1: SUMMARY OF KEY RESEARCH OBJECTIVE
 AND KEY FINDINGS OF STUDIES MEASURING SERVICE QUALITY
 IN MALAYSIAN HIGHER EDUCATION**

Malaysian study	Key research objective	Unit of analysis	Key findings
Tih and Aliah 1999	Using student choice criteria to examine their expectations of “an excellent university” and the expectation-perception gap in university service quality	Perceptions of business students of quality of a Malaysian public university's total service offering	Academic reputation was perceived to be the most important determinant of university service quality, followed by programme issues, career opportunities, cost-time value, physical aspects, location and influencer of university choice.
Faridah and Nooraini 2001	To determine s students' perception of important service marketing mix quality dimensions	Student perceptions of quality of a sample of 4 private colleges in Malaysia and their satisfaction	Quality of people, process, physical evidence and promotion are deemed important service quality dimensions. Showed strong association between students' overall satisfaction over quality of people, physical evidence and placing, with a strong link between the “people” quality dimension, with quality of lecturers.
Zabid and Hairudin 2004	To identify the key dimensions of service quality in open and distance learning (ODL) market.	Student perceptions of the quality of total service offering of the (one) open and distance learning institution in Malaysia	The eight key dimensions of service quality in the open and distance learning context, namely, programme issues, learner services, tutors and pedagogy, physical aspects, ICT services, mode of learning, modules and cost/fees. While tutors and pedagogy and programme issues were the two most favourable perceived quality factors, learner services, physical aspects and ICT services were perceived to be needing greater improvement vis-à-vis other factors. Based on these dimensions, gender, ethnic groups, type of academic programs, and the location of learning centers have a significant effect on student perceptions of ODL quality.
Aliah and Sallehuddin 2004	To explore what will constitute success in developing e-	Opinions and evaluation of industry experts,	Managerial imperatives, operational excellence and market responsiveness emerged as performance dimensions,

	learning programs at the institutional and program levels.	managers and teachers running e-learning programs in universities in Malaysia	capturing success at the university level, while six dimensions of success attributes at the program level are found. These are: e-supportive committed management, e-reliable efficient system, e-quality learning content, e-knowledgeable instructors, e-independent resourceful learners and e-supporting external factors.
Aliah and Tih 2006	To identify what are the underlying dimensions determining university lecturers' teaching quality	Business students' perceptions of antecedents of quality of teachers' performance in one Malaysian public university	Seven antecedents of university teaching quality identified are – delivery with credibility, expertise, class management competency, personal delivery style, extra effort and access. The first three factors contribute 36.1%, 5.6% and 5.6% respectively of the variance explained in the factor analysis solution.
Faizah 2006	To explore and measure antecedents of services quality of private higher educational institutions, based on students' perspective.	Business, IT and engineering undergraduate students' perceptions of quality of a sample of 3 selected private universities in Malaysia	Five antecedents of perceived service quality of private higher educational institutions were found to lead to students' satisfaction. These are identified as the program of study, learning support system, teacher empathy, teaching expertise and physical environment. Students perceived physical environment to be the most important service quality factor.

DEVELOPMENTS IN THE PRIVATE HIGHER EDUCATIONAL INSTITUTION SECTOR

From the 1950's, private education was perceived as an alternative gateway for students who were unable to gain admission into government schools. This perception has changed by the end of the 1990's, when students from higher income families (and notably Chinese and the wealthy segment of Malays) began to perceive the image of foreign-degree conferring universities (through local private colleges' twinning programs), and the career opportunities they promise, as a strong appeal.

Market Demand Spurred by Government Initiatives

Public perception on private higher education has changed when Malaysia witnessed an unprecedented growth of this sector, spurred by the following factors. The change of government policies, the depreciation of the ringgit (from RM2.50 to RM3.80 to the U.S. dollar) in the aftermath of the 1997-1999 Asian economic crisis followed two years later by the September 11 tragedy, are significantly reducing the number of Malaysians pursuing higher education overseas (especially those choosing to

study in the U.S.). These, alongside the growth of ICT and globalisation, rising numbers of high school graduates, increasing affluence and incomes of parents and rising costs of public education, greatly increased the demand for private higher education (Goi 2006).

In the mid-eighties, inspired by Tun Dr. Mahathir Mohamad (Malaysia's fourth prime minister)'s suggestion for local private colleges to twin with foreign institutions, various models of credit transfers were introduced (for example, 1+2, 2+1, and 3+0) (Tan 2002). The idea of conducting foreign degree programs in local colleges is appealing to middle and high-income student segments.

Legislatively-Driven Industry Growth

However, two other factors were also associated with this rapid growth in the nineties. One possible reason could be the quotas on ethnic lines on access to limited places in public universities in the seventies and eighties and the other being the establishment of a group of single discipline private colleges (Tan 2002). The latter was spurred by the economic boom of the early nineties intensifying corporate sector-college collaboration in competing for a better quality image. The Education Act

1961, thereon enabled the systematic growth of private higher education institutions from 1996 onwards, with the establishment of private sector-funded universities and branch campuses of foreign universities (Goi 2006). In 1998, the introduction of 3+0 programs opened the way for similar programs allowing students to obtain their foreign degrees without actually studying (doing any part of the program) overseas (Hassan 2002).

The Malaysia National Development Plan (1990-2010) is the guiding master policy framework for several policy plans to realize the nation's vision to become a developed and industrialized nation by the year 2020. In line with this is the government's dream to make Malaysia an educational hub in the Asia-Pacific region. Towards this end, one initiative was to transform qualified private HEI's into "university-colleges", requiring them to comply with the quality standards under the Malaysian Qualifications Framework (Norfatimah 2005).

However, students and parents still held that the university-college status is "second-class" higher education, even though the government's invitation to private colleges in this transformation exercise to university-colleges, attracted several colleges to apply for this status (Sooi 2006). As the university-college status require them to grant their own (Malaysian brand) degrees, when foreign (especially western)-conferring degrees are a strong influence on customer choice of higher education, this indeed poses a greater challenge for them for the transformation process.

Growth and Competition

In spite of the intense competition, the growing market in the higher industry caused student enrolment in private HEI's to increase dramatically from 15,000 in 1985 to 322,891 in 2005 (Mahani 2004). In the nineties, the government allowed only public HEI's to award their own degrees (Sharifah Habsah 2005). Even so, this high demand for tertiary education stimulated many private HEI's to make formal arrangements with foreign universities to offer a diverse range of certificate courses, bachelor and post-graduate programs. (Lee 2003). Many big corporations have been drawn with the huge demand, namely Sunway College being supported by the Sungei Way Group and the KBU International College by the First Nationwide Group. However, relative to other industries, the business of private higher education generates merely moderate investment returns. The government initiative of transforming private HEI's to university-college status resulted in the establishment of 27 private university-status HEI's with 89,664 registered students in 2005, while 559 private HEI's of non-university status had student enrolment of 233,227 in the same year (StudyMalaysia).

The Challenges

Thus, ".....higher educational institutions had to develop a set of unique characteristics in order to face the challenges, such as the development of a more customer-oriented service approach to education, and an increased emphasis on corporate image." (Melewar and Akel 2005 as cited by Goi, p. 2006, 8). Hence, private HEI's need to employ a market and customer-oriented approach in their operations and services delivery systems.

Rebranding?

Currently, there are eleven private university-colleges which have been upgraded since 2001. Either the name of the transformed college is changed entirely, or a name change is initiated while maintaining its umbrella name. This is the pattern detected in the practice of changing their names in the "rebranding" exercise as the latest development in this industry (Goi 2006). But, is rebranding the essential solution to address the competitive situation and assure quality?

According to Morphew (2000), U.S.A. also experienced from 1990 to 2000, a transformation of colleges to university-college status, with 120 public and private colleges transferred. Morphew's (2000) study suggests that the likelihood of such 'transformation' is higher among less selective colleges and those seeking to secure important resources. What happens after the transition process still remains an unexplored terrain.

As such, coupled with services branding traditionally been over-dependent on the product branding model (de Chernatony and Cottam, 2006), the contribution that a service rebranding strategy can make in assuring quality among HEI's, should be a research agenda. This is especially with the purpose of radically improving the marketing of HEI's in an increasingly fractured and competitive marketplace (Grace and O'Cass 2004; Rosenthal 2003).

The higher education system in an emerging Asian nation such as multicultural Malaysia, is characterised by many challenges. The more pressing challenges include the following – lack of prestige for the education profession (accorded by the society, the government and by the profession itself), reducing the racial and digital divide, fulfilling national unity aspirations given the multi-ethnic and plural society make-up, educational policy implementation problems and fulfilling the demanding twin goals of quality and productivity. Selected facts pertinent to Malaysia's higher education system are shown in the Appendix. These facts in totality will give insights into questions of inquiry for further research on "macro-education", especially within the context of a multi-ethnic plural society, which emphasizes higher education to leapfrog into advanced nation status, by the year 2020. The following section

outlines several vital research gaps identified in this area, that need to be filled in the near future.

FUTURE RESEARCH

(1) From “Micro” to “Macro” Perspectives of Service Quality

Most services quality studies are still preoccupied with ‘exploring’ underlying dimensions of student expectations in specific university settings, e.g. either student perceptions of the university’s total service offering or perceptions on its program or faculty teaching effectiveness, as the unit of analysis (such as Elliot and Healy 2001; Faridah and Nooraini 2001; Soutar and McNeil 1996). Beyond this is needed more research examining vital issues such as the following:-

- (a) A crucial area requires studies that examine solutions to bridge any gaps occurring between educational policy-making and implementation in the class room/ learning centers. This is to ensure that “first class plans” should not be followed by “third class execution”.
- (b) Another stream of research is longitudinal studies tracking quality and productivity initiatives implemented by program managers, and their effect on the quality of graduates (such as an extension of Juhaimi and Pertti 2000’s work tracking student learning experiences over time). While attempting to pioneer the concept of life-long learning, there is certainly a dearth of research on learner needs and how e-learning and open/distance learning systems can fulfill these needs more effectively than traditional classroom learning systems. The ultimate aim is to develop models of best practices that have been empirically-tested.
- (c) Also essential is examining the influence of ethnicity and other demographic and culture-related variables on perceived service quality within a nation, as well as in cross-cultural settings. A Ph.D. study by Faizah (2006) for instance, found a significant difference in the “empathy” dimension of Malay students’ perception of univservqual, vis-à-vis the perception of Chinese, Indian and other ethnic groups.

Their more favorable perception is strongly associated with more Malay students with scholarships, expressing higher satisfaction levels compared to students with loans and self-

financing students (predominantly students of other races besides Malay).

Studies which can be generalized to the market in its entirety (rather than institution-specific), will have higher research impact for educational planning at the national level. Based on eight key dimensions identified, demographics such as ethnic groups and gender, as well as the type of academic programs, and location of learning centers, have also been found to significantly affect student perceptions of the quality of an open and distance learning university (Zabid and Hairudin 2004).

Do these findings suggest the need of the service delivery system to be ethnically segmented to provide better customer value? What gaps occur? To what extent do university service quality programs promote enhanced quality of life among the three major ethnic groups? These are only examples of many opportunity areas for future research.

- (d) Incorporating incident-based measures with attribute-based measures of examining service quality issues, will better capture the macro-education perspectives. An example of an incident-based measurement relevant to quality issues is the use of the critical incident technique. Conventional attribute-based measures involving adaptations of the generic service dimensions approach will better capture the macro-education perspectives. For instance, one area is studying interactions between quality initiatives of universities and market responses to these programs. Delineating specific events and behaviors causing student satisfaction, for instance, can offer more valuable insights on the relationship between educational reform initiatives and developments in the society for whose interests the system aims to enrich.

Such macro-education and holistic perspectives will surely address all ‘the proposed symptoms’ of the underlying service quality-productivity goal problem, such as the ‘graduate unemployment issue’, ‘unrealistic employer expectations’ and resulting ‘skills mismatch’ issue.

(2) Mastering The Art of Teaching

Most ‘teacher effectiveness’ studies have been confined at the micro-perspective level, e.g. attribute-based measurement exploring the relevant factors/dimensions (such as Feldman 1976; Jackson, Teal, Raines and Nansel 1999; and Tih and Aliah 2006). What is needed are more extensive studies taking a “macro” perspective of relating

the impact of program quality initiatives and teaching quality on learning outcomes on a national scale. What is already abundant are isolated “micro-level” case-studies designed with cross-sectional surveys of single institutions as the unit of analysis (Batiah 2002; Hartman and Schmidt 1995; Hennig-Thurair, Langer and Hansen 2001; Juhaimi and Pertti 2000).

There is still much that needs to be learnt by academics (through research) about the art of teaching. Professor Datuk Dr. Ibrahim Ahmad Bajunid, Director of Malaysia’s Regional Centre for Educational Planning and Leadership and Educational Development, asserted that

“..... The core of any educational reform has to do with curriculum and assessment. For so long, the professional community has been asking for a reform in the assessment system, because only what is assessed is taught well; what is not (assessed) is not taught well..... There must be the unleashing of educational leadership supported by political will, to ensure that our education system is something we can be proud of. We can use the master plan (the National Education Blueprint 2006-2010) to bring a new era of educational reform in the country. The most important factors are the teachers..... Having a performance indicator is very good, but this is a basic measure. Education must go beyond performance indicators into the art of teaching. To be a teacher, you must master the science of teaching.....” (New Straits Times, 25 December 2006, p. 4).

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APPENDIX - MALAYSIA'S HIGHER EDUCATION SYSTEM – A BIO-DATA

1) Location and Cultural Diversity

Malaysia's nearest neighbors are Thailand in the north, and Singapore (excised from the Federation of Malaya in 1965), as well as Indonesia in the south. Its geographic position in the heart of Asia, straddles the major trading routes of the Asian continent. It is a land of contrasts – diverse races (about 60% Malay, 30% Chinese and 7% Indians as its three major ethnic groups), diverse cultures, religion and languages.

In East Malaysia, for instance, indigenous tribes (such as the Dayak, Iban, Kadazan-Dusun, Murut, Penan, Bidayuh) still live in their "longhouses" in remote forest inland areas, with contrasting scenarios to urban West Malaysia, with many modern cities, lifestyles and advanced infrastructure similar to those in the United States and Europe (Aliah, Che Aniza and Pecotich 2006, p. 408).

2) Language and the Education System

".... Since the colonial era when English-medium schools were in place, the Malaysian national education policy since 1970, has institutionalized the importance of the Malay language, by running government national-type schools, to replace the English-medium school system. This Malay-medium school system exists beside privately-run Chinese-medium and Tamil-medium schools, which still prevail.....Malaysia is a country that practices liberal

5) Government Initiatives. "..... The merger of the National Accreditation Board, and the Higher Education Ministry's Quality Assurance Division, will result in the

education policies, especially pertaining to language, when one notes that even when 75 percent of Singapore's population is Chinese, schools teaching entirely in the Chinese language, no longer exists there...." (Aliah, Che Aniza and Pecotich 2006, p. 425).

Racial polarization observed in students' social fabric in higher institutions here, may be one result of this single-language school system. Concerned by its potentially damaging effect on national unity, "the vision school concept" and the national service training program introduced recently, are among many measures to address this.

3) Government's Commitment to Educational Development

Under the present leadership of Malaysia's fifth prime minister, Datuk Seri Abdullah Ahmad Badawi, national educational planning and programs are split into two separate portfolios headed by (a) the Minister of Higher Education and (b) the Minister of Education.. "Higher education" comprises education levels at the tertiary (post school, i.e. diploma, bachelor and post-graduate) levels, while "Education Ministry" oversees matters pertaining to pre-school, primary school (from ages 6 to 12) and secondary school (aged between 13 and 18) education. This reflects the nation's leaders' commitment in giving attention to making education an integral part of nation-building.

4) Higher Education Institutions – The Numbers

In January 2005, a total of 599 private higher educational institutions were in operation. (StudyMalaysia). Statistics sourced from the Education Ministry's Private Education Department as at 31 December 2002 revealed 294,600 registered students in these private institutions, with 14,346 teaching personnel. In contrast to the 599 private institutes above that are not permitted to confer degrees, there are to-date, only 35 higher educational institutions ("HEI's"), that can confer degrees.

These 35 HEI's comprise eleven public universities and seven public university-colleges. These public HEI's rely on continued funding of more than 90 percent of their operating budget from the Ministry of Higher Education. The other HEI's comprise eleven private universities and six private university-colleges. ("University-colleges" having restricted total student enrollment of less than 10,000, is a differentiating factor from "universities" that can have more than 10,000 registered students each).

Malaysian Qualifications Agency ('MQA') in early 2007. The Bill on this MQA will be tabled in the Parliament. The MQA will monitor the quality and standards of all programs offered by local public and

private tertiary institutions..... To achieve this, it will network with other qualification agencies world-wide, for program recognition. One of its significant roles is assessing and ranking tertiary institutions in Malaysia..... “ (Nagu 2006, p. 24).

Based on research performance of their academics and strength of their research degree programs offered, the Higher Education Ministry has conferred “research university” status to only four public universities so far, namely Universiti Kebangsaan Malaysia, Universiti Putra Malaysia, University of Malaya and Universiti Sains Malaysia.

Malaysian universities’ ranking

The World University Rankings 2006 published by the Times Higher Education Supplement and conducted by QS Quacquarelli Symonds, ranked these four Malaysian universities with Universiti Kebangsaan Malaysia ranked 185th place, University of Malaya the 192nd place, Universiti Sains Malaysia the 277th place and Universiti Putra Malaysia the 292nd place, vis-à-vis other universities in the world, for 2006. All three except Universiti Malaya, showed significant improvements in this ranking relative to their positions for 2005.

Universiti Kebangsaan Malaysia for the first time, managed to break into the top 200 university position in the world (from its 285th position in 2005) (Kaur and Hariati, 2006, N6). The government aspires that at least one of these four, should break into the top 50 world university ranking by 2020. Is this attainable?

6) The National Education Blueprint 2006-2010 was launched by Malaysia’s Education Minister in January

16, 2007. This blueprint is a road map to the Education Ministry’s approaches for 2007-2011. It lists expenditure items from the RM23 billion allocation for education under the Ninth Malaysia Plan (2006-2010), and includes timelines on its delivery of goals. It also spells out the country’s education system, including its weaknesses, future strategies and policies.

A blog and website is expected to be made accessible to source feedback from parents and other stakeholders (The Star, 6 January 2007, Nation –N14). The blueprint needs to be widely disseminated for vital public support for its effective implementation, stage by stage. For higher education in Malaysia to attain excellence, the essence and management of the education system at the lower (primary and secondary school) levels reaching excellent standards, is most vital.

7) The Economy. Malaysia recorded consistently high GDP growth rates of above eight per cent annually during the 1980’s to 1996, before the regional crisis of 1997-1998 set in. However, under the leadership of Tun Dr. Mahathir Mohamed, it was among the first country in the region affected, to have recovered from the economic crisis. GDP growth rates after 2002 have been around six per cent annually.

Its open economy is dependent on exports, with the U.S. as its largest export destination. Its manufacturing sector is the biggest revenue contributor. Relative to other developing nations in S.E. Asia, expenditures on education is a major allocation in the recent Ninth Malaysia Plan (1996-2010) Budget, with public sector research institutions spending significantly higher on R & D than its private sector spending.

Marketing Sustainability in Higher Education

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This paper/presentation will organize available information on environmental sustainability efforts at colleges and universities as well as related marketing initiatives. From these data, we can build a typology of sustainability endeavors, providing both an analysis of the state of the field and a guide for such work.

The literature review will include standard green marketing materials. Although green marketing has often been dismissed in the past (although talking a good game, consumers will often not actually spend the money when the time comes), there are indications that the tide is turning. Scholarly work specifically on the educational market lends credence to this point of view. Greater awareness of environmental dangers (e.g. global warming) and a new cohort moving into the target demographic both give rise to new hopes for sustainability as a differentiating attribute in the marketplace in general and in higher education in particular.

We will report on data gathered from the Association for the Advancement of Sustainability in Higher Education (AASHE) which publishes a weekly e-

newsletter on sustainability efforts of member institutions and others. Based on six months of data, we have organized environmental activities into eight categories, mimicking AASHE's own reporting structure:

- Education and outreach
- Green buildings and facilities
- Energy and climate
- Transportation
- Waste, water, procurement, and landscaping
- Food and agriculture
- Institutional development
- Social responsibility

From these data, we can report on the nature and range of activities as well as some preliminary conclusions on those most popular or prominent among educational institutions. Such data and analysis can provide guidance to colleges and universities looking to become more sustainable as well as to those looking to better market themselves in this regard.

Revisiting Governance: Toward Democratization of Marketing Systems

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THEORETICAL CONSIDERATIONS

In this research we examine a marketing system and show that good governance is a significant problem facing subaltern stakeholders in less developed countries. This research provides an account of the limitations in the current market-based and state – centric governance frameworks. On the basis of these critiques we propose the ‘third path’ that relies on decentralized, participative, and deliberative democratic governance processes to overcome the current systemic limitations.

The current neo-liberal phase of global capitalism emphasizes economic growth, which is governed by private capital and allows only for a limited participation of state institutions (Stiglitz 2000). Traditionally, however, welfare state and democracy have been highlighted as important foundational concepts in much of development theory (Sen 1997). Similarly, scholarly works in macro marketing theorization, examining the role of markets and corporate actions from the perspectives of marketing systems and quality of life have put considerable emphasis on democratic participation of stakeholders for the well being of societies (Kilbourne, McDonagh and Prothero 1997; Lee and Sirgy 2004; Shultz, Burkink, Grbac, and Renko 2005). Importantly, central to this debate on the merits and demerits of privatization and state planning has been the issue of appropriate governance of marketing systems. In this research, we study an anti-corporate struggle to understand the problem of governance in a market system and emphasize democracy as a central developmental challenge in an economically under-privileged society. Specifically, we critically examine the current neo-liberal emphases, and highlight the significance of the ‘third path’ as a participative democratic order for governing marketing systems. We argue that a decentralized and a deliberative model allows citizenry to participate in determining sustainable political, social, and economic institutions.

The current neo-liberal phase of capitalism emphasizes economic development governed by private capital with only a limited participation of state institutions. In this discourse, markets and industrialization are accorded considerable privilege over alternate forms of governance and organizing of economic activities. A defining feature of this discursive formation is the separation of the sphere of economy from the other domains of politics and society. This separation has meant that development has to primarily result from economic activities of the private capital, while state as a separate political sphere should not interfere in the process of profit realization. Importantly, democratic participation of citizens is primarily confined to the political sphere, while increasingly dominant private enterprises and institutions are left to choose their own governance mechanisms.

In macro marketing theorization, several theorists have cautioned against the neoclassical interpretation and the neoliberal turn of the global economy. These criticisms can broadly be situated in the two frameworks of development and socio-economic critiques. From the perspective of the *development critique*, scholars have been critical of the neoliberal phase for its unproblematic treatment of privatization and structural adjustment models being pursued in the less developed countries (e.g. Belk 2000; Kilbourne 2004; Kilbourne, McDonagh and Prothero 1997). Notably, Kilbourne et al. (1997, p. 10) observe that the neoliberal paradigm is based on the assumption that the sum of individual utilities yields common social good which is “a dubious proposition.” Similarly, Belk (2000) seeks to separate business interests espoused by Bretton Woods institutions from issues related to human development. Much of this theorization has added to a large body of critical inter-disciplinary literature that has accumulated in the last few decades and questions the development paradigm sponsored by the World Bank and International Monetary Fund (IMF). A large amount of empirical evidence that has been gathered from countries across Latin America, Africa, and Asia in the last 2-3 decades raises serious doubts about the effectiveness of structural adjustment programs in less developed countries (e.g. Chussudovsky 1997; George 1992; Milanovic 2002; Stiglitz 2000, 2003; Weissman 2001). It has been further argued that much of the analysis done under the neo-liberal or neo-classical paradigm is ahistorical and leads to flawed diagnosis. For example, it is assumed that trade liberalization leads to economic growth, but the examination of historical data conducted by Bairoch (1997) and

Milanovic (2002) shows that this argument can easily be reversed. Similarly, the neoliberal approach centrally situates the role of private enterprises in contributing to growth and economic development. The newly industrialized countries of East Asia are often portrayed as success stories that have followed this prescriptive model. Again, a careful analysis of some of these countries shows that governments played a defining role in the development process (Amsden 1989; Singh 1995). Based on these findings, the development critique suggests that neoliberalism is based on questionable assumptions and offers dubious policy prescriptions.

In the second approach, which we have labeled as the *socioeconomic critique*, theorists question the basic tenets of the neoclassical paradigm in which economy is conceptualized as a separate domain and is considered independent of the social and political spheres of human existence (Layton 1989; Meade and Nason 1991; Wilkie and Moore 1999). In this theoretical development, scholars stress the concept of 'marketing system,' requiring attention to a wider set of relationships, actors, and environmental processes in understanding marketing activities (Nason and White 1981; Shultz 2005). These scholars have employed the marketing systems framework to develop a systemic understanding of marketing processes (e.g. Fiske 1981; Shultz, et al. 2005; Slater 1968). Specifically, this interpretation has been sensitive to the concept of an aggregate marketing system comprised of suppliers, consumers, producers, marketers, and governments (Ho 2005). This critique of neoclassical theory has built on the last 100 years of scholarship in which numerous prominent social scientists and philosophers have considered social embeddedness of markets or economic processes as a core construct inherent to any society (e.g., Etzioni 1988; Polanyi 1957). Most of these scholars insist that the separation of economic activities from the other domains of human existence is false and fails to capture the complex interplay between social and economic motives that characterize human market behavior (Granovetter 1992; Uzzi 1997).

These critiques have informed our work on governance in two different ways. First, drawing upon the development critique, we do not treat privatization of the governance system and the current emphasis on restricted presence of the state as unproblematic prescriptions. Thus, we start our analysis by questioning *laissez-faire* as a policy and by deconstructing the underlying prescription of market-based governance. This deconstruction draws upon the socio-economic critique that fundamentally questions the separation of the economic sphere from the other societal spheres. Specifically, from the perspective of governance this leads us to question the basic tenets of neo-liberal governance, which we turn to next in our analysis.

Governance and Democracy:

Our conceptualization of the role of governance draws upon the seminal work of Arndt (1981) in macro marketing theorization. Adopting an institutional perspective, Arndt (1981) argues that in order to understand the working and effectiveness of market systems, necessary attention has to be paid to the *control systems* that are in place. According to Arndt (1981, p. 45), "institutions refer to the set of contexts, conditions, and rules for economic transactions. Therefore, by this broader view institutionalism is concerned with the interplay and functioning of the social control system consisting of market, politics, and hierarchies." Governance can be described as a process through which decisions are taken and implemented in an institutional set-up. In the context of macro marketing, this definition broadly translates into how marketing systems are organized and steered. Thus, good governance of marketing systems is one of the central problems confronting the macro marketing scholarship. However, in view of the divide between the current neoliberal practices and their development and socioeconomic related critiques this problem becomes a contentious one to resolve.

Several scholars have identified democracy as an important element of governance (Arblaster 1997; Habermas 1989; Munshi 2004). These scholars have argued that democratic governance tends to be more inclusive and in the long run more effective for creating sustainable development. Drawing linkages between democracy and good governance, Munshi observes,

a participative manner of governing that functions in a responsible, accountable and transparent manner based on the principles of efficiency, legitimacy and consensus for the purpose of promoting the rights of individual citizens and the public interest, thus indicating the exercise of political will for ensuring the material welfare of society and sustainable development with social justice (2004, p. 51-52).

Here, by employing terms like 'participative', 'accountable', and 'consensus', Munshi is alluding to an important difference in his approach from the popular usage of 'democracy'. Accordingly, the liberal or the political democratic model which is increasingly touted as a global solution to the problem of good governance is rather inadequate. The liberal democratic model works by allowing popular sovereignty with universal franchise and representative governments elected through regular elections (Held 1996). This dominant model of democracy separates the political sphere from rest of the social spheres and allows citizens to govern through their elected representatives. Several scholars have raised serious concerns about the liberal democratic model and have argued that it fails to achieve its governance objectives because of lack of democracy in the other spheres of socio-economic significance. Pointing to the problem of economic

inequality, Arblaster (1994, p. 76) argues that, “inequalities of that kind, if they are gross and excessive, not only threaten the coherence of society, they also tend to negate the principle of *political* equality of which democracy is an expression.” Furthermore, raising the issue of degeneration of the liberal model of democracy, Habermas (1989) argues that commercialization and the resulting culture industry have eroded the public sphere and the ability of the civil society to articulate its interests. These scholars have argued that good governance requires a system of participatory democracy which allows people to be part of the decision making process. Arblaster (1997, p.60) contends that, “the closer a community comes to realizing the democratic ideal of self-government, the greater the extent of citizen participation in government, the more the conventional distance between government and governed is dissolved.” Similarly, Bessette (1980) has given a call for a ‘deliberative democracy’ that allows citizens to actively participate through processes of public debates and reasoning. Extending this argument further, Habermas (1989) argues that rational-critical discourses are necessary for deliberative forms of democracy and governance. Supporting this view, Cohen (1997, p. 73) suggests that, “outcomes are democratically legitimate if and only if they could be the object of a free and reasoned agreement among equals. The ideal deliberative procedure is a procedure that captures this principle.”

From the perspective of macro marketing theorization, the above debate is particularly relevant. Importantly this debate not only problematizes the issue of governance of marketing systems, but also identifies the problems in separating parts that constitute a system. This is particularly significant because the above discussion on democracy shows that different governance approaches in a system do not work in isolation from each other and an artificial separation of the spheres of economy, politics, and society is limiting. The linkages between these spheres imply that marketing systems require a holistic understanding and a universal system of inclusive governance. Similarly, from the perspective of outcomes, several theorists have argued that democracy is fundamental to quality of life enhancement processes (e.g. Estes 1993; Kilbourne et al 1997). Thus, for macro-marketing scholarship it becomes necessary to understand the fundamental constraints in the current marketing systems, especially in a less developed country, which need to be removed for these systems to effectively deliver an improved quality of life for their participants.

RESEARCH SETTING

In this study we examined a part of the Coca Cola marketing system in India, which is in a state of crisis. This study was conducted in the village of Mehndiganj, which is located around 20 kilometers from the holy

Indian city of Varanasi. This village has a population of around 12000 and is primarily comprised of Patels, which is a community of weavers. Most of the villagers make their living from agriculture and wheat, rice, pulses and sugarcane are some of main crops grown in this region. The village of Mehndiganj for the last five has been transformed into a battleground for anti-corporate struggle in India. Farmers of Mehndiganj and surrounding villages are agitating against a Coca Cola bottling plant (owned by the firm) in the region. The most contentious issue for the villagers is access to water. These villagers claim that Coca Cola has been siphoning around 2.5 million liters of underground water everyday, which is reducing their access to underground water meant for irrigation of farm land. Some of the other complaints against Coca Cola include poor management of waste, pollution of the neighboring agriculture land, encroachment of farms, bribing of local officials, poor treatment of workers, high pesticide content in the soft drink, and cultural imperialism.

METHODOLOGY

We started this research with the broad objective of trying to understand the nature of protest against Coca Cola emanating from Mehndiganj in India. In order to understand the crisis in the Coca Cola marketing system, we chose to conduct an interpretive inquiry in the village of Mehndiganj. We collected data in various forms and used a number of methods for a period of seven months. We began the study by examining and analyzing information brochures, media articles, and websites giving news about the anti-coke movement in Mehndiganj. In the next phase of the study, we visited and observed protest sites and activities of anti-coke activists. This phase of the fieldwork primarily consisted of participant observation in Mehndiganj and neighboring villages. Additionally, we conducted interviews with some of the key activists of the organizations protesting against Coca Cola. Overall, we conducted ten activist interviews, giving representation to each of the organizations. We broadly questioned these activists about the reasons for opposing Coca Cola and their understandings of the state of the movement. Importantly, we interviewed villagers in Mehndiganj and surrounding villages to understand their views on the protest and reasons for it. We conducted around 15 interviews with the villagers. Following qualitative research conventions, our sample plan was purposeful and we utilized within-case sampling and a nested approach, looking at various relevant actors in the protest. In addition to these interviews, we visited the Coca Cola bottling plant in Mehndiganj, which is at the center of this movement. We observed the operation of the plant in a non-production period. Specifically, this gave us an opportunity to understand the water extraction, cleaning and disposal processes of the plant. We also informally interviewed three officials associated with the firm and the bottling plant. In these interviews, we primarily questioned these officials about the allegations made by the villagers in order to elicit

their version of the story. Our database comprises pamphlets, periodicals, media articles, material downloaded from anti-Coke websites, field notes, and verbatim interview transcripts. This helped us to triangulate and to achieve referential adequacy for the provision of reliability and validity in the study (Erlandson, Harris, Skipper and Allen 1993).

FINDINGS

In this section, we provide a thematic description of the state of governance as experienced by our participants. We present the theme of *Governance Failure: Receding Welfare State* as a dimension that explains the *marginalization of subaltern members in the marketing system*. The second theme of *Problem of Accountability: Private Greed and Corrupt Neoliberal State* delineates the impact of neoliberal agenda on public accountability in the marketing system. Finally, we present the theme of *Subaltern Segregation: The Problem of Representation* to highlight the problem of subaltern participation in the marketing system researched in this paper.

Governance Failure: Receding Welfare State

Farmers of Mehndiganj are dependent on having access to water for their economic survival. These farmers have been facing increasing problem of access to water in the last 4-5 years. Traditionally, surface water in the form of extensive canal systems has played an important role in irrigating farm lands in the Indo-Gangetic plains in which Mehndiganj is located. Canal water is managed by the state through an extensive system of government irrigation departments. Over the last decade, however, canal water has depleted and farmers in the region increasingly have to rely on ground water for the purpose of irrigation. This ecological failure is compounded by the perception of mismanagement by the state and Ramesh, a local farmer informed us that,

I am a farmer and will tell you that the water of canal is not enough. It is not available everywhere in the village. There are areas in the village that cannot depend on canal water. Water is not available in the canal all round the year....Even if there is no water in the canal, even if a farmer irrigates his land by using his own or someone else's machine he has to pay charges for canal water. Even if there is no water for the full year one has to pay charges. On paper they have drawn compound area and they assume that water reaches all these areas and they charge accordingly. There is a lot of injustice being done to the poor farmers.

This description clearly highlights an important systemic failure in the region. The failure to provide water for irrigation is further compounded by continued taxation for access to water. The above narration also underscores the helplessness that the villagers experience in getting the state to cater to its needs. The invocation of 'injustice' and the usage of 'poor farmer' by Ramesh show that there is deep sense of resentment in the region against the urban centric growth model being actively encouraged by the state in the last decade and a half. These villagers believe that their participation in the larger system of governance is negligible and there is no 'voice' mechanism in place to cater to their needs.

The decrease in surface water has forced individual farmers to access ground water for the purpose of irrigation. This has been particularly encouraged by the state by providing subsidies to farmers to set-up their individual bore-well systems. Research shows that bore-wells in the region have increased significantly in the last decade (Pant 2004). We found that in Mehndiganj farmers rely on the underground water and a large number of bore-wells have proliferated in the region. A study conducted by Coca Cola claims that nearly 60% of the underground water is consumed by agriculture in the region. An excessive reliance on underground water has meant that the rate of depletion is faster than the recharge rate of the underground resource. This heavy usage has led to a significant drop in the water table in the region and is resulting in subsequent failure of shallower bore-well systems. Another significant problem that has arisen in the last few years is the problem of power shortage in the region. Farmers in the village, with their increasing reliance on electricity driven bore wells, find it increasingly difficult to irrigate their farm land because of power shortage. The last few years have witnessed a serious power shortage, with electricity supply getting reduced to 4-6 hours from the earlier provision of 8-10 hours every day.

In summary, this systemic failure and the urban centric development process have particularly added to the problems of the farmers in the region and Coca Cola has become an important rallying point for plundering their natural resources.

Problem of Accountability: Private Greed and Corrupt Neoliberal State

Our data show that scarcity of water is a very serious problem in the region. Much of irrigation in the region is dependent on proper rainfall. The rainfall in the region has been below normal for the last three years. Hydrologists maintain that rainfall is one of the most important sources for maintaining aquifers or underground water. Villagers complain that in the last four-five years ground water level has declined substantially. They point towards their drying wells to make this point. Under these conditions of scarcity, the consumption of hundreds of thousands of liters of water by Coca Cola has particularly become an important issue of protest for these farmers. Most of the protesting farmers

attribute their problems in accessing groundwater to Coca Cola. They believe that Coca Cola has contributed to a serious decline in the ground water level.

Ashok:

Q: What was the time taken to irrigate land prior to the establishment of the Coca-Cola bottling plant?

A: It used to take 5 hours. Previously water level was high now it has gone down, it takes more time to irrigate land, it sometime takes 15 hours. During earlier days there was only one government bore well and that used to cater to the need of the village...There used to be water everywhere when we were kids. We used to go to school in water. There used to be lot of rain now there is no rain...Water was available at 25-30 meters now it is available at 150 meters. In our area of Mehndiganj people are very much affected by Coca-Cola. It has bored wells 500-600 meters deep that draws a lot of water.

Farmers of Mehndiganj further explain that water used for irrigation is recycled back to earth, but the water used by Coca Cola is siphoned, bottled and sent out of their closed ecological system. According to Ravindra,

We use our water for irrigation. 10-15% evaporates due to the sun but the rest goes inside the earth and once again back to the ground water. But, the Coca-Cola supplies all the water outside.

The image of Coca Cola as an exploitative profit making firm has been further reinforced by the problem of pollution that many farmers claim has seriously harmed their crops. We were informed by the villagers that Coca Cola has been discharging waste water in their fields. Haria, who is a farmer in the neighboring village of Bhikharipur told us that Coca Cola has been discharging its waste water near his farm and the water is badly affecting his crops and the fertility of the land. Another villager, Manju informed us that,

Earlier buffaloes used to enter into this pond. They used to drink water and bathe in this pond. Now we are worried about the pollution and do not allow buffaloes to get into it....Now no one goes inside the pond.... This water has caused us a lot of harm.

Coca Cola denies these allegations and claims that their plant has a modern waste management system that takes care of the problem of pollution. Coca Cola further claims that the treated waste water is let outside through a proper system of drainage that has the certification from the Government Pollution Control Board. Their refusal to acknowledge the problems of the local

villagers has further alienated the residents against the firm. Many villagers have found Coca Cola to be an arrogant multinational enterprise, which refuses to be accountable to the under privileged groups in the region. This sentiment of the villagers was appropriately captured in the following charge leveled against the firm by Lok Samiti, the organization spearheading the protest activities against the firm,

In breathtaking arrogance, the company dumped sludge into the fields around. People began to develop sores on their feet after they walked through the discharged water that had been flooding their fields. Mosquitoes became a serious menace and malaria cases increased. Many said that some hand-pumps in the area have been emitting foul, non-potable water.

When the villagers were asked by us about sharing their problems with Coca Cola management, we were told that Coca Cola refuses to listen to them. Giving an example to us Ramu, a villager informed us that when he tried to approach a Coke official, who had come to assess the quality of waste water, she rudely told him, "*hamara dimag mat kharab karo* (don't trouble me). *Hato rasta chodo* (stay away from me)." We were further informed that in order to show that Coca Cola was not leading to any harmful impact on the local environment, the government officials, in collusion with the firm, collected only samples of good water and soil for the purpose of testing. Ramu, another local villager further informed us that,

They collect good water from the hand pump. One fellow was taking water then I asked him why he is taking good water. Then he said for testing. They fill good water from hand pumps and wells and collect good soil from the fields.

Thus, these villagers question the clearance given by the state pollution-control department to Coca Cola and claim that the firm has the financial muscle to buy the government machinery and influence their findings.

It is necessary to add that at the time of the opening of the plant, many villagers believed that Coca Cola, as a big private firm would benefit the local economy and generate employment opportunities. Seven years down the line, however, this optimism has been replaced by a deep sense of resentment and bitterness against the firm. There is a great sense of anger against Coca Cola because it has also failed to live up to its original promise of generating local employment opportunities. Many workers and ex-workers we spoke to informed us that Coca Cola fails to pay them legally stipulated minimum wage of around 2 dollars per day. These workers claimed that they work under harsh conditions and are not offered any form of protection. According to some of the ex-workers, attempts by them in the past to form a Union were scuttled and their jobs taken

away by the management. According to Manoj, an ex-worker for Coca Cola,

Q- Minimum wage is more than Rs90/-.

M- They pay Rs75/- inside the plant and Rs60/- outside the plant.

Q- Don't you protest for minimum wages?

M- If someone says that then he is told that he is indulging in union activities and is thrown out. The other important fact is exploitation of workers who work in the factory. These workers do not have basic amenities and they are grossly exploited. A lot of people come here for work and sometimes they get work, but mostly they are made to stand in front of the gate [and not given any job]. Workers work under contractors and all contracts goes to people who are very powerful. The workers are exploited here. Instead of the usual 8 hours, workers are forced to work for 12 hours [without any overtime payment]. Still, there is so much of poverty and unemployment that people come here for work.

Summarizing, these villagers believe that the prevalent governance system operates on the principle of exclusion, in which private firms are able to exercise control through their ability to pay money to the state officials. Accordingly, the system of governance essentially responds to money power with the state increasingly aligning with private businesses in the last decade and a half. These villagers further believe that a firm like Coca Cola is not accountable to the local needs because of its profit imperative.

Subaltern Segregation: The Problem of Representation

In India, *Panchayat* is the basic state body, which is responsible for administering a village. These *panchayats* are administered by blocks, which in turn are managed by *taluk* and district level administrative bodies. Members of a *panchayat* are elected through a secret ballot and are headed by a Village *Pradhan*. We were informed by several participants that the Panchayat in Mehendiganj refuses to register their complaints against Coca Cola. We were told that Pradhan and other members of the Panchayat are regularly bribed by Coca Cola. We were further informed that certain segments of the village society are without any voice mechanism. These subaltern groups comprising of women and lower caste men believe that they are disenfranchised from the system that is dominated by patriarchal and caste-based processes. We were informed by Niru, a resident of

Bhikharipur in the course of an interview that she could not go and lodge a complaint against Coca Cola to the village Panchayat because she was a woman,

We are females how can we speak. They do not listen to us. We do not know what all happens. People who are not getting affected [by Coca Cola] go and make speeches that there is no harm [due to Coca Cola]. They do not know anything and they speak on our behalf... Whoever is getting benefited, people who are getting *saris*, whose crops are not getting destroyed they are telling that Coca Cola is good.

We were similarly informed by Hari, whose crops were destroyed by the waste water from the Coca Cola plant that the Panchayat refused to register his complaint.

Q- Did Panchayat protest against Coca Cola for releasing dirty water?

H- The panchayat does not exist in this place.

Q- Panchayat does not exist?

H- We stay on the border of Bhikharipur. We are on one edge. Why will Bhikharipur *panchayat* bother about us, whether we are dead or alive!

This problem of marginalization gets further exacerbated in the larger context of the rural-urban divide that exists in the country. In India the administrative authorities located in urban centers govern the rural areas. This spatial distance between the local rural bodies and urban administrators creates a divide that privileges these officials and weakens the system of local-self governance in the rural areas. Our data also show that on several occasions, under the pressure of villagers these panchayats had lodged complaints and passed strictures against Coca Cola. These strictures, however, for their enforcement require support of the administrative and judicial system that primarily operates out of the urban centers. These villagers believe that these law enforcement agencies are not only spatially removed from the setting, but are also considered to be insensitive to the needs of the rural populace. Raman, a daily wage agricultural worker from the region further informed us the spatial distance and the insensitivity of the urban officials means that in order to question Coca Cola he has to become part of a protracted battle for which he has very limited resources,

People might have complained but I advised them to refrain from it. One has to do lot of follow up and expenses of it would have been much more than the loss incurred We are daily wage earners and who has time to waste in follow up. If I will do work then I will get money but if I waste a day in follow up, my children will stay hungry.

Our data reveals that the participation of the villagers in the local processes of decision making is restricted because of

the structural limitations in the sphere of economy. Raising the problem of participation, Ashish, a local farmer informed us that, "Who has got disposable time for Panchayat. If I will do Panchayat's job then what will I eat?" Echoing a similar sentiment Raheem, a resident of Mehndiganj who has not actively participated in the protest rallies against Coca Cola informed us that, "we are against Coca Cola, but if I go for these protests, who is going to feed my family."

In summary, the divide between the economic reality and political processes has meant that villagers of Mehndiganj are left with limited institutions to voice their protests against Coca Cola. This segregation of the subaltern groups has resulted in economically dominant groups to further strengthen their privileged positions.

DISCUSSION AND CONCLUSIONS

In this research we have attempted to understand the problem of governance in a market system. Our research shows that private enterprises because of their profit orientation tend to be insensitive to the requirements of several stakeholder groups in their market systems. This leads to a problem of effective governance within that market system, especially from the perspective of the marginalized groups. Traditionally, state has played an important role in plugging these gaps and in taking care of the disenfranchised groups. These expectations and beliefs are foundational for welfare states and enshrined in the popular model of liberal democracy. Our findings, however, show that in the Indian context the state is unable to cater to the requirements of the subaltern groups examined in this research.

Under neoliberalism the problem of governance has been given a short shrift. It is expected that through a laissez-faire process, the self-interested bidding of private individuals and firms will lead to an outcome that is collectively beneficial. Several theorists have questioned this neoliberal resolution of the governance problem (Kilbourne et al. 1997, Polanyi 1944; Stiglitz 2000). Our research also shows that Coca Cola as a private enterprise is unable to cater to the needs of the subaltern groups in its marketing system. The problems of governance are made apparent in the popular struggle against the firm in the region. Clearly, the market forces in Mehndiganj are not able to resolve the problem of excessive usage of water, pollution, and exploitation of workers. Instead of working as a hidden hand of governance, the self-interested bidding process is leading to a situation of ever escalating confrontations among the players.

The above problem of governance of the market system is further exacerbated by the failure of the state to effectively regulate the decision making and the implementation process in the marketing system. Our data show that the problem is two-fold here. On the one hand, the neoliberal state is increasingly allowing private

firms, such as Coca Cola to have unregulated access to resources. The global institutional pressure through World Bank and IMF has crippled the ability of the less developed world to question the actions of megacorporations such as Coca Cola (Chussudovsky 1997; George 1992; Stiglitz 2000; Weissman 2001). On the other hand, the state itself is perceived to be corrupt and disinterested in catering to the requirements of subaltern groups. Our data show that the villagers believe that the state is urban-centric and is not particularly concerned about the requirements of the rural population. Our findings further show that the villagers of Mehndiganj believe that they are far removed from the decision making process. This feeling of disenfranchisement is particularly revealing in light of the fact that India is touted as a well-functioning democracy for the last five decades. This sense of disempowerment has been further strengthened by the last 15 years of policy making under the process of the structural adjustment program that has increased the rural-urban economic divide in the country (Chandrashekhara and Ghosh 2000). Clearly, these findings point to a failure of a governance system that has relied on the liberal model of political democracy.

The failure of the market-based and state-regulated governance of the marketing system involving Coca Cola shows that an alternate model of governance is necessary. Our data show that a more inclusive model of governance is of paramount necessity to meet the development challenge and for the marketing system to be able to enhance the quality of life of its stakeholders. As suggested by Arblaster (1997), Cohen (1997) and Held (1996) a participatory democracy that works through the process of deliberation becomes particularly relevant. This approach requires empowering of stakeholders in any marketing system at the grass root level. It further requires a formation of active public spheres which are able to engage a diverse set of actors and particularly the subaltern groups. Based on this research we support Habermas' (1989) contention that an active public sphere requires access, autonomy, rejection of hierarchy, rule of law, and high quality of rational-critical debate about decisions being taken in the system. Clearly, strengthening of the Panchayat system and other local bodies at the village level are important steps in devolving power and in allowing participatory governance of marketing systems. These institutional changes constitute the 'third path' which is necessary to counteract the problem of private greed and tyrannical state.

These institutional changes have to encompass all the spheres of a marketing system for them to be effective. Our findings from Mehndiganj show that the participative governance confined to the political domain is very limiting. Importantly, the domain of economic decision making has to be governed by the principle of participative democracy and has to allow the local village community to determine its economic agenda. Specifically, this will further help the villagers, through a process of deliberative democracy to arrive at their own priorities about the usage of water, requirements of industrialization, and agriculture.

Furthermore, this process can also ensure a more participatory decision on the problems of environment and sustainable development, which are important concerns of the local farming community in Mehndiganj.

Our findings also show that it is not only important to create institutions for subaltern groups to take part in the governance of marketing systems, but to also create adequate institutional space for players to participate in them. Our data show that a local self-governance initiative, such as a *Panchayat* can become ineffective if it fails to include marginalized groups such as landless farmers, women, and lower castes. Here, a deliberative process that creates economic and social equality is particularly necessary for an effective democratic governance system to develop. In order to create this space, it is not only essential to rescue the eroded public sphere, but also to institutionalize genuinely egalitarian and inclusive socio-economic policies such as land reforms and caste-gender based affirmative actions in the Indian context.

In conclusion, this paper has attempted to grapple with a complex issue of governance. For understanding and developing effective marketing systems, this is a fundamental and yet an under-researched domain. Importantly, we situate effectiveness in the domain of macro marketing which is not driven by the profit imperative, but by the larger societal concerns of fairness and justice. It is from this perspective that we have proposed a democratic governance system based on deliberative and participative processes. We realize that we have presented a rather stylized version of these processes and macro-marketing theory requires a deeper understanding of these issues. Yet we firmly believe that the crisis in the marketing system emanating from the village of Mehndiganj calls for the 'third way' of grass-root democratization of marketing systems. And we are hopeful that macromarketing scholars with their concern for social justice would be able to situate these inclusive processes at the center of their theorization and policy prescriptions.

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Tuesday, June 5

8:30 – 10:00 Session 8

830 Competitive Paper Session: Art & Culture

Co-Chairs: Kent Drummond, University of Wyoming & Laurie Meamber, George Mason University

831 - *Mount Vernon and the Disneyfication of the Marketing of History*

Laurie Meamber, George Mason University

832 - *The Da Vinci Code Tours in Paris, Ondon, and Rosslyn: Chasing a Cultural Phenomenon*

Kent Drummond, University of Wyoming

833 - *Anthropology and Marketing: Notes on Business Ethnography*

Melissa S. Fisher, Georgetown University

Tara Susman-Peña, Jefferson Consulting Group

834 - *Motion Picture as a Total Product: The Effect of Movie Theatre Atmospherics on the Word of Mouth for Motion Pictures*

Hatzithomas Leonidas, Aristotle's University of Thessaloniki

Athena Zotou, London Metropolitan University

Tsourvakas George, Aristotle's University of Thessaloniki

Nikoleta Koutsia, Division of Transportation and Hydraulic Constructions, Greece

Mount Vernon and the Disneyfication of the Marketing of History

Laurie A. Meamber, George Mason University, USA

As many writers have noted, a nostalgic presentation of American history has been a central concern in many Disney parks, including Main Street, USA at the original Disneyland, and at the Magic Kingdom in DisneyWorld and, the American Adventure at EPCOT (Bryman 1995, 1999; Dholakia and Schroeder 2005; Fjellman 1992; Johnson 1981; King 1981; Salamone and Salamone 1999; Zehander 1975). In the case of the American Adventure, a particular vision of colonial America is represented in the buildings, costumed employees, and attractions. The exterior of the pavilion is built to resemble a Colonial era town square, such as can be found in Philadelphia or Old Town Alexandria, Virginia. The main building resembles a town hall of the period. Inside this building (interior designed to resemble Thomas Jefferson's Monticello and Richmond House) can be found the main attraction – a 30 minute Audio-Animatronic/film show offering a presentation of American history from the founding of the nation up to the present (early 1990s). As has been noted by various scholars, this presentation of history is largely positive and free of conflict (e.g., notable absences include labor history, racial conflict, warfare after WWII – see Bryman 1995; Kuenz 1993). But what is the consumers' experience of history outside of the Disney theme parks? Given the longevity and success of the Disney theme parks, is the consumer experience of some historical sites becoming more Disney-like?

In this piece, I will describe and comment upon the intended consumer experience of American history, with a focus upon the colonial period. I will compare and contrast the Disney experience with the observed consumer experience of American history at one historical site in Virginia concerned with the same period – Mount Vernon, George Washington's estate, the most visited historic home in the United States. Mount Vernon, in October 2006, opened a new visitor and education center, transforming the consumer experience of the site from one centered on consuming the authenticity of the mansion, to one focused on consuming the life and achievements of George Washington, replete with physical representations of the man at various ages in his life, numerous films (with special effects – both sounds, lighting and movement) presenting important events in his life, mixing authentic and inauthentic artifacts mixed together in the galleries, and other "Disneyesque"

touches in terms of the nostalgic, sanitized and mediatized approach to history.

The Ford Orientation Center (longtime donor Ford Motor Company) and Donald W. Reynolds Museum and Education Center (Las Vegas foundation) comprises 65,000-70,000 square feet, most of it underground beneath a sheep pasture adjacent to the museum. The Ford Orientation Center features an orientation film about the estate and an 18 minute feature film about Washington crossing the Delaware on a 40 feet wide screen. The Museum and Education Center includes 500 authentic objects own by Washington, and theatres that feature surround-sound audio and immersion videos. One film on the revolutionary war uses special effects such as "snow" and "canon" fire – lights, sound and movement. There is a theatre in the round showing a patriotic movie focusing on the values and legacy of George Washington. There is a food court and a restaurant (Mount Vernon Inn) both accessible from the large gift shops. There is also a small gift shop (Lady Washington Shop) that features china, needlework, and garden items.

In both the American Adventure and Mount Vernon, the presentation of American history along with opportunities for dining and shopping is based on the notion of progress and a confident future. It is the goal of the contribution to add to the discussion concerning the distinction/sameness of Disney as a themed consumer environment and the outside world (Belk 2000; Bryman 2004; Flrat 2001; Gottdiener 2001; Ritzer 2004; Sorkin 1992). For the post-tourist, who playfully samples the world as a staged spectacle, reveling in the kaleidoscopic nature of themed environments, and the theatricality of the experience, what does the Disneyization (Bryman 1999) of Mount Vernon, including presenting the life of the first American president in a pastiche of images and experiences portend for the marketing and consumption of history?

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Tracking *The Da Vinci Code* Tours: Target Markets and Cultural Capital

Kent Drummond, The University of Wyoming

With over 60 million copies in print, a place atop the bestseller lists for over three years, and an eponymous movie grossing over \$700 million worldwide, *The Da Vinci Code* undoubtedly qualifies as a cultural phenomenon. But while the extent of the book's success is beyond question, a critical mystery remains: how could a contemporary novel with lukewarm reviews penetrate so deeply and abidingly into the popular culture?

Prior research has described the marketing machinery designed to place *The Da Vinci Code* in front of consumers early and often (Drummond). The present investigation focuses on a series of cultural events spawned by the book itself, yet beyond the purview of those who initially marketed it. Specifically, three clusters of *Da Vinci Code* walking tours in Paris, London, and Rosslyn (near Edinburgh) are examined first-hand through participant observation and depth interviews with tourists and tour operators. Findings reveal that, although at least half of those participating in the tours had

not read *The Da Vinci Code*, the tour operators had designed their tours in such a way that prior knowledge of the book was immaterial. Rather, they targeted different "levels" of tours to fit their clients' already-existing storehouses of cultural capital (Bourdieu), which in turn addressed clients' varying degrees of cosmopolitan self-concept (Holt).

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Anthropology and Marketing: Notes on Business Ethnography

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Tara Susman-Peña, Jefferson Consulting Group, USA

During the past decade, an unprecedented number of cultural anthropologists have been hired by global corporations to work in consumer research. Journalists now report on anthropologists lurking in suburban bathrooms, cyber cafes, and shopping malls, trying to unlock the underlying needs, motivations, and behavior of consumers. Indeed, *Business Week* recently hailed “ethnography and its proponents” the new “star players” within retailing, manufacturing, and financial services, as well as consulting firms. Yet, in spite of ethnography’s significant in-roads into the field of commercial marketing, relatively little anthropological attention has been given to the ways ethnographic tools and cultural analysis might be appropriated and used in the field of social marketing.

Drawing on our experience as both academic and corporate anthropologists, our proposed paper examines the rise in business anthropology in the global economy and the ways anthropologists might build and solidify bridges with scholars and practitioners engaged in social marketing. Through the presentation and analysis of an ethnographic case study – conducted for a pharmaceutical company focused on marketing a new drug – we interpret and reflect upon the ways in which the business ethnographic and documentary techniques we used might be appropriated and perhaps better put to use in the field of social marketing. Specifically we show the ways in which a full, in-depth anthropological approach can uncover the constellation of actors, activities, and influences that shape the world-view and practices of “consumers” of particular pharmaceutical drugs.

Our original project focused on developing the foundations for internal communications to educate the company’s sales and marketing force about the consumers* of the drug—people with schizophrenia or bipolar disorder. Notably, the drug company took the step (unusual for the industry) of trying to understand the daily context in which the consumers lived, particularly the forces that might influence a consumer to go off his or her medication, against the advice of a doctor. Additionally, the company was looking for opportunities to invest in programs, initiatives, or other products that would provide additional support for mental health consumers. As most market research conducted for pharmaceutical companies focuses on supporting branding, advertising, and externally

marketing the products, this study serves as a kind of midway point between commercial marketing and social marketing. In the paper we thus extend our original analysis in order to explore how our ethnographic insights might further help the consumer (of such medication) to lead a more effective and healthier life.

The paper is divided into three sections. The first addresses the ways in which and reasons why the discipline of anthropology is fast becoming part of the business landscape. We argue that the rise in the popularity of corporate anthropology, particularly the recent corporate enchantment with anthropology’s two iconic symbols – culture and ethnography – must be understood within more widespread developments in the global economy. We also discuss the ways anthropologists – in academia and industry – consider ethnographic fieldwork to be the most important way to go about finding out about culture and society.

The second section of the paper focuses directly on the pharmaceutical case study. Here we examine the kinds of ethnographic work we are typically asked to do at the behest of corporations. Specifically we discuss how “collaborating” with major business institutions shapes the ethnographic process, cultural analysis, deliverables, and ultimately strategic suggestions for branding and marketing. We present some findings from our research into the culture of the mentally ill on behalf of a major pharmaceutical company, and discuss both promising implications and unsettling contradictions that arise from engaging in this work. We show a brief selection from one of the video documentaries we collaborated on for the project, “A day in the life of a mentally ill person.”

The final section of the paper considers some of the ways in which anthropological tools and techniques, traditionally used in commercial business settings, can be effectively used in the field of social marketing. Specifically, drawing on the pharmaceutical case study, we suggest ways of understanding mental health consumer culture that could be used in designing and implementing both social services and health campaigns for that community. We contend that developing an anthropological turn towards social marketing may provide one way of answering critiques (within and outside of anthropology) that corporate anthropologists have effectively becoming hand-maidens of capitalism and lost any ability to take a critical stance or action “against” the globalization of the economy.

*The term preferred by mental health advocates and professionals for mentally ill people is “consumers.”

REFERENCE

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Motion Picture as a “Total-Product”: The Effect of Movie Theater Atmospherics on the Word of Mouth for Motion Pictures: An Exploratory Study

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The present study approaches the motion picture as a “total product”. The purpose of this exploratory research is empirically to examine several logical relationships between key variables, such as atmospherics and emotions experienced by moviegoers, in order to create a causal model of motion picture favourability and word of mouth. To test the hypotheses, a survey – based field study was conducted with one hundred sixty six respondents. The data were analyzed using path analysis, while the model was tested for fit with AMOS software, a covariance-based SEM tool. The findings indicate that motion picture is a “total product” that consists of the movie and the movie theater atmospherics.

In recent years, a proliferation of multiplexes has appeared. Multiplexes are multi-screen establishments, and most of them are built in or adjacent to large shopping malls. Malls include “stores, services, eating spaces, and other facilities on a single site with ample parking and easy access to highways” (Guback 1987). The infrastructures of the malls create synergies for the businesses at the site. Today a significant percentage of the overall financial status of the theater business arises from refreshments and pop corn sales. In particular, exhibitors expect to make more money from the concession stand, than from the box office (Watson 2004; Guback 1987).

Production – distribution companies have become involved in the theater operation in order to reap the fruits of the concession stands, but also to establish control over release patterns, organizing vertically the movie industry supply chain (Guback 1987). This allows producers to identify more easily the timing of the movies’ release and the theaters where the movies are exhibited. Especially for the blockbusters, such as star – driven movies, producers book prime theaters at the best times of the year (Watson 2004).

But why is it so important for producers – distributors to book the prime theaters for the exhibition of the high – budget movies? According to

Research International (2000) some of the most important criteria for the choice of a film from the audience’s perspective are the quality of the movie theater (74%), the easy of access to movie theater (72%) and to a lesser extent the film trailer (47%). The aforementioned stresses the importance of movie theater atmosphere.

As far as Kotler (1973) is concerned atmospherics is “... the conscious designing of space to create certain effects in buyers. More specifically, atmospherics is the effort to design buying environments to produce specific emotional effects in the buyer that enhance his purchase probability”. Furthermore, Milliman and Fugate (1993) identify atmospheric cues as any constituent within a personal perceptual subject’s field that arouses one’s senses. In the present study, atmospherics are defined by means of Greenland and McGoldrick’s instrument (2005) that consists of the following eight dimensions: facilitative elements, physical conditions, individuality, innovativity, personal conditions, scale (grandeur), design potency, and spaciousness.

In general, atmospherics can affect customer perceptions of goods for sale (Obermiller and Bitner 1984). Atmospheric cues may have a stronger impact than other marketing inputs at the point of purchase (Baker, Grewal and Parasuraman 1994) and may influence purchase choices more than the product itself (Kotler 1973). Kotler (1973) argues that clients act in response to the “total product”. An important issue of the total product is the place where it is purchased. It is very possible that the atmosphere of the place can be more effective than the product itself in the purchase choice.

The present study approaches the motion picture as a “total product”. In particular, the relationships among the theater atmospherics, the emotions experienced by the cinemagoer in the movie theater, the attitude towards the movie theater, the positive word of mouth for the movie theater, the attitude towards the movie and the positive word of mouth for the movie are examined. A causal model that proves the decisive role of theater atmospherics on movie favourability and word of mouth is tested and is supported. The findings indicate that a motion picture is a “total product” that consists of the movie and the atmosphere of the movie theater.

LITERATURE REVIEW

Movie Theater Atmospherics and Emotions

Researchers have investigated the effect of atmospherics on the nature of shopping for some time. DeNora and Belcher (2000) mentioned that retailers have long been attentive to the possibility for the perceptual elements in their store atmosphere to effect buyers' actions. In particular, retailers apply implicit tactics centred on experience and scrutiny, or develop a careful outline of their trading space to optimise consumer understanding and to capitalize on business profits (Babin and Attaway 2000). A lot of retail executives and organizations are aware of the ability to moderate in-store behaviour through the design of a specific atmosphere. Empirical research in the area highlights atmospherics influence on consumers. Turley and Milliman (2000) in a recent review identified over 60 research papers related to store atmospherics and consumer behaviour and the interaction between them. They observed that each of these studies found some statistically important relation between atmospherics and shopping behaviour. They concluded that the retail environment has a strong impact on consumer behaviour and noticed that the research in this area consists of a variety of both independent and dependent variables.

Curhan (1974) investigating actual shoppers, tried to analyse the effects of the independent variables on four different merchandise categories and found out that display space was the only variable noteworthy for all four products. Later, Grossbart et al. (1975), examining a sample of 243 adults, tested how environmental predispositions and atmospherics are related. The findings showed that "need for privacy and pastoralism" are positively related to responsiveness to store atmospherics, whereas "environmental adoption and urbanism" are negatively related (Grossbart et al. 1975).

Moreover, various studies have shown that music has a significant role in store atmospherics. Retailers use background music in order to improve the atmosphere of their stores. Milliman (1982) investigating actual supermarkets buyers noted that music tempo is related to traffic pace and sales volume. Colour is also associated with physical attraction and it plays a significant role in space atmospherics (Bellizzi, Crowley and Hasty 1983). In addition, lighting is a major component of store atmospherics. Definitely, a more appealing store with better-illuminated merchandise can attract buyers to visit the shop, as well as to linger when shopping. Mehrabian (1976) recommended that the joint effects of pleasure, arousal, and dominance biased people's

behaviour in particular situations. His belief was that lighting was a leading factor in the environment's impact on persons.

DeNora and Belcher (2000) claimed that the dominant underlying theoretical framework for the study of physical consumption settings derives from environmental psychology. Early study in environmental psychology by Mehrabian and Russell (1974) was later adapted to the retailing context by Donovan and Rossiter (1982). They found out that trade environmental incentives influence consumers' emotional status. Indeed, it seems that the use of atmospherics is very important for retailers in order to create emotional relations with consumers (Schmitt and Simonson 1997). Kotler (1973) showed that atmospherics such as noises, sizes, shapes, scents and colours create feelings that can help shopping centers trigger customers' attention and increase purchase probability. As Babin and Darden (1995), mentioned in their study, emotions related to a specific atmosphere exert a direct effect on customer satisfaction. Gardner (1985) and Darden and Babin (1994) strongly supported the belief that there is a regular diversity between store environments and consumers affect.

According to the relevant studies that are presented above, the following research hypothesis is formulated:

H1: *The movie theater atmospherics trigger positive emotions among cinemagoers.*

The effect of Atmospherics on Attitude Formation and Word of Mouth

Atmospherics contribute on the building of brand image (Baker et al. 2002; Babin and Attaway 2000; Berry, Carbone and Haeckel 2002). Areni (2003), DeNora and Belcher (2000) mentioned that merchants have long been considerate of the possibility for the perceptual elements in their store atmosphere to effect buyers' actions. Thus, they apply an implicit tactic centred on experience and scrutiny, or develop a careful outline of their trading place to optimise the consumer understanding and capitalize on business profits (Babin and Attaway 2000). The following hypothesis is formulated:

H2: *Positive emotions experienced by cinemagoers in a movie theater exerts a direct positive effect on cinemagoers' attitude towards the movie theater.*

As far as word of mouth is concerned (WOM), it can be said that it is the voice of the customer, an honest process, natural talk about services products, movies, or anything else the consumers have experienced that is important. As Grewal, Cline and Davies (2003) noted, people have a tendency to believe word of mouth

promotion than more official types of promotion because the communicator was pleased by the products or services offered and is doubtful to have a concealed motive. A satisfied customer is the greatest advertising for the product; therefore, marketers work to create purchaser interest instead of pushing marketing messages.

As Stern and Gould (1988) proposed word-of-mouth communication (WOM) is thought to have a major role in about four out of five consumer decisions. In consumer decision-making WOM have been confirmed to impact a variety of decision-making stages: “at the early stage, information search (Duhan et al 1997; Eliashberg and Shugan 1997; Feick and Price 1987; Herr, Kardes and Kim 1991; Woodside and Delozier 1976), during trial or sampling of products (Bone 1995; Burnkrant and Cousineau 1975; Cohen and Golden 1972; Venkatesan 1966), and then later as an outcome of product consumption (Richins 1983) and as an alternative to complaining when dissatisfied (Watkins and Lui 1996)” (Cowley and Rossiter 2002).

Regarding motion pictures, Liu (2006) indicated that WOM offers significant explanatory power for box office revenue in a subsequent period and prerelease WOM can explain the aggregate box office revenue. On the basis of the above, the following hypotheses are advanced:

H3: *Positive attitude towards movie theater is positively associated with word of mouth for the movie theater and positive attitude towards the exhibited movie.*

H4: *Positive attitude towards movie is positively associated with word of mouth for the movie.*

METHODOLOGY

One hundred sixty six undergraduates completed a survey as part of class credit. In order for the sample to be representative of the population, the subjects were chosen randomly. Table 1 provides a detailed view of the characteristics of the sample. The respondents were students of the Technological Educational Institution of Thessaloniki, Greece and their age ranged from 17 to 34 years.

The choice of the sample was based on the results of a recent survey conducted by ICAP (2003) on the movie exhibition business. This study concluded that the Greek moviegoers belong mainly to the age group of 15-54 years. Besides, at the international level, it appears that the blockbusters, which dominate the cinema theaters, target mainly at the ages of 15-24 years. Moreover, theater admissions are higher in the region of Thessaloniki

(3,61 times a month), since it is a city with an exceptionally large student population.

TABLE 1
SAMPLE

	<i>Number</i>	<i>Percentage (%)</i>
Number of Respondents	166	100
Gender		
Female	120	72
Male	46	28
Age		
17-24	156	94
25-34	10	6
>35	0	0
Educational Level		
Undergraduate Student	153	92,2
Graduate Student	0	0
Second School	13	7,8
On average, how often do you go to cinema?		
Not at all	16	9,6
Once a year	23	13,9
Once a semester	35	21,1
2-5 times a semester	37	22,3
Once a month	18	10,8
2-3 times a month	25	15,1
1 time a week	10	6,0
2-6 times a week	2	1,2
Every Day	0	0
Which was the last time that you attended a movie?		
A year ago	35	21,1
A semester ago	47	28,3
A month ago	54	32,5
A week ago	18	10,8
Some days ago	8	4,8
Yesterday	4	2,4

**TABLE 2
SCALES**

<i>Factors</i>	<i>Items</i>
1. Facilitative elements (Greenland and McGoldrick, 2005)	- Comfortable/ Uncomfortable - Tidy/ Untidy - Functional/ Unfunctional - User friendly/ User Unfriendly
2. Innovativity (Greenland and McGoldrick, 2005)	- Old/ New - Fashionable/ Unfashionable - High technology/Low technology
3. Personal Conditions (Greenland and McGoldrick, 2005)	- Private/ Not Private - Varied/ Repetitious - Adequate security/ Inadequate security
4. Positive Emotions (Izard 1977)	- Joyful - Delighted - Happy
5. Attitude towards movie theater	- I like this Movie Theater a lot
6. Word of mouth for movie theater	- I say positive things about this movie theater to other people - I recommend this movie theater to someone who seeks advice - I encourage friends to go to this movie theater
7. Attitude towards movie	- I like this movie a lot - This movie is very appealing - This movie is very interesting
8. Word of mouth for movie (Zeithaml, Berry and Parasuraman, 1997)	- I say positive things about this movie to other people - I recommend this movie to someone who seeks advice - I encourage friends to attend this movie

Regarding the questionnaire used in the present study atmospherics were measured by means of an 8-dimension and 21-item, 7 point Likert-scale, adopted by Greenland and McGoldrick (2005). Emotional reactions (surprise, positive and negative emotions) are measured using the Izard's DES scale (Izard 1977) for emotions. The attitude towards the cinema theatre and the attitude towards movies were measured by means of a 4-item, 7-point Likert scale, developed by Geuens and de Pelsmacker (for the measurement of attitude towards brand) (1998). Word of mouth for movie theaters and word of mouth for movie were measured by means of a 3-item scale, adopted by Zeithaml, Berry and Parasuraman (1997) (Table 2).

The theoretical model is a structural equation model (SEM). The model was tested for fit with AMOS software (version 6), a covariance-based SEM tool. Path analysis was conducted for each of the hypothesized relationships. The reliability estimates for all but two factors were above the recommended 0.70 level (Nunnally 1978). The complete results of reliability analysis are provided in Table 3.

**TABLE 3
RELIABILITY ANALYSIS (CRONBACH'S ALPHA)**

	<i>Items</i>	<i>Cronbach's Alpha</i>
Facilitative elements	4	.783
Innovativity	3	.663
Personal Conditions	3	.641
Positive Emotions	3	.855
Attitude towards movie theater	1	
Word of mouth for movie theater	3	.928
Attitude towards movie	3	.870
Word of mouth for movie	3	.957

RESULTS

A significant relationship between atmospherics (three out of eight dimensions) and positive emotions was found, indicating that the positive emotions experienced by moviegoers increase as the quality of atmospherics is improved. The results reveal that the facilitative elements ($p < 0.01$) and the innovativity of the cinema theater ($p < 0.05$), as well as the personal conditions ($p < 0.01$) provided by the cinema theater induce positive emotions among cinemagoers (Figure 1). This study did not find a relationship between physical conditions, individuality, scale (grandeur), design potency, spaciousness, and positive emotions.

The findings of the present paper also show that positive emotions are positively associated with attitude towards the movie theater. It is easy to believe that moviegoers are satisfied when atmospherics meet their expectations, arousing their positive emotions. Furthermore, the attitude towards movie theatre is strongly and directly associated with the word of mouth for the movie theater and the attitude towards movie. Finally, a very strong relationship was noted to exist between attitude towards movie and word of mouth for the movie (Figure 1). It seems that the movie is only a part of the total package and that moviegoers respond to the total product including movie theaters atmospherics.

5. CONCLUSIONS

In conclusion, the results obtained in this study have some important implications for managing movie theater operations and for the distribution of the movies. Participants in the movie theater business including exhibitors, producers, and distributors will benefit by including theaters atmospherics organization and control in their planning.

For producers, the results suggest that booking prime movie theaters has an impact on movie favorability and word of mouth. Building on this idea, the results also propose that producers should take into account the atmospherics of the theater for the opening night of the movie.

On the other hand, theater operators should learn a lot from the practise of contemporary architects. Regarding facilitative elements, the buildings and particularly the buildings that accommodate multiplexes, should combine art with technology (Guillén 1997), have standardisation as a major principle of their design, and be modern. Besides, contemporary trends propose that buildings should have the sense that they are visually transparent. This is achieved with big entrances made from stainless steel, aluminium and glass, materials that invoke a more stylish sense (Feldman and Feldman 2004). From the 19th century onwards, armed concrete, glass, stainless steel, and plastic have been considered materials of advanced technology (Jencks 1973; Benevolo 1977; Banham 1980; Guillén 1997).

As regards to innovativity, each shopping center and each cinema theater should have its own specific form, which could be designed according to target audience's characteristics and could aim for increase of purchases (Kotler and Keller 2006).

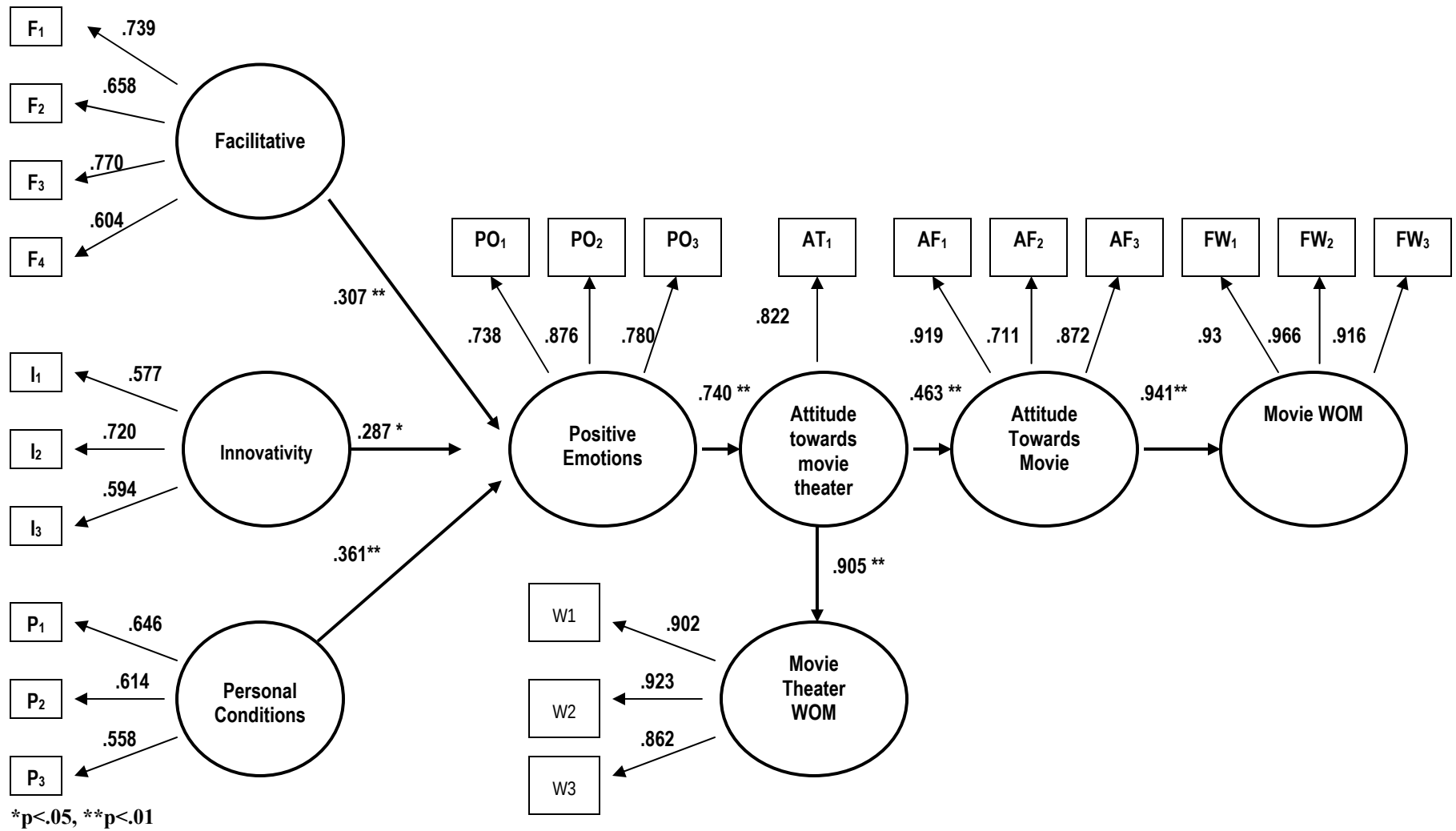
In terms of personal conditions, the ceiling of a room can contribute to the sense of high activeness and expansion or warmth and comfort (Joseph 1999). The floor is also of high importance. Granite invokes a sense of duration, strength and permanence.

Usually it is preferred in shopping centers, because it creates a majestic retailing environment conveying a sense of an intention to buy (Pollock 1999). Tiles from granite are often used as a material to cover the floors in the lobbies of cinema theaters, while the walls are also lined with them. One more key factor to the manufacture of a trade center is the proper lighting (Knapp and Groves 2001).

With a view to strengthening the sense of comfort and hospitality more carpets, decorative elements and a lot of timber could be used (Feldman and Feldman 2004). Timber in particular, causes feelings powerfully connected to the natural world (Patchell and Hayter 1997). It is also proposed to use leather for constructing the seats, because it creates the feeling of a warm and habitable space (Boswell 2000; Knapp and Groves 2001). As a result, workers become more productive and the customers – moviegoers want to stay longer (Guillén 1997; Umlauf - Garneau 2001). The sense of comfort is also strengthened by the soft music played in the background in the shopping centers and before the beginning of a film in the cinema theaters, and is usually of intensity up to 50 dB (Ludwig and Arthur 1997; Swartz and Zimmerman 2005).

Finally the tragic events that took place on 11th September compelled architects and civil engineers to consider safety of the buildings as their first priority. Hence, nowadays entrepreneurs spend huge amounts of money annually on this purpose (Gair 2002).

FIGURE 1: THE MODEL OF THE PRESENT STUDY



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Tuesday, June 5

8:30 – 10:00 Session 8

840 Competitive Paper Session: Technology and Marketing

Chair: Detlev Zwick, York University

841 - *Weblogs and Trade Secrets: Private Property vs. Freedom of Expression*
G. Scott Erickson, Ithaca College

842 - *The Reach and Richness of Wikinomics: Is the Free Web-based Encyclopedia Wikipedia Only for the Rich Countries?*
Morten Rask, Aarhus School of Business

843 - *Customer Databases as Customer Exploitation? Technologies for 'New Marketing*
Detlev Zwick, York University

844 - *Durable Acquisition Patterns Over Time: Empirical Evidence from India,*
Ruby Roy Dholakia, The University of Rhode Island
Syagnik (Sy) Banerjee, The University of Rhode Island
Narasimhan Srinivasan, University of Connecticut

Weblogs and Trade Secrets: Private Property vs. Freedom of Expression

G. Scott Erickson, Ithaca College, USA

Weblogs are an increasingly important part of the communication strategy of organizations. Not all can be controlled, however, and firms should develop strategies for how to deal with both positive and negative blogs. Positive blogs disseminating proprietary knowledge pose a particularly sticky issue. This paper reviews the law concerning such situations, particularly the recent O'Grady case dealing with Apple's trade secrets.

Weblogs, commonly referred to as blogs, are an increasingly prominent element in the marketing communications mix of firms. In part, this is intentional, as organizations use blogs to pass marketing messages to customers and other publics. In part, it is not intentional, as other parties use blogs to comment on companies, brands, and products. Sometimes, these uncontrolled blogs are a good thing, as positive, spontaneous publicity is generally highly credible and can be quite effective. Sometimes, however, they are a problem, with individuals taking potshots at or otherwise harming target organizations.

This paper considers the role of blogs in managing intellectual capital (IC). In particular, it looks at the protection of the proprietary knowledge assets built up by an organization and the implications of blogs that might reveal protected IC. And although the paper discusses a number of scenarios, it will focus particularly on third party blogs revealing IC that can be considered trade secrets. Given a recent California Appeals Court ruling, this class of blogs may pose some particularly troubling issues for organizations looking to develop and protect knowledge assets.

BLOGS

Weblogs have become ubiquitous in recent years with 2005 referred to by some as the "year of the blog" (Ebanks 2005). As with many Internet phenomena, businesses looking to be on the cutting edge have reviewed ways to steer this wave of popularity to their advantage. Thus, we have seen a number of blogs started by or at least supported by organizations looking for marketing advantage, closer connections with customers or other publics, or simply an effective communication mechanism for spreading their point-

of-view.

From this base, we can develop a typology, of sorts, for blogs (Ross 2005). At one end of the categorization would be corporate blogs, fully supported by the organization and carefully constructed in terms of the content and form of the message. As noted, these blogs are often part of a precisely planned communication plan supported by the marketing communications team. Similarly, individual employees may write blogs, sometimes encouraged by the firm, sometimes not. If on company time and equipment, the firm has a certain amount of control over content. If on personal time, the employee has more freedom, though this is not absolute (Dearstyne 2005, Pike 2005).

Many organizations, however, also have to deal with outside blogs of which they are the main topic of interest (Ross 2005, Erickson & Kelly 2003). Hate sites or slam sites are all over the web, some with blogs. Other blogs just choose to focus on a particular company, brand, or product because the author is particularly aggrieved at that point in time. But the basic point is that such blogs spew negative information and opinions about the subject firm. Similarly, but from a different perspective, fan sites and blogs also exist. Fan sites regularly publish information and opinion about subject firms, including through blogs. And, again, otherwise unconcerned blogs may sometimes focus on a company, brand, or product because an author is particularly pleased.

This construction of the typology may seem odd, given that favorable blogs occupy both extremes of the structure, but the reasoning will be clear as we consider the danger involved in moving along the continuum. The distinction between groupings has to do not only with control but also with the type of information available to the blogger. While internal bloggers may have more information available, they are also easier to control (and have more easily understood motivations. Those outside the organization with bad intent are likely to have less information and be easily understood. Those with good intent may have hard to read motives and good information, a potentially lethal combination.

INTELLECTUAL CAPITAL & TRADE SECRETS

Again, the main thrust of this paper has to do with the potential of blogs to release the proprietary intellectual capital of the firm. Intellectual capital, by definition, typically includes intellectual property, protected by mechanisms such as patents, copyrights, and trademarks. But the term intellectual capital was coined to suggest that other knowledge assets exist within the organization that are both harder to define and harder to protect than traditional intellectual property.

Given recent changes in US law, many of these knowledge assets can now be characterized as trade secrets and conferred some degree of protectability (Carr, Erickson & Rothberg 2004). Not all intellectual capital can be designated in such a manner, and we'll describe the exact details momentarily, but for the purposes of this paper, we will narrowly define IC as trade secrets and discuss the knowledge development and protection implications accordingly.

In the US, trade secret law has long been a matter for individual states, though many standardized their statutes under the Uniform Trade Secrets Act (Petravicius 2006, Beckerman-Rodau 2001). Given that trade secret law was still underdeveloped, however, Congress passed the Economic Espionage Act in 1997, better clarifying what a trade secret was and what options were open to an organization that felt its trade secrets might be compromised. At present, if a firm identifies knowledge that it gains economic benefit from by keeping secret and then takes appropriate steps to keep it secret, that knowledge is effectively defined as a trade secret.

With that in mind, an organization that employs an IC management or knowledge management (KM) system, by identifying valuable knowledge and managing it, is halfway to trade secret protection. If it also takes steps to protect such knowledge assets, it has presumably fulfilled the requirements. In general, the fields of IC and KM have not recognized protection as an issue (though there are exceptions), but with all the effort to grow such competitive assets, it only makes sense to keep them proprietary. And, again, though that point-of-view is limited, it is fairly well established.

So if an organization is meticulous about identifying, managing, and then protecting its intellectual capital, there is some degree of trade secret protection available in the US. The key question, to this point still undecided, is what protection is granted vis a vis blogs.

TRADE SECRETS & BLOGS

When the organization has control of the blog, trade secret protection is a problem. As noted above, the standard is that not only must the proprietary knowledge be valuable, but the firm must also take appropriate measures to keep it secret. If the organization is sloppy in its protection procedures, it may be out of luck in terms of trade secret protection. If we start at the corporate blog end of the typology, then, a corporate blog that lets out trade secrets, or any proprietary knowledge assets, is not part of an effective control system—by definition the leaked knowledge is fair game and no longer secret, hence not a protectable trade secret (Leonard 2006). So from a very basic and totally obvious perspective, firms need to be careful about what they reveal in their own blogs.

When individual employees, beyond the corporate umbrella, expose knowledge assets in blogs, the circumstances are a bit more complicated. But the organization is still viewed as having control or protection options.

Here, in the case of trade secrets, explicit rules on blog content are helpful but not absolutely necessary. Although an employee cannot be discharged (or “dooced” for as the term is used for blog-related firings) for simply exercising freedom of speech on their own time, an at-will employee can be let go for clear violations of the law such as revealing a trade secret (or defamation or violating SEC rules on selective disclosure and/or quiet periods). So, again, with sensible planning and controls, there is little reason to believe blogs should be any more of a problem than any other mechanism used by employees to communicate with others (Weinman 2005). The biggest concern would probably be finding out about the blog in the first place.

Hate sites or slam sites are obviously focused on particular organizations, and contributors would dearly love to hurt them through release of proprietary knowledge. Although blogs on these sites may be defamatory or unpleasant, it's often not worth the trouble (or bad publicity) required to shut them down (Erickson & Kelly 2003). If somehow they obtained proprietary knowledge assets or trade secrets, it would make sense to go after them, but as outsiders, they don't tend to have access to such inside intellectual capital. Dealing with hate sites is more a public relations issue than a trade secret one.

The flip side, however, fan sites, are more problematic and are the main topic of this paper. Fan sites are, by definition, friendly to an organization. Their contributors are often brand enthusiasts, the most loyal customers of a firm. The problem, especially when the firm is innovative and consistently introduces new products, is that enthusiasts are eager to see what

happens next. Competitions of a sort can develop, with website or blog contributors looking to be the first to “break” a story on what the firm is up to. Thus, if an enthusiast is able to gain inside knowledge, they may very well immediately disclose it in a blog. This situation is exactly what happened to Apple. Management sued, and a recent decision on the case is instructive for firms looking to manage and protect their knowledge assets.

***O'GRADY et. al. v. SUPERIOR COURT* (2006)**

In 2004, two websites dedicated to providing news and information about Apple products, PowerPage and Apple Insider published news on a new Apple device allowing analog music recording in concert with a digital application, FireWire (*Business Week* 2005, Davis 2005, *FinancialWire* 2005, Waldmeir 2005, Wingfield 2005). Various postings included drawings, product features, and marketing information such as price and volume estimates.

Apple's investigators determined that a lot of the proprietary knowledge published on the websites, essentially in blogs from anonymous contributors, came from “an electronic presentation file...conspicuously marked as 'Apple Need-to-Know Confidential.’” As a result, Apple sued unidentified John Doe(s) for trade secret misappropriation, claiming that “confidential information about an unreleased product” was a trade secret. Further, the company noted that the revealed knowledge had value to Apple relating to the strategy and timing of the product launch and that “it undertakes rigorous and extensive measures to safeguard information about its unreleased products.” Finally, Apple requested that subpoenas be issued requiring the blog publishers to reveal who had disclosed the proprietary knowledge to them. This request was granted. As a countermeasure, the blog websites asked for protective orders on the basis of their standing as journalists (under the Constitution's free press provision and California's Reporter's Shield Law (CRS)), as well as claims concerning the Stored Communications Act (SCA) and the “ripeness” of the issue. These latter two issues are less germane to our discussion, but the Appeals Court did find for the bloggers on both. The court declared that the SCA does forbid disclosure, even in cases of discovery, and includes not only the content of electronic communications but also identity. Meanwhile, it also stated the case presents a ripe (well-defined) enough controversy to allow the courts to adjudicate rather than wait for the legislatures to work it out.

But the primary issue, and the subject of our discussion, is found in the journalist protection question.

The CRS protects reporters from compulsion to

disclose sources when engaged in obtaining “information for communication to the public.” The keys to the decision rested on whether the bloggers' actions were legitimate journalism and whether the bloggers and sites were covered by the law. Apple's initial claim was that the bloggers were involved purely in trade secret misappropriation and dissemination, not legitimate journalism. Further, since the websites did nothing but take in and republish information as is, there was no editorial work, no “added value.” The Appeals Court declined to define “legitimate” journalism, inferring that gathering news fits the bill. The court also suggested that editorial work was not necessary, news organizations commonly publish facsimiles of documents and similar material without changes.

In terms of the covered persons and publications, the central question was whether e-publications are an appropriate media vehicle and their contributors are journalists. The Appeals Court did draw a distinction between news-oriented websites and those allowing casual postings by visitors—and alludes to the possibility that the conclusion might be different given the posting of proprietary information by an unaffiliated user. But the overall conclusion was that electronic publications and their authors have the same protections as print publications and their authors when engaged in news gathering and dissemination.

The US Constitution and its applicability to this case rest on the issue of press freedom (1st Amendment). The press' choice not to reveal sources of information is not absolute and has been qualified by a set of questions clarified by case law. Here, the Appeals Court alluded to the California-based *Mitchell v. Superior Court* (1984) as the relevant case law. Reporters are shielded given an appropriate balance amongst the following factors:

- The nature of the litigation and whether the reporter is a party.
- Importance of the information
- Alternatives are exhausted.
- Importance of maintaining confidentiality
- Prima facie case

In this case, the Appeals Court determined that Apple did not claim the reporters were involved in the information theft—they only asked to reveal sources. Further, although disclosure would help Apple determine the identity of the thieves, there is no guarantee, so the information is important but not overly so. The Court suggested Apple did not exhaust alternative means of determining the identity of the thieves. Obviously the thieves were internal in some way, so Apple presumably had the opportunities to prevent the information disclosure in the first place and/or uncover it after the fact. In terms of the

importance of maintaining confidentiality, the court showed little sympathy for trade secrets as critical information, stating repeatedly that a public interest is served by their dissemination. Finally, the *prima facie* case was determined to be in Apple's favor, that it appeared trade secrets had been stolen and disclosed, but that this factor did not outweigh everything already weighing in favor of the websites.

Thus, the Appeals Court decided against discovery—that, on balance, the factors favoring discovery were outweighed by those not, under both Federal and State law. In particular, the court stressed the place of e-zines as legitimate periodical publications, the status of their contributors as reporters, and the failure of Apple to pursue other options to determine the identity of the trade secret disseminators.

DISCUSSION

The O'Grady case poses a number of interesting questions concerning legal protections and steps organizations need to take in order to protect their knowledge assets. Whether the decision will hold if reviewed by a higher court remains open, as does whether other courts will follow the precedent set by a court in the sometimes legally quirky state of California. This is particularly true for issues that may not follow trends in other recent case law.

The initial question is what the attitude of the law and courts will be toward trade secrets. In the O'Grady case, much of the court's reasoning suggests a lack of respect for such knowledge assets. When balanced versus public interest in the information (Apple's new product announcements are interesting but no one would argue that their disclosure is necessary to public welfare), trade secrets come off badly in the view of this court. Apple's property rights seem to be a minor matter—perhaps because of sloppiness in protecting them, as we'll discuss later—and not deserving of protection if any other public interest is at stake.

This flies in the face of some other decisions that have come down in recent years. As noted earlier, Congress passed the Economic Espionage Act (EEA) in 1996. This legislation clarified and strengthened trade secret law, extending protection to just about any data, information, or knowledge of value to a business, provided a firm takes appropriate steps to protect it. The Act also criminalized trade secret theft. In a number of enforcement actions since the passage of the EEA, the FBI has gotten involved.

Case law has also moved toward more protection of trade secret rights, including when balancing rights. Even in the absence of non-compete and non-disclosure agreements, for example, employees can be routinely barred from working for a competitor if

“inevitable disclosure” of trade secrets will take place because of the nature of the new duties (Schaller 2004, Philips 2003). There are indications that this tendency may extend to collaborators' employees who might disclose trade secrets (e.g. an advertising agency that might reveal a client's information or knowledge).

If one grants that the trend is toward a greater appreciation of trade secrets and other knowledge assets as important property, then the O'Grady court's easy dismissal of it is harder to accept. Further, if trade secrets are critical corporate assets, then those who publish them could be considered accessories to theft. Reporters who publish leaked grand jury testimony are not protected by shield laws or the first amendment because they are failing to disclose information about a serious crime. Similar considerations apply to similarly serious crimes—the balance in the *Mitchell* standards mentioned earlier tilt more firmly toward non-disclosure. If theft of trade secrets is treated as a serious crime, then non-disclosure will receive more weight by future courts.

A second, and related, question relates to steps taken to protect trade secrets. As just noted, the EEA stipulates that organizations need to keep proprietary knowledge secret or its will lose any prospect of legal trade secret protection. In the Apple case, Apple did a lot of things right. It followed most of the standard legal prescriptions for protecting knowledge assets, including stamping it confidential and, presumably, limiting distribution. One would also assume that a firm such as Apple took care of system basics establishing firewalls, protecting against hacking, and other technical aspects of security. Any firm looking to establish knowledge and information as trade secrets and then protect them needs to take similar steps.

The issue with Apple, however, as noted by the court, was a lack of social control resulting in an inability to stem the leak or identify the culprit. Contemporary competitive intelligence (CI) activity and other attempts to harvest knowledge and information from targeted organizations often rely less on espionage, outright theft, or computer hacking than on simple techniques focusing more on social interactions. CI operations will monitor public appearances, listen in on conversations at places such as airports and local bars, call and request information, use human intelligence such as collaborators or former employees, and numerous other social engineering tools (Rothberg & Erickson 2005). Even if a firm takes care of the technical details and the legal prescriptions, if the human element in its protection systems is lacking, then the firm can be deemed to have not taken proper steps to protect its knowledge assets. Without proper training or systems to vet knowledge or information releases, organizations can fail to meet the required protection standard for trade secrets. Thus,

the court's decision regarding Apple's losing the information and then being unable to track the leak. With better systems, the firm would have been better to keep the lid on its own secrets, negating the need for a court action altogether. One could question whether the court is setting too high a standard for protecting knowledge assets, but the basic point is clear. A firm seeking to protect its trade secrets need proper systems from legal, technical, and procedural points of view.

The last question facing firms is what constitutes a journalist. The position of the court concerning the legitimacy of e-publications, including basic news sites updating constantly, is hard to argue with. Millions of people get their news through web-based sources such as Yahoo, MSN, and CNet. There is little doubt that courts will continue to treat certain websites and related blogs as legitimate press. The outlying question is where the line is drawn. The court explicitly refused to define what a journalist is and what it isn't. It did eliminate the notion that anyone publishing a blog was a legitimate journalist, suggesting that it needed to come from a website periodically updating its offerings, in the manner of a print publication sending out issues. This, of course, is still a pretty broad definition.

One limiting principle advanced by Apple but rejected by the court was the lack of editorial judgment at the websites in question. The court's reasoning was that newspapers and other media publish supporting documents as is all the time, without editorial changes. This seems unlikely to hold up. The mainstream press does do this, but it also publishes most content after editorial review (and there is editorial judgment concerning what unchanged documents to publish. If all, or even most content on a website, is unedited postings or blogs, it will be interesting to see if future courts treat the site as a publication and the posters as journalists. The impact of this court ruling seems likely to be more limited than it might first appear. The vast majority of blogs probably aren't going to be treated as journalistic endeavors and subject to reporters' shield protections.

CONCLUSIONS

In many ways, the burden of monitoring and controlling e-publication of sensitive information or knowledge falls upon organizations themselves, even when apparent legal options are available. Internal corporate and external employee blogs are generally deemed to be under the control of the firm. Proper procedures need to be in place to control the knowledge and information flowing through such conduits.

Outside blogs are much harder to control. Slam sites are an annoyance but usually don't have access to

really damaging proprietary knowledge. Fan sites, counterintuitively, can be a much greater threat since they can have access to and a motivation to publish internal knowledge. The Apple case has clarified some matters in dealing with such sites while complicating others. The court minimized the crime of trade secret theft while placing a more significant burden on firms to prevent such thefts. It also extended journalist protection rights to a very wide range of websites. Other legal trends, especially outside California, suggest that trade secret theft might not be so easily dismissed. Common sense suggests that not all blogs are written by journalists. But until such matters are better clarified in the law or further decisions, firms are well-advised to take care with proprietary knowledge.

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The Reach and Richness of Wikinomics: Is the Free Web-Based Encyclopedia Wikipedia Only for Rich Countries?

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In this paper, a model of the patterns of correlation in Wikipedia, reach and richness, lays the foundation for studying whether or not the free web-based encyclopedia Wikipedia is only for developed countries. Based upon data from 12 different Wikipedia language editions, we find that the central structural effect is on the level of human development in the current country. In other words, Wikipedia is in general, more for rich countries than for less developed countries. It is suggested that policy makers make investments in increasing the general level of literacy, education, and standard of living in their country. The main managerial implication for businesses, that will expand their social network applications to other countries, is to use the model of the patterns of correlation in Wikipedia, reach and richness, as a market screening and monitoring model.

Within the last decade, we have been approached with many promises in regards to information and communication technologies' abilities to lift developing countries out of poverty. We have learned from powerful businesses and political leaders that the Digital Age will leave four qualities that will result in decentralizing, globalizing, harmonizing, and empowering, (Negroponte 1995) because of the "dissolving" of distance and the "flattening" of the world (Cairncross 1997). In other words, the "playing field" is being leveled for companies and especially individuals from all parts of the world, resulting in more frequent and intensive collaboration and competition, benefiting people and companies in poor, emerging, and transition countries (Friedman 2006). This has given rise for "A new art and science of collaboration" called *wikinomics* based upon the Web 2.0 idea where "all participating in the rise of a ubiquitous platform for computation and collaboration, that is, reshaping nearly every aspect of human life" based upon ideas of "openness, peering (peer production), sharing and acting globally". The reason for this development is the availability of "New low-cost collaborative infrastructures—from free internet telephony to open-source software to global outsourcing platforms—allowing thousands upon thousands of individuals and small producers to co-create products, access markets, and delight customers in ways that only large corporations could manage in the past" (Tapscott &

Williams 2006). In other words, for poor, emerging, and transition countries, these thoughts sound almost too good to be true. Instead of being at the outskirts of the global economy, the development of the free or low-cost internet-based content and applications makes it possible for underdeveloped countries to compete and collaborate on the same level as the developed countries.

In order to explore these golden promises, the paper will be organized as follows: After a short introduction to Wikipedia and the related research questions, the following section will provide an overview of the empirical foundation. Before the discussion of the findings, the reach and richness of the terminology will be operationalized. The conclusion and implications for policy makers and further research will end the paper.

INTRODUCTION TO THE WIKIPEDIA PHENOMENA

Wikipedia will be the case used in order to challenge the golden promises discussed above. If Microsoft is an icon of the global development of the IT-based society and if Amazon and eBay are icons of global e-commerce, Wikipedia is rapidly becoming a global icon of the new Web 2.0 development. Wikipedia is often used in the description of Web 2.0 compared to Britannica Online which is exemplifying the Web 1.0 application (Baumann 2006; O'Reilly 2005; Tapscott & Williams 2006). Britannica Online content is written, edited, and published by a selected group of people, in much the same way physical books are published. At Wikipedia, anyone can add to the collective pool of knowledge, and anyone can access it for free. Wikipedia is an encyclopedia created by user-added content that is made to change on a continuous basis. Before Web 2.0, the exchange of lexicographical information was mostly one-way. This created much debate about the accuracy of the entries in Wikipedia (Economist 2006a; Economist 2006b; Economist 2006c; Economist 2006d; Giles 2005; Korfiatis, Poulos, & Bokos 2006) where the general dispute has been about whether or not to believe that there is one source of truth coming from the expert or if there are multiple sources of truth coming from the common "herd". This is also explained briefly on every Wikipedia (2006) article: "As with any community-built reference, there is a possibility for error in Wikipedia's content — please check your facts against multiple sources and read our disclaimers for more information." In other words, Wikipedia content has already been a

case for discussion, in terms of the quality of the Web 2.0 ideas, because of the openness, peering (peer production), sharing, and acting globally.

What has not been questioned is: who actually participates? This is the question of the digital divide; the gap between those with regular, effective access to Wikipedia and those without. Who is able to use Wikipedia for their own benefit and who is not? Instead, the enthusiastic messengers of the greatness of Wikipedia simply state that Wikipedia makes “anyone with an Internet connection a potential resource” (Baumann 2006), to participate and contribute because “all one needs is a computer, a network connection, and a bright spark of initiative and creativity to join in the economy” (Tapscott & Williams 2006). So, Wikipedia's promise of the liberation of human knowledge is for “everybody who has access to the internet” (Economist 2006d). However, the Internet only covers approximately 15 percent of the world's population (International Telecommunication Union 2006) and the 2005 UNCTAD report shows that, while in some developing regions the number of Internet users has grown substantially, overall, the gap between developed and developing countries remains wide. And, the quality of connections is just as important as their numbers. While some countries have seen spectacular growth in broadband access, there are still large variations worldwide (UNCTAD 2005). The broadband access is seen as especially important because the full-scale participatory media, as Wikipedia presumes, is “always-on” and there is always broadband access to it, as opposed to the availability of internet, which is now an “old” phenomenon. (Economist 2006a).

In other words, there is a need for research that investigates the reach and richness of Wikipedia with a focus on the contributors of content, in order to understand who is open to work together in the sharing of knowledge? Is Wikipedia only for the rich countries?

Hopefully, the study will contribute to a greater

understanding of the relationship between reach and richness and help to comprehend how developing countries could take further advantage of ICT/Internet interactions and specifically participate in wikinomics, in order to promote economic growth and the quality of life (as promoted by UNCTAD (2001; 2002; 2003; 2004; 2005) for some years).

DATA

With the aim of understanding the possibilities for poor, emerging, and transition countries to gain access to shared knowledge on the same level as developed countries, 12 countries have been included in the sample out of the 182 active Wikipedia editions/languages (Wikipedia contributors 2007c).

We have chosen to select among the 12 most rapidly developing economies: Brazil, China, The Czech Republic, Hungary, India, Indonesia, Malaysia, Mexico, Poland, Russia, Thailand and Turkey (Aguiar et al. 2006). However, some of the countries have not been selected because the language in the country does not relate to the current country alone. This is the case with Brazil, China, Mexico and India.

In order to have an opportunity of comparison with highly developed countries; Japan, Germany and Denmark are included in the sample because these countries have their own more or less exclusive official language. Based on the sample, we are able to gain knowledge about how developing countries could take further advantage of ICT/Internet interactions and participate in Wikinomics, in order to promote economic growth and the quality of life.

TABLE 1, showed below, gives an overview of the 12 Wikipedia editions/languages included in the study and the related analytical variables.

TABLE 1: THE 12 WIKIPEDIA EDITIONS/LANGUAGES INCLUDED IN THE STUDY

Country	Language	Creation date (Zachte 2007a)	Speakers millions estimates in Wikipedia contributors (2007b)	HDI (UNDP 2006)	Internet Users per 100 inhab. 2005 (International Telecommunication Union 2006)	Broadband Users per 100 inhab. 2004 (UNCTAD 2005)	Contributors (Zachte 2007a)	Edits per article (Zachte 2007b)
Czech Republic	Czech	2002-11	12	0.885	49.97	0.7	1554	14
Denmark	Danish	2002-02	5.3	0.943	52.55	18.7	1349	15.2
Germany	German	2001-05	100.1	0.932	45.35	8.4	38959	33.5
Hungary	Hungarian	2003-07	14.5	0.869	29.71	3.7	1247	16.8
Indonesia	Indonesian	2003-05	163	0.711	7.18		648	7.7
Japan	Japanese	2002-09	125	0.949	50.2	14.6	13787	26.3
Malaysia	Malay	2002-10	23.6	0.805	36.96	1	213	8.7
Poland	Polish	2001-09	44	0.862	25.95	2.1	7162	13.7
Russia	Russian	2002-11	167	0.797	15.19		4262	15.2
Thailand	Thai	2003-03	46.1	0.784	11.03		556	15
Turkey	Turkish	2002-12	61	0.757	21.86	0.7	1749	14

REACH OF AND RICHNESS IN THE WIKIPEDIA NETWORK

In this paper, Wikipedia is understood as being a global network of the new media, which is at the root of cultural expression and public opinion in the Information Age. Normally, language is understood as the most important platform for cultural expression and public opinion (Hollensen 2004; Usunier 2005), so in this paper, we recognize that Wikipedia, in the start of 2007, consisted of 182 networks because Wikipedia is available in 182 active editions/languages (Wikipedia contributors 2007c).

In each language, the Wikipedia network consists of two interconnected layers of network, namely the articles' network and the contributors' network (Korfiatis et al. 2006) where the articles represent the contribution that is created and edited by the contributors. Because reach of the network is defined as the number of people exchanging information, (Evans & Wurster 1997) we can define the reach of the Wikipedia network as the number of contributors. The two layers of network are interconnected in the collaborative editing activity, which covers Evan's & Wurster's definition of richness as the three information aspects bandwidth, customization and interactivity. When editing alone is an interactive customization activity, we are left with the bandwidth aspect. We can then define the richness in the Wikipedia network as the amount of edits per article. When measuring the relative differences between the different Wikipedia languages, data generated on a

monthly basis by Wikimedia (Zachte 2006) can be used, namely edits per article, as a proxy for the richness and the number of contributors as a proxy, for the reach of the network, when contributors are Wikipedians who edited at least 10 times since they arrived and edits per article are the mean number of revisions per article.

In order to recognize the limitations of reach and richness of the Wikipedia networks, the number of speakers of the languages under investigation is a delimiter in itself. Therefore, the Wikipedia penetration rate has been calculated as the contributors per one million speakers. However, several additional structural effects are useful. Firstly, it is recognized that the characteristics of the external environment affects how value is created in e-business (Doern & Fey 2006). Because editing at Wikipedia does not involve transactions, we have only included some of the characteristics suggested by Doern & Fey (2006). We use the Human Development Index (HDI), which "is a comparative measure of life expectancy, literacy, education, and standard of living for countries worldwide... It is used to determine and indicate whether a country is a developed, developing, or underdeveloped country and also to measure the impact of economic policies on quality of life... and has been used since 1993 by the United Nations Development Programme in its annual Human Development Report" (Wikipedia contributors 2007a). We use this index to distinguish between developed, developing, and underdeveloped countries and we use it as a proxy for the level of human development in the current country. Other structural effects are also mentioned by Doern & Fey (2006) as the

availability of internet connections and the country's telecommunication infrastructure. Secondly, structural effect relates therefore to internet penetration because of the clear reason that the contributor needs to have access to the internet in order to edit articles (Baumann 2006; Economist 2006d; Tapscott & Williams 2006). The fourth structural effect is the broadband penetration used as a proxy for the telecommunication infrastructure. The broadband access is important while full-scale participatory media, as Wikipedia presumes, is not only the availability of the internet as being widespread, "always-on", and that there is broadband access to it (Economist 2006a).

In the Wikipedia contributor network, the network effect is the characteristic that causes Wikipedia to have a value to a potential contributor which depends on the number of other contributors who edit articles. The network effect is when the value of a resource depends on the number of users of the resource (Shapiro & Varian 1998). Therefore, will the users become an evangelist of the service (Kelly 1997; Kelly 1998)? In

Wikipedia, the network effects are simple: More contributors means more interaction, which equals more articles and this will increase the editing activities that will attract more contributors. In other words, the reach, as number of contributors, and the richness, as edits per articles, are expressions of the network effects. Additionally, the interaction over time has also an expression of network effects. In order to understand the opportunities of reach and richness of the Wikipedia networks, the days of operation have been counted from the creation date of the current Wikipedia language edition to the date of March 1, 2007.

DISCUSSION OF FINDINGS

In order to understand the linear relationships among the different dimensions, a simple correlation analysis has made the basis for the analysis of the patterns of correlation in the Wikipedia, reach and richness, which is illustrated in FIGURE 1.

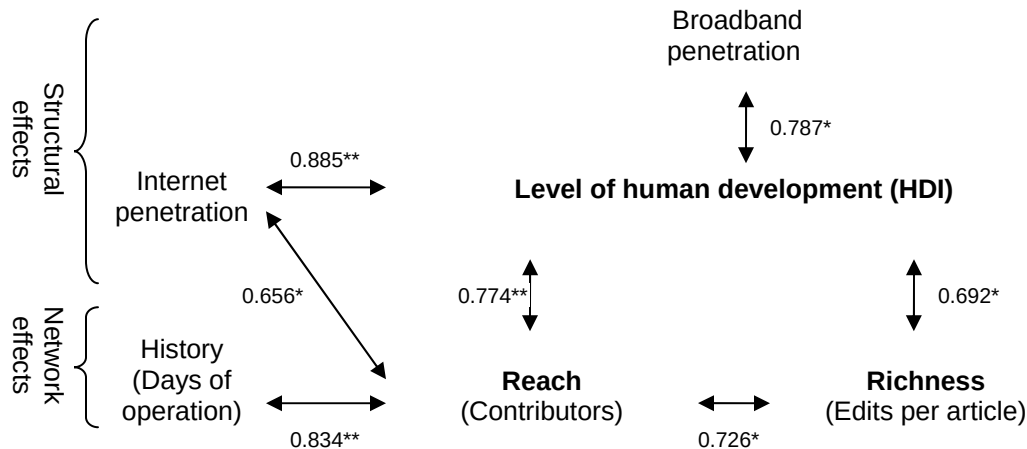


FIGURE 1: PATTERNS OF CORRELATION IN WIKIPEDIA REACH AND RICHNESS

No The main finding in this study is that the central structural effect is the level of human development in the current country, which means that Wikipedia is, in general, more for the rich than for the poorer countries. However, much more can be learned about reach and richness of the Wikipedia network.

First of all, we find a linear relationship between reach and richness so we can confirm that more contributors mean more interaction in terms of more articles and therefore, more editing that will attract more contributors. In regards to network effects, we also find a very strong relationship between the history and reach, which seems natural because the older the Wikipedia network is, the more contributors will have to be (self) recruited.

Besides the linear relationship with reach, the richness of the Wikipedia network is only a subject for correlation with the level of human development. The

structural effect on richness can be argued as the higher the level of literacy, education, and standard of living in the country of the contributor, the better equipped the contributor is for editing. Vice versa, the more the articles are edited, the better affect these articles may have on enhancing the level of literacy, education, and standard of living in the country.

This is also true for the understanding of reach of the Wikipedia network. The structural effect on reach can similarly be argued as the higher the level of literacy, education, and standard of living in the country of the contributor, the better the chance for attracting more capable contributors and vice versa, the more contributors enhance their skills and knowledge by editing, the greater the chance is that these contributors will collectively enhance the level of literacy, education, and standard of living in the country.

An important note is that there seems not to be a

correlation between the history network effect and the internet penetration structural effect. In other words, there is no reason to believe that the level of internet usage in a current country initialises an early start of a Wikipedia network in a language related to the current country.

Based on this analysis of the correlation patterns of the Wikipedia, reach and richness, there are reasons to believe that developing countries could take further advantage of ICT/Internet interactions, especially by participating in wikinomics, in order to promote economic growth and better quality of life. However, the level of human development is the basis. This means that countries with a higher level of human development have a competitive advantage over countries with a lower level. So, the development of the free or low-cost internet-based content and applications does not necessarily make it possible for underdeveloped countries to compete and collaborate on the same level as the highly developed countries.

So what can be done? **FIGURE 1** illustrates that investing in technological infrastructure is not sufficient, if the policy makers in a country want to facilitate participation in the Wikipedia network. Although there is a linear relation between the level of internet penetration and reach of the Wikipedia network, there is a stronger linear relationship between the level of human development and internet penetration. Also, there is a linear relationship between the level of human development broadband and penetration. All things considered, the overall picture is that the level of human development is crucial for participating in sharing knowledge at a global scale, in order to promote economic growth and improve quality of life. Access to low-cost internet-based content and applications will not be sufficient enough. So, the most important investment which policy makers can pursue is increasing literacy, education, and the standard of living in their country.

CONCLUSION AND IMPLICATIONS

Based upon the model of the patterns of correlation in Wikipedia, reach and richness, we can draw some conclusions and implications from this study. This study aimed to explore whether or not the free web-based encyclopedia Wikipedia was only for rich countries. We found that countries with a high level of human development, which normally are rich, highly developed countries, have a greater chance to participate, than countries with a lower level of human development, which are the poor, emerging, and transition countries. However, we also found that there are reasons to believe that participation in Wikipedia, as the illustrative case of wikinomics demonstrates, can enhance the level of human development in a current country. In answering this study's research question regarding whether or not

Wikipedia is only for rich countries, it was found that there is reason to believe that poorer countries can benefit from the Wikipedia network. But, it will be the richer countries that will gain and benefit the most because of their more frequent and intensive collaboration and competition in wikinomics.

These findings contradict the golden promises (Cairncross 1997; Friedman 2006; Negroponte 1995) discussed in the beginning of the paper. In contrast to the enthusiastic messengers' statements about the greatness of Wikipedia, and that an Internet connection is the only precondition for participation, (Baumann 2006; Economist 2006d; Tapscott & Williams 2006) we can conclude that sufficient technological infrastructure is not sufficient enough alone. The high quality broadband connection especially, does not have a direct relationship with reach and richness.

These findings relate to the question of digital divide and this study is very much inline with earlier research which has emphasized the importance of the external environment in e-business (Doern & Fey 2006) and that e-policy making (Barzilai-Nahon 2006) is not only a question of the country's level of technological infrastructure but that socioeconomic factors also need to be considered.

The implications for the policy makers are relatively straight forward. Besides investment in a sufficient technological infrastructure, in order to facilitate access to low-cost internet-based content and applications such as Wikipedia, and other social network applications, the most important investment is one which focuses on increasing the general level of literacy, education, and standard of living in their country.

The managerial implications for businesses that will expand their social network applications to other countries, is that the model of patterns of correlation in Wikipedia, reach and richness, can be useful as a market screening and monitoring model. From this point of view, the level of human development in the current country will be the most important market raking factor because the higher the level of human development, the higher the chance of gaining high reach and richness of the social network application in question. The technological infrastructure can also be seen as vital, but will not be a complete market screening factor. In other words, in a global world of wikinomics, a traditional market screening model based upon political, economical, socio-cultural and technological factors can still do the job.

In this study, we have joined language and country together as the same phenomena covering the same group of people. This is one limitation to the study. Wikipedia does not categorize the different language editions by countries or nation-states. There is not necessarily a correlation between nation-states and languages. In fact, Ohmae (2005) argues that "it is a misfortune that language has become tied so intimately

to the nation-state". However, available structural variables are categorized by countries. In order to overcome this barrier of comparison, based upon structural effect, we have chosen countries with an exclusive language. It was also a limitation that many of the most developed Wikipedia networks are based upon languages that are not exclusive to one country and we were not able to analyze these. It is particularly paradoxical that the English version of Wikipedia, being the far most comprehensive edition, consists of almost half the total Wikipedia network. English is "the lingua franca of the global economy and the de facto standard in cyberspace" (Ohmae 2005). However, "it does not mean that the appeal of operating globally removes the obligation to localize" (Ohmae 1989). Additionally, it can also be argued that "the wider the reach, the greater the number of regional and national preferences will encounter... The differences that persist throughout the world despite its globalization affirm an ancient dictum of economies – that things are driven by what happens at the margin, not at the core" (Levitt 1983). Altogether, there is a need for further research which investigates the relationship between the language and country of origin, in social networks like Wikipedia and similar Web 2.0 applications.

There is no doubt that languages are an important identity in social networks when social networks are understood as global networks of the new media. The language is understood as the most important platform for cultural expression and public opinion (Hollensen 2004; Usunier 2005). Therefore, an important avenue of research, which has not been taken up in this paper, is to investigate the relationship between the different Wikipedia languages and the corresponding cultural identities as low- and high-context cultures (Hall 1968) and/or work related national cultural differences (Hofstede 1984; Hofstede 1994; Hofstede 2006). It could be hypothesized that contributors from low-context as well as small power distance and individualistic cultures would be more suited for expressing their opinions explicitly in the Wikipedia network, where people from high-context as well as from high power distance and collectivistic cultures would avoid these kinds of explicit expressions.

Furthermore, other social networks could be investigated in order to strengthen the understanding of the suggested model of patterns of correlation in Wikipedia reach and richness. In this way, we could determine if the findings in this study are exclusive to Wikipedia. Other interesting cases that are closely connected to Wikipedia, in terms of professional knowledge sharing, are the professional career network, like LinkedIn, (2007) and the research dissemination network, like the Social Science Research Network (SSRN 2007). More consumer oriented social networks, like MySpace (2007), and YouTube (YouTube 2007) could also be interesting cases to investigate.

Finally, we have shown that there are reasons to believe that developing countries could take further advantage of ICT/Internet interactions by participating in the Wikipedia knowledge network, in order to promote economic growth and quality of life. But, we have also shown that the level of human development is the basis. Internet penetration is not the only complete and sufficient variable as Negroponte once said: "that is the Internet that will and has become the greatest agent of change" (Negroponte 1995). With that said, let us conclude by looking towards the future with an open question: Does Wikipedia build bridges and forge alliances to the benefit of developing nations? (paragraph).

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Customer Databases as Customer Exploitation? Technologies for 'New Marketing'

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Customer databases represent a powerful response to the fast-changing tastes and fluid identities of the postmodern consumer elites (Featherstone 1991). By capturing consumer actions and activities in ubiquitous fashion and minute detail, databases become repositories of complex consumer lives by turning behavior into abstract aggregates of individualized and individualizing data points. Once consumption has been dematerialized and made available as coded, standardized, and manipulable data, there are no more limits to the construction of difference, to classification, and to social sorting (Lyon 2001). The electronic customer list has come to visualize consumption, or rather consumer life phenomena, at the microscopic level leading to a reorganization of the gaze of marketers and the way marketing practice configures and controls spaces of operation and forms of capitalization (Zwick and Dholakia 2004). It is this combination of consumer surveillance, individualization, and ultimately exploitation that characterizes what we elsewhere refer to as the age of Total Marketing (Zwick and Dholakia 2004).

Marketing's use of panoptic market research techniques for maintaining control over increasingly mobile and seemingly capricious consumer subjects has a history that goes back to at least the 1950s (see e.g. Arvidsson 2004; Miller and Rose 1997). Nevertheless, the sheer amount of data produced by contemporary electronic consumer surveillance, the computer power available to analyze this tsunami of information, and the speed with which epistemic regimes of difference can be manufactured are historically new and qualitatively radically different from any previous forms of market research (cf. Castells 2001). Indeed, according to Arvidsson (2004, p. 457) it is now possible to capture the "physical, social and cultural mobility of social life, the moving about between environments and activities that has become a key characteristic of post-modern life." In other words, the ability to capture virtually all of consumers' market activities turns life itself into the raw material for the production of consumer representations as information commodities.

In this paper, we therefore wish to explore the increasingly important yet in the critical literature largely overlooked relationship between consumer surveillance, increasingly sophisticated customer databases and analytical techniques, and modern (or 'new' [Moor, 2003]) marketing practice. We argue that the emergence and proliferation of the customer database has given rise to

techniques, competences, expert systems, and productive units aiming not only at the supervision, administration, and anticipation of consumption but its exploitation for the production of consumer as commodities. Seen in this light database marketing becomes a form of biopolitics that acts economically because it is above all pursuing the extraction of surplus value – or as Waldby calls it 'biovalue' (2000) – out of (the purification) life itself (see also Arvidsson, 2004).

In this paper we would like to argue that the communicative structure under post-Fordism no longer configures production of goods and services primarily as the effect of consumption. Rather, in information capitalism the pressure to find new forms of capitalization see the collapse of the production-consumption dichotomy as consumers themselves now are part of the production side (see also Kumar 1995). We attempt to illustrate the change in the nature of production – the shift from an emphasis on the production of goods and services to that of consumers – from within the sites where customers are manufactured and marketed; that is from inside the field of new marketing practice. To this end, I draw on data collected during ongoing ethnographic fieldwork at a medium-sized customer intelligence company. However, additional data was collected at promotional workshops and through more than two dozen interviews with database marketers in medium-sized and large corporations.

I submit that the process of customer production consists of a three distinct practices: dematerialization, rematerialization, and purification. As we excavate processes of consumer bioproduction and concomitant configurations of consumer control we propose to extend our understanding of customer databases from one that regards them as "information machines" (Poster) to what they have become under the logic of post-Fordist regimes of value production and accumulation, namely production machines. I then detail how this form of "new marketing" (Moor 2003) posits consumption as labor and therefore extracts surplus value from the exploitation of consumer work. I suggest that this production strategy marks the most advanced and effective response to the contradictions of late capitalism.

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Durable Acquisition Patterns Over Time: Empirical Evidence from India

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The household utility function is significantly altered by the acquisition of durables and several researchers in the past have attempted to examine the acquisition patterns. Most of the prior research have focused on western nations like the US, UK and Australia and very little is known about non-western economies. Our paper focuses on India and we analyze a database of Indian households across two time points (1996 and 2002) to unfold the pattern of most and least possessed durables. Regression analysis of durable penetration rates for individual households seem to be explained by a set of common demographic factors like household income, wife's age, education as well as husband's education and occupation. The study sketches a vivid portrait of Indian households in terms of their possession of household durables and the results are compared to findings from households in more developed western nations.

INTRODUCTION

Household durables – production and consumption – constitute an important element of macro economic activity of many countries. In the affluent markets of North America, Western Europe and Japan (and other similar high-income countries such as Australia), household durables have reached a state of maturity as most households in these countries already own major durables such as TVs, refrigerators, microwave ovens, etc. and the emphasis has shifted to newer versions of a product category such as Plasma TV or front-load washing machines or to entirely new categories such as MP3 players. In the emerging markets such as India and China, a household's focus is on acquisition of durables for the first time, whether it be a TV or a refrigerator. These economies are growing faster than average and combined with their large populations and economic liberalization policies, the markets for household durables have become huge and attracted the interest of durable goods producers from around the world.

Because of their relative newness, very little is known about consumer acquisition of durables in these emerging markets. In many Asian and other non-Western societies, consumption beyond basic necessities is relatively recent and at low levels of income, the emphasis is on accumulating goods that advance the household's production as well as consumption functions. This research has been motivated to fill the gap that exists in the literature on consumer behavior in non-Western societies. In particular, this research addresses the priority pattern in acquisition of household durables in India and changes in the patterns over time. Not only is this research the first such effort to focus on India, it is the only research that attempts to examine the changes over time in any market.

The paper is organized as follows. First, the literature on durable acquisition patterns is reviewed. Although the evidence from Asia on the topic is very limited, it is also included in the review. Then the specific study on India is described including the data on Indian households and its analysis followed by a discussion of the findings. The paper ends with a conclusion and direction for further research.

Durable Acquisition Hierarchy

Past research has shown that there are distinct priority patterns in acquisition of durables. For instance, one of the earliest research on household acquisition of durables was published by Pyatt (1964) who tested the order on a U.S sample and Paroush (1965) who tested it on a set of Israeli households. According to Paroush (1965), the order observed in the Israeli households was radio<cooker<fridge<washing machine. Since then, several researchers have attempted to discover the order of durable acquisition in various countries. (Table 1 summarizes the various orders observed).

In the various analyses, the list has included durables that may be classified as utilitarian (e.g. fridge, vacuum cleaners) as well as hedonic (e.g. radio, tv). In most cases, the durables have been household rather than personal (for instance, radio rather than wrist watch) that were available for use by any member of the household, although there are differences in the most likely user of certain durables.

**TABLE 1: ACQUISITION OF DURABLES
A SUMMARY OF FINDINGS**

Author	Country	Year	Publication	Order
Paroush	Israel	1965	Econometrika	Radio<cooker<fridge<washing machine
McFall	USA-Urban	1969	Journal of Marketing	Electric iron<automobile<electric toaster<radio<vacuum cleaner<fridge<B&W TV<phonograph<electric shaver <washing machine<electric dryer<food freezer<electric skillet<electric blanket<ac<outboard motor<broiler
	USA-Rural		Journal of Marketing	Electric iron<automobile<fridge< radio<vacuum cleaner< electric toaster <B&W TV< washing machine <phonograph <electric shaver< < food freezer<electric skillet<electric blanket< electric dryer<ac<outboard motor<broiler
Kasulis, Lusch & Stafford Jr.	USA	1979	Journal of Consumer Research	1 st TV<1 st vehicle<fridge<cooking range< washing machine <stereo<dryer<2 nd vehicle<dishwasher<2 nd TV< freezer <microwave
Clarke & Soutar	Australia	1982	Journal of Consumer Research	fridge<washing machine<vacuum cleaner< color TV<power drill<lawn mower<stereo<deep freeze unit<A/c<food processor < clothes dryer<video recorder<swimming pool<electric dishwasher<microwave
Dickson, Lusch & Wilkie	USA	1983	Journal of Consumer Research	fridge<washing machine<color TV<sewing machine < cooking range <dryer <stereo <freezer <dishwasher <ac< microwave< video recorder
Soutar, Bell & Wallis	Australia	1990	European Journal of Marketing	Fridge<vacuum cleaner<washing machine<color TV<power drill<lawn mower <stereo <freezer <ac <food processor< dryer<video recorder<swimming pool<dishwasher< microwave
Soutar& Cornish-ward	Australia	1997	Applied Economics	Fridge<vacuum cleaner<washing machine<1 st color TV< toaster<1 st car<stereo<microwave<lawn mower<deep freezer <2 nd car<food processor<dryer<electric shaver<large space heater<juicer<solar hot water heater<computer<car phone

But as can be observed from Table 1, the specific list of durables included by various authors has varied a great deal. McFall (1969) for instance, included automobile and Soutar and his colleagues (1990, 1997) included swimming pool and lawn mower.

There are many similarities as well as differences in the observed pattern of durable acquisitions. Before we discuss the similarities, it is important to note that the time period when the data was collected has varied – data in the studies reported in Table 1 ranges over three decades - contributing to some of the observed

differences. Availability of household durables has changed considerably over those years.

For instance, radio has been a more common durable than TV because TV availability followed radio. If a particular analysis was based on data collected at a later

period of time, then TV was more popular (e.g. Dickson, Lusch & Wilkie 1983).

Among the early set of durables owned by a household in any country, there is a mix of entertainment and utilitarian durables. In examining the hedonic vs. time-saving devices, Bowden and Offer (1996) note that “since the 1920s, households on both sides of the Atlantic have consistently given priority to leisure appliances over housework durables” (p. 246) and cites the faster diffusion of radio and TV over other household durables.

Durable Acquisition in Asia/non-Western countries

In general, there is very little known about the priority pattern of durable acquisition in non-western economies. Because of distinct political, economic and social conditions, many differences are to be expected in

the acquisition and use of household goods. In South Korea, for instance, the high cost of housing has affected the priority patterns, particularly among younger consumers (Kim 2000). In China, the one-child policy has affected the marriage market and consumption has become an important attribute; so the priority pattern has been heavily influenced by younger consumers who attempt to signal their status in the marriage market (Fan 2000).

Some data on urban China is used by Fan (2000) to note the following:

- The first “big four” durables owned by households were sewing machine, watch, bicycle and radio;
- Then the “big six” were color TV, fridge, electric fan, washing machine, tape recorders;
- The “third group” appeared to be video recorder, hi-fi, air conditioning and computers.

In reviewing consumption in Asia, Beng-Huat (2000, p. 23-24) notes that “a family would likely attempt to climb the next rung up when it was in possession of all the items that constituted a lower rung” (p. 23), implying a well-established hierarchy in the clusters of durable goods acquired by households.

Hierarchy Pattern in India

India has been in the news lately due to its dominance in the back office operations that has attracted outsourcing of such services from high cost economies. India, like China, however, is of interest because of the sheer size of its market. It is one of the largest economies in the world and one of the fastest growing in recent years. In the early 1990s, India liberalized its economic policies which have led to a surge in private investment, production and consumption activities. Even though the average per capita income is low, the small minority of high income consumers constitute a huge market due to the sheer size of the country’s population.

India represents an interesting case study because it exhibits not only the “imitative” behaviors of a latecomer to the world of consumption, like so many other non-Western economies, but also the creative” behaviors of a country that is diverse geographically as well as culturally. Due to the descriptive nature of this research, no specific hypotheses have been generated to guide the empirical work.

METHODOLOGY

Data Collection

As part of its commercial services, Pathfinders, a research group based in Mumbai, India regularly surveys households on various consumption related attitudes and behaviors. One of these studies is a large scale survey

where a female member of the selected household is interviewed in person by a trained interviewer and a detailed structured and printed questionnaire is used to ask and record responses. Stratified sampling is used to select households from various geographical units within the country. Research results in terms of market and brand shares, media habits and changing consumer attitudes and behaviors are sold as commercial reports to interested marketing organizations.

The data for 1996 and 2002 were made available to the first author for academic analysis. Inputted in SPSS format, the 1996 data was transferred to a PC format and data for both years were analyzed using SPSS14.0 for Windows. In this paper, we focus on West Zone data which were available for both years in order to examine changes in acquisition patterns over time.

Item selection and coding

Questions regarding durables related to possession (yes/no), brand, year of purchase and intentions to purchase in the next 6/12 months. A total of 29 durables was listed in 1996 and 36 durables in 2002 survey. We focused on the 23 items that were common to both years. The list was further revised based on the following criteria:

- 3 personal/individual use items were removed (camera, hair dryer, watch);
- 5 transportation items were removed as they related to external or (out-of-the-house) possessions (motor cycle, bicycle, moped, scooter, car).
- Black & white TV and color TV were combined to form a single item.
- Variants of a category (e.g. large/small color TV or landline/ mobile phone) were collapsed into one category (TV, phone).

This resulted in 14 items that were included for analysis as shown below.

1) Vacuum Cleaner	2) Air conditioner
3) Cooking Range	4) VCR
5) 2-in-1 music system	6) Radio
7) Stereo system	8) Sewing Machine
9) Washing machine	10) TV
11) Refrigerator	12) Telephone
13) Food Processor	14) Pressure Cooker

Sample and Data Preparation

The datasets contained 2864 respondents from 1996, and 2686 respondents from 2002, drawn from the West Zone of India. Table 2 provides descriptive statistics of the two samples.

**TABLE 2:
DESCRIPTIVE PROFILE OF SAMPLE
SELECTED STATISTICS - 1996 & 2002
WEST ZONE, INDIA**

	1996 Survey Sample	2002 Survey Sample
Age:		
< 30 Years	44.4%	36.9%
31 – 40 years	40.4%	45.6%
> 40 years	15.2%	17.5%
Education:		
< High School	57.4%	27.4%
H.S.	24.3%	49.6%
College Grad	18.3%	23.1%
Working Status:		
Full time	8.7%	9.2%
Part time	9.7%	8.5%
Not working	81.6%	82.2%
Education of Husband:		
< High School	34.8%	14.1%
H.S.	30.5%	42.7%
College Grad	34.7%	43.1%
Household Size:		
1-3 members	12.7%	17.3%
4-6 members	60.1%	67.6%
> 6 members	25.2%	15.1%
Family Type:		
Nuclear	63.9%	60.2%
Joint	36.1%	39.8%

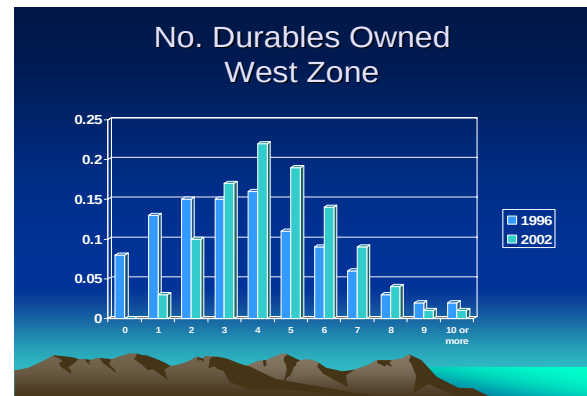
There are some systematic differences in the composition of the two samples, some of which reflect the changing socio-economic conditions of the country. For instance, education of both women respondents and their husbands show improvement from 1996 to 2002. Other characteristics are relatively constant; for instance, the vast majority of the women respondents does not work outside the house and live in joint family households.

RESEARCH FINDINGS

Penetration of Durables

A simple analysis of durable possession suggests that on average, West Zone consumers in India possessed **3.65** (number of durables) in 1996 which increased to **4.47** (number of durables) in 2002. By 2002, all surveyed households owned at least one durable and the most commonly owned durable in 2002 was likely to be a TV rather than a radio. This reflects the growing affluence of Indian households.

**FIGURE 1:
NO OF DURABLES OWNED; WEST ZONE**



Using total penetration of each household durable, we detect the following pattern of durable penetration in 1996: radio < cooker < sewing machine < tv < food processor < fridge; in 2002, the pattern had changed with radio and sewing machine disappearing from the sequence and phone taking its place in the pattern.

Household differences

In order to examine differences in household characteristics and durable adoption, we performed a regression analysis using age, education and working status of respondent, education and occupation of husband, type of marriage, family type, household size and income, dwelling type and ownership of home. As expected, socio-economic characteristics of households play an important role in determining the number of durables owned. For both years, the model had a good overall fit, although it was better in 1996 (adj. R^2 at 56.4%) than in 2002 (adj. R^2 at 36.6%). Detailed descriptions of the findings follow.

Within-Year Analysis: 1996

In 1996, the superior fit of the overall model show all predictors to be significant at alpha levels of 0.05 other than home ownership, and occupation types (1&2). The strongest factor explaining Indian household's durable ownership is monthly household income (0.36, 0.00). The wife's education (0.234, 0.00), age (0.16, 0.00) and working status (0.041, 0.00) contribute along with the husband's education (0.131, 0.000) and occupation (type3: businessmen / retailers / wholesalers /self employed) (0.08, 0.00). All these variables are positively related implying that wealthier, older and better educated individuals working in certain occupations are likely to possess a larger number of durables.

**TABLE 3:
REGRESSION OF DURABLE PENETRATION ON DEMOGRAPHIC CHARACTERISTICS**

	1996 Beta, (t, sig.)	2002 Beta, (t, sig.)
Model	Adj. R ² = .564 Std. Error=1.63 F=250.266, .000	Adj. R ² = .366 Std. Error=1.4488 F=119.152, .000
(Constant)	(-4.385, .00)	(-1.98, .048)
Prof/mgmt/executive	.016 (.831, .406)	.120 (3.217, .001)
Clerk/sales/supervisor/skilled labor	-.031 (-1.622, .105)	.088 (2.000, .046)
Businessmen, retail/wholesale/self employed	.082 (4.431, .000)	.164(3.588, .000)
Age of Respondent	.159 (11.027,0.00)	.069 (4.266, .000)
NO. of Family Members	-.028 (-1.865,0.06)	.055 (2.813, .005)
Family Type	.068 (4.2,0.00)	.008 (.425, .671)
Dwelling Type	-.147 (-9.961, 0.00)	-.010 (-.608, .543)
Working Status	.041 (3.019, 0.00)	.017 (1.08, .280)
Education of Respondent	.234 (11.834, 0.00)	.182 (9.149, .000)
Education of Husband	.119 (5.949,0.00)	.110 (5.288, .000)
Monthly Household Income	0.359 (20.461,0.00)	.368 (18.499, .000)
Ownership of Home	-.015 (-1.078,0.281)	-.046 (-2.874, .004)

a Dependent Variable: durable number

While dwelling type (-0.147, 0.00) is related negatively, it is due to the coding of the variable. Dwelling type indicates the nature of the dwelling and ranges from bungalows (free standing single homes, coded as (1) and slums (coded as 5). So, the results indicate that individuals living in bungalows and other more highly rated dwelling types tend to possess a greater number of durables. Family type – a joint family - seems to own more durables than a nuclear family (0.068, 0.001); however, family size (-0.028, 0.06) is related negatively.

Within-Year Analysis: 2002

While the overall model fit declined in 2002, it is still significant. Income, is, once again the single most significant predictor, (0.368, 0.00), followed by wife's education (0.182, 0.00) and husband's education (0.11, 0.00). While the businessmen /wholesalers/retailers/self employed category had the strongest relationship, (0.164, 0.00), the other two employment categories were also positively related (professional/ management/executive, 0.12, 0.00) and clerks/ sales/supervisor/skilled workers (0.088, 0.04). This meant that all three occupation groups showed higher acquisitiveness than the base category of unemployed or unskilled workers. Respondent's age (0.69, 0.00) and family size (0.055, 0.00) were also positively related but home ownership showed a significantly negative relationship (-0.046, 0.00).

Temporal Changes

There were a few commonalities observed over the two time periods. Socio-economic characteristics which were significant in explaining the number of durables owned in both years were household income, wife's education and age as well as husband's education and self-employment related occupation. Differences were in three categories:

- *Significant in 1996 but not in 2002:* Family type, dwelling type and wife's working status.
- *Significant in 2002 but not in 1996:* Certain occupation categories and home ownership.
- *Significant in both years but with opposite valence in relationships:* The only variable that fits this description is number of family members. Though larger families implied lower acquisitiveness in 1996, in 2002 larger family size indicated greater acquisitive abilities.

DISCUSSION OF FINDINGS

Like in China, the first set of durables owned by an Indian household is likely to be a radio and sewing machine. A wristwatch and bicycle were not part of the data included in the analysis. TV and fridge were also part of the commonly owned items.

The findings reported in this study can be closely compared to the research by Soutar, Bell and Wallis,

(1990) and Soutar and Cornish-Ward (1997) conducted in Australia. Our data on Indian households generated effect sizes (59% and 36%) which are higher than the Australian database (44% and 32%). Furthermore, the effects size for 1996 was higher than for 2002 in the Indian data. Based on these two comparisons, we can postulate that socioeconomic variables lose their significance at higher levels of economic development and it is likely that lifestyle and other psychographic variables emerge as explanations of consumer behavior. These latter variables have not been considered in any model so far that has examined consumer acquisition pattern of household durables.

In attempting to develop a multicultural model of consumer durable acquisition pattern, LaPlaca, Punj and Randazzo (1985) recognized that there are some general patterns moderated by specific variations that reflect culture specific values as well as individual differences. Our data on Indian households show a general pattern: radio < cooker (pressure) < fridge which is similar to patterns observed in various other countries. While in western households (US, UK and Australia) the first cooking-related durable appears to be a cooking range, in India it is a pressure cooker which is a time-saving durable. A cooking range is owned by very few households and is acquired much later in the hierarchy of durable adoption due to availability, price and other factors.

Several specific individual difference variables have been identified to contribute to the pattern of ownership. For Kasulis (1979), who investigated the pattern in Oklahoma, home ownership status was very significant. A primary reason is that certain types of durables are invariably included in rented homes in the U.S. (e.g. cooking range) and need not be acquired by tenant households. In India, however, ownership has a very different effect. First of all, home ownership had an effect in 2002 but not in 1996. We also included dwelling type in our analysis, which had an effect in 1996 but not in 2002. The great variations in dwelling patterns and the limited geographic mobility that prevail in economies such as India need further examination in order to uncover the spatial and ownership effects on durable acquisitions patterns.

Dickson, Lusch and Wilkie (1983) found the effects of age and income as we did in our study on Indian households. Household income is the single most important determinant of durable adoption in India as would be expected and as also observed by Soutar et al. (1990). However, income as an explanatory variable (std Beta = 0.36) is much stronger for both 1996 and 2002 than in the Soutar model (0.19). This is consistent with the overall fit of the model which declined between 1996 and 2002 and which was lower in the Australian data than in the Indian data.

The wife's age appears to be also very important and is positively related to the number of durables. Dickson,

Lusch and Wilkie (1983) had indicated that older households are likely to follow a different pattern than younger households; in our analysis, we were able to determine that older households are likely to own a larger number of durables since they have had the opportunity to acquire them over a longer period of time. We did not focus on the specific composition of the durable set. This needs further attention.

The data on Indian households included variables that were also more specific to India's cultural and socio-economic conditions. Family type (nuclear, joint) was included in this analysis and had a significant effect on durable acquisition in 1996 but not in 2002. We need to determine why. Similarly, family size can vary a great deal in India and it had a significant, but negative, effect in 1996 and a positive effect in 2002. Occupation categories also had different effects over time. In 1996, the self-employed category had an effect but in 2002, employed categories also had a significant effect. Perhaps, this reflects the emergence of a middle class based on salaried income as well as availability of credit that has made durable purchases easier. However, we can only speculate and need to assess the likely reasons for the changing shifts.

Other patterns observed in the data include the disappearance of radio and sewing machine from the list of durables commonly owned by Indian households. In 2002, TV had replaced the radio as the entertainment durable. This has happened in other economies as well. For sewing machine, the likely reason is more macro oriented as the increased availability of manufactured clothing replaced the need for home production. It is also likely that these durables lost their appeal as desirable goods. In discussing Jewish immigrant households, the author notes the shifting symbols of status in the rooms themselves (kitchen, parlor, bedroom, etc.) and therefore the artifacts that decorated the rooms (Heinze 1990). For instance, the sewing machine was a status symbol because it "signified both the need to labor and the aspiration to luxury" (p. 134) but due to it being a common possession in Russia during the late 19th century, Jewish immigrants from Russia did not consider it to be an "impressive" possession (Heinze 1990). Instead, the piano became a greater status symbol because it signified leisure and upper social class instead of the gas stove which signified housework (Heinze 1990). It is likely that similar social changes are taking place in India which need to be described and analyzed in future studies.

Conclusion and Directions for Future Research

Overall, this study contributes to research on durable acquisition patterns by examining not only a new economic and cultural context (India), but also temporal differences. The comparisons show that there are common patterns described by previous studies conducted in other countries. It is likely that other differences in

patterns will emerge that are attributable to demographic and cultural factors unique to the Indian sub continent.

This is the first attempt to describe the acquisition patterns in India. Past research have used specific analytical tools (such as Guttman method (1959) or Rasch analysis (1966)) to determine hierarchical patterns. In this paper, we have relied on penetration figures to infer the hierarchy of pattern. It is likely that some of the differences observed in the patterns are due to difference in the analytical tool rather than socio-cultural differences in the context. Future research can address the differences caused by the analytical tools.

In order to compare data from two years, we had imposed certain criteria to determine the list of durables to include in the analysis. This may have affected the hierarchy observed in 2002 since it excluded some durables available in 2002 but not available in 1996. We also collapsed certain durables into one – such as TV or phone – and in the process lost the detail among households who invested in a second item (e.g. second TV) rather than a different durable. We also excluded durables that were used outside the home – all vehicles – which differed from the ways past studies have included durables. Future research needs to consider these and other methodological issues.

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Tuesday, June 5

10:30 – Noon **Session 9**

910 Special Double Session: Twenty Years after Vietnam's Doi Moi: Toward More Elastic, Comprehensive and Meaningful Measures and Interpretations of Socioeconomic Development

See also Session 810.

Chair: Clifford J. Shultz, II, Arizona State University

915 - *Education, Household Welfare, and Marketization in Vietnam: 1993 – 2004*

M. Daniel Westbrook, Georgetown University

Hoang Van Kinh, Foreign Trade University – Hanoi

916 - *Doi Moi, the Mekong Region and the Cambodians Next Door: The Death of Transitional Trickle Down and Implications for Regional Well-Being*

Don R. Rahtz, The College of William and Mary

Clifford J. Shultz, II, Arizona State University

917 - *Social Marketing, Banking Knowledge and Economic Progress: Measuring Financial Literacy in Vietnam*

William Ardrey, University of Western Australia

Michael Keane, University of California-Los Angeles

Twenty Years after Vietnam's *Doi Moi*: Toward More Elastic, Comprehensive and Meaningful Measures and Interpretations of Socioeconomic Development

Clifford J. Shultz, II, Arizona State University, USA

In 1986, the government of the Socialist Republic of Vietnam initiated a policy to shift the nation's economy toward the market. That policy is known simply as *Doi Moi* – commonly interpreted as renovation, renewal, or restructuring. Initial implementation was directed toward agriculture, enabling farmers to select crops to grow, to set prices, and to retain a portion of their profits. Vietnam, in the span of three years, subsequently went from a net importer of rice to one of the world's three largest exporters. Increasingly liberal interpretations of "market socialism" have resulted in systemic changes to just about every sector of the economy, many social institutions, and even political institutions (e.g., CIA 2007; Dapice, Haughton and Perkins 1994; Karnow 1997; Shultz et al 1994; Shultz, et al 2006).

Outcomes, twenty years subsequent to the landmark *Doi Moi* policy, are remarkable. Vietnam has transitioned from one of the 10 poorest countries of the world, on the brink of famine and social unrest, to a country full of hope and promise. Vietnamese now take pride in nearly double-digit annual growth in GDP, diffusion of ideas and technologies, inclusion in the process of globalization, reduction in poverty at rates that exceed millennium goals set by the World Bank, and generally improved standards of living. Vietnamese, in short, now have many dreams – as well as fears – shared by consumer-citizens around the world (e.g., World Bank 2007; *Foreign Affairs* 2005; see also Shultz and Pecotich 1993).

This double session assembles scholars committed to the longitudinal study of Vietnam: its evolving policy changes, its impact on regional dynamics, its integration into the global economy, and the societal well-being of Vietnam and its neighbors. An objective of this session is to share some insights into Vietnam's transition, which are not typically captured in traditional measures of economic development. A secondary objective is to alert fellow macromarketers that there is considerable value to be derived from longitudinal study on transitioning marketing systems. Indeed, if scholars truly are to develop more elastic, comprehensive and meaningful measures and interpretations of socioeconomic development and welfare, serious commitment to longitudinal assessment from varied perspectives and tools is imperative; in embracing this commitment we recognize positions espoused in various forms by

macromarketers for nearly four decades (e.g. Slater 1968, Kumcu and Firat 1988; Shultz 1997; Klein and Nason 2001), with hopes to (re)inspire other macromarketers to use multiple methods and to engage longitudinal studies in complex marketing systems. Abstracts of presentations are found below.

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Education, Household Welfare, and Marketization in Vietnam: 1993 – 2004

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Vietnam's transition liberalized the labor market and promoted development of increasingly sophisticated manufacturing and service activities that require increasingly specialized skills. This paper estimates the extent to which these events have increased the contribution of education to household welfare for rural households. Our measure of household welfare is real per-capita household expenditures on all goods and services. Using household survey data from 1993, 1998, 2002, and 2004, we find that increases in marketization in the labor markets have economically substantial and statistically significant positive interactions with education.

The fact that households have several members raises the question of whose education matters. While one could use the median or average years of schooling in the household as a measure, we use two measures: the years of schooling completed by the working adult with the most years of schooling and the average education of all other working adults in the household. Our measure of marketization is the proportion of working adults who report working outside the household for salary or wages. We control for a number of covariates, including gender and age of the most educated household member, that person's employment sector, household size, and whether the household receives remittances from any domestic or foreign sources.

***Doi Moi*, the Mekong Region and the Cambodians Next Door: The Death of Transitional Trickle-Down and Implications for Regional Well-Being**

Don R. Rahtz, The College of William & Mary, USA
Clifford J. Shultz II, Arizona State University, USA

One cannot effectively evaluate Vietnam and the *Doi Moi* experience without considering the broader Mekong region and the neighbors that inhabit it. As the infrastructure of ASEAN continues its move toward integration, the region will find each of its economies increasingly tied to others' well-being. For example, Phnom Penh, Siem Reap, Sihanoukville, and Ho Chi Minh City will soon be linked by a highway system that allows a much more efficient movement of goods throughout the Mekong region.

Building from the research of Shultz and Rahtz (e.g., 2004, 2006a,b) the authors continue to focus on the investment and development in and around Siem Reap, the city most closely located to the UNESCO World Heritage site, Angkor Wat. The current study continues the examination by again using multiple methods, including naturalistic observation, and depth interviews in the region.

For the current study reported here, personal interviews were the main source of data. Depth interviews were conducted with government officials, consultants, entrepreneurs, residents of Siem Reap, and villagers from a 15 kilometer radius of Siem Reap in the summer of 2006. The interviews were conducted to gain insight on three issues: (1) the effects of FDI on the developing marketing system of that community, (2) subsequent catalytic potential for positive socio-economic development across sectors, and (3) community and individual well-being.

Informants were probed about the extent to which FDI has been drawn to Cambodia and Siem Reap in particular; whether FDI has contributed to overall positive development at various levels. Has this FDI, for example, made an impact on the overall quality of life for the local people of the area? Grossbart and Rahtz (2004) note that organizations (e.g., World Bank) that provide funding to support development often assume that economic expansion and growth will directly promote individual and

local well-being, in addition to the regional and national well-being. This well-being, however, can be rudely interrupted, or completely disrupted, when governance issues that impact the free flow of that FDI are corrupted.

In the preliminary assessment carried out by the authors, it has become clear that while initial policies have promoted development in Siem Reap, governance and transparency policies may be derailing the hoped for expansion of well-being for the local population. Much of the capital and investment that has come to Cambodia seems to have been lost in what we have called the "Governance Corridor." This element has been added to our GLOCAL model (Shultz and Rahtz 2004, 2006a) of development. In tracking the flow of investment and monitoring the population's mood, questions have also arisen regarding the role of FDI fostering peace and social justice throughout the country and region.

As the authors have noted before, investment is vital. But, while measures of societal welfare in Cambodia and especially Siem Reap are certainly better than they were a decade ago, the stark corruption that occurs within the Governance Corridor of the GLOCAL model now seems to be a critical factor for predicting whether Cambodia will make further progress toward societal well-being and regional integration or regress to a more autocratic society that creates wealth for the ruling elite. Given the history of conflict in the region involving the Cambodians and Vietnamese, it is crucial that the spirit of *Doi Moi* continue throughout the region *and* the benefits of such policies are enjoyed by all the people and not only those autocratic few. It is only then that Vietnam and the entire Mekong region can feel secure in a continued enhancement of shared Quality of Life.

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Social Marketing, Banking Knowledge and Economic Progress: Measuring Financial Literacy in Vietnam

William Ardrey, University of Western Australia, Australia

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Vietnam's banking sector is a useful metaphor for the country's transition process, and indeed for the socio-economic development within a range of formerly centrally-planned Southeast Asian countries. Newly offered financial services join a wide selection of tangible products on offer in the formerly communist nations of Vietnam, Laos, Cambodia and Myanmar. In actual fact, banking reform is a precondition for WTO accession for a range of countries in the region, notably Cambodia and Vietnam. In this study, which applies bank marketing theory to developing nation situations, consumer behaviour in Vietnam is studied from a savings, rather than spending perspective, with special emphasis on banking knowledge and financial literacy. Comparisons of Vietnam survey results on banking knowledge are offered, analyzed and compared to convenience samples in the USA and Australia (n=612). Conclusions suggest that, from a social marketing perspective, educated consumers are of critical importance for the establishment of healthy, domestic markets for financial services, savings and investments. Further and broader transition and greater economic welfare at the household level will be supported by a strengthening of the domestic banking system based on a stronger understanding of consumer wants and needs in these growing transition markets, and also support national strategies of reducing dependence on foreign investment.

Introduction:

Classical economic theory suggests that for economic development, a nation needs people, resources and capital. In populous and resource-rich Southeast Asia, capital for investment is the critical ingredient for the transition of underdeveloped nations to more prosperous states. In most developing Asian nations, such as China, Malaysia, Indonesia and Thailand, domestic and international capital have combined to provide adequate levels of investment to sustain rapid economic growth, to improve living standards, and to begin tackling major systemic, infrastructure and environmental challenges (Sasakawa, 1997). However, in Southeast Asian

Transition Economies¹ (SEATE's), especially Vietnam, these nations remain dependent on foreign capital because reforms of the state-dominated banking system have as yet failed to boost domestic savings rates (The World Bank, 2007). According to the *Economist* magazine "Asia's challenge is to make better use of savings than in the past, by letting markets, not mandarins, allocate capital, cleaning up banking systems, and cutting the red tape that stifles competition" (Economist, 1997b).

In this paper, consumer savings behaviour in SEATE's is examined, with a specific emphasis on the relationship between knowledge, consumer savings behaviour, bank selection and investing behaviour. Based on the economic psychology literature, psychological factors—especially knowledge and financial literacy—are identified as a key moderating variable in financial product selection. At the same time that, in transition economies, consumers are open to choices of services as well as products, and especially financial services, issues of regulation, public policy, consumer education need to be addressed from a social marketing perspective, concurrent to banking systems reforms recommended by multilateral institutions. A possible way out for nations such as Vietnam is to use knowledge in general and financial knowledge in particular, to promote savings and financial planning for the future among consumers. In nations where consumers work in fields such as agriculture and light manufacturing – labour intensive rather than capital or knowledge intensive industries—economic and financial literacy tends to be quite low, which complicates the diffusion of knowledge by institutions to consumers, and makes the information search and evaluation process problematic for SEATE consumers (Ortmeyer 1987, Ourtreville 1996). Studies have shown that consumer confidence in their financial knowledge has a positive impact on investment selection, and the amount of consumer knowledge has been demonstrated to impact the adoption of new services processes, risk perception, decision making style, and brand loyalty of consumers with respect to financial services in Asian economies (Copestake 1995). This study builds on this literature in developing a

methodology for measuring and comparing consumer financial knowledge, and in using knowledge for service marketing strategy development in SEATE markets.

Vietnam in 2007:

Economic growth in Vietnam is increasingly driven by foreign direct investment. Unfortunately, country experience in neighboring Thailand, and in Latin America, suggest that 'hot' money is not often delivering the sustainable growth rate desired by many emerging nations, which desire stability as well as economic growth. Figure 1, below (AFR 2007) demonstrates the surging foreign investment in Vietnam in 2007:

Surging foreign investment ...

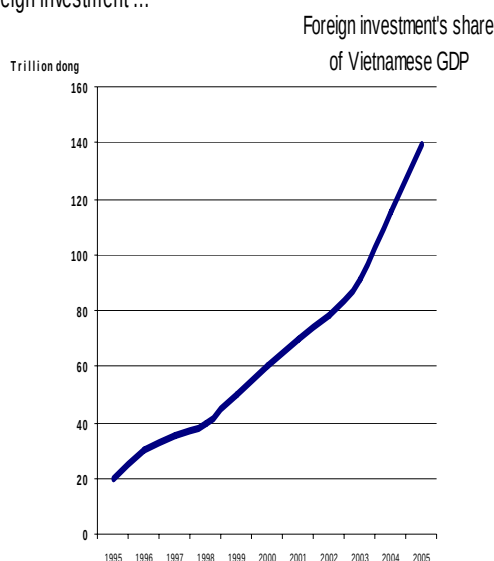


Figure 1:
Source: AFR (2007)

Foreign investment concurrently strengthens domestic currency. Whilst many emerging economies benchmark against the US dollar, the Euro, or other more commonly accepted currencies, nations with the experience of hyper-inflation and bank failures often avoid paper money savings altogether. Consumer goods, traditional stores of wealth such as gold, or even stockpiles of rice or foodstuffs offer a methodology to store wealth often more appropriate to environments where isolated and rural populations reside far from banking institutions. Thus fluctuations in currency valuation can create perceived risk of cash savings, as well as bank savings, in the mind of consumers and must be understood by both policy makers and bank marketers in SEATE's.

...pushes up the stock

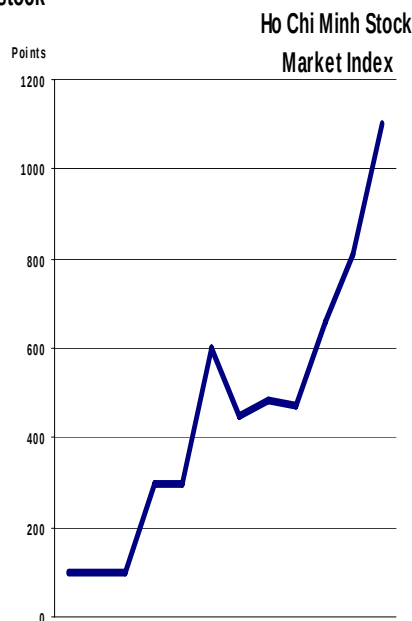


Figure 2:
Source: AFR (2007)

Recent events are illustrated in Figure 2, above. Capital market reforms in a theoretically communist country have led to surprising results in China, the ex-Soviet Union, and more recently in Vietnam (Economist 1997a). Whilst domestic participation remains low in the Stock Exchange, located in Ho Chi Minh City, rises in foreign direct investment are closely correlated with share market performance.

... and strengthens the

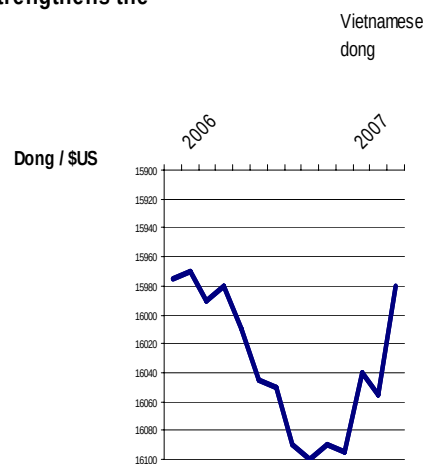


Figure 3
Source: The World Bank (2007)

Today, this creates a healthy market in Vietnam, but one susceptible and vulnerable to the whims of foreign direct investment.

Membership in multilateral organisations is increasingly dependent on a range of services industry reforms, including banking sector improvements. In particular, the World Bank has pressed continuously for capital markets and financial sector reform in Vietnam, Laos and Cambodia. As a requirement for World Trade Organization membership, talks on financial services reform in specific commenced in 2004, and banking sector was sufficiently in reform mode to permit the General Council to approve accession in January 2007 as the 150th member (www.wto.org).

Literature Review:

From a theoretical standpoint, the large rural markets of SEATE's offer a segment growing in attractiveness to bank marketers. The marketing and development literature demonstrates the power of sound banking. Also, emerging markets do not benefit consumers in the financial services sector if they become 'casinos.' In Asia, the clash between 'consumer culture' and 'Confucian' culture, moderated by socialist or communist culture, has created a situation where many consumers see improvement of quality of life via consumption alone as the best way out (Belk 1988; Arora, Cavasgil & Nevin 1985). The alternative-economically managing to save, whilst gaining the confidence and knowledge to invest, represents a more complex challenge, and harder consumer decision making process.

A neglected but important possible way out of this impasse for Vietnam and its neighbours can be found in employing macro marketing principles and marketing research techniques contained within the ambit of social marketing. Advances in marketing and consumer behaviour can assist in understanding the behaviours of consumers involved in the process of investing the surplus savings made possible by economic renovation and transition (termed "doi moi" in Vietnam) (Shultz, Que, Pecotich and Ardrey 1998). For policy makers, bankers and individual consumers, a marketing perspective most frequently conceptualised within the ambit of "macro marketing" or social marketing can offer a necessary supplement to economic reforms targeted at the banking sector, its customers and regulators (Bloom & Novelli 1996; Dholakia & Firat 1988). Dadzie et al (1989) applies social marketing theory directly to banking. Theoretical work in the social marketing field has identified a positive relationship between the economic process, managerial process and managerial philosophy of marketing and the socioeconomic development of poor nations to permit increased consumer satisfaction, quality of life, increased

consumption and increased variety of goods and services for consumers. Banking has a direct impact from social marketing, whereby governments can promote the practice of banking to citizens as a necessary precondition to continue economic development. Countries such as Singapore, Israel, Chile, and China have all enjoyed success in mobilising savings for development through national retirement systems. An important element for public policy makers will involve national education campaigns to improve the economic literacy of consumers as part of an effort to encourage the practice of bank savings (Anderson, Cox & Fulcher 1976; SchmidtHebbel 1995).

Marketing and consumer behaviour in transition economies has received considerable attention, particularly in SEATE's, as the process of economic development coupled with the recent financial crises places immense pressure on the socio-political and financial institutions in already turbulent environments. Marketing activities, while encouraged by the transition process in both Eastern Europe and SEATE's, are undertaken in Asia within an increasingly challenging environments as transition economies seek to catch up with the rest of the developed world. A recognised area of special importance in this context is that of financial services marketing, and the marketing of savings products at a time when most marketing initiatives tend to promote spending and consumption rather than savings. Social marketing and services marketing overlap in recognising the importance of client characteristics and long term relationships between financial services providers and savers (Snelbecker, Roszkowski, & Cutler, 1990). Since the 1980's, the marketing literature has also recognised the contribution of services, specifically financial services, to facilitating the process of economic transition and development. Financial services face a number of unique challenges associated with their complexity, which complicates retail financial services.

Conceptual Development:

A procedure and instrument to measure financial knowledge is developed from the literature based on the following concepts. *Savings* is defined as investment of surplus cash in the hope of receiving a future, monetary return. Investigation of this research problem recognises that the practice of investing savings may differ from Western conceptualisation of savings (i.e. a bank or investment company account in a recognised institution). The product class of "savings" might take the form of barter or goods, eg. Stockpiled grain, hidden gold, accumulated consumer goods, or hoarded foreign currency, and "banking" activities may be conducted by family or village "moneylenders" rather than regulated

institutions operating in national markets (Phylaktis, 1996).

Financial knowledge or literacy researched in this study approaches problem of low bank participation through determining the psychological factors which explain—and possibly predict—the intentions of consumers to use banking services, of which knowledge is a critical. Explaining investment behaviour in SEATE's is complicated by the unclear value of "fiat money," and the weakness of consumer-institution banking relationships due to a legacy of war, inflation, bank failure, and underdevelopment (Yaron 1994).

Consumer knowledge must be independent, documented and applicable (Shultz and Pecotich 1997). Measuring knowledge, based on Snelbecker et al (1989) and others can be effected through the following dimensions as developed from the literature in Figure 1.

Objective knowledge (OKNOW) in developed and underdeveloped economies, defined as correct and accurate assessment about product class, banking procedures and economic literacy, summarised as familiarity with banking services, is developed via business interaction and via the research, teaching and practice of the national education system. Objective knowledge includes accurate information about the product class of investment products (banking, securities and insurance investments), banking procedures (common transactions, funds transfers, mortgage loans, interest payments) and economic literacy. Jain (Jain, Pinson, & Malhotra, 1987) summarises this into a "familiarity with bank services" construct, and Evans et al (Evans et al., 1989) offer objective assessments of financial knowledge which is build through teaching, research and practice based on research by Shultz et al (1998). Objective knowledge can be scored as "right" or "wrong," as it is possible for a consumer to feel subjectively knowledgeable about. This construct of objective knowledge is also supported in the consumer research literature by Engel, and may be influenced by sources of knowledge (Arora et al 1985).

Subjective knowledge (SKNOWPS2), or the *strength of a consumers confidence or belief about what he believes he knows about banking products and services* was established based on understanding of common bank brands (e.g., institutional and non institutional providers such as Citibank in all three countries of sampling) and common bank savings and retail bank products (e.g., savings account, ATM card) based (Zeithaml, 1981). Subjective "knowledge systems" are also influenced nationally by *ideology* and *politics*, and should be independent, documented and applicable (Copestake 1995). National knowledge of financial affairs should also include a basic understanding of economic affairs and terminology (Barwall 1988). The third component

of knowledge also relates to subjective knowledge (SKNOW1), which is the *contemporary knowledge of brands competing in the market*. An important source of such applied knowledge can be found in *experiential knowledge*, and this influences development of the financial system. Experience and historical *banking practice* are components of this form of knowledge levels.

Methodology:

The methodology selected in 2000 was exploratory, quantitative research approach, and measurement was undertaken through the development of a questionnaire, later administered in three countries of the USA, Australia and (in translation) Vietnam through a seven-step process (Davies, Mouthino and Curry 1995). *First*, a literature review, including library immersion in Vietnam, was undertaken on the relationship between knowledge and banking behaviour in both developed and underdeveloped nations. *Second*, an instrument was developed from the literature, wherein questions measuring subjective knowledge about banking, investments and savings. The literature on cross cultural investment and banking behaviour continuously stressed the importance of subjective and objective knowledge, however no measurement instrument for financial knowledge along these dimensions appropriate to both Western and SEATE existed in the literature. Vietnamese providers and products were available from two Western organisations based in Hanoi, namely the ANZ Bank and the Clifford Chance Solicitors Database of Bank Providers in Vietnam. Subjective knowledge about bank and non bank savings options were also obtained in the academic literature, from informants in Vietnam, and in the Vietnamese business press (Phylaktis, 1996; The World Bank 2007). All of these items were the same for measuring subjective knowledge of bank products (ATM cards, savings with friends and family) in all three countries. Equivalent items (eg. Citibank and the national federal reserve/state bank) were the same in all versions of the questionnaire, although some items reflected local conditions (eg. local DNB Bank in Vietnam, Bankwest in Australia, and Bank Leumi in USA). Objective knowledge was measured via a 45-item True-False measure of objective knowledge with items taken directly from Evans et al (1989). At the end of this section, consumers are asked about their own choices about the product class of savings, and their ability to save. Finally, demographic information about the respondents was collected. Because of the importance of stratifying the sample based on geography, gender, and job type this section is quite extensive. Demographic questions were developed based on the market research literature, and pre-tested during the Knowledge Instrument administration (Salzberger & Sinkovics 1999).

A procedure for collecting data was developed using a self administered questionnaire distributed to bank customers and consumers working at selected worksites. The procedure involved, first selecting appropriate items from the literature, and the questionnaire was finalised based on the literature, input from library immersion, and input from a NAATI Level Four Licensed Vietnam-English Translator selected for the translation. Second, the English versions of the instrument appropriate to Australia and the USA were created, and the Vietnamese instruments were translated by the selected translator, who was also bi-lingual in both Vietnamese and English, and who was familiar with financial terminology in both languages (Brislin 1979). Third, bilingual collaborative informants at the Marketing College of Ho Chi Minh City reviewed the instruments for timing, flow, equivalence of meaning and translation, and to reduce the political connotations of the instrument. The Vietnamese Instrument was back-translated to strengthen the procedure for cross cultural research (Salzberger & Sinkovics, & Schlegelmilch, 1999). Specifically, efforts were made to reduce bias and to enhance equivalence of translations, items, instruments and procedures across cultures (Brislin 1979).

Fourth, data were collected from working subjects. Because of the difficulty in accessing a convenient population of rural consumers and working class consumers in Vietnam, every effort was made to ensure that the sample was distributed in an appropriate context to test bank marketing theory.

Fifth, the procedure was adopted to protect informants. Working subjects in the USA were found more difficult to access as the New York City professional work ethic left less time for informants to spend with researchers, but were less concerned about anonymity. The protection of informants was considered an issue especially in Vietnam, and it was decided that all questionnaires from all respondents would be immediately collected, counted, sealed, and sent by registered Federal Express courier to the University of Western Australia for coding and analysis. No analysis was conducted in Vietnam or in Western countries of sampling, and anonymity of the location of consumers and their worksite was offered when requested (although broad classification of North, South, Central regions were adopted to distinguish between Hanoi and HCMC consumers and their rural counterparts). Likewise, the questionnaires were approved by the University of Western Australia Ethics Screening Committee prior to administration.

The sixth step involved coding and entry of data, and the SPSS software program was selected for data entry and analysis. Data coding involves identifying and assigning numerical codes to edited data (Davies et al 1995) In the case of knowledge items, data was coded using both the 1-9 scales selected for the majority of the

instrument, however "True-False" assessments of objective financial knowledge were coded "1" for correct, and "2" for incorrect.

The seventh and final step involved employing the SPSS program for instrument validation and data analysis. Analysis was only undertaken after review of each questionnaire for completion. The Vietnamese responses were reviewed with a certified Vietnamese translator prior to coding and data entry. Because convenience sampling is a non-probabilistic method, without the statistical ability to generalise results to a new population, non-response bias was not considered a critical research issue in the procedure. Usage of common procedures for data collection from three-country samples is common in consumer behaviour research to ensure the validity of an instrument and methodology across numerous Asian and Western macro-cultures. Research on cross cultural measurement scales also validate the approach of using multiple national samples to strengthen the psychometric properties of instruments and research designs (Brislin 1979)

Results:

Results pertaining to the validation of a newly created measure for financial knowledge applicable to SEATE's are presented, which in pre-testing demonstrate significant differences among a convenience sample of respondents in Vietnam, Australia and the USA. In total, 930 surveys were distributed in Vietnam, Australia and the USA. The resulting 612 responses (60 USA, 136 Australia and 416 Vietnamese respondents) are discussed below. Partially completed questionnaires were treated as non-responding, and four cases occurred among the Vietnamese

sample. The USA sample in New York City exhibited the lowest response rate. The convenience sampling method was

sufficient to provide consumers with a variety of employment, income, gender and geographic differences, especially in Vietnam. Details of respondents are detailed in Table 1, below.

Table 1
Sampling Frame in Three Countries

Country/City/Region	Sampling Site	# of Questionnaires Distributed	Responses
<i>USA Convenience Sample</i>			
USA/New York (East)	Citibank NA Branch #172	100 (60 Non Respondents)	40
USA/New York	Columbia University Commerce	50 (30 Non Respondents)	20
<i>Australia Convenience Sample</i>			
Australia/Perth (West)	University of WA Commerce	150 (14 Non Respondents)	136
<i>Vietnam Convenience Sample</i>	<i>Worksite Sampling in North, South & Central Regions</i>	<i>Attempts at Stratification by Employment & Geography</i>	
Vietnam/Haiphong (N/CentreVN)	Vinausteel Joint Venture Factory	40 (24 Non Respondents)	16
Vietnam/Hanoi (North VN)	Ausnam Metal Joint Vent Factory	20 (07 Non Respondents)	13
Vietnam/Hanoi (North VN)	Guoman Hotel Local Staff	15 (03 Non Respondents)	12
Vietnam/Hanoi (North VN)	ABN Amro Bank Local Staff	20 (10 Non Respondents)	10
Vietnam/Hanoi (North VN)	Vietnam International Hospital	30 (29 Non Respondents)	01
Vietnam/Hanoi (North VN)	Vietnam Women's Union	20 (10 Non Respondents)	10
Vietnam/Hanoi (North VN)	Bourne Griffiths Local Staff	20 (20 Non Respondents)	00
Vietnam/Hanoi (North VN)	State VBA Agricultural Bank	30 (30 Non Respondents)	00
Vietnam/Hanoi (North VN)	State Vietinde Bank	20 (20 Non Respondents)	00
Vietnam/Phu Yen (CentralVN)	Anonymous Factory Worksite	20 (05 Non Respondents)	15
Vietnam/Phu Yen (CentralVN)	Anonymous Shop Worksite	10 (04 Non Respondents)	06
Vietnam/Ben Tre (South VN)	Anonymous Shop Worksite	20 (05 Non Respondents)	15
Vietnam/LongAn (South VN)	Anonymous Agriculture Worksite	15 (01 Non Respondents)	14
Vietnam/HCMC (South VN)	Bitis Vietnamese Shoe Factory	20 (05 Non Respondents)	15
Vietnam/HCMC (South VN)	Marketing College Staff/Students	170 (05 Non Respondents)	165
Vietnam/HCMC (South VN)	Dai Nam Joint Stock Bank	30 (10 Non Respondents)	20
Vietnam/HCMC (South VN)	Anonymous Design Company	50 (06 Non Respondents)	44
Vietnam/HCMC (South VN)	English Speaking Club Local VN	80 (20 Non Respondents)	60
Totals		930	612

Note: Some workers and managers who responded to the survey requested that their place of employment remain anonymous.

The characteristics of the sample were deemed adequate for this pre-test. The responses were balanced by gender between male and female, marital status between single and married, and surprisingly the majority of respondents in all three countries stated that *they do save money each week*. Similarities among the Australian and Vietnamese sample existed based on income and weekly savings, as many Australian students had economic status similar to the working population in Vietnam. The USA and Australian samples had the highest average level of education, compared to Vietnam. The lower average education among respondents in Vietnam can be attributed to the data collection among factory workers as well as managers in Vietnam, and also the lower levels of overall education in that developing country. The answer to questions about where they save money was significantly different among the three populations, with the USA sample boasting of 97% bank participation, Australia reporting 98% bank participation, and the Vietnamese sample reporting only 44% bank participation with 38% of Vietnamese reporting *no banking relationship at all*. Savings clearly exist separate from banking in Vietnam, and this was expected

based on the literature review. Savings and banking appeared to be synonymous concepts among Western consumers. Answers to experiential knowledge, categorical and demographic questions are depicted in Table 2, below.

All measures were analysed for validity and reliability following the guidelines offered by the marketing discipline (Nunnally, 1967). The principal measurement scales which were validated included subjective knowledge of banking products (SKNOWPS2), subjective knowledge (SKNOW1) of common banking brand names (eg., the global brand "Citibank" which has offices in all three countries of sampling, and some country specific names such as the State Bank of Vietnam in Vietnam). In addition the objective knowledge (OKNOWC) or "financial literacy" regarding banking and investment was evaluated based on a standard analysis to 45 true-false questions. Extensive validation was deemed necessary due to the dearth of financial knowledge measurement scales contained in the literature.

Table 2

Demographic Descriptions and Banking Experience and Practice

Country of Survey US (N=60)	Vietnamese (N=416)	Australian (N=136)	
Gender? Head of Household? Do You Save?	43.8% = Male 53.6% = Female 02.6% = NR 45.4% = Head of Household 68.0% = Save Money	43.4% = Male 52.9% = Female 02.2% = NR 09.6% = Head of Household 58.0% = Save Money	43.3% = Male 55.0% = Female 01.7% = NR 80.0% = Head of Household 63.3% = Save Money
Type of Banking Relationship Formal (VTC 1-7) versus Informal (VTC 8, 9)	44.2% = Formal Bank Relations 38.2% = No Banking Relations 17.3% = Other Informal Methods	98.5% = Formal Bank Relations 01.5% = No Banking Relations 00.0% = Other Informal Methods	96.7% = Formal Bank Relations 01.7% = No Banking Relations 01.7% = Other Informal Methods
Top 3 Reasons For Saving	07.5% = Consumer Goods 43.5% = Future Security 18.8% = General Purpose	16.2 % = Consumer Goods 24.2% = Future Security 43.4 % = General Purposes	31.7% = Retirement 25.0% = Future Security 26.7% = General Purpose
Age & Marital Status	58.9% < 35 Yrs of Age 44.5% = Single	96 % < 35 Yrs of Age 93% = Single	45% <35 Yrs of Age 41.7% = Single
Average Weekly Savings (USD)	\$16 USD Mean Savings	\$26.00 USD Mean Savings	\$71.0 USD Mean Savings
Principal Employment Types	14.4% = Professional 03.4% = Agriculture 08.9% = Military/Government 12.0% = Services 32.9% = Management Level 46.9% = Full Time	16.9% = Services 18.4% = Education 04.4% = Military/Government 02.9% = Finance 10.3 % = Management Level 05.9% = Full Time	23.3% = Services 25.0% = Finance 05.0% = Military/Government 10.0% = Professional 35.0% = Management Level 51.0% = Full Time
Education	64.9% = Some Uni or Higher	86.0% Some Uni or Higher	73.3% = Some Uni or Higher

In order for initial analysis of measurement scales to proceed, it was necessary to code the data according to the questionnaire. Subjective knowledge was coded on a 1-9 scale, with 9 defined as “high knowledge.” True false questions were scored “correct” or “incorrect,” and coded with a 1 for correct, or 2 for incorrect. Coding of data involves identifying and assigning a numerical code to edited data. The SPSS statistical package was employed for validation and measurement. The reliability of the subjective knowledge of banking products (SKNOWPS2), and the subjective knowledge of banking brands (SKNOW1) was determined using the

reliability measure of co-efficient alpha for the total population responding, and also for each national population individually. Reliability determines the degree to which measures are free from random error, and responses offer consistent results. Reliability for the total responding population showed a co-efficient alpha for subjective knowledge of banking brands (SKNOW1) of .88, and for subjective knowledge of banking products (SKNOWPS2) of .78. Table 5.3, below, offers a breakdown of reliability measures for each of the three national populations (Baker & Hazlem 1973).

Table 3
Reliability of Subjective Knowledge Measures

Subjective Measure	USA	Australia	Vietnam
Subjective Knowledge of Banking Products (SKNOWPS2)	.76	.69	.82
Subjective Knowledge of Banking Brands (SKNOW1)	.90	.92	.89

The measurement scales were deemed to have adequate reliability to proceed with more detailed analysis. Likewise with objective knowledge (OKNOW), Australia followed by Vietnam and the USA were

Following validation of the measurement scales, two additional analytical steps were taken. First, Analysis of Variance (ANOVA) tests were undertaken wherein the sum of subjective knowledge of brands and products (SKNOW1, SKNOWPS2) and objective knowledge (OKNOW) were analyzed based on country of sampling. Second, comparisons of mean scores between countries were also undertaken. The results indicated that significant differences between countries exist in levels of knowledge, at the same time the reliability of measurement scales is constant across all three countries of samples. ANOVA was employed to compare the means of the three national populations to determine if statistically significant differences exist among the three countries (Zikmund, 1998). Variance was thus analyzed within groups, and between groups. For Objective Knowledge (OKNOWC) analysis of results of the objective financial knowledge scale suggests that Australians have the highest levels of financial literacy as described in Figure 2, below, and their product class knowledge is followed by US consumers then Vietnamese consumers.

Comparative means related to subjective knowledge of bank brand names was more consistent across countries, with consumer knowledge of bank providers among the Vietnamese sample running closely behind Australia, then the USA, respectively. This comparison is illustrated in Figure 5.2, below, and illustrates a convergence of subjective knowledge in this important area.

determined determined to be the most objectively knowledgeable and financially literate about banking and financial affairs.

Figure 2:
Comparisons of Means for Objective Financial Knowledge

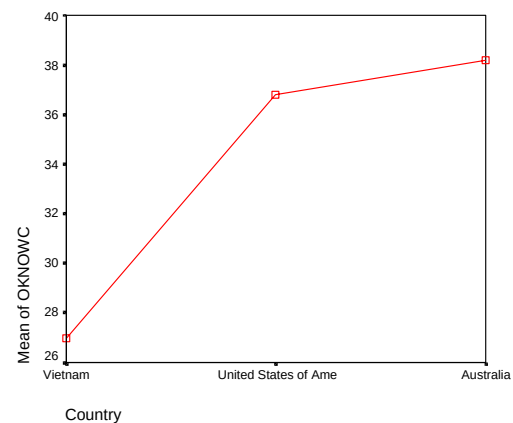
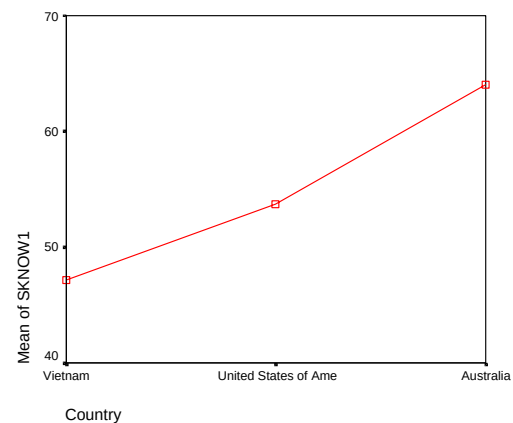
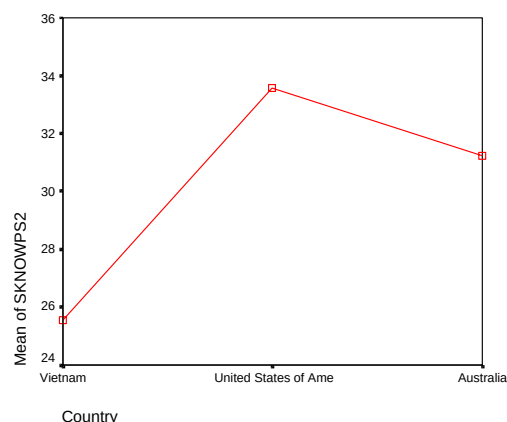


Figure 3
Comparisons of Subjective Knowledge of Bank Providers



Significant differences existed in the subjective knowledge of banking products, with US savers exhibiting the highest level of product class knowledge. This result is significantly different than the earlier findings, suggesting Australians hold the highest knowledge capital with respect to banking. Figure 4 illustrates these results.

Figure 4
Comparison of Subjective Product Knowledge



Discussion: Knowledge Measurement

The primary purpose of the pre-test was to validate the knowledge measures, for inclusion in future research on consumer savings behaviour. For markets in any product or service to flourish, educated and discriminating consumers must have the confidence in knowledge, and objective, independent and documented information to draw upon is especially crucial when making investment decisions. Results of this study offer an important new version on an instrument to measure knowledge, and the pre-test achieved validation adequate for the social sciences field. Subjective scales were validated for knowledge measurement about products, as well as brand names. Also, significant differences were found, as expected, between knowledge in all three cases among the three countries, with Vietnam being especially low in objective knowledge and economic literacy. As with any cross cultural research, some limitations may apply to results. For example, true stratification of the sample was not possible during the pretest in Vietnam, although this was deemed desirable. Second, according to Brislin (1979), different cultures often respond differently to various scales, phrasing of questions, and distribution of responses. Other translation and cross cultural limitations are possible with all cross cultural research. An additional benefit of the pre-test involved validation of the methodology and procedure for the study prior to future data collection.

Knowledge Management:

Marketing research undertaken within the consumer behaviour field should systematically and objectively generate data to assist in the marketing process of identifying and satisfying consumer wants and needs. The ongoing financial integration of ASEAN capital markets makes this study both timely, and significant. As economies develop, services become a more important component of national markets, and financial services more important still for capital starved transition economies such as Vietnam.

Nations, banking organisations and consumers all use and manage knowledge, and this study has implications at all three levels. For national knowledge systems, obviously additional education about finance and banking has become critical. In HCMC, for example, new stock exchanges are planned, and the country is becoming integrated into ASEAN and the world economy. Research also indicates that informal as well as formal sources of information are important. For banks, application of strategic marketing concepts into financial services, along with modern market research techniques, assists banks in differentiation of products, intensification of competition, product positioning, and matching services to the needs of increasingly sophisticated customers (Ennew et al, 1998). Worldwide, the ability to collect, analyse and interpret the flow of information about financial services consumers has increased in the banking sector (Ennew et al 1996). Understanding the knowledge levels of consumers is clearly a precondition to any promotional strategy.

Social Marketing:

As a base-line study of financial services marketing, and consumer knowledge, this paper is an important first step. For consumers, understanding new—albeit complex—banking services are a necessary prerequisite to “catch up” to the rest of their ASEAN nations where smart cards, high personal and retirement savings, credit cards, and share investment accounts are the norm rather than the exception. Consumers who can not acquire financial literacy and confidence in their knowledge, in Vietnam and neighbouring SEATE’s, are in danger of being left behind by rapid advances in banking technology and practice currently revolutionising financial services marketing in neighbouring ASEAN countries. Country experience indicates that poor banking systems lead to increasingly slow economic development. Consumers who fail to save, or who invest poorly, create numerous challenges for themselves, their families, and the national economies struggling to get ahead. Further research in this important topic is clearly called for.

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Tuesday, June 5

10:30 – Noon **Session 9**

920 Special Session: The Realities of Fake: Discovering the Complexities of Consumption of Counterfeits

Co-Chairs: Suraj Commuri , University of Missouri-Columbia
James W. Gentry, University of Nebraska-Lincoln

Participants:

James W. Gentry, University of Nebraska-Lincoln
Sanjay Putrevu, University at Albany, SUNY
Stephanie Oneto, University of Wyoming
Betsy D. Gelb, University of Houston
Ali Utku Akkoc, Bilkent University
Ahmet Ekici, Bilkent University
Ozlem Sandikci, Bilkent University
Suraj Commuri, University of Missouri-Columbia

Tuesday, June 5

10:30 – Noon **Session 9**

930 Competitive Paper Session: Credit Markets & Banking

Chair: Garance Genicot, Georgetown University

931 - *Growth and Risk at the Industry Level: the Real Effects of Financial Liberalization*

Andrei Levchenko, IMF

Romain Ranciere, IMF

Mathias Thoenig, CEPR Research Affiliate

932 - *Information Sharing among Competing Microfinance Providers*

Sanjay Jain, University of Virginia

Ghazala Mansuri, World Bank

933 - *Coping with Production Risk using Rainfall Insurance in Semi-Arid India*

Xavier Giné, World Bank

Donald Larson, World Bank

Robert M. Townsend, University of Chicago

James Vickery, New York Federal Reserve Board

934 - *Determinants of Productivity in Indian Banking: What Has Changed in the Post-Reform Period?*

Paroma Sanyal, Brandeis University

Rashmi Shankar, Brandeis University

Growth and Risk at the Industry Level: The Real Effects of Financial Liberalization

Andrei Levchenko, IMF
Romain Ranciere*, IMF and
Mathias Thoenig, CEPR Research Affiliate

This paper analyzes the effects of financial liberalization on growth and volatility at the industry level in a large sample of countries. We estimate the impact of liberalization on production, employment, and firm entry, using both de facto and de jure measures of liberalization. In order to overcome omitted variables concerns, we employ a number of alternative difference-in-differences estimation strategies. We implement a propensity score matching algorithm to find a control group for each liberalizing country. In addition, we exploit variation in industry characteristics to obtain an alternative set of difference-in-differences estimates.

Financial liberalization is found to have a positive effect on the growth of production across industries. The positive growth effect comes from increased entry of firms and an expansion in total employment. By contrast, we do not detect any effect of financial liberalization on measured productivity. There is also evidence that financial liberalization increases the volatility of production.

JEL Classification Codes: F02, F21, F36, F4
Keywords: financial liberalization, growth, volatility, industry-level data, difference-in-differences estimation, propensity score matching

Coping with Production Risk Using Rainfall Insurance in Semi-Arid India

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Donald Larson, Senior Economist at DECRG, World Bank
Robert M. Townsend Professor of Economics at University of Chicago
James Vickery, Economist at the NY Federal Reserve Board

Weather risk is a major source of income fluctuations for rural households in developing countries, and shielding consumption from the effects of weather on agricultural profits is therefore vital for farming households living close to subsistence level. With complete and frictionless financial markets, protecting household consumption from weather shocks would be fairly unproblematic, but rural financial markets in developing countries are fragmented and formal credit markets are, at best, emerging. In practice, although credit is an important means of consumption smoothing, it tends to be complemented by an array of other ex-post risk coping strategies, such as asset sales, remittances from family members and other risk-sharing

arrangements. Unfortunately some of these mechanisms may be rather less effective against weather fluctuations because of the aggregate nature of these shocks. For example, during a regional drought, neighboring households will tend to experience declining incomes at the same time, making risk sharing less beneficial. Concomitantly, asset prices will also be likely to fall.

Households can also reduce their exposure to weather risk ex ante. This could occur through precautionary saving, or by income smoothing strategies like implementing more conservative agricultural production strategies, generally exchanging expected profits for lower risk. Production-based risk diversification thus comes at a cost in terms of efficiency,

a cost which most likely exceeds the actuarially fair price of being insured against such risk.

Public crop insurance schemes are often available to farmers as a means of reducing the costs associated with crop failure. However, these schemes suffer from both moral hazard and adverse selection and are very costly to implement as payout eligibility is determined by a crop damage assessment for each individual farmer.

An alternative solution is to introduce explicit weather insurance, designed to provide additional income to farmers in times where adverse weather conditions reduce agricultural profits. The design of weather insurance sidesteps moral hazard and adverse selection problems, since payouts are solely based on public data from local weather stations and thus cannot be manipulated by the farmer. This reliance on public data also makes such schemes far cheaper to implement than traditional crop insurance programs. Weather insurance is a novelty in developing countries, made possible by the expansion of the financial sector into rural areas, mostly through microfinance institutions and their outreach to the rural poor, and by the increased willingness of re-insurers to absorb part of the risk assumed by the sellers of weather insurance.

These developments represent new opportunities to providing direct risk relief to rural households in developing countries by diversifying local

weather risk to the global market. In the long run, the potential welfare implications of the introduction of weather insurance can be substantial, both directly reducing consumption volatility and the probability of starvation, and also allowing farmers to focus on agricultural production strategies aimed at maximizing expected income rather than minimizing risk.

This paper presents evidence on the participation of rural households in a new rainfall insurance scheme offered to smallholder farmers of Andhra Pradesh, in southern India. The insurance product is inexpensive enough to be accessible to farmers of modest income (the cost per acre insured is generally around Rs 250, equivalent to \$5-6US), and pays a return based on rainfall during three phases of the main growing season. The product is sold to farmers by BASIX, a microfinance institution, and rainfall risk is underwritten by ICICI, a large diversified Indian bank.

We use BASIX administrative data a microeconomic survey of rural households in the Andhra Pradesh region of India implemented after the 2004 Kharif (monsoon season) to understand the factors that determine insurance participation. These are important when considering the optimal contract design of such schemes, as well as evaluating their potential welfare benefits.

Determinants of Productivity in Indian Banking: What has Changed in the Post-Reform Period

Paroma Sanyal,* Brandeis University, USA
Rashmi Shankar, Brandeis University, USA

This paper analyzes differences in productivity across bank types since the 1991 reforms. We investigate the effect of ownership and competition on bank productivity while controlling for size and structure of the bank. We find that public banks and older Indian private banks have had the biggest productivity increases during the post reform era when compared to foreign and newer Indian private banks, even though the latter are more profitable. In addition, public sector banks react positively to competition. We hypothesize that this is because new banks have expanded at the expense of older banks' business and the latter have had to adopt efficient strategies in response.

1. Introduction

In India, the 1991 balance of payments crisis led to wide ranging reforms. Policymakers chose to implement financial deregulation gradually, with changes spread over almost the entire decade of the 1990s. This was largely because of the need to establish political consensus (Ahluwalia 1993) and because of the fear that a big bang approach would endanger macroeconomic stability. The reforms combined broad changes designed to correct macroeconomic incentives with bank sector specific measures¹. One of the primary goals of restructuring was enhancing efficiency of the banking sector. Looking at various measures of performance it is clear that the liberalization has had some positive outcomes. We observe a fall in the share of non-performing loans in bank portfolios², increased entry of new private sector banks, branch expansion or financial widening as well as deepening, and the achievement of the

capital adequacy ratio by ninety per cent of domestic banks (Ahluwalia 2002).

Most studies find that the reforms have had a positive impact on profitability and efficiency and private banks and new entrants have flourished. There have been steady positive growth rates in total assets and total loans and this increase is against a backdrop of improved competition. This trend held throughout the nineties and clearly captures changes in regulation that liberalized entry and operations of private banks. However, there is little discussion in the literature about the productivity gains on different types of banks since liberalization. While overall, private and new banks may be more efficient, it may be that the public banks have gained the most when compared to their pre-reform efficiency levels.

This paper is an attempt to address this question by carefully analyzing bank productivity and its relationship with bank ownership during the post-reform period. Specifically, this paper investigates the relationship between total factor productivity and ownership while controlling for market and individual bank characteristics. It also studies the interaction between ownership and competition to see which types of banks have been affected by market competition. The idea is not to study absolute productivity, but the incremental productivity gains by various types of banks. We believe that this approach will add to our understanding of how well the reforms worked. There is little controversy that public banks are less productive than private ones if one compares efficiency levels. However, the aim of the reforms was to increase productivity of these large public banks. Therefore comparing productivity gains allows us to directly evaluate whether the reforms have achieved their target. However, before we discuss the effects of the reforms on bank productivity gain, it is important to understand the context in which the liberalization occurred and the effect of this reform process on bank conduct.

We find that private banks productivity gains have been less than that of public banks. Comparing domestic and foreign banks we find that there is no significant difference in productivity gain between

¹ A detailed account of the reforms overall is provided in Mohan (2005) and Mor *et al* (2006)

² This could be a result of macro changes and not the regulatory ones. To account for this in the regressions we control for macroeconomic changes.

domestic and foreign banks. Comparing Indian private banks to foreign banks we find that when competition is taken into account the former have higher productivity gains than the latter. However, increased competition affects different categories of bank in a dissimilar manner and the domestic banks experience positive productivity gains as a response and the foreign banks taking a hit. We also find that productivity gain is lower for new Indian private banks when compared to old Indian private banks. Last, as a bank increases in size its productivity gain decreases and there are diseconomies of scale and this has implications for bank consolidations. The derivation of these results and the detailed analysis follow. Section 2 gives a brief background of the banking reforms and related literature, data and methodology are in Section 3, Section 4 presents results, and the last section concludes.

2. Background and Related Literature

Regulation, administered interest rates, poor asset quality, and market segmentation had severely compromised banking profitability in the pre-reform era. Many banks had low capital adequacy and were earning less than reasonable rates of returns. One complication in the Indian context was the constrained nature of the Central Bank's role. Traditionally, the Reserve Bank of India's primary responsibility was the management of government debt and the monetization of the government's fiscal deficit (Reddy 2002) through the extension and rolling over of short-term credit, typically non-marketable treasury bills. RBI credit to the government was nearly 92 percent of the monetary base in 1990, suggesting a high degree of financial repression. A large part of debt management involved turning commercial banks into a captive market for low interest government paper through the statutory liquidity ratio requirement imposed by the RBI. Along with the cash reserve requirement, this pre-empted nearly two-thirds of the banks' deployable resources. In recent years, monetary and credit policy announcements place increasing emphasis on stabilizing inflation, which is in line with the recommendations of the Narasimham Committee, the Chakravarty Committee, and the Vaghul Working Group. Interest deregulation and easier entry into the banking sector have also been features of the financial liberalization. However, problem areas remain: the implementation of contractual law, bankruptcy provisions, enforcement of creditor and property rights, and continued domination of public sector banks, which own 76 percent of the assets of the banking sector, necessitating the periodic recapitalization of weak public sector banks and obstructing the market

from working effectively to promote survival of the fittest.

In general, experience from other countries show that deregulating and restructuring the banking sector leads to efficiency gain, however, the gain is different depending on bank type. Kumbhakar *et al.* (2001) have examined how deregulation affected the profitability of Spanish savings banks between 1986 and 1995 and they find declining levels of output technical efficiency, high rates of technical progress, and increasing trend growth in productivity. In a related paper for Portugal, Kanhato and Dermine (2003) show that deregulation has increased the efficiency of new domestic banks. Evidence from Poland and the Czech Republic also show that owned banks are more efficient than domestic banks (Weill 2003). Work on the Indian banking sector display some of the same patterns.

The Indian bank liberalization has generated a rich body of research that investigates different impacts of the deregulation policies on various efficiency measures. Since regulation remains restrictive on foreign acquisitions in banking, most foreign investment in the sector is green-field and not through mergers and acquisitions. The empirical literature on Indian banks therefore largely examines differences in operational efficiency and profitability across private and state-owned banks as opposed to differences across foreign and domestic banks (Sabi 1996; Ataulah *et al.* 2004). Bhattacharyya, Lovell, and Sahay (1997) find that the impact of deregulation depends on ownership in the Indian case, though researchers point out that in most developing countries deregulation occurred after public sector banks became too dominant to be motivated to change (Sarkar and Bhaumik 1998; Denizer 1997).

The general perception is that public sector involvement in the banking sector blunts incentives to effectively respond to market-based reforms (Bhattacharya and Patel 2003; Kumbhakar and Sarkar 2003) so that deregulation benefits private banks. There is some evidence that private banks in India are more profitable than the public sector banks (excluding the State Banks of India and their branches) (De 2003). There is also evidence that even though nationalized banks appear to be less profitable than private and foreign banks, ownership is not the key determinant of efficiency and profitability. Intermediation costs depend on operating costs, priority sector lending, nonperforming loans, investment in government securities, and the composition of deposits (Koeva 2003).

Relatively few studies have focused on productivity directly ([1, 2] Bhattacharya *et al.* 1997). Papers that address similar issues as those confronted in this paper are primarily based on a cost function

approach (Kumbhakar and Sarkar 2003) and find that liberalization has not yet yielded efficiency gains in general, though private banks have increased profitability by expanding output. Das and Sanmugam (2004) employ a stochastic frontier function methodology and find that foreign banks are more technically efficient than their counterparts over 1992-99. We build on this literature by studying the impact of ownership on bank productivity while controlling for the impact of scale, diversification and market competition in a static AR (1) corrected panel data model. Specifically, we analyze how productivity has changed for different banks with reference to a base year performance. This allows us to directly observe which banks have had the largest productivity gains and the factors determining those gains.

3. Data and Methodology

Our dataset covers 107 banks over the decade immediately following the reforms. The main source of data is the Reserve Bank of India (RBI). Balance sheets and profit and loss statements are available for all banks in a consistent format over the period 1989-90 through 2003, although, employee data are available from 1996 for the new private banks and from 1992 for the rest. The banks are classified into four categories: eight State Banks of India, twenty nationalized or public sector banks, forty-five foreign banks (up from twenty-three in 1990), and thirty-four Indian private banks that can be further split up into “old private” and “new private” banks. Following the 1991 reforms, the total number of private banks increased from 47 to 70. The number of public sector banks remained more or less unchanged. It is important to emphasize again that all the new private banks are green-field ventures. Change in ownership through mergers and acquisitions have not been a feature of Indian banking.

Comparing some key statistics, we find that the overall trends in Indian banking, after deregulation, have been positive. We find that throughout the nineties, banks operating in India have seen a steady increase in income, interest earned, loans and deposits (Table 1a and b). When comparing the different types of banks we find that there are significant differences in loans and deposits by ownership type (Table 1c) and these differences become more pronounced in the latter half of the nineties.

TABLE 1A
MEANS FOR SOME KEY VARIABLES
(ALL BANKS)

Year	Loans	Deposits	Interest Earned	Total Income
1992	1630	2863	362	407
1993	1795	3312	393	438
1994	1890	4002	426	489
1995	1917	3767	398	455
1996	2267	4237	510	582
1997	2508	5010	604	686
1998	2957	6050	679	786
1999	3442	7209	810	919
2000	4244	8743	941	1090
2001	5142	10286	1108	1269
2002	7260	12246	1242	1494
2003	8472	14340	1540	1917
2004	10135	17387	1605	2066

Note: *Main State Bank of India excluded. All numbers are in Rupees Crores (tens of millions) (1999 prices).

TABLE 1B
TOTALS FOR SOME KEY VARIABLES
(ALL BANKS)

Year	Loans	Deposits	Interest Earned	Total Income
1992	115464	205271	25532	28822
1993	125829	236009	27789	30819
1994	126840	272874	28686	32947
1995	160288	320997	33877	38803
1996	192613	361249	43179	49352
1997	213401	427062	51544	58643
1998	250348	513026	57853	67145
1999	287210	601778	68211	77632
2000	345367	703486	77306	89616
2001	412093	812405	88948	102057
2002	524937	932139	97163	117045
2003	601474	1059500	109458	135293
2004	706209	1256525	113568	145694

Note: *Main State Bank of India excluded. All numbers are in Rupees Crores (tens of millions) (1999 prices).

TABLE 1C
MEANS OF LOANS AND DEPOSITS BY BANK TYPE

Bank Type	Year	Loans	Deposits
State Bank of India	1992 -1996	1919	3350
	1997-2000	3607	6764
	2001-2004	6950	12821
Nationalized Banks	1992 -1996	5398	10799
	1997-2000	9364	20502
	2001-2004	17799	34832
Old Private	1992 -1996	449	828
	1997-2000	1123	2208
	2001-2004	2188	4210
New Private	1997-2000	1620	3232
	2001-2004	10443	14118
Foreign Banks	1992 -1996	526	952
	1997-2000	725	1058
	2001-2004	1381	1841

Note: *Main State Bank of India excluded. All numbers are in Rupees Crores (tens of millions) (1999 prices).

3.1 Measuring Productivity

There are two main approaches to measuring bank efficiency: the intermediation approach or the production function approach. The intermediation approach uses a combination of data envelopment analysis (DEA) and the Malmquist index (Charnes 1978; Ray 1991; Wheelock and Wilson 1999; Canhoto and Dermine 2003). These methods are based on a linear programming input-output technique, and estimate the relative efficiency of an organization. The primary advantages of this method are its non-parametric approach and the use of multiple inputs and outputs. The major drawback is that “the frontier is defined on the outliers rather than on the whole sample and thereby particularly susceptible to extreme observations and measurement error” (Colwell and Davis 1992).

As an alternative, researchers have used the production function method which is based on the stochastic frontier approach and uses a parametric translog cost function to estimate the efficiency frontier (Berger and Humphrey 1990; Berg and Kim 1991; Allen and Rai 1996; Altunbas et. al 2001; Kumbhkar et. al 2001; Weill 2003). Although superior in some

respects to the DEA, this too has some drawbacks. This method does not correct for the endogeneity of inputs, selection bias, and unobserved permanent heterogeneity across banks. Endogeneity arises from the fact that capital structure is correlated with current productivity since both are likely to depend on historical productivity. This will affect current input choice, so that banks with a larger capital stock may continue to produce even at low productivity levels. The coefficient on capital may therefore be biased downward. The selection bias exists because OLS does not control for bank exit, which may be correlated with a negative productivity shock. To incorporate these corrections, we use a different technique to calculate the total factor productivity (TFP) of banks.

The productivity estimates in this paper are based on a two-stage modified version of the Olley-Pakes (1996) firm productivity estimation that was developed by Levhinson and Petrin (2003)³. We use loans plus deposits as the measure of output⁴. The input vector comprises labor (number of employees), capital (fixed capital) and an intermediate input (expenditures on communication)⁵. We use non-linear least squares to estimate the production function and TFP is calculated as the residual (difference between the estimated and observed productivity). Next, we construct a productivity difference measure. We do not use the raw TFP estimates since they do not control for differences in initial conditions for each individual bank or the initial level of individual bank productivity and hence may contaminate the results. Hence to make the productivity estimates comparable across banks, we also compute a productivity difference ($pdiff_{it}$) measure. 1992 is assumed to be the base year for all banks except the new Indian private banks, for which the base year is 1996. The productivity difference is derived by netting out base year productivity from current year productivity ($prodv\_est_{it}$).

$$pdiff_{it} = prodv\_est_{it} - prodv\_est_{i,1992} \quad (1)$$

where i = individual bank

This measure is the incremental average productivity after 1992. Summary statistics are presented in Table

³ The L-P method does not correct for selection effects. However, there are negligible exits in the Indian banking sector and this is not of major concern.

⁴ In Sanyal & Shankar, 2007 we have used 3 alternative measures of output: total income, loans and loans plus deposits. For current purposes loans plus deposits seem to be the best measure to use. However, the other measures do not yield significantly different results in terms on our variables of interest.

⁵ For a detailed analysis please refer to Sanyal & Shankar, 2007.

2a and Figure 1 displays the productivity difference measure by bank type.

TABLE 2A
SUMMARY OF DEPENDENT VARIABLE FOR
REGRESSIONS
(PRODUCTIVITY DIFFERENCE)

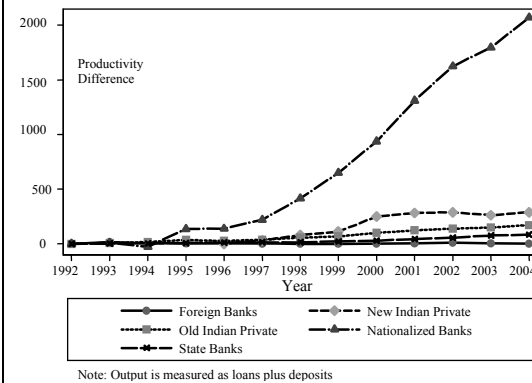
Year		State Banks of India	Nationalized Banks
1992 – 1996	Mean	4.39	55.59
	S.D.	7.06	210.34
	Min.	-6.16	-407.26
	Max.	13.74	439.69
1997 - 2000	Mean	16.22	583.82
	S.D.	14.18	447.52
	Min.	-4.99	-473.38
	Max.	35.50	1356.27
2001 - 2004	Mean	60.81	1823.90
	S.D.	14.75	749.54
	Min.	42.92	557.48
	Max.	79.56	3287.07

Year		Old Indian Private Banks	New Indian Private Banks	Foreign Banks
1992 – 1996	Mean	13.63		5.20
	S.D.	16.01		12.97
	Min.	-20.16		-14.64
	Max.	46.34		51.67
1997 - 2000	Mean	48.04	85.52	-0.45
	S.D.	28.47	27.43	11.65
	Min.	-14.07	33.57	-42.89
	Max.	81.92	113.88	28.32
2001 - 2004	Mean	113.01	323.95	5.62
	S.D.	65.90	230.62	20.41
	Min.	-8.06	58.12	-45.17
	Max.	234.41	773.52	49.32

One striking fact that emerges is the dominance of the nationalized banks. Compared to all others, these banks appear to have gained the most from liberalization followed by the new Indian private banks. The banking reforms, as discussed before, were primarily aimed at increasing the productivity and efficiency of the public sector banks. The private and foreign banks were operating in a less constrained environment when compared to the public banks even before liberalization and their productivity gains in the post-liberalization period have been modest. However it is interesting to note the huge gains made by the

nationalized banks which serve as evidence that the policies put in place following liberalization have been working in the right direction. However this may not give us the entire picture as it does not control for other factors that may influence productivity.

FIGURE 1:
PRODUCTIVITY DIFFERENCE BY BANK TYPE
(1992 – 2004)



From Figure 1 it seems that relatively public banks (i.e. the nationalized ones) do much better than private ones in terms of gains in productivity. But we need to formulate an empirical model that will investigate the influence of bank deregulation on gains in productivity by various bank ownership types controlling for other confounding effects. The next section does just that.

3.2 Empirical Specification

With these productivity estimates in hand, we study two primary questions. First, we investigate whether ownership is a critical determinant of bank productivity. Second, we study whether competition has a different impact on productivity depending on ownership. We estimate the following specification by a feasible GLS model controlling for bank specific characteristics and time fixed effects and correcting for panel heteroskedasticity and serial correlation.

$$p_{it} = \alpha + \theta\delta_j + \beta x_{it} + \chi T_t + \lambda Z_t \varepsilon_{it} \quad (2)$$

where: p_{it} are the productivity difference measures, δ_j is a dummy variable that captures the i th bank's ownership category such that the coefficient indicates the impact of ownership j relative to the excluded ownership category, x_{it} contains bank-specific explanatory variables listed in Table 2b, T_t are year

dummies, z_t contains macro variables, α is the intercept, and ε_{it} is the error term. In addition, all standard errors are corrected for panel level autocorrelation and heteroskedasticity. Ownership categories are the State Banks of India, nationalized banks, old private banks, foreign banks, and new private banks (incorporated after 1995). “ j ” therefore goes from 1 to 5, “ t ” from 1 to 299, and “ i ” from 1992 to 2004. To control for endogeneity issues, several of the right hand variables in x_{it} are included with a lag.

In addition to ownership, competition is a primary variable of interest. Our measure of competition⁶ is a four bank concentration ratio. We compute four different market shares based on total income of the bank, total assets owned, loans and loans plus deposits. We also ran estimates with a measure based on the Herfindahl index. Including an interaction term, between ownership and competition, allowed us to analyze the response of different bank types to growing competition in the market for intermediary services – loans and deposits. The main results are robust to alternative definitions. For the final concentration ratio measure, we use total income for defining market share. We base our choice on the fact that the loans and deposits measures may give a partial picture by focusing on specifics and the total asset definition does not quite capture current changes as well as the total income measure.

We also included bank-specific controls such as the size of the bank (as measured by total assets), a dummy for whether it is a new bank (incorporated after 1995), share of non-interest expenditure (a measure of operational efficiency) and a diversification measure (share of non-interest income which may be interpreted as a bank quality measure and indicates range of bank output). In addition two macro variables: a lagged term in GNP per capital to control for business cycle effects and a stability measure (1- inflation). We also include two regime change dummies that indicate the rules changes in 1996 and 2003 to account for structural changes in the economy. Mor *et al* (2006) presents evidence that serious micro restructuring of firms and banks began only in mid-1996, after the “low quality” investment boom which followed the 1991 reforms. 2003 marks the end of that first phase and can be said to be the beginning of real improvements in productivity, at least in other firms, though we don’t know if this is true for banking, where so much of the growth has been because of booming retail business.

⁶ Competition index = 1-Herfindahl Index or 1-Concentration Ratio. These are calculated as follows: Herfindahl Index = $\sum(\text{market share of bank } i)^2$ where i =all banks in the country. Concentration Ratio = $\sum(\text{market share of bank } i)$ where i denotes the 4 largest banks (by market share). Both are bounded above by 1.

From the summary statistics presented in Appendix Table 2a and 2b, one thing that is immediately clear from studying the productivity differences is that all bank categories have had a positive productivity hit after the reforms except the foreign banks, which seemed to have suffered a negative shock during 1997 – 2000. In addition the productivity difference for the nationalized banks, are almost an order of magnitude bigger than all the other banks. However on the dimensions of size and diversification these do not look significantly different from the other types of banks. The variance has also jumped between the 1997-2000 and 2001 – 2004 period. This may mean that some banks have gained significantly from the reforms while others have legged behind leading to greater divergence in productivity between banks. In the next section we investigate the factors that have led to these productivity differences.

4: Results

Tables 3a and 3b present evidence that in the post-deregulation period, significant differences have emerged between public and private banks, and between Indian private and foreign banks. We consider the impact of bank characteristics, ownership, and competition on productivity. It is important to remember that our measure of productivity is not the absolute level of productivity for each bank but rather the productivity difference when compared to some base year productivity. These estimates are obtained from specifications where output is defined as loans plus deposits. All specifications correct for autocorrelation and panel heteroskedasticity. Table 3a displays results when private and public banks are compared. Table 3b shows the comparison between domestic, foreign and new Indian private banks.

From Table 3a we find that the interaction between the ownership dummy and competition is negative and significant implying that as competition increases the productivity difference of private banks is lower than that of public banks. From the elasticities presented in the second column we find that private banks productivity gains have been 123 percent less than that of public banks. This is a surprising result and may be driven by the fact that even before liberalization the private banks had high productivity and thus the gains have not been that big. Public banks on the other hand were very inefficient prior to the reforms and this is where we see the greatest improvement. We also find that a one percent increase in competition decreases private bank productivity gain by 378 percent. This could be because private banks have to engage in non-price competition as sector concentration falls, for example, by increasing advertising expenditures, which may show up as a fall

in productivity. Public sector banks have no incentive to compete in this manner. This elasticity is large in magnitude. However, a one percent change in the competition measure is a very large change for the Indian banking sector given that the measure ranges between 0.68 to 0.75 and the standard deviation is 0.02. A more meaningful statistic may be the percentage change in productivity difference due to a one standard deviation change in the competition measure.

We also find that as a bank increases in size its productivity gain decreases and there are diseconomies of scale. This may have implications for bank consolidation in the Indian context, which has not been a feature of Indian banking so far. The overall number of banks operating in India has not fallen in any significant manner since the onset of reforms. As size increases by one percent, productivity difference decreases by 200 percent.

In India it is widely believed that the improving market share of private banks is associated with an improvement in the range of and quality of services offered to the consumer. As the range of services offered increases and as banks move away from core activities (such as small deposit mobilization) and diversify, non-interest income (fees and commissions) as a proportion of total income is expected to increase. We find that bank productivity is unaffected by the share of non-interest expenditure and share of non-interest income. Also, new banks do not appear to have a productivity advantage over old banks in this particular specification.

We also wanted to investigate the impact of the two major changes that have taken place in the Indian financial sector (1996 and 2003). The 1996 dummy is negative and significant as expected. 1996 marked the start of a significant financial downturn, with sliding stock market prices (continuing through the 1997-98 crisis) and rising non-performing loans. Banks' net worth turned negative for the first time in 1995-96 (Mor *et al*, 2006), with little effect on deposit growth because of the implicit government guarantee that maintains public confidence in the system. 2003 marks a more evolved phase of deregulation, against the backdrop of a booming economy, and expansion in output as well as range of banking services. 2002-2003 was also a year in which new private banks in particular accelerated profit growth through retail and housing finance.

A positive macroeconomic environment, such as the increase in per capita income has a positive impact on productivity. This may be because of decreases in bad debt and increase in loans and deposits when the economy is doing well. Overall, our main result suggests that public banks have gained more than private one and respond more favorably to competition. In the next section we try and explain this

apparent productivity puzzle by breaking down the banks by different ownership types to pin down where the differences are originating.

TABLE 3A
PRODUCTIVITY AND OWNERSHIP: PRIVATE
V/S PUBLIC BANKS

Dep. Variable: Productivity Difference	Coefficient (SE)	Semi- Elasticity/ Elasticity
Base Bank Category	Indian Public Banks	
Ownership & Competition Variables		
Private Bank Dummy	2,334.64 *** (582.17)	-123.15 ** (49.82) Public Banks
Competition Index	2,895.44 *** (809.25)	2,079.89 *** (581.32) Private Banks -377.901 ** (154.54)
Comp. Index *	-3,421.52 *** (816.69)	
Owner. Dummy		
Bank Characteristics		
New Bank Dummy	-25.50 (17.96)	
Size	-219.91 *** (29.80)	-200.43 ** (27.60)
Size Squared	19.61 *** (2.25)	
Diversification Var. (Lag 1 Yr.)	-7.67 (20.07)	
Sh. of Non-Int.	1.47	
Exp. (Lag 1 Yr.)	(15.65)	
Regime Change Dummies		
1996 Dummy	-12.58 * (7.43)	
2003 Dummy	3.31 (6.45)	
Macro Controls		
Stability	36.08 (39.10)	
Log GNP per Capita (Lag 1 Yr.)	182.06 *** (42.71)	
Constant	-3,090.03 *** (684.16)	
Relevant Statistics		
Observations	1090	
Rho	0.870	
Wald Stat.: ChiSq.	310.263	

Note: Private includes Indian and Foreign private banks. GLS estimation with panel auto-correlated standard errors and hetroskedastic panels. Standard

errors in parentheses. Range: 1992 – 2004. For the ownership dummy we report the semi-elasticity while all other variables we report the elasticity. * significant at 10%; ** significant at 5%; *** significant at 1%.

TABLE 3B
PRODUCTIVITY AND OWNERSHIP: DOMESTIC
V/S FOREIGN BANKS

Dep. Var.: Productivity Diff.	Coefficient (SE)	Coefficient (SE)
Base Bank Category	Foreign Banks	Foreign Banks
Domestic Bank Dummy	-1,260.17*** (336.35)	
Indian Private Bank Dummy		-622.97*** (89.93)
Competition Index	-1,070.67** (422.67)	-360.02*** (90.95)
Comp. Index *	1,817.68*** (464.96)	937.41*** (126.58)
Owner. Dummy		
New Bank Dummy	-23.78 (32.44)	
Size	-282.55*** (32.70)	-44.97*** (7.39)
Size Squared	23.08*** (2.36)	4.59*** (0.60)
Diversification Var. (Lag 1 Yr.)	-45.51 (32.68)	-3.41 (5.75)
Sh. of Non-Int. Exp. (Lag 1 Yr.)	-24.20 (24.22)	-0.41 (4.85)
Regime Change Dummies		
1996 Dummy	-12.32 (13.61)	-5.249* (2.957)
2003 Dummy	6.53 (11.79)	0.090 (2.556)
Macro Controls		
Stability	61.26 (72.34)	26.25 (16.22)
GNP per Capita (Lag 1 Yr.)	191.58*** (65.70)	81.39*** (15.06)
Constant	-203.73 (568.42)	-423.46*** (130.88)
Relevant Statistics		
Observations	1090	752
Rho	0.625	0.713
Wald Stat.: Chi-Square	315.319	533.002

Note: GLS estimation with panel auto-correlated standard errors and hetroskedastic panels. Standard errors in parentheses. Range: 1992 – 2004. * significant at 10%; ** significant at 5%; *** significant at 1%.

Table 3b reports the alternative specifications where the ownership variables are different in the three columns. We find that, ignoring the effects of competition, domestic banks have lower productivity

TABLE 3C
PRODUCTIVITY AND OWNERSHIP: OLS V/S
NEW INDIAN PRIVTE BANKS

Dep. Var.: Productivity Difference.	Coefficient (SE)
Base Bank Category	Old Indian Private Banks
New Indian Private Bank Dummy	-567.99* (298.37)
Competition Index	-488.64*** (163.58)
Interaction: Comp. Index *	757.50* (410.75)
Bank Characteristics	
Size	-137.33*** (19.46)
Size Squared	13.35*** (1.49)
Diversification Variable (Lag 1 Yr.)	-19.72 (30.60)
Share of Non-Interest Expenditure (Lag 1 Yr.)	-3.92 (32.36)
Regime Change Dummies	
1996 Dummy	-11.715** (5.064)
2003 Dummy	9.088 (5.820)
Macro Controls	
Stability	68.52** (30.65)
GNP per Capita (Lag 1 Yr.)	191.29*** (31.41)
Constant	-1,132.28*** (285.28)
Relevant Statistics	
Observations	349
Rho	0.773
Wald Stat.: Chi-Square	591.241

Note: GLS estimation with panel auto-correlated standard errors and hetroskedastic panels. Standard errors in parentheses. Range: 1992 – 2004. * significant at 10%; ** significant at 5%; *** significant at 1%.

gains than foreign ones (column 1). However when we factor in competition we find that the interaction effect is positive implying that domestic banks react positively to competition compared to foreign banks. When final elasticities are calculated we find that there

is no significant difference in productivity gain between domestic and foreign banks. However, their reaction to competitive pressure differs greatly with the domestic banks experiencing positive productivity gains as a response and the foreign banks taking a hit.

From the above analysis it seems that the post liberalization period has not been favorable to the foreign banks. To study this issue further we then compare Indian private banks to foreign banks (column 2). Again we find that ignoring competition, Indian private banks have experienced lower productivity gains than their foreign counterparts, but when competition is taken into account the former have higher productivity gains than the latter. Once again competition has a negative impact on foreign bank productivity gain. Thus one conclusion that we may draw from the above analysis is that the earlier puzzle about public banks experiencing higher productivity gains than private ones may lie in the behavior of foreign banks during this period.

Last, we investigate whether there are any significant differences between old and new private banks. We find that when competition is taken into account, the productivity gain is 24 percent lower for new Indian private banks when compared to old Indian private banks (Table 3c). Thus during the post liberalization period, older banks have made greater productivity gains than the newer banks. The primary conclusion one can draw from the above results is that public banks and older Indian private banks have had a greater productivity gain when compared to foreign and newer Indian private banks. When all the evidence is taken into account there seems to be strong proof that the bank reforms have worked quite well. These reforms, as mentioned before, were primarily aimed at increasing the efficiency of the large public banks. Newer Indian banks and foreign ones were efficient anyway and did not need the reforms to increase productivity.

The evidence about increased competition affecting different categories of bank in a dissimilar manner is also interesting. Results suggest that the productivity of public sector banks respond positively to competitive pressures than that of private banks. This suggests that deregulation has provided the public sector with the incentives to improve efficiency. In other words, public sector banks react to increased competition with improved performance relative to private banks. This result is promising: it implies that public banks had to and did tighten their resource use in response to the entry of new competitors following the reforms.

5. Conclusions

In this paper we investigate whether these reforms have indeed worked in a way that had been envisioned by the policy makers. We take a different approach from papers that examine similar issues. Our measure of performance is not profitability. For this paper we want to focus on bank productivity gain after liberalization. For Indian banks, specially the public sector ones, the government often bails out ailing entities by pumping money into them. This is almost a 'free' injection of cash into their system and measures of profitability may thus be contaminated and not contain appropriate information about performance. Bank productivity however, does not suffer from such problems. It is measured by the total factor productivity which is essentially the difference between the output and input of a bank.

In this paper we use estimates of bank productivity that are calculated from bank production functions using the Levinson-Petrin technique which corrects for endogeneity and selection issues. We investigate the impact of ownership and competition on productivity gain while controlling for bank specific characteristics, the macro environment of the country and regime changes in the financial market. To get a better sense of the impact of reforms we do not use the raw value of TFP. We create a productivity difference measure that tracks the productivity gain in each year (by bank) when compared to a base year pre-reform productivity measure. The primary finding is that public banks and older Indian private banks have had the biggest productivity increases during the post reform era when compared to foreign and newer Indian private banks. In addition, the public sector banks seem to react positively to competitive pressures and this bodes well for the Indian banking sector. The banking reforms were primarily aimed at increasing the efficiency of the large public banks and in this paper we present strong evidence that they have been quite successful.

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Tuesday, June 5

10:30 – Noon **Session 9**

940 Competitive Paper Session: Development: Dilemmas, Effects, and Strategies

Chair: David Hunt, The University of Wyoming

941 - *To Replant or Not to Replant Natural Barriers? Perhaps That is the Wrong Question*
Edward B. Barbier, University of Wyoming

942 - *Micro-Macro Linking: The Declining Koala Population and Your Unleashed Dog*
WITHDRAWN
Harriet Preece, The University of Queensland

943 - *Currencies and the Dilemma of the Commons: The Construction of New Markets as a Management Tool*
Jenny Mish, University of Utah

944 - *Innovation and Electricity Market Restructuring in the U.S.*
Paroma Sanyal, Brandeis University

To Replant or Not to Replant Natural Barriers? Perhaps That is the Wrong Question

Edward B Barbier, University of Wyoming, USA

The December 2004 tsunami in Asia has generated interest in restoring mangroves as natural barriers to coastal storms. Yet some marine scientists question whether replanted mangroves are effective storm barriers, especially against tsunamis. Evidence from Thailand suggests that various damaging coastal storm events, from tropical storms to coastal flooding to tsunamis, occur frequently. The damages by these events are very large; over 1996-2004, the estimated real economic damages per coastal event per year in Thailand averaged around US\$61.0 million (1996 prices). Over the past two decades the annual incidence of events has increased decades while extensive mangrove deforestation has occurred. Over 1996-2004, for every one-km² loss of mangrove area, expected storm damages increased by about US\$187,898 per km². Even if mangrove replanting cannot prevent a “big” tsunami, successful regeneration of mangroves could reduce expensive damages from more frequent, smaller events. Focusing exclusively on replanting mangrove as storm barriers, however, fails to address the wider social and economic issues of mangrove management in Asia. Unless local communities have a greater stake in managing replanted mangroves, they will not take care of them over the long term and allow mangrove systems regenerate into healthy ecosystems capable of withstanding tropical storms.

In a recent editorial in the *New York Times* (“False Hopes and Natural Disasters”, December 26, 2006), Andrew Baird has criticized Bill Clinton in his role as special envoy for UN tsunami recovery for endorsing publicly a \$62 million program for preserving mangroves and coastal reefs as “natural barriers” to future tsunamis in 12 Indian Ocean countries. The program would expand substantially current programs in the region funded by governments and non-governmental organizations (NGOs) that are attempting to replant and rehabilitate mangrove ecosystems that have been severely degraded and even destroyed.

Baird’s argument is straightforward. He states that “there have been few scientific studies about the protective role of coastal vegetation.” What is more, he suggests that many post-tsunami assessments of “the level of protection offered by greenbelts has been

exaggerated”. Assessments that Baird, his colleagues and other scientists have conducted have indicated that “neither reefs nor coastal forest reduced the damage caused by the tsunami.” (see, for example, Kerr *et al.* 2006; Kerr and Baird 2007). Baird’s conclusion: replanting mangroves as “natural barriers” is misplaced; “if the aim is to protect people from tsunamis, the science indicates that money would better be spent on early warning systems, education and evacuation planning.”

I have some sympathy for Baird’s criticism of recent calls for widespread mangrove replanting “in the wake” of the December 2004 Indian Ocean tsunami. In September 2005 I had an opportunity to discuss such replanting programs with a member of a well-known international NGO, which was actively advocating mangrove replanting in Asia. I suggested to the NGO employee, who has a PhD in the biological sciences, that we need urgently to improve our ecological and economic assessments of the coastal protection value provided by replanted and restored mangrove ecosystems in order to ensure the success of the proposed costly investments in these “natural barriers”. The NGO person replied that such assessments were unnecessary. As a result of the 2004 tsunami, governments of Indian Ocean countries and the wider international community were now convinced of the need to replant mangroves as “natural barriers”, and plans to fund large-scale rehabilitation programs were already under way. In other words, there is no need for new scientific and economic studies, as we have already achieved the desired policy objective of convincing decision-makers to invest in replanting and rehabilitating mangrove ecosystems in the Indian Ocean.

However, lost in this debate over whether or not to replant mangroves as natural storm barriers are three fundamental questions:

- Why has widespread mangrove deforestation been occurring in Asia, and indeed globally, in recent decades?
- Has this widespread loss of mangroves increased the vulnerability of coastal populations to economically damaging storm events, not just the occasional “big” tsunamis but the more frequent storm surges, typhoon and other tropical wind storms, and coastal floods that occur?

- Are current institutions and incentives adequate for, first, encouraging local coastal communities to participate in mangrove replanting schemes, and second, to allow these communities a stake in the long-term management of the rehabilitated forests?

Mangrove forests are among the most threatened global ecosystems, especially in Asia. At least 35% of global mangrove area has been lost in the past two decades, and in Asia, 36% of mangrove area has been deforested, at the rate of 1.52% per year (Valiela *et al.* 2001). Although many factors are behind global mangrove deforestation, a major cause is aquaculture expansion in coastal areas, especially the establishment of shrimp farms (Barbier and Cox 2003). Aquaculture accounts for 52% of mangrove loss globally, with shrimp farming alone accounting for 38% of mangrove deforestation; in Asia, aquaculture contributes 58% to mangrove loss with shrimp farming accounting for 41% of total deforestation (see Valiela *et al.* 2001, Table 3). Forest use, mainly from industrial lumber and woodchip operations, causes 26% of mangrove loss globally and 16% in Asia, freshwater diversion accounts for 11% of loss globally and 14% in Asia, and reclamation of land for other uses causes 5% of loss globally and 7% in Asia. The remaining sources of mangrove deforestation consist of herbicide impacts, agriculture, salt ponds and other coastal developments, including resorts and tourism.

A stark reality is that many of these coastal developments causing mangrove loss rarely benefit local coastal communities. Traditional uses of the mangroves by these communities involve harvesting fish, wood products, honey and even medicines from the mangrove forests and swamps and fishing in the nearby coastal waters stocked by fish that depend on the mangroves for breeding grounds and nurseries. In contrast, commercial shrimp farming and aquaculture, logging operations, salt ponds, large-scale agricultural developments and resort hotels are usually owned and financed by outside investors who profit handsomely from these developments. Not only are local coastal people largely excluded from sharing these lucrative financial rewards, they hardly benefit at all, except perhaps for the lucky few who find employment as low-skill labor in these coastal development activities. Meanwhile, the traditional livelihoods of whole communities are often laid to waste along with the mangroves that support these livelihoods.

As we shall discuss presently, the question of “who gains” and “who loses” from mangrove deforestation turns out also to be an important consideration when addressing the social and

economic feasibility of widespread mangrove replanting schemes in coastal areas.

The second question concerning the coastal protection service of mangroves gets to the heart of Baird’s criticism. There is, in fact, a very worrisome aspect to Baird’s argument. Readers of his editorial could infer that, if the main reason for replanting mangroves as “natural barriers” is to provide coastal populations protection against future “big tsunamis” such as the massive December 2004 storm event, then why replant or preserve mangroves at all if they offer little protection against such horrendously damaging events?

The problem with such an inference is that it is highly faulty inductive reasoning, which to be fair to Baird I do not think he intended.

Baird actually acknowledges in his editorial that he considers tsunami to be a special case: “Mangroves forests are, to be fair, very effective at dissipating the energy of storm waves, but a tsunami is a very different beast....coastal forests at some point do begin to reduce tsunami damage, but we can’t expect them to offer meaningful protection against the sheer amount of energy involved in a tsunami.”

But does this mean that mangrove ecosystems offer little or no coastal storm protection at all? My own reading of the scientific literature and investigation into the storm protection value of mangroves in Thailand suggests that this is not the case (Barbier 2007).

First, as Baird admits, there is evidence in the literature that healthy mangrove forests can attenuate waves and buffer wind storms (Dahdouh-Guebas *et al.* 2005; Danielsen *et al.* 2005; Massel *et al.* 1999; Mazda *et al.* 1997; Wolanski 2007).

Second, tropical coasts are battered frequently by other storm events, not just massive tsunamis. This is illustrated in the figure below for Thailand.

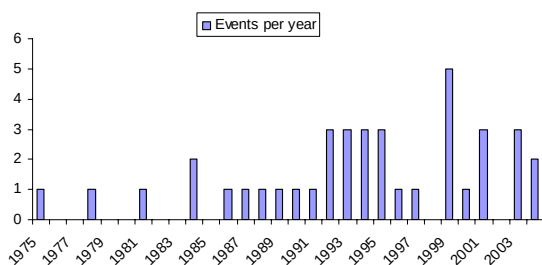


Figure 1. Coastal natural disasters in Thailand, 1975-2004

Notes: Over 1975-2004, coastal natural disasters included wave/surge (tsunami and tidal wave), wind storm (cyclone/typhoon and tropical storm) and flood (significant rise of water level in coastal region). In order for EM-DAT (2005) to record an event as a disaster, at least one or more of the following criteria must be fulfilled: 10 or more people reported killed; 100 people reported affected; declaration of a state of emergency; call for international assistance.

Source: Barbier (2007); the original data source is EM-DAT(2005).EM-DAT: The OFDA/CRED International Disaster Database. www.em-dat.net - Université Catholique de Louvain, Brussels,Belgium.

The above figure shows that a variety of damaging coastal storm events occur frequently in Thailand, and that the incidence events (the number annually) has increased in recent years.

The economic damage per event (in real or constant US dollars) is also revealing, as the next figure shows

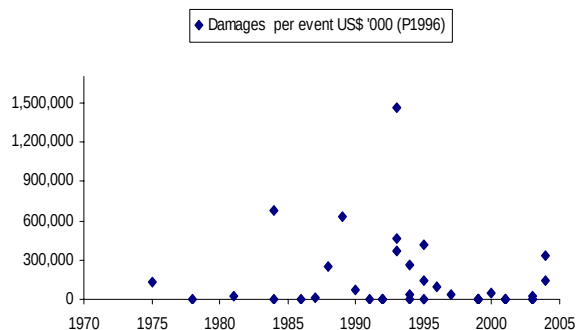


Figure 2. Real damages per coastal natural disaster in Thailand, 1975-2004

Notes: The EM-DAT (2005) estimate of the economic impact of a disaster usually consists of direct (e.g. damage to infrastructure, crops, housing) and indirect (e.g. loss of revenues, unemployment, market destabilisation) consequences on the local economy. However, the estimate of “zero” economic damages may indicate that no economic damages were recorded for an event. The estimates of economic damages are in thousands of US\$ and converted to 1996 prices using Thailand's GDP deflator.

Source: Barbier (2007); the original data source is EM-DAT(2005).EM-DAT: The OFDA/CRED International Disaster Database. www.em-dat.net - Université Catholique de Louvain, Brussels,Belgium.

Figure 2 plots the damages per coastal natural disaster in Thailand for 1975-2004. The 2004 Indian Ocean tsunami with estimated damages of US\$240 million (1996 prices) was not the most damaging event to occur in Thailand. In fact, many other events, especially during the late 1980s to mid 1990s, were more damaging in real economic terms than the big tsunami.

Over the same time period, 1975-2004, extensive mangrove deforestation occurred in Thailand. This is illustrated in the following figure.

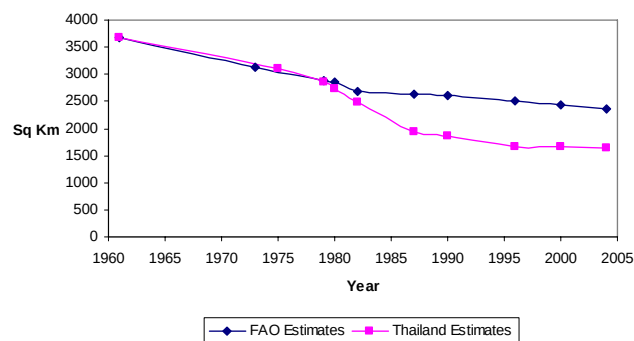


Figure 3. Mangrove area (km²) in Thailand, 61-2004

Notes: FAO estimates from FAO (2003). 2000 and 2004 data are estimated from 1990-2000 annual average mangrove loss of 18.0 km²

Thailand estimates from various Royal Thailand Forestry Department sources reported in Aksornkoae and Tokrisna (2004). 2000 and 2004 data are estimated from 1993-1996 annual average mangrove loss of 3.44 km²

Source: Barbier (2007).

The above figure shows two long-run trend estimates of mangrove area in Thailand. Both trends show continuing mangrove loss, albeit at different rates. More importantly, over the past two decades the rise in the number and frequency of coastal natural disasters in Thailand and the simultaneous rapid decline in coastal mangrove systems over the same period is likely to be more than a coincidence. This suggests an important hypothesis worth examining: Did the widespread loss of mangroves in coastal areas of Thailand increase the vulnerability of these areas to more incidences of economically damaging natural disasters?

I tested this hypothesis recently; details can be found in Barbier (2007). The analysis for Thailand over 1979-96 and across 21 coastal provinces shows that a one-km² decline in mangrove area increases the expected number of disasters by 0.36%. This

relationships was statistically significant, and suggests that we cannot reject the hypothesis of correlation between mangrove deforestation and the incidence of damages from coastal storms in Thailand over 1979-96.

Based on this analysis, I was also able to calculate the resulting economic impacts associated with changes in forest area, both for 1979-96 and for the subsequent period 1996-2004. Over 1979-1996, the estimated real economic damages per coastal event per year in Thailand averaged around US\$189.9 million (1996 prices). For this period, the marginal effect of a one-km² loss of mangrove area is an increase in expected storm damages of about US\$585,000 per km². Over 1996-2004, the estimated real economic damages per coastal event per year in Thailand averaged around US\$61.0 million (1996 prices). For this period, the marginal effect of a one-km² loss of mangrove area is an increase in expected storm damages of about US\$187,898 per km².

In sum, consistent with most of the prevailing ecological literature on the coastal protection service of mangrove forests, the Thailand study shows that widespread deforestation over a significant period of time will increase the vulnerability of coastal areas to a variety of economically damaging storm events.

The final question I mention above raises concerns about the institutions and incentives in many coastal areas. In other words, even if we think that current calls to expand mangrove replanting and rehabilitation in Asia for coastal protection are worthwhile, will such schemes succeed?

In an article in *Frontiers in Ecology and the Environment*, I addressed this question also (Barbier 2006). I made the following points:

- Although the post-tsunami change in attitude towards mangroves in the region is welcomed, focusing solely on replanting projects is not sufficient to reverse the decades-long decline in mangrove forests in the region.
- Unless local coastal communities have more of a say in the control, use and protection of mangroves, current and future restoration projects will fail to have any lasting results.
- Instead, a new institutional and policy framework that involves local communities more directly in coastal mangrove management could make a difference to the sustainability of mangrove rehabilitation projects in the Indian Ocean region, and may improve community participation in these projects.

For example, a new institutional framework for coastal mangrove management in Thailand and other

Indian Ocean countries that could make a difference to coastal communities, including their willingness to restore and protect local mangroves, might contain the following features (Barbier and Sathirathai 2004). First, remaining mangrove areas should be designated into conservation (i.e. preservation) and economic zones. Shrimp farming and other extractive commercial uses (e.g., wood concessions) should be restricted to the economic zones only. However, local communities who depend on the collection of forest and fishery products from mangrove forests should be allowed access to both zones, as long as such harvesting activities are conducted on a sustainable basis. Second, the establishment of community mangrove forests should also occur in both the economic and conservation zones. However, the decision to allow such local management efforts should be based on the capability of communities to effectively enforce their local rules and manage the forest to prevent over-utilization, degradation and conversion to other land uses. Moreover, such community rights should not involve full ownership of the forest but be in the form of user rights. Third, the community mangrove forests should be co-managed by the government and local communities. Such effective co-management will require the active participation of existing coastal community organizations, and will allow the representatives of such organizations to have the right to express opinions and make decisions regarding the management plan and regulations related to the utilization of mangrove resources. Finally, the government must provide technical, educational and financial support for the local community organizations participating in managing the mangrove forests. For example, if only user rights (but not full ownership rights) are granted to local communities, then the latter's access to formal credit markets for initiatives such as investment in mangrove conservation and replanting may be restricted. The government may need to provide special lines of credit to support such community-based activities.

However, establishing an improved institutional framework is a necessary but not sufficient step in controlling excessive shrimp farm expansion and subsequent mangrove loss. Reforms are needed to reduce the current perverse incentives for excessive mangrove conversion for shrimp farming. These include eliminating preferential subsidies for the inputs, such as larvae, chemicals and machinery, used in shrimp farming, ending preferential commercial loans for clearing land and establishing shrimp ponds, employing land auctions and concession fees for the establishment of new farms in the "economic zones" of coastal areas, and finally, charging replanting fees for farms that convert mangroves. Reducing the other environmental impacts of shrimp farming in Thailand

and other Asian countries is also important, notably problems of water pollution, the depletion of wild fish stocks for feed and disease outbreaks within ponds. Improving the sustainability of shrimp aquaculture, as well as controlling the excessive mangrove deforestation caused by the industry, are both critical to the ensuring participation of local coastal communities in mangrove replanting efforts as well as their cooperation in long-run management of forests.

To conclude, a narrow focus on whether to replant or not to replant “in the wake” of the December 2004 tsunami fails to address the wider social, ecological and economic issues of mangrove management in the region. A successful strategy for mangrove rehabilitation, restoration and conservation in Asia needs to look beyond an overly simplified replanting debate.

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Currencies and the Dilemma of the Commons: The Construction of New Markets as a Management Tool

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This paper identifies the emergence of numerous currency experiments with implications for marketers in multiple domains. These socially constructed systems represent overlapping notions of a “market.” Venkatesh and Peñaloza (2006) identified seventeen conceptualizations of “market,” and this paper proposes an eighteenth: markets as commons-management tools. Shultz and Holbrook (1999) argued that marketing’s stakeholders can collectively help to address the commons dilemma famously articulated by Hardin (1968). A preliminary study finds that the commons dilemma may be addressed in part by innovative currency systems. It is further proposed that the investigation of overlapping market meanings may reveal clues needed to develop marketing theory for situations in which multiple markets using multiple meanings operate simultaneously.

Keywords: commons, currencies, monetary systems, markets, multiple markets

COMMONS, MARKETS, AND MONEY

Building on Garrett Hardin’s (1968) classic essay, “The Tragedy of the Commons,” Shultz and Holbrook (1999) argued that marketing’s stakeholders can collectively help to address the commons dilemma. Such a dilemma results when individual decisions produce long-term costs borne by the group, even though they are otherwise rational or favorable individual choices. In this predicament, the “commons” refers to commonly shared resources. In Hardin’s essay, the term is used in relation to natural resources, such as clean air and the earth’s oceans, yet it can also be used in relation to shared social and cultural resources, such as language, the Internet, or the marketplace. This paper proposes that the commons dilemma may be addressed, at least in part, by new markets and market mechanisms produced by innovative currency systems.

Since Hardin’s article first appeared, there has been increasing concern and controversy over the depletion of natural resources and the inadequacy of existing mechanisms for protecting these commons.

Global warming is a striking example of an unintended consequence of considerable interest to a growing portion of the world’s population. In addition, debates about the management of the commons are raging in a number of other fields (Frischmann 2005). For example, intellectual property rights, privatization, and commercialization are controversial arenas in which ownership has become more of a continuum and less of a discrete variable. Control of the global marketplace is hotly contested, as seen in clashes over globalization. As the economic dominance of the US is increasingly questioned, and as China and India rise in economic prominence in the world, the collective ownership of the market by all people becomes increasingly salient.

This paper will adopt Frischmann’s (2005) use of the term “commons” to refer to “a resource [that] is openly accessible to all users regardless of the users’ identity or intended use of the resource” (p. 933). This definition frames the commons dilemma in terms of private control vs. open access. Frischmann points out that a resource itself implies no inherent ownership status; thus a resource only becomes a “commons” with the social construction of its meaning. Constructed meanings are the primary basis for disagreement in many if not all of the current debates over management of the commons.

Although the notion of “market” has been one of the central concepts of marketing as a field, no consensus definition has emerged (Buzzell 1999). This paper will adopt the definition offered by Venkatesh and Peñaloza (2006), who identified a market as “a set of institutions and actors located in a physical or virtual space where marketing-related transactions and activities take place” (p. 136). According to this definition, a market is arguably both a commons, collectively owned and accessed by all institutions and actors inhabiting the market space, and socially constructed. What was to US marketers, for example, a given marketplace of supply and demand is becoming a more diversely perceived collective space for exchange in which meanings are not stable.

In this context of heightening awareness and changing meanings, the hegemonic US dollar emerges as a particularly vulnerable construct. The US dollar serves as the primary reserve currency in the commons of the international monetary system, representing 65% of foreign exchange reserves in 2006 (Wikipedia, reserve currency). Since 1975 when the US abandoned

a gold standard, the value of a US dollar has been officially determined by its credibility in the marketplace. Thus, like commons and markets, money is socially constructed. Its meanings and functions are agreed upon (or assumed) in order to serve various functions and meet various collective needs.

In the last two decades, the social construction of money has been explored in thousands of currency experiments around the world. These agreements take a variety of forms, such as paper money, electronic credit, and time-based exchanges, and they are sponsored by a range of actors, including individuals, governmental and non-governmental organizations,

and private businesses. Each of these new currencies creates a new market. Table 1 categorizes new currencies and credit systems by scope and type of market created. Often relying on new technologies, these experiments reflect unprecedented innovation and creativity, exploring the meanings and functions of money in human society. A relationship to the commons may be implicit or explicit in those meanings and functions. This paper investigates the possibility that currency systems can be used to construct new markets which can serve as mechanisms for the management of the commons.

TABLE 1: CATEGORIES OF CURRENCY SYSTEMS

Scope & type of market created	Local	National	Multi-national, Global, or Virtual
C2C	Paper monies & mutual credit systems - Thousands of local scrip or accounting systems to track exchanges within a defined geography. Time-trading systems - Use time as a unit of exchange to reward volunteering. 372 elder care systems in Japan, being replicated in China and Switzerland (Lietaer 2004). 400 Time Bank systems, mostly US & UK (www.timebanks.org).	Brazilian Saber** (Lietaer 2006a) - Using government-issued coupons, younger students pay older students for tutoring in four age-tiers, ending with 17-year-olds who redeem coupons as partial payment for university tuition. Online microfinance*, ** - Online matching of micro-lenders and micro-borrowers in UK (www.zopa.com) and US (www.prosper.com).	Virtual gaming currencies*, ** (Castronova 2005) - Exchange of virtual goods using virtual currencies created in virtual gaming worlds. - Current trading volume estimated as \$18 billion equivalent per year. - eBay trading of virtual goods using national currencies is estimated at over \$130 million per year.
C2B			Online microfinance*, ** Online matching of individual micro-lenders with business micro-borrowers in developing countries (www.kiva.org).

Scope & type of market created	Local	National	Multi-national, Global, or Virtual
B2C	Interra** (www.interraproject.org) • Swipe card system for use by local business networks, providing consumers with loyalty discounts and providing non-profit organizations with percentage donations. • Designed by Dee Hock, creator of the decentralized Visa network. Paper monies & mutual credit systems • See above.		Islamic Banking** (Zaher & Hassan 2001) • New forms to meet Koranic prohibition on interest in 60 countries. • Expected to exceed 50% of savings in Islamic countries by 2010. • Focused on local market needs rather than high net-worth segments. Virtual gaming currencies*, ** • Real-world firms and brands doing business in virtual gaming worlds. • See also virtual currencies above.
B2B	Paper monies & mutual credit systems • See above.	Corporate barter networks** (Stodder 1998) • \$8 billion annual trade in US and growing at more than twice GDP since 1974. • Strongly counter-cyclical. WIR & imitators (Kennedy & Kennedy 1995) • Trust-based mutual-credit networks making inexpensive capital available to small businesses. • Interest-free and counter-cyclical. • Started in 1934, the Swiss WIR now has 80,000 business members.	Corporate barter networks** • 20-25% of all global trade and growing rapidly (Okaroafe 1989) • See left. European Union Emissions Trading Scheme*, ** • Carbon emission credits exchanged by firms in a free market. • Issued by governments to cap emissions and meet Kyoto Protocol obligations. Islamic Banking** • See above. Terra** (Lietaer 2001, & Belgin 2006) • Global demurrage-based currency backed by trade commodities. • Counter-cyclical, thus stabilizing of world economy as a whole. • Promotes long-term investment in natural resources (see narrative).

Scope & type of market created	Local	National	Multi-national, Global, or Virtual
Any	Eco-money systems (Lietaer 2004, 2006) Deliberately varied service-exchange experiments conducted by Japanese government to address 27 activities such as welfare, education, disaster prevention, environment protection, and cultural asset appreciation.		<i>Ripple</i> ** (http://ripple.sourceforge.net) - Online formalization of trust-based social networks to facilitate exchange. - Modeled after hawala system. - Participants decide how much credit to extend to each member of their network (see narrative).

Italicized currencies are proposed or in development.

* May charge interest.

** Not included in Lietaer's calculation of 5,000 complementary currencies in operation in 2005, and may not meet definition of complementary currency.

METHOD AND FINDINGS

Data about many dozens of currencies were gathered through extensive Internet research, interviews with several currency developers, attendance at a conference on new currencies, and written sources. The content of these data was analyzed for intended purposes and functions of the new currency systems. The currency systems were categorized by scope of the markets created, ranging from local to national to multi-national, global, or virtual. They were also categorized according to the type of market created, consumer-to-consumer (C2C), consumer-to-business (C2B), business-to-consumer (B2C), or business-to-business (B2B). Finally, an attempt was made to identify several of the strongest examples of commons management objectives and/or potentials, and to determine whether currencies and the markets they create may indeed serve as significant mechanisms for commons management.

The New Currency Systems

The proliferation of monies is not a new phenomenon in human history. For example, during the 19th century, more than 5,000 distinct bank notes were circulating in the US. The federal government eventually suppressed them and enforced a single national currency (Zelizer 1998). Nonetheless, in the depression era of the 1930s, currencies again appeared

as partial solutions to the economic woes facing both Americans and Europeans.

Most of the new money systems currently in use are “complementary” currencies. Bernard Lietaer, a former central banker who served on the design team for the Euro, coined this term to emphasize that these currencies intend to supplement rather than replace existing national monetary systems. Aside from this distinction, what these monies have in common is that each is an agreement within a community to create its own currency to link unmet needs with unused resources. The number of complementary currencies in operation worldwide rose from “less than a handful” in 1984 to approximately 5,000 in 2005, according to Lietaer and Belgin (2006, pp. 99-100). The vast majority are designed for use at a local level. Most consist of either paper money or mutual credit networks where transactions are recorded in computer accounting programs. Time-based systems are also quite prolific, especially in Japan, where the government is actively engaged in hundreds of innovations. Japan is home to more currencies than any other country. Complementary currencies in development also include the Saber, a project of the Brazilian Ministry of Education, and the Terra, a “global trade reference currency,” discussed below.

In addition to Lietaer's 5,000 complementary currencies, a number of other new or expanding credit systems are in use or development. Corporate barter represents 20-25% of all global trade (Okarofo 1989) and it is growing quickly (Stodder 1998). Islamic

banking, which prohibits interest, has also been expanding rapidly in recent decades (Zaher and Hassan 2001). The trading of carbon credits has arisen with the Kyoto Protocol. And several Internet-based innovations facilitate previous unthinkable types of exchange. Virtual economies are being used by many thousands of people in virtual gaming worlds, and the online matching of lenders and borrowers is destined to bring a new layer of disintermediation to banking. See Table 1 for more information about these new currency systems.

The Commons Management Potential of Currency Systems

Without attempting to be comprehensive, this section seeks to provide an indication of the variety of ways in which currencies and the markets they create can serve in the management of the commons. First, the explicit missions of local currencies will be considered, followed by the impacts of an interest-free design, a common feature of many currencies. Finally, three systems will be discussed in some detail due to their game-changing potential in commons management: The Terra, Time Banks, and Ripple. In all three cases, new markets are created with unprecedented properties, and with them, unprecedented meanings and opportunities for commons management.

Local Currencies

Many of the new currency experiments were conceived and developed with an explicit view to the commons. Local exchange systems typically have missions referring to the building of local exchange networks and they connect this activity to the care of ecosystems and/or other forms of commons. Perhaps surprisingly, abuse of local currencies is extremely rare (Lietaer 2001, Lietaer and Belgin 2006). This is one indication that local systems actually do build local trust and social capital, which is usually an implicit or explicit objective.

Probably the best known of the local currencies, Ithaca Hours is self-defined as “a local currency system that promotes local economic strength and community reliance that will support economic and social justice, ecology, community participation, and human aspirations” (Ithaca Hours Website). One would expect the commons-impact potential of this system to be greatest within the limited geography of its circulation. But as this mission suggests, if such systems were implemented widely, broader ecological systems could be affected. Importantly, such local currencies can be influential as sources of inspiration. Ithaca Hours has inspired hundreds if not thousands of other

experimental currencies, and attracted visits by high-ranking Japanese and Chinese government officials interested in replicating at least some parts of the Hours model (Ithaca Hours Website).

Counter-Cyclical Benefits of Freedom From Interest

One of the most significant economic benefits and commons-management features of complementary currency systems lies in their relationship with the mechanism of interest. Interest is a ubiquitous characteristic of national currency systems, yet all of the complementary currency systems implemented to date are interest-free currencies (Lietaer and Belgin 2006). In addition, there is typically no limit to the amount of currency available for use in these systems. Since interest and scarcity of money are the two sources of inflation, these design features make complementary currencies inflation-proof.

Thus, exchanges conducted using complementary currencies do not contribute to inflationary cycles in the primary national currency. This is a tremendous advantage in the collective management of the commons of an economy of any scale. Both local currencies and corporate barter networks have been shown to provide a counter-cyclical stabilizing influence during the recessionary cycles occurring in their primary currency economies (Stodder 1998).

The Terra

Designed by Lietaer, the Terra is a proposed global complementary currency intended to operate in parallel to national currencies, without need of new legislation or international agreements (Lietaer 2001, Lietaer and Belgin 2006). It was designed as a pragmatic commercial tool providing two distinct market mechanisms for the management of the global marketplace.

First, the Terra is theoretically capable of providing a stabilizing effect on the world economy as a whole by providing an abundant source of capital for use during recessions. Normally, money is scarce during recessions because interest rates are high and inventories accumulate. Under these conditions, businesses will benefit from depositing inventories in exchange for Terras. These businesses will also benefit from spending those Terras quickly, because in lieu of interest, a small demurrage fee, sometimes called “negative interest,” will increase as time passes. Demurrage is calculated exactly like interest except that the interest rate (a positive constant) is replaced by a demurrage rate (a negative constant). Because the demurrage fee increases with time, businesses will rapidly circulate Terras, stimulating exchange and

supporting a recovery from the recession in the national currency economy.

The second important commons management principle that is built into the design of the Terra is also a function of demurrage. Whereas interest provides built-in incentives for short-term rather than long-term returns, demurrage promotes investment for long-term returns (Kennedy and Kennedy 1995). To illustrate this mechanism, consider the time value of money implications of two trees planted today, one pine and one oak. With neither interest nor demurrage, the fast-growing pine will be worth \$100 in ten years, and the slow-growing oak will be worth \$1000 in 100 years. Adding 5% annual interest, the value of the pine in ten years becomes \$61.39 and the value of the oak in ten years becomes \$7.40. This apparent loss of value is due to the interest which could be earned by that wealth if stored as currency rather than as tree; money in the future is worth less than money today. In contrast, using demurrage, money in the future is worth more than money today. With a 5% demurrage rate, the pine will be worth \$167.02 in ten years and the oak will be worth \$168,909 in 100 years.

In contrast to the mechanism of interest, which encourages self-interested investors to store their wealth or value in the form of currency rather than in physical goods, demurrage provides the opposite incentive, encouraging the storage of wealth in physical goods rather than in currency. In this way, the Terra represents a global monetary instrument capable of encouraging the exact types of long-term investment behaviors needed to protect the natural resource commons that are currently threatened.

Time Banks

Time Banks were created for the explicit purpose of building and rebuilding social capital. They have been effectively implemented in a variety of contexts, including juvenile law, education, neighborhood safety, elder care, and health insurance (www.timebanks.org). Citing research findings from many fields, founder Edgar Cahn argues that reciprocal relationships between providers and recipients are prerequisites for the effective provision of professional services such as health care, counseling, and education (2004). Yet existing institutions and structures for the provision of many professional services are not designed for reciprocity, particularly when government funding is a significant or primary source of payment for these services. Time Banks provide the needed structural support for professionals to require time investments by clients and patients. These time investments are used to provide peer services, such as childcare and transportation, to other clients and patients, services that would not otherwise be provided. As a result, they

build community trust and safety and increase the effectiveness of professionals by allowing them to achieve reciprocal relationships. Thus, in the commons of social capital, Time Banking systems have created new time-based markets, allowing time to be traded for the benefit of the collective.

Ripple

Ripple is a proposed Internet-based monetary system backed by existing social capital (<http://ripple.sourceforge.net>). Modeled after the hawala exchange system used in the Middle East, Africa, and Asia since the 8th century, Ripple links existing one-to-one trust relationships into chains, allowing exchanges between parties at the ends of these chains who do not have relationships of established trust. Credit is extended by each member of the chain to the next member, backed by trust. Using the Internet, chains linking exchange partners may become extremely long, and still be arranged and tracked quickly and efficiently. Each participant retains a great deal of autonomy, possessing full authority to extend or deny trust/credit to any other individual, and to negotiate the terms of any exchange. Thus, these chains formalize existing social capital into a structure that can support infinitely customized exchanges. The strength of each participant's relationships determines the value of the credit extended through that participant. Like eBay, Ripple doesn't just create a new market, it allows each participant to effectively create their own miniature market in a system of such mini-markets. Each participant technically issues their own new currency by extending credit to trusted exchange partners. In a world where the value of currency is a function of trust, it makes sense to design currencies backed by actual trust in relationships.

Currencies and the Commons

The above findings demonstrate that currency systems and the markets they create can indeed serve as mechanisms for commons management. As their numbers increase, even small-scale exchange systems have potential to impact the commons through their abilities to build social capital, reduce natural resource costs, and provide counter-cyclical economic resilience. They also have an influence on the collective imagination, inspiring larger visions such as the Terra, Time Banks, and Ripple. Importantly, these three currency designs illustrate the ability of currency systems to create new markets that make it possible for members of the collective to contribute to the task of looking after the commons.

DISCUSSION

Assuming that creative proposals for new currencies continue to proliferate, and that at least a few are eventually implemented on a large scale, these systems are likely to play an important role in redefining the collective management of the commons. This is relevant to marketing scholars because it implies multiple simultaneous markets impacting each other in ways that may be complex and difficult to anticipate. Each of these markets might operate with unique assumptions and agreements, so each may require customization of marketing theory and principles. Of course, this is already the case when one considers the global marketplace as a collection of national markets. And real-world national brands have begun trading in virtual worlds using both real and virtual currencies; for example, a virtual teenager wishing to wear virtual Nikes must pay for the right, and Nike must decide the terms of these exchanges. The development of meaningful theory across such dispersed and varied markets is extremely challenging, and this is a key reason that much of existing marketing theory is based on the US market, and then extrapolated to other contexts, with varying degrees of success. Ultimately, the field needs a more limber and adaptive approach to theory-building across markets.

Market Conceptualizations

Venkatesh and Peñaloza (2006) identified and discussed seventeen different conceptualizations of the market used in various disciplines, and demonstrated that the field of marketing places disproportionate emphasis on a conceptualization of a market as a site for competing firms. Although there is growing interest in the field in several of the seventeen conceptualizations (emerging markets, markets as brand communities, markets as sign economies, and markets as virtual environments), Venkatesh and Peñaloza asserted that marketing scholars largely ignore markets as hierarchies, networks, institutional systems, political economies, informal economies, cultural economies, communities, traditional bazaars, rural/urban tiers, and as ideologies.

This paper proposes the addition of an eighteenth conceptualization, that of markets as commons-management tools. The examples above have illustrated this market notion. Similarly, the currency systems analyzed for this study could also be used to illustrate other neglected conceptualizations of the market. For instance, the Brazilian Saber conceives of its market as a cultural economy; the Saber is a currency invention oriented entirely around the production of a more-educated population.

These eighteen conceptualizations are likely to have overlapping meanings and spheres of influence. It may be exactly these overlaps that provide insights into a more flexibly applicable approach to marketing theory. For example, the management of the Internet as a commons is a particularly vibrant and lively arena for contemporary debate, highlighting overlapping market notions. The Internet is certainly a market-as-site-for-competing-firms, as well as a market-as-virtual-environment. It may also be a market-as-ideology. According to Venkatesh and Peñaloza, “Markets may be viewed as a constellation of normative beliefs regarding appropriate roles by actors” (p. 146). Consider the case of Ripple.

Open-Source Philosophy and Economic Democracy

The creators of Ripple are seasoned techies who are dedicated to open source sharing of software code. “Open source” is both a philosophy and a pragmatic methodology (Wikipedia, open source). It represents the decentralized collection of intellectual resources in the public domain in order to allow future development using existing knowledge. In addition to software code, open source content includes a wide range of images, sounds, and other building blocks for future works. The Wikipedia open source page refers to open source markets, media, medicine, and even beverages (including “OpenCola”). Proponents of “open-source culture” advocate a deliberate and nuanced discernment of the balance between individual and collective rights. For example, sixteen different copyright agreements are available for producers to protect and share their work to varying degrees (<http://creativecommons.org>).

It is in this context that Ripple is proposed as a new online currency. Consistent with open-source culture, Ripple is a deliberate and sophisticated blend of culture and commons centered on the empowerment and contributions of the individual in relation to the also empowered collective. According to the Ripple Project FAQ:

Money is just a way to keep score in the big economic game that we are all playing, so why do only a few people have control of the scorekeeping process? Why keep the units of measurement scarce when needed projects go undone for their lack? It’s as though we were carpenters trying to build a house, but the foreman insisted on controlling how many inches each of us was allocated. It makes what could be a cooperative economy into a power game for those seeking control (<http://ripple.sourceforge.net/faq.html>).

Thus the Ripple project treats markets as ideologies, as communities, as cultural and informal economies, as virtual environments, and perhaps most importantly it treats markets as commons in need of democratization. If the inventors of Ripple have their way, everyone with Internet access will become a potential currency designer, the ultimate in economic democracy. The project intends to broaden the frame of reference used for exchange, using both technology and a layered construction of market meanings. These overlapping meanings, along with the mechanisms being explored for constructing them, may become essential concepts in future marketing classes.

Archetypes and Dual Currency Systems

In the case of the Terra, the meaning-making process of market design is very deliberate. Bernard Lietaer, the Terra's architect, is one of the world's top experts in currency design. His theoretical work includes an historical analysis of the world's monetary systems, concluding that dual currency systems using both interest and demurrage have been the most stable market systems in human history (Lietaer and Belgin 2006).

Seeking to understand this finding, Lietaer and Belgin looked beyond monetary theory to one of the most robust frameworks ever developed for understanding socially constructed meanings: archetypes. Made widely known by Carl Jung, archetypes can be thought of as cultural blueprints, or "those recurrent images which pattern emotions and behavior, and that can be observed across time and cultures" (Lietaer and Belgin 2006, p. 151). Specifically, Lietaer and Belgin focused on the four most ubiquitous archetypes, the Sovereign, the Warrior, the Lover, and the Magician. In the operation of every national monetary system, they found expressions of each of these four images in both their exalted and shadow forms. For example, the Magician's role in collective economic culture is embodied by academia, science, technology, and religion. In a healthy form, this archetype is expressed through these institutions as effective control processes, whereas in its shadow forms, it manifests as hyper-rationality and chaos.

Lietaer and Belgin discovered that, in addition to these four primary archetypes, societies with dual currency systems give active cultural expression to the feminine aspect of the Nurturer/Provider archetype, or the Great Mother. In contrast, societies with interest-based single currencies consistently devalue or repress this archetype. In case after case, these researchers found evidence that such societies manifest the associated shadow forms of greed and scarcity. They concluded that societies need interest-free or

demurrage-based social currencies that promote cooperation and egalitarianism in addition to interest-based currencies, which promote hierarchies and competition. Thus, Lietaer proposed the collective social construction of the Terra to rebalance the global marketplace with the addition of a demurrage-based currency.

The accuracy of Lietaer and Belgin's archetypal analysis may not be as critical as the fact that multiple new markets are being constructed based on meanings that are poorly understood by market scholars. Currency theory lags far behind current practice, according to Lietaer (2006b), and the same may be true of the market theory that marketing scholars rely upon as a foundation for their work.

CONCLUSION

Compared to historical periods of currency proliferation, the current period of experimentation includes a much wider variety of innovations. This is due in part to the new opportunities made possible by personal computers, communications technologies, and the Internet. It is also likely that contemporary innovations go farther than historical systems in exploring the social and cultural dimensions of exchange. Those systems which combine the power of new technologies with bold new social meanings may be the most potentially disruptive and influential.

This preliminary study has demonstrated that the contemporary emergence of experimental currencies and exchange mechanisms represents an expansion of the meanings that economic players are applying to markets in the current global marketplace. In particular, although the meanings of the various commons may be deeply contested, the commons management features of the currency innovations being proposed have potential to change the entire landscape of exchange. Where marketplace meanings are malleable and approached with curiosity, such as in Japan, bold new innovations may be adopted in a gradual manner. However, in situations where traditional marketplace meanings are rigidly entrenched, these innovations may be disruptive and produce hardships that one might wish to avoid.

Whether their implementation is gradual or disruptive, the emergence of new market structures with commons management as a driving aim has potentially profound implications. Widespread use of Time Banks would represent a sea change in elder care, with corresponding impacts on the relatives, friends, and neighbors of every elder. If the Terra were to be adopted worldwide, its counter-cyclical benefits could substantially improve the lot of those hit hardest by recessions and depressions. If Ripple were to represent even 10% of the credit exchanged in the US, the

consequences would indeed ripple through the economy. As marketing scholars charged with the production of new knowledge about consumption and exchange in the world, it is important for us to be aware of the changing meanings of the commons in the marketplace, and the means being proposed to manage those commons.

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Innovation and Electricity Market Restructuring in the US

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Over the past twenty years, the deregulatory movement in the United States has yielded significant efficiency gains from the diffusion of new technologies. It was expected that restructuring the electricity industry will give impetus to innovation in the long-run, while correcting regulatory inefficiencies. However, contrary to expectations, the US General Accounting Office and other scholars have noted a sharp decline in spending on research and development (R&D) in the electricity industry in the wake of restructuring, and have raised concern about the implications of the shortfall for longer-term technological progress. However, this is a partial picture, at best. First, R&D is an input in the innovation process and using it as a metric for new knowledge may lead to erroneous conclusions. Ideally, the focus should be on the amount of new technology created and not on R&D expenditures, which in a regulated industry may have little to do with knowledge creation. Second, focusing on R&D expenditures fails to capture the innovation micro-behavior of electric equipment manufacturers, who are the primary innovators.

This paper investigates the impact of U.S. electricity deregulation on the innovation behavior of electric equipment manufacturers. To study this, we first develop a theoretical framework that analyzes how competition in the downstream retail power sector, which was previously regulated, has altered the innovation incentives of upstream electric equipment manufacturers. Common models of innovation and market structure focus on profit maximizing firms. However, the issue here is the research and development decision of a competitive upstream firm when the demand for its innovation is from a regulated downstream firm. We hypothesize that introducing competition in the downstream generation sector may adversely affect new technology production upstream.

Another issue that is inextricably tied to amount of innovations produced is concerns about innovation quality. Some industry observers feel that a likely outcome of competition on patenting would be greater quantity but less quality. According to the induced innovation hypothesis, certain regulations, especially environmental ones have a positive impact on innovative output. Most researchers find that in addition to the number of innovations, quality, as measured by citations, increase as well. However, deregulation may have mixed outcomes.

While market competition on the retail end may induce greater knowledge generation by equipment manufacturers, the quality outcomes are less clear. Since equipment manufacturers now lose their captive market and now have to compete for customers, they may have a tendency to produce short-run profit making innovations.

For the empirical analysis, we use various patent based measures as metrics for a firm's innovative output. This data is from the NBER patents database. Data about electric equipment manufacturers, their primary technological fields, financial and firm characteristics is from COMPUSTAT and the Energy Information Administration (EIA). The data on regulatory variables come from the FERC Form 1 files and EIA's publications. The first part of the empirical estimation concentrates on all electric equipment related patents granted to US individuals, corporations or government entities by the US patent office starting with those applied for in 1980. We then narrow down this sample to only US corporation patents since the incentive change due to deregulation would primarily impact such entities. In subsequent analysis we narrow it down even further to electric equipment manufacturers – our main target of interest.

We estimating several difference-in-difference models to see whether the regime change after Energy Policy Act (1992) had a significant impact on the innovation behavior of the entities involved. This ensures that that restructuring was indeed responsible for the decline in the quantity and quality of innovation in the electric equipment manufacturing sector and that this was not just a secular downward trend having little to do with the restructuring policies. The empirical evidence suggests that this has indeed been the case. Restructuring has led to a decline in the number of patents and patent quality in both the electric equipment classes and for the equipment manufacturers and innovation has also become more 'specific' after restructuring. Last we find that 'public' R&D has a positive impact on innovation by electric equipment manufacturers and this has adversely impacted after restructuring.

Tuesday, June 5

2:00 – 3:30 **Session 10**

1010 Special Panel Session: Islam and Free Markets

Moderator: Johny K. Johansson, McDonough School of Business, Georgetown University

The panel draws on experts on the economies and political systems in several Islamic countries, including Iran and other Middle East countries. This panel will discuss the relationship between Islam thinking and the free market system. The emphasis is on the identification of key differences and similarities between Eastern business and Western capitalism, and how these factors may obstruct or facilitate a conversion to open markets.

Topics and Panel Participants:

How Marketing can Help Modernize Islam Countries

Masoud Kavoossi, Howard University

Doing Business in Islamic Countries

Lobna “Luby” Ismail, Founder and President of Connecting Cultures, Inc.

FDI and the Modern Middle East Industry

Liesl Anna Riddle, George Washington University

Islam, Marketing and Modernization: *Can Marketing Help Modernize Islamic Countries*

Masoud Kavoossi, Howard University, USA

Events in the last two decades have transformed the Middle East: the Iranian revolution, Iran-Iraq war, the Rushdie affair, the Gulf Wars. Many countries in the region are in turmoil, notably, Iraq, as well as Afghanistan and Pakistan. The outside world now reaches into the most closed homes through the various consumer products exported into the region. Process of modernization, industrialization and westernization has hit traditional cultures so hard and in such a way that they have raised issues for the people and governments alike. Middle Easterners are now faced with these issues and have to formulate responses.

One thing, however, is clear: internationalization of world markets has applied to the Middle East as well. In the course of the last two decades, international business activities in the region has increased greatly. Moreover, this increase is not limited to any one specific country. It is not just the more populous and larger countries which have engaged and attracted foreign businesses; smaller countries are equally as active. The Middle East may not have its own silicone valley, but in the most part it is properly poised with the necessary elements in place to develop into an industrial region, similar to those of other developing regions of the world. Muslim Asian nations serve as potential model.

With a greater degree of Islam's influence on all facets of life; both in the business environment and daily functions, combined with accelerated industrial modernity, all of the Middle East is undergoing fundamental and rapid change. It is my suspicion that this will be a change for the better.

There are various reasons why this should be so. The availability of a high culture, or great tradition, which has many features making it compatible with the requirement of modern life, individualism and a deep sense of community. The painful choice between modernization and Islam, dwelled upon for many years, seems no longer to be as relevant any more. More and more Middle Easterners appear to believe that to be a Muslim is to be modern. That technology and ideology - Islam - are not contradictory, rather complementary. Foreign marketers need to be informed that the primary organizing principle in the region remains to be Islam and tradition with its internal tensions and variations. It ought to be also recognized, Islamic societies refuse to become something post-Islamic in the manner in which the modern west became post-Christian. Islam remains as a system of thought and provides an inner compass to its individual adherence and society as a whole. Middle Eastern Muslims prefer to maintain Islam as a culture with all of its attributes, elements and manifestations, such as economics, and world view. The Middle East can be as important in world commerce, as it is in world politics.

These would seem to be the kinds of general issues which need to be faced in studying Islam, marketing and modernization. It is hoped that while there may be answers provided, it may also generate more and new questions.

Tuesday, June 5

2:00 – 3:30 **Session 10**

1020 Competitive Paper Session: Systems and Modeling

Chair: Ben Wooliscroft, University of Otago

1021 - *Marketing Systems and the Search for a Dominant Logic*
Roger Layton, University of New South Wales

1022 - *The Impact of Tautological Structures on Interpretation Equivalence in Cross-Cultural Business Negotiations*
Antonis C Simintiras, Swansea University
Adrian Palmer, Swansea University
Antonis Georgopoulos, University of Patras

1023 - *Why Was Marketing Afraid of Systems? And Why It Should Be*
Ben Wooliscroft, University of Otago

1024 - *The Form of the Sustainability of Marketing Systems*
WITHDRAWN
Djavlon Kadirov, The Waikato Management School
Richard J. Varey, The Waikato Management School

The Search for a Dominant Logic: A Macromarketing Perspective

Roger A Layton, University of New South Wales, Australia

This paper suggests an extension to the Vargo and Lusch (2004) proposal where the fundamental unit of analysis is not the exchange itself but a relevant marketing system within which the service dominant exchange is embedded. The relevant marketing system could range from a micro-system in which a single transaction between a buyer and seller is considered, to purposeful systems created by business (such as supply chains or business ecosystems), to the aggregate marketing system. Five criteria are suggested that should be met by any proposed dominant logic or world view. The system embedded service dominant (SESD) logic meets all five criteria and may reverse the growing fragmentation occurring in both micro and macromarketing. It redefines the relationship between micro and macromarketing and in focussing attention on a meso level of analysis it opens up new horizons for research.

THE FRAGMENTATION OF MARKETING – MACRO AND MICRO

In the Silver Anniversary issue of the Journal of Macromarketing a number of scholars expressed concern at the growing fragmentation of macromarketing and highlighted the need to find a focal point or set of integrating concepts that might serve to draw the field together and in doing so help to identify the future for the discipline. Wilkie and Moore (2003) reviewing research in marketing and society, concluded that the area was fragmented, with at least six identifiable subgroups including public policy and marketing, macromarketing, consumer economics, social marketing, marketing ethics and international consumer policy. Within macromarketing a number of areas were competing for attention, including competition and markets, marketing and development, marketing ethics and distributive justice, global policy and environment, quality of life and marketing history. Peterson (2006) highlighted diversity as an historic strength for the discipline, but went on to note that “an eclectic approach without a unifying focus is now hindering the progress of macromarketing” (p 246) Commenting on the marginalization of macromarketing within the wider discipline of marketing, Nason (2006) observed that it suffered “from a focus on the parts rather than the whole.” (p 220) and argued that the problems

facing the discipline could be “linked to a failure of vision with the resultant loss of direction for macromarketing scholarship.” (p 220)

Similar concerns have been expressed by scholars commenting on the nature and standing of the wider field of marketing. For many years the integrating theme of marketing as a business activity concerned with creating, communicating and delivering value to customers has underpinned rapid growth in the field, but is now seen to be leading to a growing fragmentation and a lack of overall focus in both research and in everyday practice. These trends can be seen in the growth of specialized sub-fields such as relationship marketing, quality management, service marketing, supply and value chain management, and the management of innovation, (noted by Vargo and Lusch 2004) coupled with a drift of some traditional areas of interest such as macro/policy issues to specialized sub-groups and the study of strategy to the emergent field of strategic management. As Wilkie and Moore (2006) note, “virtually every research area is now a stream running its own course and that there is coming to be no real “mainstream” of academic marketing thought any longer.” (p226).

What is missing is the sense of an underlying consensus or worldview shared by marketing scholars and practitioners that would provide common ground for the development of both marketing in general and its major sub-disciplines such as macromarketing. With this in mind, the paper begins with a brief review of the discontents with marketing both as a discipline and as a practice, and notes that a response suggested by Vargo and Lusch (2004) proposes a major shift in the dominant logic of marketing, from one that is focussed on the exchange of tangibles to one that places the exchange of intangibles or services at the centre of marketing thought and which could serve as a basis for the reintegration of marketing thought. A difficulty with this approach is that it leaves exchange at the core of marketing – a concept that is common to many of the social sciences.

With this concern in mind an extension to the service-dominant (SD) logic of Vargo and Lusch (2004) is proposed that shifts the focus from an exchange transaction to a marketing system within which the exchange is embedded. Since the identification of a relevant system also specifies system participants, role, linkages and environment this places SD exchange in a context where there is a clear basis for asserting the distinctive contributions of marketing as a discipline in the

social sciences. It also has important implications for macromarketing. Embedding the service-dominant logic of a transaction in a relevant marketing system will rekindle interest in the interface between micromarketing and macromarketing, an interface where many of the marketing systems of interest can be found. At a meso or intermediate level of analysis, systems ranging from shopping malls to business ecosystems to reverse distribution channels become legitimate themes in both micro and macromarketing research where the primary analytical tool is the concept of a marketing system, looked at from two rather different points of view – the inside out (a micro perspective) and the outside in (a macro perspective). In the longer run, the integrating concept of a marketing system linking micro with macromarketing research could provide the distinctive analytical tool(s) needed for macromarketing to contribute to the vital debates on sustainability (Fisk 2006; Nason 2006) and societal development (Peterson 2006).

DISCONTENTS IN MARKETING

The discipline of marketing had its roots in the early 1900's in the formal study of transactions involving commodities and manufactured products, focussing on (1) the specific requirements of differing commodities; (2) the institutions needed to make effective distribution possible; and (3) on the functions that had to be performed by these institutions if exchange were to occur. In the 1950's in response to the far reaching economic and social changes taking place following the end of World War 2, marketing thinking shifted significantly, focussing on the management of marketing within a business firm, and emphasising the central role of the customer in shaping the nature of the offer made by the firm. (Drucker, 1954). The offer made to a target market was defined in terms of the 4 P's taxonomy suggested by McCarthy (1960), and a little later, by Kotler (1967). The importance of this reorientation of marketing was reflected in the definition of marketing adopted by the American Marketing Association, where marketing was said to be "the performance of business activities that direct the flow of goods and services from producer to consumer or user." Not surprisingly, this reorientation led to rapid, far reaching change in both managerial or professional practice and in academic research and teaching.

It was not long before questions were being asked about what was included, and what excluded, in this reorientation of marketing. Was marketing best thought of simply as a business technology, addressing normative issues of concern to decision makers, or did it have a significant positive role as a science focussed on transactions? Were non-business organizations such as the churches, charities, and government instrumentalities included? Should marketing performance be judged simply on corporate returns or should attention also be paid to the societal impacts of marketing choices?. Could

the logic of marketing be applied to the challenges of social marketing such as public health campaigns and army recruiting? Did marketing have something to say about all transactions or just those which involved the voluntary exchange of economic value?

In parallel with these and similar questions, concerns were also being raised about the predominantly micro orientation of marketing thought. Reavis Cox (1965) commented, "in our enthusiasm for the mathematical and other mechanisms of decision making . . . we may have begun to lose sight of the fact that marketing is not only a very important managerial responsibility but also a social institution of great significance." As Layton and Grossbart (2006) note, looking back to the 1970's, "in the USA there was a growing concern as to the impacts of business decisions on society and the environment. Protest was in the air, driven by the Nader inspired concerns with product safety and corporate power, by deep seated worries about human rights, by the environmental messages inspired by Rachel Carson's work, by Vietnam, and by the many other forces – economic, social and technological - that were transforming America. Micro-marketing and its impacts were a driving force in many of these changes and challenges." (p 195)

These concerns found an outlet in the first of the macromarketing Seminars held in Colorado in 1976. The focus of this initial seminar was on research into distributive processes from a societal perspective. Although this was a priority, the first order of business was to clarify and identify the boundaries of macromarketing. In an important paper attempting to bring order to the range of options under debate, Hunt (1977) suggested that the study of marketing could be classified into eight cells created by the interaction of the three dichotomies – positive or normative, micro or macro, and profit or non-profit. This brought many of the alternatives canvassed above into focus and in particular gave macro marketing a strong potential role. In the 1977 seminar, Hunt went on to suggest that "macromarketing refers to the study of (a) marketing systems, (b) the impact and consequences of marketing systems on society, and (c) the impact and consequences of society on marketing systems." He restated this view in Hunt (1981) and noted that (a) allowed for varying levels of aggregation, (b) included work on social responsibility and economic development, and (c) picked up the impact of differing legal, political and social value systems.

Although Hunt's proposed taxonomy gained widespread support, it did little to inhibit the growing fragmentation of the discipline. By far the majority of published research studies fell into the micro cells of the taxonomy matrix and, perhaps inevitably, significant sub-disciplines began to emerge. The need to separate service marketing from product marketing was highlighted by Shostack (1977); a recognition of the importance of the service encounter contributed to the growth of relationship marketing; consumer and, a little more generally, customer

research emerged as a major field of study; communication studies, especially those concerned with advertising decisions, took on increasing importance; research into sub-disciplines such as the study of distribution channels, product development, pricing and many other aspects of marketing decisions grew rapidly, generating new specialised journals and conferences.

Towards the end of the 1990's symptoms began to emerge of a discontent with this state of affairs. Change was again in the air. Schwartz (2003) pointed to the demographics of aging western societies and the floods of children in the developing world, to the breakthroughs in science and technology that might underpin a long economic boom, to the uncertainties of ethnic and other disorders, to the shifts in global economic and political power, to the challenges of a sustainable environment. Day and Montgomery (1999) noted the impacts that wide ranging trends such as these were likely to have on industries, markets, firms, managers and customers. In the midst of all this change marketing seemed to have lost its way. Simplistic frameworks such as the 4 P's seemed largely irrelevant in providing the logical foundations needed for relevance in an increasingly complex, connected world. The important questions seemed to deal with issues that did not fit easily into the fragmented or specialised fields characterising marketing, leaving gaps that invited scholars from nearby disciplines to explore. Faced with growing intellectual competition, marketing scholars, teachers and practitioners were "struggling to distinguish marketing from other fields and functional areas" (Day and Montgomery 1999, p3), raising awkward questions as to just what was the unique contribution made by marketing as a discipline and just what was the real contribution it made to short and/or long term corporate profitability.

In their introduction to a book of essays entitled *Does Marketing Need Reform*, Sheth and Sisodia (2006) suggest that "it has been evident for many years that "marketing as usual" is simply not working anymore and that fundamentally new thinking is needed". (p3). They went on to note that "power in the marketplace – economic, informational, psychological – has shifted to consumers." (p4). In a concluding chapter, they point out that "the world has changed a great deal in the past two decades but marketers have adapted to it in only superficial ways." After noting the challenges to conventional wisdom arising from forces such as the rapid rise of emerging economies such as China and India, their access to "cutting edge information tools", and the maturing of the major western markets, they go on to conclude "marketers have to change a great deal to adjust to this new world order." (p 332)

THE VARGO AND LUSCH RESPONSE

With these concerns in mind Vargo and Lusch (2004) proposed an alternative to the conventional product dominant logic that underpinned much of contemporary

marketing thought and practice, replacing it with a service-dominant logic. As they noted "marketing has shifted much of its dominant logic away from the exchange of tangible goods . . . and toward the exchange of intangibles, specialized skills and knowledge, and processes . " (p4). In this view, buyers and sellers become equally important as co-producers of a mutually beneficial outcome, drawing on the knowledge and skills of both participants to achieve this end. In a subsequent paper (Lusch and Vargo, 2006) they comment "Goods, money, organizations, and networks are intermediaries in the process of exchanging service for service.", and conclude by defining marketing as "the process in society and organizations that facilitates voluntary exchange through collaborative relationships that create reciprocal value through the application of complementary resources." (p xvii).

The primary purpose of the present paper is to suggest that Vargo and Lusch (2004) did not go quite far enough and that a relatively simple shift in focus opens up a significant extension of the proposed dominant logic. The shift required is to replace the primary emphasis on a transaction with an emphasis on the marketing system within which a transaction is embedded. The fundamental unit of analysis then is not the transaction but the marketing system within which the transaction is embedded, a system that could range from a micro-system in which a single transaction between a buyer and seller is considered, to purposeful systems created by business (such as supply chains or ecosystems), to an aggregate marketing system for a specified economy. The service dominant logic of the transaction is preserved but now considered within the context of a relevant marketing system.

IDEALS AND DOMINANT LOGICS

In the best of all possible worlds what should we look for in considering a proposed dominant logic for the discipline of marketing? Lusch and Vargo (2006) link the idea of a dominant logic with that of a worldview, noting that "a worldview or dominant logic is never clearly stated but more or less seeps into the individual and collective mind set of scientists in a discipline." (p7) While usually slow to change, a dominant logic or worldview can change over time often in response to an underlying paradigm shift. In economics, for example, the neo-classical model is gradually being displaced by a new worldview in which rationality, greed and equilibrium are replaced by uninformed or imperfect choice, complex motivation and dynamic disequilibrium. Similar world views in related disciplines that have gradually been displaced include the ideas of modernization in development studies, Freudian ideas in psychology, or the realist focus on power in international relations.

If indeed we are engaging in such a fundamental reappraisal of our disciplinary foundations, it is perhaps

relevant, although somewhat unusual, to ask what criteria an acceptable world view or dominant logic should satisfy. Experience in related disciplines such as economics and sociology where worldviews are also under challenge suggests that the important criteria would include:

1. *The central ideas should be natural, intuitive and universal.*

In part this is an appeal to commonsense, to ensure a connect to a shared reality, and in part it reflects the view that the reach of the ideas should include most or all of the phenomena that could or should be of interest to scientists in the discipline.

2. *Discipline boundaries should be specified that are both inclusive and exclusive, distinctive and defensible.* We should be clear as to what is included and what is not included in the discipline. And we should be clear as to what it is about the phenomena that is distinctively related to the discipline – important simply because in most social sciences the same phenomena can be looked at from many quite different points of view. The specific point of view taken by the discipline must then rest on insights not to be found in other related disciplines, on concepts and ideas that are clearly and uniquely part of the discipline in question.

3. *Where the boundaries touch those of other disciplines there should be some commonality of ideas and insights*, and perhaps of language, allowing for the emergence of boundary spanning studies. As Gintis et al (2005) noted, in a discussion of the transdisciplinary synthesis that is characteristic of 21st Century behavioural sciences, “when different disciplines focus on the same object of knowledge, their models must be mutually reinforcing and consistent where they overlap.” (p4). Put another way, the dominant logic under consideration should constitute an open rather than a closed system of thought. Interfacing with related fields should be possible.

4. *Scale consistency should be possible.* Similarly, as we move from one level of aggregation to another, from fine grain to coarse grained modelling, the theoretical framework in use should facilitate a smooth transition of ideas, in processes ranging from simple addition to the emergence of new variables, often interacting in the unexpected patterns characterising multi-level complex adaptive systems (Holland 1998, p29; Colander 2000).

5. *The world view should be responsive, adaptive, evolutionary, resilient, open to new perspectives.* It should include both structural and dynamic analyses; equilibrium and disequilibrium frameworks; chaotic as well as stochastic models. Rather like a spider web it should give a little, stretch rather than break, in the face of intrusive new ideas and events.

While some or all of these criteria are arguable, and the list almost certainly incomplete, agreement on something like this list is needed, if only implicitly, in considering whether to adopt a new worldview or dominant logic. The issue here is not quite one of a Kuhnian paradigm shift. Rather it is one of thinking

through the nature of the appropriate adaptive responses of a mature discipline to the challenges of a changing factual environment.

ONE STEP BEYOND A SERVICE DOMINANT LOGIC

In proposing a service-dominant logic Vargo and Lusch (2004) followed a long tradition in marketing in choosing to make the exchange transaction the fundamental unit of analysis. They argued persuasively that “The essence of service-dominant logic, then, is that service provision is the fundamental purpose of economic exchange and marketing” (Lusch and Vargo 2006, p xvii) and went on to highlight some of the insights flowing from the service-dominant logic. These included (1) that customers are treated as being of equal importance to the firm, (2) “the firm has a theoretical foundation that is applicable regardless of offering”, (3) a “theory of marketing that positions marketing as the dominant harmonizing force behind both marketing strategy and overall business strategy”. (4) “S-D logic aligns society, markets, networks, organizations and marketing, all as institutions for the exchange of applied operant resources (mental and physical skills) – service, (5) “marketing has a theoretical basis that informs marketing action (both micro and macro) that is liberated from the unrealistic assumptions of the standard microeconomic paradigm, one that has the potential of providing a foundation for a general theory of marketing.” (2006, p xviii) They conclude by highlighting the potential that the S-D logic offers of unifying insights into “buyer behaviour, seller behaviour, institutional mechanisms that bring buyers and sellers together, and the role of marketing in society.” (2006, p xviii)

Each insight is important to the future of marketing as an academic discipline and as a profession. But is each insight sustainable as an outcome of the service-dominant logic alone? Looking back at the criteria suggested as appropriate for a workable world view of marketing it is evident that all are satisfied to an extent but not completely. In particular, the focus on exchange transactions per se limits the universality of the proposed logic by in effect assuming that insights into markets, institutions, and the role of marketing in society will flow from an aggregation of individual transactions and that an understanding of the transaction, a micro level phenomenon, will be sufficient to yield an understanding of macro or institutional outcomes. There is an increasing awareness that this is not the case in economics (Colander 2000) and it is highly likely that it will not be true for marketing either. In both disciplines the integration of micro and macro level theory turns on an explicit recognition of the interdependencies among the individual actors. Macro outcomes flow from emergent patterns and not simply from aggregation.

This can be accomplished without disturbing the essential insights of the service dominant logic simply by embedding the exchange transaction in the context of a marketing system and making the latter the fundamental unit of analysis. What then is a marketing system? As Layton (2007) points out, the term has been widely used in the literature on marketing and society, and in particular in discussions of macromarketing usually without formal definition. A slight adaptation of his approach leads to the following definition:

“A marketing system is a network of individuals, groups and/or entities, linked directly or indirectly through sequential or shared participation in voluntary exchange, which creates, assembles, transforms and makes available assortments of products, provided in response to customer demand.”

In this definition, product is used in the sense suggested by Houston et al (1992, p155) to include goods, services, ideas, behaviors, personalities, experiences, organizations, exchange media, places, exchange experience, and exchange consequences. Figure 1 below then sets out what is perhaps the simplest example of a marketing system in which a seller and buyer are interacting over time. Each is linked to suppliers and/or customers that while falling outside the immediate system form an essential element in the immediate or task environment of the system. The distant environment then adds the institutional framework within which the system is operating. By embedding the exchange within a relevant marketing system, the exchange now does not stand alone or in isolation – it is part of a more complex whole and takes on meaning from that whole. Exchange in isolation is a theme common to many disciplines; exchange embedded in a marketing system has the capacity to be distinctively a marketing concept.

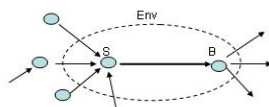


FIGURE 1: BASIC SYSTEM

Defined in this way, a marketing system of interest may be specified at levels of aggregation ranging from the single transaction (a micro system) or set of transactions involving specific buyers and sellers to the highly complex array of transactions characterizing a complete economy – the aggregate marketing system described by Wilkie and

Moore (2000) – and including at intermediate or meso levels entities such as franchise networks, distribution channels, primitive trade routes, traditional or contemporary markets and marketplaces, networks, alliances and business eco-systems (Moore 2000).

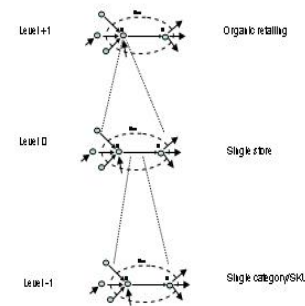


FIGURE 2: MULTI LEVEL SYSTEM

In keeping with this view, the entities comprising a marketing system may themselves be marketing systems and analysed as such or, in a multi-level approach, further disaggregated into component individuals, groups or entities. The possibilities are illustrated in Figure 2 where a multilevel approach to the analysis of organic retailing is explored. At level 0 the focus is on a specific retailer, its suppliers and its major customer groups. At level -1, the focus shifts to a specific category or SKU, the suppliers and the customers. At level +1 interest centers on the retailer as one of many competing in a market for customers and for suppliers.

A marketing system viewed either as a component of a higher order system, or as an entity in its own right, may be either a purposeful system (Ackoff and Emery, 1972) or in Alderson's terms, an organized behavior system (Alderson 1957), or, rather than being the outcome of conscious choice or plan, a marketing system may take the form of patterned behaviour, emerging from the complex interactions of the entities comprising the system. While an organized behaviour system or a purposeful system is at least partially goal oriented, the emergent patterns created through complexity will not be goal oriented but will have an internal dynamic reflecting the relationship networks making up the system. The important point here is that a marketing system may be purposeful (an organized behaviour system) or it may take the form of an emergent pattern and as such be closer to a market formed within a set of regulatory or other system constraints.

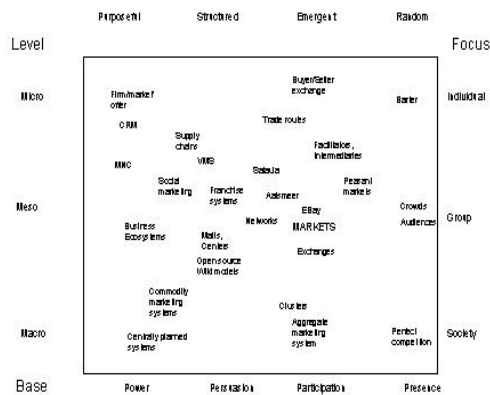


FIGURE 3: MAPPING MARKETING SYSTEMS

The diversity of marketing systems in which SD exchanges could be embedded is illustrated in Figure 3. The Figure positions a number of examples on a two dimensional continuum where the vertical axis distinguishes macro, meso and micro levels of analysis and modelling, and the horizontal axis ranges from purposeful, goal directed, hierarchical systems, through more loosely connected but still goal directed systems, to systems that emerge from the dynamic interaction of participants each seeking individual goals, to random groupings of individual participants. From a slightly different point of view, the vertical axis ranges from systems where the focus is on the decision making of individuals or entities comprising a system, to one where interest centers on the behavior of groups of firms or systems joined in a common enterprise, to one where it is the society or community as a whole that is of interest. Similarly the horizontal axis identifies the base for the interactions defining a marketing system, ranging from power, through persuasion, to participation and simply presence or being there. Each example provides a distinctive setting for an exploration of the exchange suggesting important questions as to the aspects of exchange that are common and those that are different depending on the characteristics of the relevant marketing system.

In each case, the output of a marketing system is an assortment (consistent now with service-dominant logic) provided in response to perceptions of customer demand. Where the system is purposeful or organised in an Aldersonian sense, the properties of the assortments generated will be reflected in system goals or purpose as well as generating wider social or environmental outcomes; where the system is emergent, it is the social or environmental outcomes that are primarily of interest.

The concept of a marketing system, defined to include transactions involving a service-dominant logic, can now be used in the context of Hunt's definition of macromarketing. Embedding service-dominant logic in a marketing system and allowing for the specification of the

relevant system to range from the individual transaction (the basic concern of micromarketing), through increasing levels of aggregation, to the aggregate marketing system, provides a natural context for the study of service dominant logic and its implications, in particular, for wider macromarketing concerns. It is this step that enables the service dominant logic at the transaction level to provide the unifying insights into "buyer behaviour, seller behaviour, institutional mechanisms that bring buyers and sellers together, and the role of marketing in society" hoped for by Lusch and Vargo (2006, p xviii). With this in mind, marketing becomes the study of (a) marketing systems, (b) the decision processes and choices made by the individuals, groups and entities engaged in the voluntary exchange of service and the co-creation of value within a marketing system, (c) the impact and consequences of marketing systems on society, and (d) the impact and consequences of society on marketing systems.

This is not the first time a solution along these lines has been proposed. In 1977 at the Fourth Macromarketing Seminar held in Boulder, a number of authors explored the systems approach to the macro/micro interface. Stidsen (1977) in a prescient discussion of "dyads, triads, strings and networks" suggested that "the concepts of market and market relations can serve as the link between and as the common focus for the concepts of micro and macromarketing". Mokwa et al (1977) drew on the work of Talcott Parsons to explore exchange within networks, and suggested that "the marketing system should be the focal unit of macromarketing analysis." He went on to note that "a marketing system can be conceptualised as a set of organizations and individuals interacting in a purposive pattern of accommodating exchange relations where there is role differentiation in terms of structural patterns and exchange contributions" (p53). Glaser and Halliday (1977) pointed to the close link between Alderson's concept of an organized behavior system and the purposeful systems explored by Ackoff and Emery (1972).

More than 20 years ago, Dixon and Wilkinson (1984), drawing on the work of Miller, Alderson and Fisk, proposed an alternative functionalist paradigm for marketing which would provide a "general analytical framework for the study of marketing; one in which the study of marketing activities within a firm is placed in the context of a hierarchy of marketing systems." (p68). Over 10 years ago, Kiel et al (1992) revisited earlier studies of the role of exchange in marketing theory noting that in general these had failed to incorporate "human exchange into a larger intellectual framework that encompasses the importance of all exchange phenomena". (p 60). Drawing on the natural science of exchange they focussed on the concepts of exchange, supply, demand, attraction and information. Their analysis drew on the concept of exchange within a marketing system where the latter is an open structure existing in a dynamic equilibrium with its environment, maintaining structural integrity, and evolving

to higher states of complexity through successive stages in repeated cycles over time.

In 2007 the question is again on the table, this time with a fresh set of insights into the nature of the fundamental exchange transaction, combined with a rapidly growing understanding of the nature and role of complex adaptive systems in economics and marketing, and a capacity for computer simulation which did not exist in earlier times. With this in mind, does this proposed embedding of service-dominant logic in the wider context of a marketing system (SESD logic) meet the criteria for a dominant logic or worldview that could carry marketing forward as a discipline?

MEETING THE CRITERIA

1. *The central ideas should be natural, intuitive and universal.*

While there is little doubt that the central ideas – service for service exchange, seller and buyer equality, goods as distribution mechanisms, customers as co-creators of value, the role of knowledge in competitive advantage – are natural and intuitive in the context of a discipline of marketing there may be an issue with universality. As Vargo and Lusch (2006) note some critics have suggested that SD logic “does not go far enough because it does not move marketing beyond its present managerial, or firm-centric, orientation” “ (p 51). While defending the managerial emphases embodied in the service-dominant logic, Vargo and Lusch go on to argue that it is not “inherently managerial”, and that the non-managerial implications need to be worked through.

It is this aspect of the service dominant logic that is of interest here. Putting the issue another way – what are the phenomena that could or should be explored in a discipline of marketing? While the list is endless, it should include the study of markets per se. This was highlighted by Venkatesh et al (2006) who argued for the study of markets rather than marketing, noting the insights offered by sociologists, anthropologists, economists, and arguing for the importance of the “sign economy” and a shift in the ideology of markets.

As noted earlier, the marketing systems potentially of interest to marketing range from a single transaction to complex, continuing buyer-customer relationships; from primitive trade routes to peasant markets to main streets, shopping malls and auctions or exchanges; from renaissance shopping to the synthetic worlds of cyberspace; from street traders to business ecosystems or networks; from small franchise systems to Walmart-like retail networks to global enterprises such as Microsoft; in contexts that include western and non-western cultures, developed as well as developing communities; and in each case our interests should extend to marketing system dynamics, including evolution and change in developing country contexts, recovery from war and natural disasters, and historical studies of changes in everyday life and the

institutions of marketing. Each of these examples of topics and issues of interest to a discipline of marketing turns on the definition and study of relevant marketing systems, which provide the context(s) within which buyers, sellers, institutions and environments can be placed, and their interaction through service exchange studied.

2. *Discipline boundaries should be specified that are both inclusive and exclusive, distinctive and defensible.*

Hunt (1976) suggested that the subject matter of marketing could usefully be characterised by three dichotomies – micro and macro, positive and normative, profit and not for profit enterprises. If this be taken as a test of inclusiveness then it is apparent that the reformulation suggested meets the test. Exclusiveness is a little more difficult, and might turn on the focus on voluntary exchange, suggesting that exchange that was non-voluntary or forced should be excluded from being part of the subject matter of marketing. As noted earlier, similar limitations were the subject of controversy some 30 years ago.

The distinctive and defensible tests are even more difficult, raising questions as to just what it is that marketing as a discipline contributes that does not come from other related disciplines. Concepts that have their origin in the marketing discipline include a focus on the process by which transactions are carried out, buyer and seller decision processes, segmentation of heterogeneous markets, target market, market offer dimensions (4 P's), co-creation of value involving both buyer and seller, the service-dominant logic underlying transactions, the structure and dynamics of marketing systems, transvections and channels of distribution, assortments offered and acquired, and . . . Clearly a list like this is controversial. It must however be possible to generate if we wish to see marketing emerge as a discipline taking its place alongside related fields such as economics, sociology, ethnography, and psychology. In the context of the proposed extension where exchange is embedded within a relevant marketing system the unit of analysis shifts from exchange (which is widely studied in the social sciences) to a relevant marketing system in which the exchange(s) are embedded. In this setting, the process orientation of marketing makes sense and each of the distinctive marketing concepts noted above find natural expression.

3. *Where the boundaries touch those of other disciplines there should be some commonality of ideas and insights*

The early dominance of management issues in the development of marketing thought over the last 40 years has been an important factor in contributing to the isolation of marketing thought amongst the major social disciplines. In part this reflected a rejection of the assumptions of the neo-classical microeconomic model and in part perhaps an over-riding concern to tackle the management challenges arising from the new environments created by rapid, sustained economic and social change. Marketing theory

was concerned with the decision processes and choices made by customers/buyers and sellers/firms as they entered into voluntary economic exchange. While much was borrowed from related disciplines such as microeconomics, psychology, and sociology, the underlying theoretical frameworks had little in common. In the midst of these changes in marketing, the desirability of an easy transition in thought in crossing the boundary between marketing and a related field such as economic sociology was overlooked. This is now unfortunate as many of the most interesting and challenging developments in the social and related sciences are occurring in the boundaries between disciplines. In particular, new and relevant ideas concerned with markets, market related behaviour, and market environments, are emerging in fields such as the new microeconomics, computational economics, economic sociology and anthropology, strategic management, and the study of complex adaptive systems. A marketing worldview that embeds exchange in a relevant marketing system should bridge easily into these and similar disciplines.

An example of the problem and some of its ramifications can be seen in the way the idea of a 'market' is handled in marketing and cognate fields. In 1979, Arndt, noting the gap between the markets of microeconomic theory and the "domesticated" markets observed every day, suggested that the study of markets was, for marketing theory, a disciplinary imperative. Apart from interest from macromarketing scholars, little was done to develop the concept of a market in the mainstream of marketing other than an exploration of competition in markets defined in terms of product or industry. In a review of the field in 1999, Buzzell noted that "the proper definition of a market is a basic foundation for the design and modification of marketing strategies, the analysis of competition, and the evaluation of performance." (p 61) This was still very much a focus on markets from a managerial perspective and in 2006, Venkatesh et al argued for "a major paradigm shift, from the study of marketing, to a study of market(s)." (p 134). In macromarketing a similar call was made by Mittelstaedt et al (2006) who responded to the growing need for a theory of macromarketing, by drawing on research into the Greek agora or market showing the agora to be the "heart of an ancient city" (p 131) where administrative, legislative, judicial, commercial, social and religious activities all took place, to suggest that "macromarketing is the study of the agora, across cultures and through time, and that a theory of macromarketing is, in its truest sense, a theory of the agora." (p 131) It is this emphasis on market that allows an effective interface with related social science disciplines.

In related disciplines such as economics and sociology there was also increasing interest in the concept of a market and in the role of markets in shaping economic and social change. In economics the three assumptions of rationality, greed and equilibrium are being superseded by

a broader theory based on purposeful behaviour, enlightened self interest, and sustainability. (Colander 2003). Markets once characterised by the three assumptions are now being replaced by markets where individual actors interact in complex non-contractual ways, where social norms and power play important roles, where both individual and social preferences influence outcomes, and where market outcomes are dynamic, complex, sometimes chaotic and certainly not limited to a stable equilibrium.(Bowles 2004). These markets become part of the institutional framework of a society and as such are subject to the short and long term forces that shape institutional change. (North 2005).

Starting from a very different position, the work of Fligstein (2001) and his colleagues in the sociology of markets highlighted the wide variety of elaborated social structures to be found, depending on "how and when markets were founded, who dominates them, and the social relations among producers and their suppliers, customers and governments". (p 7). Similarly, in anthropology, Seligman (2004) described her entry into a Cuzco market in these terms, "suddenly, I seemed to enter a different polity, with its own social relations, rules and regulations, organizations of space, politics and mores." (p 25)

These insights into markets from economics, sociology and anthropology all contribute potentially to a deeper understanding of market as a central idea in the discipline of marketing. (Venkatesh et al 2006). While the concept of a market is central, it is just one example of an idea that overlaps into related disciplines and, as Gintis et al noted, it is important that the underlying models be compatible. Similar overlaps occur in models of individual choice behaviour, in the study of networks and hierarchies, in the specification and study of environments. In each case where the overlaps are compatible, as could be the case here, a rapid growth in shared knowledge becomes possible.

4. *Scale consistency should be possible.*

Just as it is desirable that there be a basic compatibility in shared or common concepts at the borders where disciplines overlap, it is also desirable that there is a fundamental compatibility in the concepts and ideas used in theories at the micro, meso and macro levels of a discipline. The issue is one of a distinction between fine and coarse grain theories and as Beinhocker (2006, p50) notes "the key is that both the coarse and fine grained maps (theories) must agree with each other and with the observations of underlying reality." In neo-classical microeconomics the assumptions of perfect rationality and full information lead to a theory of perfectly competitive markets in equilibrium that is clearly at odds with the underlying reality. As Leijonhufvud (1996) put it, the theory deals with "incredibly smart people in unbelievably simple situations." while the reality is one of "believably simple people coping with incredibly complex situations." The equilibrium that emerged from the first set of assumptions no longer exists (or is a limiting case) and in

its place dynamic disequilibrium characterised by learning, adaptation and evolution becomes the norm. In the first, time was largely irrelevant while in the second time is crucial. Working with the first set of assumptions, while the transition from fine to coarse grained theory is manageable the result is incompatible with observed reality. While the second set of assumptions is closer to observed reality, working through the transition from fine to coarse grain theories is far more difficult and relies increasingly on ideas drawn from the theory of complex adaptive systems, agent based modelling, and extensive simulation studies.

In marketing while the issues are much the same as those noted above the link between micromarketing (fine grain theories) and macromarketing (coarse grain theory) has largely been ignored. In response, Vargo and Lusch (2006b) suggest that the service dominant logic applies not only at the level of the individual transaction but also at the level of the institution, pointing out that “institutions themselves are co-produced and co-production is a central concept in S-D logic” (p 409). They go on to say “language, knowledge, norms, culture and scientific paradigms are all part of a network of co-creation activities by individuals and organizations that create society.” (p 409). However, just as with neo-classical microeconomics, the problem is not with the institutions per se, but with the processes whereby they emerge from micro phenomena.

The extension to the service dominant logic of voluntary exchange proposed here, where the exchange transaction, embedded in a relevant marketing system, becomes the fundamental unit of analysis, shifts the focus from aggregation to emergence in the transition from fine to coarse grained theory. The marketing system in which the transaction(s) are embedded is a network where the actors are linked through participation in economic exchange. In sufficiently complex marketing systems, the decision processes adopted by these actors as they respond to each other and to changes both internal and external to the marketing system, have been shown to lead to the emergence of unexpected social structures and aggregate behaviour. In a classic study, Epstein and Axtell (1996) showed how multi-level markets could emerge from the interaction of agents randomly placed on an economic landscape, trading with each other using simple nearest neighbour decision rules.

It is this possibility of unexpected social structures and patterns of behaviour emerging from the activities of the actors caught up in a marketing system that will serve to define the future of the relationship between micro and macromarketing. It is no longer simply a matter of aggregation to move from a fine grain to a coarse grain analysis. Instead, the analysis turns on properties of the marketing systems at successive levels of nesting in which the transactions of interest are embedded.

5. *The world view should be responsive, adaptive, evolutionary, resilient, open to new perspectives.*

The world view suggested here is far from a fixed or closed system of thought (as perhaps was the case with neo-classical microeconomics) and may well propel the discipline of marketing into the study of quite unexpected phenomena, from quite different points of view and with unanticipated insights. To a large extent this stems from the characterization of the phenomena of interest. A service dominant view of economic exchange recognizes the fundamental role of specialized skills and knowledge in the co-creation of value. This is an inherently dynamic view of the processes involved, as knowledge is not static but changes through learning and experience. Embedding the transaction(s) and actors in a marketing system provides the immediate context for the study of systemic structure and of systemic change, adaptation and evolution over time. It can absorb new insights into individual and organizational choice behaviour; it facilitates theory development at different levels of aggregation using insights into emergent patterns in connected systems as the link between successive levels of nesting; and it provides a flexible framework for the modelling of system/environment interfaces distinguishing endogenous from exogenous variables in terms of defined system boundaries.

WHERE DOES THIS LEAVE MACROMARKETING

In the preface to the volume of essays on SD Logic, Lusch and Vargo (Lusch and Vargo 2006, p xvii) highlighted some of the important insights flowing from the service-dominant logic. Looked at again from the point of view of the system embedded service dominant (SESD) logic suggested in this paper it is relevant to ask about the implications of each insight for macromarketing.

Their first point was simply that in the SD logic formulation “customers are explicitly given equal importance to the firm”, and recognized as co-creators of value. In SESD logic the importance of the roles filled by system participants will depend on the definition of the system and its boundaries. While firm and customer will always be central, equal importance may attach to other roles including those of information intermediaries, suppliers etc. Not only are there strategic implications flowing from the specification of the system boundary (including specification of the task environment) but there are also important macromarketing implications. Getting role specification and importance right will for example have implications for system efficiency studies, for concerns about distributive justice within the specified system, and for questions about system stability and growth in differing environmental settings.

The second insight noted by Lusch and Vargo (2006) was that in SD logic “the firm has a theoretical foundation that is applicable regardless of offering”. In SESD logic this remains an important insight linked with the variety of roles that firms may fill as system participants. SD logic

with its emphasis on the central importance of operant resources is consistent with the resource advantage theory suggested by Hunt and with the growing interest in economics on the wealth creating effects of knowledge. The SESD logic takes this a step further placing the firm in a systems environment bringing into play “an elaborate structure of institutions that determine economic and political performance” (North 2005, p2) For macromarketing the link between the institutional environment and firm behavior is of central interest. In the SESD logic both micro and macromarketing meet in the study of the environment/firm relationship albeit from differing points of view.

Lusch and Vargo (2006) go on to note that SD logic provides a “theory of marketing that positions marketing as the dominant harmonizing force behind both marketing strategy and overall business strategy”. SESD logic strengthens this insight, providing a multilevel, networked setting within which the search for strategy takes place. From a macromarketing perspective, SESD logic highlights the dynamic nature of the firm/environment interface in an institutional matrix, leading to an exploration of change, both incremental and sudden, in settings where innovation becomes a major driving force. In particular the blending of marketing process thinking with multilevel strategy search and an understanding of the institutional setting offers a potentially important approach to the role of marketing in economic development.

As a fourth point Lusch and Vargo (2006) suggest that “S-D logic aligns society, markets, networks, organizations and marketing, all as institutions for the exchange of applied operant resources (mental and physical skills) – service”. Under SESD logic the alignment envisaged here can only occur in a multilevel systems setting. The conditions under which this alignment could take place are at present little understood and an important challenge to macromarketing.

Next, Lusch and Vargo (2006) suggest that “marketing has a theoretical basis that informs marketing action (both micro and macro) that is liberated from the unrealistic assumptions of the standard microeconomic paradigm, one that has the potential of providing a foundation for a general theory of marketing.” (2006, p xviii) The assumptions of the standard microeconomic paradigm have long been under challenge by economists (Colander 2000). New work in evolutionary and growth economics has drawn on complex adaptive systems research and the institutional studies associated with North to go well beyond the limitations of the old model. In an important sense, SD logic does much the same for marketing. However it is the SESD logic where a marketing systems framework is placed around the service dominant exchange that brings the institutional environment clearly into the picture and opens the door to the sophisticated knowledge based growth modelling that is now widespread in the economics discipline. Perhaps

then with this addition we might be one step further on the way to a general theory of marketing.

Finally, Lusch and Vargo conclude by highlighting the potential that S-D logic offers of unifying insights into “buyer behaviour, seller behaviour, institutional mechanisms that bring buyers and sellers together, and the role of marketing in society.” (2006, p xviii) The study of the institutional mechanisms identified here and the role of marketing in society is certainly of the greatest interest to macromarketing. The SESD addition puts in place the first pieces of the conceptual bridge between micro and macro thought that might bring the hope into reality.

CONCLUSION

Is this framework for a discipline of marketing sufficient to enable marketing to coexist with other major social sciences, contributing distinctive insights to our understanding of social phenomena? It is the contention of this paper that embedding voluntary exchange within a relevant marketing system adds significant differentiation to the study of exchange that is otherwise part of many related disciplines, and that marketing in this wider sense offers concepts and insights that add significantly to our understanding of exchange processes and outcomes, both short and long term, wherever these arise. Marketing in a managerial sense is untouched by this extension, and most likely significantly enriched by the study of systems and environments that become part of the wider discipline.

More controversially perhaps a quick overview of the contemporary literature suggests that a meso level of analysis is indeed widespread, embracing studies of markets, competition, supply chains, channels, and similar phenomena in many different settings. It is often a meso level analysis that provides fertile ground for the development of marketing as a distinctive discipline in its own right. It is at this level that we move away from individual choice where the analysis draws heavily on established disciplines such as psychology and organizational behaviour, and avoid some of the broader environmental, social and political debates which are dominated by other sciences.

The implications for macromarketing are considerable. If a meso level of analysis is fertile ground for the development of marketing as a discipline, then is this micro or macro? The answer may not really matter. It is perhaps enough that marketing as a discipline focuses on the phenomena where its distinctive insights can really make a difference.

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The Impact of Tautological Structures on Interpretation Equivalence in Cross-Cultural Business Negotiations

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Misunderstanding between negotiators is a frequent problem in cross-cultural negotiations. The issue pertaining to 'interpretation equivalence' of communication in cross-cultural negotiations has not yet been examined. This study seeks to define 'interpretation equivalence' and to assess the impact of tautological structures on cross-cultural negotiations. Tautologies are valid argument patterns in which the premises provide conclusive support for the conclusion and interpretation. The paper begins with a literature review of concepts relevant to cross-cultural negotiations. A scenario-based methodology is used to test hypotheses that tautological structures have an effect on interpretation. A written sales scenario is given to respondents of two cultural groups. Respondents are asked to answer 15 multiple-choice questions relating to the interpretation of several parts of a sales proposition. Following that, the sales scenario is modified with the incorporation of tautological structures. The modified scenario is distributed to the same respondents a month later, and respondents asked to answer the same 15 questions. Preliminary results will be available for presentation at the conference.

INTRODUCTION

E-commerce is quickly being transformed from hype into reality (De Moor and Weigand 2004). Business negotiations, which traditionally would have been based on personal relationships and face-to-face interaction, are now being conducted over distance using automated systems (see for example, Dietz-Uhler and Bishop-Clark 2001; Giddens 1990). Companies increasingly rely on electronic communication media for their negotiations especially when the traditional face-to-face medium is not considered to be either economically feasible or the most effective mode of communication (Baltes et al. 2001). However, one of the most complex problems in cross-cultural

negotiations is concerned with the minimization of misunderstandings between the negotiators.

Research studies examining various types of equivalence such as conceptual, functional, translation contextual and temporal equivalence have been limited. The issue pertaining to 'interpretation equivalence', which is primarily concerned with concepts and meaning and the structure of the communicated information, has not yet been examined. It is the purpose of this study, therefore, to define 'interpretation equivalence' and assess the impact of tautological structures on establishing interpretation equivalence. The main thesis in this study is that 'interpretation equivalence' contributes toward minimizing cross-cultural misunderstandings in cross-cultural negotiations. The structure of this paper is as follows: First a brief literature review of the relevant concepts is provided; next the methodology for establishing interpretation equivalence is presented. Finally, a discussion of the benefits accruing from the findings in the light of the study's limitations will be offered.

BUSINESS NEGOTIATIONS AND CULTURAL DIFFERENCES

Business negotiation is an intricate process and involves aspects such as participants, behaviors, processes, outcomes, and profit (Bui and Shakun 1996). Business negotiation is defined as a process in which two or more entities come together to discuss common and conflicting interests in order to reach an agreement of mutual benefit (Harris and Moran 1987; see also Gulbro and Herbig 1996; Lewicki and Litterer 1985; Thompson 1990; Sheth 1983; Spiro and Weitz 1990; Williams and Spiro 1985). The negotiation process is considered to be an act of interpersonal persuasion, when two or more people interact in a way that involves verbal and non-verbal behaviors, personal feedback, coherence of behavior and the purpose of (at least one party) changing the attitudes and/or behaviors of the other (Reardon 1991).

Negotiations, which are conducted between individuals from different national backgrounds, are

termed international negotiations. According to Weiss (1993:270), international business negotiations is the “deliberate interaction of two or more societal units (at least one of them a business entity), originating from different nations, that are attempting to define or redefine the terms of their interdependence in a business manner”.

Like domestic negotiations, international negotiations are exchange processes between individuals or entities embedded in different national contexts that intervene during the negotiation process (Tinsley et. al 1999).

The cultural characteristics of individuals have often been ‘seen and equated’ to that of personality characteristics. Culture dictates how people process and interpret information and influences their strategic and tactical choices in negotiations (Tung 1988). Although cultural differences at individual level are hard to ascertain, and problems of defining distinctive cultures in an increasingly multicultural world are difficult to overcome, aggregate cultural dimensions have been proposed and extended to individuals from specific cultural backgrounds. For instance, Hofstede (1984; 1991) devised four cultural value dimensions to describe national cultural characteristics. These are:

- a) Individualism versus collectivism or the value of the individual’s identity, characteristics, and rights *vis-à-vis* those of the group;
- b) Power distance indicating the degree of tolerance (small vs. large) for social hierarchy and class structure;
- c) Uncertainty avoidance that refers to the degree of tolerance (high versus low) for ambiguity; and
- d) Masculinity versus femininity that distinguishes between material achievement, competition and assertiveness, and quality of life, interdependence and relationships, respectively.

Although Hofstede’s results for individual countries have been challenged on methodological grounds (e.g. McSweeney 2002), the framework *per se* has retained its usefulness and is still widely used to aid understanding of negotiators’ behavior (Simintiras 2005). Given that culture relies on communication, the communication context was examined (Hall and Hall 1990) and cultures classified as high or low context based on the amount of attention paid to *how* versus *what* is said (Triandis 1994). Similarly, the conceptions of time in terms of the monochronic or polychronic orientation of cultures has been investigated (Hall 1976). Overall, efforts to explain the negotiators’ behavior and the negotiation process and outcome have produced only partial success (Bazerman 2000) leading

to conclusions that culture may not warrant its high level of attention in a culturally converging business world (Simintiras et. al 2003).

Communication media used in business negotiations

According to Thompson (1998), communicating effectively is critical for negotiation success. Nowadays, there is a plethora of communication media available for carrying out negotiations (Poole et al. 1992; Yates and Orlikowski 1992) and the appropriateness of each can be assessed on several criteria. One commonly used criterion is media richness. FTF (face-to-face) communications are considered to be the richest of all forms of communication (Daft et al. 1987) offering negotiators access to a wide range of aural, visual and non-verbal cues (Purdy et al. 2000). According to Mehrabian (1971), up-to 93% of the meaning of a message is contained in cues other than text; for example, via gestures, facial expressions, eye contact, body movement, physical appearance, voice characteristics (quality, pitch, volume, use of pauses, etc.), filler words, and vocal sounds (Baird and Wieting 1979). FTF communications allow these important cues to be used for developing personal relationships (Drolet and Morris 2000), improving communication clarity, and facilitating the identification of mutual interests (Purdy et al. 2000). In addition, in FTF negotiations the mere skill of listening has been found to explain as much as 75% of a positive outcome for the negotiating parties (Ulijn and Kersten 2004), because it allows communication of personal interest, and feelings of caring and trust (Lengel and Daft 1998).

The closest medium in richness to FtF communications is videoconferencing as it allows interaction in real time (synchronous) with televised images of the negotiating parties. Videoconferencing transmits visual pictures of the negotiator’s head and shoulders; however, true eye-to-eye contact is difficult to obtain (Rose and Clark 1995), and postures and gestures are only partially visible. Other media that are available and not as rich as the above, allow communication to take place either in real time (synchronous communications as in Internet chat) or in delayed time (asynchronous communication as in emails) (see Walther 1992). Asynchronous communication has the advantage of offering individuals time to reflect on the message received and carefully consider a reply, and has the additional advantage of being time and location independent (Carlson and George 2004; Rasters et al. 2002). Nevertheless it is widely viewed as limiting the prospects of building social links between group members (Warkentin et al. 1997). Asynchronous communication media permit negotiators to write text

messages on their computers and to send them to the receivers' computers; these messages are viewable on a screen, but rely solely on textual information and offer very few communication cues (Purdy et al. 2000). Given the proliferation of electronic media, which rely on textual information, the unbiased transfer of the intended interpretation of the sender to the receiver when communicated in textual form is likely to contribute toward minimizing cross-cultural misunderstandings.

Interpretation equivalence and tautological structures

In business negotiations it is not uncommon that an interpretation of what is said not to have belonged to the sender's intention. In extending the notion of interpretation of verbal communication (as is the case in face-to-face negotiations) to communication via text (as in the case when negotiating via emails) the questions that arises is: *'how could one establish whether the resulting interpretations of what is being exchanged are the ones intended by the senders?'* or alternatively *'how could interpretation equivalence between culturally diverse negotiators be established?'* Before embarking on providing the theoretical foundations of interpretation equivalence and tautological structures, the definitions of key concepts is provided below:

Concepts: They are the products of our thoughts¹ and are the basic elements of propositions; they are abstract ideas in that they omit the differences of the things in their extension, treating them as if they were identical; they cannot be visualized; they are thought and designated by a name; and they are bearers of meaning as opposed to agents of meaning, senses, and thoughts. (See Ewen 1988; Dubois 2000).

Meaning: It is the outcome of the mental act (process) of relating; "meaning cannot itself be made an object of introspection as sensory qualities and other modes of experiences can" (McDougall 1923:253); it is the relation between the knower and the known (Ogden and Richards 1923); consequently, what comes to be known to the knower is the outcome of the mental act of relating.

Interpretation: It is the outcome of the hermeneutic process; it is the mental act of reasoning that leads to inferences about alternative interpretations or contingent explanations of meaning; it contributes to the implicit cognitive and emotional pattern required

for assigning to one of the many possible alternative 'knowns' or meanings (i.e., hermenies) its 'true' value.

Davidson (1984:126-6) stated that "speakers of the same language can go on the assumption that for them the same expressions are to be interpreted in the same way" but it is doubtful whether such assumptions may hold true for people with different cultural backgrounds. Since all understanding involves interpretation, and as long as words do not uniquely determine a reference scheme, the meaning and the subsequent interpretation of a sentence must be given not in isolation but holistically by its location in the structural pattern (Alvarez 1994). Understanding an argument requires an understanding of its underlying reasoning. For example, Ajdukiewicz (1985) counts as reasoning all "processes of solving mental problems and questions carried out with the use of inference and deduction". Furthermore, the same author considers inference "as a thought process through which, on the bases of a more or less positive acceptance of premises, we are led to an acceptance of a conclusion that remained so far unaccepted or accepted less positively by us, and we accept the conclusion to a degree that does not exceed the degree with which we accept the premises".

As a process of interpersonal persuasion, business negotiations rely heavily upon the use of convincing arguments by the participants. Arguments consist of a series of statements, are culture and language specific, and are guided by inference rules (Simintiras 2000). In general, an argument "asserts something conditionally about relations and individuals of a certain kind, while the rule of inference asserts something unconditionally about all statements of a certain kind" (Popper, 1989:203). These assertions are subject to interpretation whereas interpretations are not the product of a consciousness producing an intrinsic genre, but of a consciousness communicating something broader and more general than an intrinsic genre – an interpretation that can have numerous extensions including many that originating consciousness could not have anticipated (see Battersby and Phelan 1986). Furthermore, interpretations (the mental act of reasoning) allow people to argue without consciously being aware of the rules of inference they use.

Interpretation equivalence refers to the equality relation between interpretations (i.e., hermenies). More specifically, 'interpretation equivalence relation' is the established (pseudo-) identity or (pseudo-) equality relation between two items of information, in two or more cultures, which allows for comparability at the level of the interpretation. Equivalence relations are important in establishing comparability of interpretations in cross-cultural sales negotiations. An equivalence relation can be established through the

¹ The products of our senses such as objects and events can be described by their physical properties as opposed to concepts - products of our thoughts -, which are abstract.

recognition and removal of particular elements that make the relation unequal (Simintiras 2000). When unequal elements are discarded, the relation becomes indistinguishable (see Rosen 1985). From a practical point of view, however, this may not be easy or even feasible, but it might be appropriate to evaluate the impact of using tautological argument patterns on establishing interpretation equivalent relations.

Tautologies are valid argument patterns in which the premises provide conclusive support for the conclusion and interpretation. Interpreting an argument requires an understanding of its underlying reasoning, and given that not all the argument patterns are valid unless they are tautologies, they represent patterns for building cross-cultural sales negotiation arguments that will not require any degree of deliberation for establishing 'interpretation equivalence'. Some common tautologies are:

"If p, then q. p. So q."

"If p, then q. ~p. So ~q."

"If p, then q. If q, then r. So if p then r."

"p and if p then q."

Arguments used in negotiations should be understood and understanding is achieved by iterating between considering the interdependent meaning of parts and the whole that they form (Klein and Myers 1999; see also Lee 1994). It is postulated in this study that tautological structures will contribute toward establishing interpretation equivalence, which, in turn, will minimize cross-cultural misunderstandings in business negotiations.

There are very few studies in the literature that address the issue of equivalence relations in FtF negotiations, but no studies were found to focus on the impact of tautological structures on interpretation equivalence in negotiations based on email. These shortcomings in the literature necessitate an answer to the following question: 'what is the contribution (if any) of tautological structures on interpretation equivalence and subsequent understanding in cross cultural email-based negotiations?'

HYPOTHESES AND RESEARCH DESIGN

In order to investigate the stated research questions the following approach was taken. First, a written sales scenario {initial scenario (IS)} of approximately one page in length was produced. The sales scenario (i.e., text) was written in English. The initial sales scenario was given to respondents of two cultural groups (Cultural group A {Ca} and cultural group B {Cb}). Respondents were asked to answer 15 multiple-choice questions pertaining to the interpretation of several parts of the sales proposition. The objective of this manipulation was to establish whether subjects' interpretation of the sales scenario was similar to the

interpretation that the author had intended. Following that, the sales scenario was modified (MS – modified scenario) with the incorporation of tautological structures. The modified scenario was distributed to the same respondents of the two cultures a month later. Respondents were asked to answer exactly the same 15 questions. In addition new respondents were recruited to answer the questions of the modified scenario in order to test for possible bias concerning the remembering of the answers of the first group of respondents. There was no translation of the scenario and the two different cultural groups read and replied to the questions of the English version of the scenarios.

This approach resulted in a two-by-two factorial design with the two cultures and two sales scenarios, and the following hypotheses will be tested:

H₁: There is an association between the set of answers of culture A respondents to the initial scenario and the set of answers of culture B respondents to the initial scenario;

H₂: There is an association between the set of answers of culture A respondents to the modified scenario and the set of answers of culture B respondents to the modified scenario

H₃: The mean value of the 'correct answers'² of culture A respondents to the modified scenario will be higher than the mean value of the correct answers of culture A respondents to the initial scenario ($\mu_{CaMS} > \mu_{CaIS}$)³

H₄: The mean value of the correct answers of culture B respondents to the modified scenario will be higher than the mean value of the correct answers of culture B respondents to the initial scenario ($\mu_{CbMS} > \mu_{CbIS}$).

The sample comprises postgraduate students from two distinct cultures. The sample size comprises 120 respondents (60 from culture A and 60 from culture B) {Demographic characteristics to be added here}. According to the literature, matching samples are preferred for theory testing (Reynolds et al, 2003).

² The term 'correct answer' refers to the answers that correspond to the intended interpretation of the sender. Likewise, 'incorrect answers' will be those that do not correspond to the intended interpretation of the sender.

³ μ_{CaMS} = mean value of correct answers of Culture A (Ca) respondents to modified scenario (MS)

μ_{CaIS} = mean value of correct answers of Culture A (Ca) respondents to initial scenario (IS)

μ_{CbMS} = mean value of correct answers of Culture B (Cb) respondents to modified scenario (MS)

μ_{CbIS} = mean value of correct answers of Culture B (Cb) respondents to initial scenario (IS).

Findings

The data are currently being collected and the analysis along with the major findings will be presented at the conference.

DISCUSSION AND IMPLICATIONS

If results support the hypotheses, the recommendation, on the basis of the preliminary evidence, will be that the use tautological structure mainly in business negotiations and everyday exchange of sensitive information is the way forward. In addition, this might be a promising area of research that could potentially lead to the development of a new argument pattern for cross-cultural communications. If

the results go contrary to the stated hypotheses, then interpretation is likely to be independent of the argument patterns. Possible avenues for examining the level at which interpretation equivalence operate will be suggested.

From a macro-marketing perspective, it could be argued that minimizing misunderstandings in cross-cultural business negotiations will likely contribute to the acceleration and further expansion of global trade. More specifically, the reduction of transaction costs (mainly through a decrease in communication costs) (see Williamson 1975), could influence the pattern of business behavior in the foreign markets and alleviate some of the problems faced culturally diverse companies in the post integration phase of mergers and acquisitions.

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Why Was Marketing Afraid of Systems? And Why It Should Be

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Marketing theory was centered in systems/networks in the 1950s and early 60s. During the 1960s marketing thought underwent a rapid change from this paradigm to a reductionist managerial discipline, with a focus on ‘managing’ the firm’s marketing, rather than understanding how the market system works. This paper suggests reasons for the sudden shift to marketing management, before considering what the implications of a systems approach to marketing, given the current understanding about complex systems, would mean for students of marketing.

The 1950s and early 60s saw systems thinking to the fore in marketing theory development, lead by Wroe Alderson, who is widely acknowledged as the leading marketing theorist to date (Wooliscroft, 2003). He situated his theory generation in functionalism — a systems type paradigm (Alderson, 1957). The language of systems was common throughout the textbooks and monologues of the times, before there was a discernible change to the language of managerial marketing, with the arrival of undergraduate marketing textbooks from McCarthy (1960) and Kotler (1967), textbooks which were to change the direction of mainstream marketing and dominate the classrooms of business schools around the world.

It is not suggested that systems based marketing can not be managerial, in fact almost all of it is, but the approach to the phenomena of the market is radically different to that of marketing management, with reductionist theory of dyads at its center. The differences between reductionist and systems science are summarized in Table 1.

Normal science	Systems science
reductionism and repeatability	systemic thinking
assumes well defined problem	uncertainty and confusion about problem
assumes problem exists alone	explores the context of the problem
problem is ‘solved’	solutions are ‘unique’ to situations

Table 1: Change in assumptions from normal science to systems science

The language of systems: ‘Dynamics’

Dynamics was a key term from the systems approach to marketing before the mid 1960s, appearing in the title of many business textbooks (c.f. Alderson, 1965; Clark, 1954, 1961; Hancock, 1960; Hart, 1940). The language of systems largely disappeared during the second half of the 1960s — with the notable exception of Fisk (1967) — and has emerged, to a lesser extent, again in the 1990s (a search of Amazon.com finds 2,178 marketing books with ‘dynamic’ in the title, but less than 35 of them are in print. A further 34 titles are in print with ‘system’ in the title. While of the 3,605 marketing books with ‘management’ in the title listed, over 400 are in print). A notable re-introduction of the language of systems is found in the title of the review paper by Holbrook (2003), though others have used it in their titles (c.f. Dickson, 1996; Hunt and Morgan, 1996; Johnston, 1984; Langlois and Robertson, 1995; Porter, 1991; Teece and Pisano, 1994; Wilkinson, Wiley and Lin, 2001). But, the dominant school of thought in marketing is, and has been since the mid 1960s, marketing management.

The great upheaval: The rise of managerial marketing

In the midst of the Cold war, the space race and the start of the Korean War marketing shifted focus. This shift was triggered by two reports into business education in the USA (Gordon and Howell, 1959; Pierson, 1959). It very quickly lead to the rise of managerial marketing, or marketing management. Either way, the language of this school of marketing is about control. You have to have power over something to manage it.

The change coincided with an influx of business school students, with expectations that science, and thus scientific disciplines, could provide cause and effect solutions to problems. It was the age of belief in the benefits that science and technology were to bring to the American — and by default members of other developed countries — people (Hine, 1999). These business school students wanted an education in how to ‘manage’ the marketing of the firm.

What had marketing to fear from systems?

The certainty of the models contained in the marketing management literature is well removed from the complex interactions of the systems writings. Throughout

marketing management textbooks and articles cause and effect is demonstrated. If you take care of the 4Ps you will have a profitable company. You can guide your consumers through the stages of the hierarchy of effects with your advertising. Channels of distribution and brands can be managed by producers (a far cry from the domination of channels by retailers today).

The GI Bill students, and the increasing number of Americans that entered tertiary education after them, wanted solutions, not problems. As a gross generalization, systems thinking provides problems, managerial marketing provides solutions. And, in the 1960s the solutions of marketing management worked. Television advertising was novel and incredibly effective, well removed from the jaded cynical consumers of today. Markets were comparatively simple and producers were dominant players in most markets.

Undergraduate economics textbooks typically have a systems perspective that then assumes away the interactions with *ceteris paribus*. Marketing management undergraduate textbooks appear to have forgotten the system and *ceteris paribus*. The dyad is the focus of almost all undergraduate marketing textbooks, and the vast majority of postgraduate textbooks, focusing on firm and consumer, or firm and firm, almost never beyond a dyad.

Systems can be open or closed. A closed system is one, as its name suggests, that doesn't interact with components outside of itself. Open systems are those that however you define them, or put boundaries around them, interact with components outside of that definition or those boundaries. The majority of mainstream marketing thought is produced in the closed system approach — there is a firm and a consumer, or a firm and its competitors, usually considered in isolation from their environment. This is obviously not the case for marketing systems 'in the wild', where whatever the system under consideration it interacts with other systems and is a part of a bigger system. The use of closed systems is not appropriate for marketing phenomena, phenomena that exist in the 'wild'.

Beyond the open and closed categorization, Jantsch (1973) suggests that there are mechanistic, adaptive, and inventive systems. In a similar vein, Layton suggests that there are purposeful, structured, emergent, and random systems. The last two of Layton's categories relate to the 'problems' with systems to be discussed below. Alderson (1957) divides systems into atomistic, ecological and organismic, then suggests that marketing systems fall into the middle category. His suggestion that marketing systems are ecological in nature will be revisited with reference to current ecological thinking at the end of this paper.

When thinking of systems, most readers will be familiar with Katz and Kahn (1966, pp. 23-30) who list 10 characteristics of open systems:

1. Importation of energy from the environment (resources, people, etc.)
2. Throughput (transform resources available to them).

3. Output (export some resources to the environment).
4. Systems as cycles of events
5. Negative entropy (through input of energy/resources)
6. Information input, negative feedback, and a coding process. (to maintain steady state).
7. The steady state and dynamic homeostasis (and a tendency toward growth to ensure survival).
8. Differentiation and specialization.
9. Integration and coordination
10. Equifinality (many paths to same end).

These ten characteristics point towards complex relations and phenomena with many more dimensions to be aware of than the reductionist dyads of the marketing manager.

All interactions can be considered a system and the strongest criticism of systems thinking is the difficulty of finding the appropriate boundary for a system under study. The problem with systems, boundary limits, links into the necessary recognition of systems within systems and the possibility of predictable systems within, or overlapping with, unpredictable systems.

Three areas of current research from the physical sciences shall now be considered in light of systems; complexity and emergence, self organizing critical states, and chaos theory.

Johnson (2001) and Ackoff (1999) recognize the difference between the reductionist study of a complex system (a cat for example, studied in parts) and a systems approach to studying the same phenomena, the difference is the systems effect, or emergent behavior (in the case of the cat, life is the difference between the sum of its parts and the system cat).

In the physical sciences oscillons have been found to emerge from simple systems. An oscillon has been defined by physicists as: "localized, time-dependent, unstable, spherically symmetric solutions to the nonlinear Klein-Gordon equation" (Honda and Choptuik, 2002, p. 1). It is, in layman's terms, an emergent behavior of a simple nonlinear system — an astonishing variety of 3-dimensional pattern that emerges in a tray of sand/mud/ball-bearings when vibrated at certain frequencies — which has not currently been explained by the laws of physics that govern the grains of sand/mud/ball-bearings. Oscillons are examples of macroscopic phenomenon that cannot currently be predicted from the microscopic laws of physics governing the underlying components of the system. When we look at a market, or society, with its many interactions, almost entirely nonlinear, it is entirely reasonable to expect markets and society to produce their own oscillons — patterns of behavior that can't be explained by our understanding of the interactions between two consumers, two firms, or a consumer and a firm. The study of complex systems leads to the redundancy of reductionist theories of dyads, which can be located in wider systems (Lewin, 1992).

Lawson and Wooliscroft (2002) and Buchanan

(2000) suggest that the natural state for complex systems appears to be that of a self organized critical state. The first example of a self organizing critical state was generated by Bak, Tang and Wiesenfeld (1988) with his famous sand pile simulation. (Bak, 1996) has considered how self organized critical states can be seen in the economy.

In a self organized critical state the output of the system is not related to the size of the input. Systems of forest fires, earth quakes, record sales, etc. all exhibit power law distributions of outputs (size of forest fire, intensity of earth quake and, number of records sold); that is there are many more small occurrences than there are large ones for the same input. This distribution is the same as a Pareto distribution.

Examples from marketing include; the return on showing an advertisement, the impact of releasing a new product, etc. .

In 1987 Gleick brought the concept of chaos to non-physicists. He presented compelling evidence of the occurrence of seemingly random results in deterministic non linear systems depending on minute changes in initial starting conditions.

The most common metaphor to understand chaos theory is the idea of the butterfly flapping its wings and that act having a disproportionate impact elsewhere in the global weather system. Evidence for the widespread existence of chaotic systems includes weather systems, stock prices, etc. .

If we recognize that markets are non linear systems, they are also, sometimes, subject to the unpredictability associated with chaos theory.

Given the principle problem of systems research, bounding the system under study, any marketing systems that are open systems are embedded within/with systems that are prone to exhibiting emergent behavior, demonstrate outputs with Pareto distributions, and/or suffer from a lack of predictability associated with chaos theory's initial conditions problem.

As an example, the retail banking industry is a purposeful open system, which conventional wisdom has it we can predict. But, it has in the past been impacted severely by the share market, a system that demonstrates fractal patterns, typical of a chaotic system (Peters, 1994). This leads us to the problem of systems thinking, to use a systems perspective to understand markets — and there is little doubt that it is the only appropriate epistemology — given the current state of knowledge about open systems leads to a recognition that marketers do not have control.

One of the systems ecologists, who inspired Alderson's (1957; 1965) use of functionalism/systems for the development of his theory of marketing, has this to say about management and control:

Many demands are being placed on ecology to offer simple rules for managing ecosystems. What must be learned is that people do not manage ecosystems, they manage their interaction with them, and no simple rules exist. (Kay and Schneider, 1994, p. 32)

Conclusion

When we consider the market as a system we must give up control. The relationships become fuzzy and the direct “causes” statements of managerial marketing cease to have value. Ultimately ‘marketing management’ gives way to ‘marketing influence’.

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The Form of the Sustainability of Marketing Systems

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In this article, we address the issue of the sustainability of marketing systems. We develop a systeming framework for interpreting meanings enacted within marketing systems. The illustrative analysis of a hybrid car marketing system is presented. Interpretations suggest that sustainability as the content of communication might contradict a sustainable form of the marketing system.

The traditional form of marketing is thought to be conducive to the increasing levels of destructive social effects such as waste, excess, and greed in society (Brown, Bell, and Carson 1996; Sherry 2000; Sheth and Sisodia 2005, 2006; Shultz II and Holbrook 1999; Varey 2005b), although some researchers assert that it has some positively valuable benefits for the wellbeing of society members (Reidenbach and Oliva 1983; Wilkie and Moore 1999). The point of consensus is that marketing must become sustainable in the future to correct the problems (Fuller 1999; Peattie 2001; Sheth and Sisodia 2006; Van Dam and Apeldoorn 1996). But what is sustainable marketing? Although there exists a number of divergent views on this issue (Fuller 1999; Van Dam and Apeldoorn 1996), the concept seems to be far from finding its full resolution (Schaefer and Crane 2005). Specifically, the analytical rendition of the problem is the issue of the sustainability of marketing systems (Schaefer 2005). In this work, our purpose is to provide an understanding of the sustainability of marketing systems. We intend to discuss the certain aspects of marketing systems which would enable us to suggest ways to define sustainable systemic operations. To accomplish this, we first provide the working definitions of the main concepts. We then introduce the method, the systeming framework, which can be used to analyse the transformation of meanings in marketing systems. A particular case of a marketing system is chosen for an illustrative analysis – the system of hybrid car marketing and consuming communications. The last section discusses the implications of this approach for marketing research and theory.

DEFINITIONS

The positive resolution of the problem in question would depend on the perspective taken to define two underlying concepts: (1) sustainability and (2) marketing systems. Both concepts appear to be complex, multifaceted, and even nebulous. The discussion of sustainability and sustainable development is a recent phenomenon in the field of marketing (Connolly and Prothero 2003; Dolan 2002; Gladwin, Kennelly, and Krause 1995; Polonsky and Mintu-Wimsatt 1995; Schaefer and Crane 2005; Van Dam and Apeldoorn 1996; Welford 1997), although it is rooted in many works on markets and marketing by classic scholars, especially Adam Smith (Varey 2005a), Alderson (1965), Bartels (1970). For the concept of sustainability, divergent interpretations and definitions are possible (Gladwin et al. 1995; Schaefer and Crane 2005). One way, or the presently dominant view, is to see human generations bargaining for the right to use natural resources (Goodin 1999). This is reflected in the following definition by the Brundtland Commission: “Sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (World Commission on Environment and Development 1987, p.43). Dolan (2002) noted that this definition ignores the social, cultural, and historical contexts of marketing communications, which in this case might have been silenced by the dominant discourse (Luhmann 1994). It appeared that these issues were not, and probably could not be addressed by this mainstream approach. Dolan (2002) argues further that the definition should be based on multiple, flexible, and contextual arguments which should also have a descriptive power. Similarly, Schaeffer and Crane (2005) distinguish the narrow and broad definitions of sustainability. The narrow definition is thought to be reflected in Brundtland Commission’s report, whereas the broad definition is seen to be about reconciling economic, social, ecological “goals and consequences” (Schaefer and Crane 2005, p.77). We do not propagate any precise definition of sustainability in this work. Our point of view is that sustainability is a particular form of meaning that is given to social action, and these actions are only meaningful within the particular systems of interactive actions (communications), in which they are produced. The observation of such systems would allow the description

of sustainability to emerge, which would be relevant for only that context. Thus we maintain that every context of social action (a marketing system) might have its own perspective on what sustainability is or is not.

This brings us to the discussion of marketing systems. The definitions of marketing systems are multiple (Layton 2006; Varey and Kadirov 2006). In this work, we accept the constructivist systeming framework of a marketing system that has been explicated by Varey and Kadirov (2006). According to this framework, the marketing system is the totality of marketplace communications. Communications within marketing systems are characterised by two factors: (1) their unique function in society, which is represented in the maintenance of expectations of value acquisition through marketplace action; (2) valuation, that is, the application of the “law of excluded middle” (*tertium non datur*) (Gunther 2004) - value versus non-value - to each marketplace event. A marketing system is thought to be self-referential (Schaefer 2005), and the environment enacted (Weick 1979). Hence a marketing system may be formed through differentiating the systemic processes from the enacted environment, while the external environment remains inaccessible (Luhmann 2006). The meaning of sustainability may thus come forth as a selection that is operated by the system in the process of self-differentiation.

FRAMEWORK OF ANALYSIS

The elaboration on the perspectives in defining the concepts of sustainability and marketing systems is not sufficient for analysis. The marketing system’s essence can only be approached when a particular method of meanings interpretation is developed based on more general worldviews (Thompson 1997). Therefore, we propose the systeming framework for interpreting communications in marketing systems. This framework draws on the qualitative calculus of Spencer-Brown (1969), the theory of logical levels by Bateson (1991), and the theory of social systems (Luhmann 1995). The framework is based on three principles: distinction, re-entry, and logical levels.

Distinction

The system observes its own systemic nature by a means of distinctions (Cooren, Taylor, and Van Every 2005; Luhmann 1992, 2002; Spencer-Brown 1969). The main point of reference would be to discover latent distinctions operated by the system, and watch how these distinctions unfold within the “languageing” operations of interacting entities. The observation of distinctions is straightforward. The main premise is that any operation including communicative acts are based on cutting and imitating distinctions (Baecker 2006, 1999; Luhmann

2006). A distinction cuts the operative space into bivalent values such as true/false, bad/good, beautiful/ugly, and so on. For example, if a car producing corporation states that such-and-such brand achieves that much kilometers per litre of petrol, then the distinction employed is that of “fuel efficient versus inefficient”. Any communication is the imitation of some available distinctions, even the original distinction must first be considered as the imitation of the self that has been alienated (Luhmann 2006; Tarde 1969). Spencer-Brown (1969) developed a qualitative calculus that would allow formalising and displaying the self-referential operations of distinction makers. He suggested using a mark (symbol) of distinction that divided the space into two states: marked and unmarked (Figure 1).

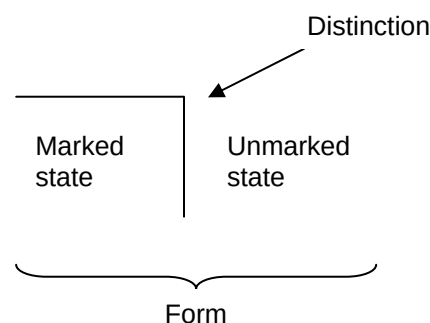


FIGURE 1 SYMBOL OF DISTINCTION
SOURCE: BAECKER 2006

A person cutting a distinction (doing distinctioning) only observes the marked state. The second order observation indicates to the form of the distinction which includes both marked and unmarked states, and also the operation of distinctioning. In the case of the aforementioned example, the corporation might mention the level of fuel efficiency of hybrid cars. Thus, this utterance is marking a “fuel-efficient” side of the distinction, whereas the second-order observation indicates that a reference is to the “in-efficient” models, which recede into background and bestow meaning to this communication. Moreover, this distinction “fuel efficient versus inefficient” is the distinctioning of a particular system of operation that is being copied by the corporation. In the context of a different system, the corporation might, for instance, mention a distinction “powerful versus weak engine”.

Re-entry

The manner in which the system applies the operated distinction onto the self can also be observed, and possible contradictions and implications arising from

this operation can be investigated (Baecker 2006, 1999; Luhmann 2002). In other words, the form is *re-entered* into the form, or the distinction into the distinctioning operation. This self-reference is impossible to treat either logically or mathematically, as it causes all kinds of paradoxes of self-reference (Casti 1991; Gödel 1929/1974; Hofstadter 1979). Re-entry is not easy to describe in a logical manner, but it can be displayed symbolically through Spencer-Brown's qualitative calculus (Figure 2).

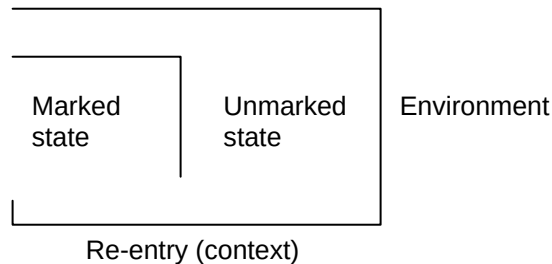


FIGURE 2 SYMBOL OF RE-ENTRY
SOURCE: SPENCER-BROWN 1969

Luhmann (2002) argues that re-entry symbolises the mechanism of serially nested communications which refer to communications referring to other communications. The cascade of re-entries shows a process of how communication may take other communication as a point of reference. Communications link to other communications through re-entering them into their space of indication, while this cascade of operations remains inside the system. The environment is not known inside the system but through the re-entry of distinctions. This instance allows distinguishing two types of environment: enacted and external. The environment referenced inside the system as an “unmarked state” represents the enacted environment, while the external environment depicts what is differentially left out from the context of re-entry. For instance, in the previously mentioned case of the corporate communication, the distinction efficient/inefficient can be re-entered (observed) as being a unique context of the system. This means that the corporation may reference the self as an entity that is communicating about fuel efficiency. However, this context is different to other available contexts in the environment. Re-entry would suggest exploring the issue of how efficient/inefficient the selected context is vis-à-vis other contexts. The re-entry description explicitly conveys a meaning, which has already been implicitly contained in communication (Luhmann 2006). Consequently, communication becomes capable of referencing other communications, and at the same time becoming a topic of subsequent communications.

Logical Levels

The contradicting character of communications can be understood and observed by looking at community operations from a *meta-level*, the level which is one step removed from the level of operating. The meta-level is the locus of *observing the observer*, that is, second-order observation (Luhmann 1995; von Foerster 2003). Bateson (1991) gives particular importance to distinguishing the first level and meta-level communications. He warns against a trap of “logical typing error” that ruins Bertrand Russell’s theory of types (p.60). The theory of types is based on the idea that a class of names (objects or communications) cannot be a member of itself. Meta-communication or meta-meta-communication are not the same as communication, and they do not share the same qualities. For instance, the corporation might engage in a range of activities (communicative acts) such as producing green products, recycling, cutting emissions, saving energy, innovating and so on. At this level, these acts are understood (given meaning) via a comparison to each other based on differences and similarities in action. The corporation may engage in meta-communication by describing these acts as sustainable. The meta-meta-communication would state that the corporate reporting about sustainability is transparent, realistic, and that this symbolises the care for the environment (Livesey and Kearins 2002). The complexity arises when meta-communication is treated as first-order communication. The next logical question arises with regard to how sustainable this kind of “sustainability” is (Dolan 2002). Nevertheless, Bateson (1991) notes that “...human[s] shall continue and shall inevitably be liable to certain sorts of confusion” through classifying meta-communication at the same level as communication (p.61). Without the logical level discrimination, for instance, a particular corporate meta-communication and a corporate action might be regarded as the parallel examples of sustainability, and this may in turn lead to the so called “surprise” discoveries that the rhetorical and practical aspects of corporate communication are diverging (Kangun and Polonsky 1995; Peattie 1999; Schaefer 2005; Smith 1998; Welford 1997).

ILLUSTRATIVE ANALYSIS

For the purpose of illustration, we have chosen the context of communications which occur in the domains of hybrid car marketing (production) and consumption. The main assumption is that the observations and descriptions of hybrid car manufacturers and users are thought to form a ground for the emergence of a hybrid car marketing system. So, what can the systeming framework for interpretation reveal about this system? In line with nethnography (Kozinets 2002b; Langer and Beckmann 2005), the examples for illustration have been

retrieved through the extensive observation of online sources, such as corporate websites, online environmental reports, and hybrid car enthusiasts' weblogs and forums. These data are accepted as the example of self-descriptions developed on the part of the marketing system.

Distinctioning in Hybrid Car Marketing System

The analysis reveals that meaning (value) is not inherent in actions themselves. The automobile manufacturers might perform a wide range of activities such as emission control, recycling, eco-innovation, materials and energy saving, environmental and social programme sponsorship, the last but not the least. These activities are usually included in the environmental reports as the examples of sustainable action. In a consumer domain, hybrid car drivers utilise several driving strategies and principles to increase fuel efficiency such as pulse and glide, downhill coasting, differentiated braking, drafting, maintaining less weight, driving slow, and doing as longer trips as possible. However, these "labels" given to activities in the context of environmental discourse seem to be very contingent. The same action would have different meaning and labelling within different discourses. For instance, a company might label the facts of the isolation of production tubes to prevent oil leakage or the introduction of a new material that prevents the leakage of battery liquids in hybrid cars as the *concern for earth and soil*. Similarly, a hybrid driver might observe and associate his braking while driving tactics and the related experiences with the *care for environment*. However, someone who acts within a different system may simply observe these facts to be innovative acts. This shows that sustainability does not reside *in* actions, but in the particular *observation* of actions. The signifier is not simply attached to an existing signified; rather they co-construct each-other within the system. The irony is that any action can be signified as sustainable, when a "little" imagination is exercised. For example, a story is related in one of the reports describing how car manufacturers are collaborating to fight back a new fuel efficiency initiative (legislation) by one of the US state governments. Although this action seems to be a blatant blow to the cause of environmentalism, the report *observes* this action as a fight against *legal chaos and disorder* which might have been created by various legal acts following the example of this government's attitude. In other words, anti-environmental action is observed as the preservation of *homeostasis* in the system in order to be able to maintain the present state of affairs. The "proper" (purposeful) observation transforms actions, which are taken to be *anti-sustainable* in other contexts,

to be *sustainable* in the context of the hybrid car marketing system. The similar situation might arise in the product usage domain. For example, some hybrid drivers might attribute drafting – closely following big vehicles in order to get the advantage of an aerodynamic corridor created by them – to the positive action that might save a substantial fuel amount at the societal level. However, in this case, the jeopardisation of traffic safety (which is also an aspect of sustainability) is removed from the periphery of observation.

The essence of sustainability "defining" actions and observation (which together create communication) might be hidden in the form of distinctioning. Spencer-Brown's (1969) qualitative calculus provides a tool for understanding this process. The system members are operating distinctions, which we would call the *formulas of social action*. The distinctions such as emission reduction/emission ignorance, recycling/non-recycling, saving/wasting underlie the observation of manufacturers, whereas fuel efficient/inefficient creates a form for hybrid car drivers. Communicated meaning is always about one (marked) side of the distinction, whereas the other side is both excluded (from the semantic content) and included (as a reference). For instance, a hybrid car driver can describe his routine to select a parking place at the top of hills rather than at other spaces. This action might be communicated as the fuel efficiency enhancing action. What is unmarked is that the assumption that all other parking activities are not as fuel efficient as his/her strategy. The same action might be observed as convenient/inconvenient parking (in reference to a destination) by the operator of a different system. The problem is that there is no a *right or wrong* form of distinction. Any form is meaningful only within the system it is being operated. Consequently, one would never know what the grounding (natural) reference of sustainability is. As social actors, we would switch from a form to another form to communicate our observations. These forms are social, as one would need to interact and communicate with others to be able to emulate them.

Re-entry in the Marketing System

Re-entry is always implicit in the act of *distinctioning* from the beginning. In the environmental reports, the system (corporate actions and observations) might observe the self as sustainable, because, for example, it is managing (reducing) and monitoring the levels of certain emissions. The fact of the existence of the sheer volumes of emissions is taken for granted, whereas it is the *reduction* of emission (observation) that is taken to be sustainable. This process can be seen in Figure 3.

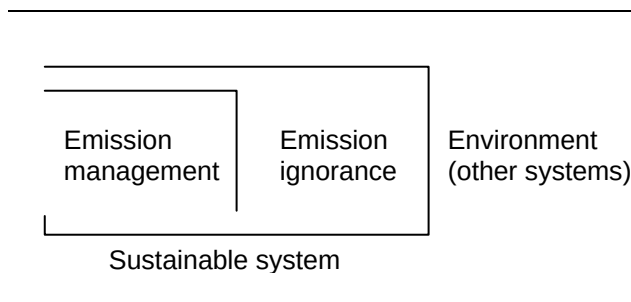


FIGURE 3 THE PARADOX OF SUSTAINABILITY

The form of re-entry indicates that the sustainable system is a system which differentiates between *managing versus ignoring* emissions. This distinction distinguishes this system from other systems which might use different distinctions. The similar form can be copied into the other cases such as recycling, eco-innovating, and material (fuel) saving activities. The paradox arises when the system constructs the meaning of sustainability through attributing it into actions referenced to unsustainable conditions. The figure shows that emission ignorance is a part of the sustainable system. Sustainability and un-sustainability become the closely related, inseparable aspects of the sustainable system. The following example may illustrate this: the continuous success in the reduction of emissions (more sustainability) is only possible when there exists a continuous (substantial) generation of emissions. In another case, hybrid car drivers can only “save” more fuel at the aggregate societal level, when they drive more and spend more fuel in absolute terms. Can a system observe itself as sustainable, when it neither “generates” nor “reduces” the emissions? Such systems might be neither sustainable nor unsustainable, as this meaning forming does not exist for them. For example, is the way of life of indigenous Amazonian tribes sustainable, when they might not even construct the meaning of “emission”? The act of describing their life as sustainable (or not sustainable) may only indicate to the conceptual priorities of an observer rather than the observed. Hence, sustainability seems to be about the particular self-observation of marketing systems.

Logical Levels in the Marketing System

It appears that the system enforces its valuation (distinctions) on phenomena. For instance, the hybrid car marketing system is built on the total application of the mega-distinction “sustainable/unsustainable” to every observed event. This process refers to *sustainabling*. For the system, any other phenomenon appears as passive. We can note that the objects (and social events) are

stripped from the power of self-reference inside the system. The meaningful autopoiesis of communications is only possible when this process is maintained (Luhmann 1995). Here we see Russell’s paradox of logical levels (Whitehead and Russell 1927): if the system observes all the phenomena which can not observe themselves, how is the system itself observed from within its self-referential domain? Could we evaluate the system, while acting from within the system? Similarly, what is the sustainability of sustainability (Dolan 2002)? The answer might be a circular expression which does not conform to the linear *true/false* schema of logic – the system is observable, when it is not observable, or it is unobservable when it is observable. In reference to the system within which the observation is equal to sustainabling, this corollary transforms into the following: *the system is sustainable when it is not sustainable, and it is unsustainable when it is sustainable*. The point is that there might exist a fundamental uncertainty in regard to the sustainability of the marketing system which uses the sustainability rhetoric in its operations. Nevertheless, the logical levels are often mixed, and it is assumed that the system is sustainable when it enacts sustainability in its communicative operations. For instance, we have noted earlier that the successful management of emissions is simply considered as sustainable, even though it presupposes the excessive generation of emissions. In the consumer domain, hybrid car drivers tend to differentiate themselves from other “gas-guzzler” car drivers through the use of sustainability sensitivities. They might proudly call themselves “smug”. This term is derived from Episode 141 (SmugAlert!) of the South Park cartoon scenes to describe hybrid car fans. The cartoon depicts the smugs even loving the smell of their own farts. The irony aside, some hybrid car drivers in fact describe themselves issuing “green” tickets, and sticking them into big trucks and SUVs for “poisoning” the atmosphere [however, smugness is attained only through social relations]. In contrast to the traditional thinking, the systeming method suggests that *smug* is not a physical attribute of a person, but the context of social relation within which the operations of the system construct meaning. A hybrid car driver may perceive others accepting his authority (on the issues related to ecological sustainability) which might boost his boastful behaviour. However, the cause for this misbehaviour does not reside in individuals, rather in their interaction, which is made meaningful within a particular system. In this sense, measuring how smug a person is does not make any sense. Smug is the social form (formula) of action that is co-constructed in the interaction of producers, marketers, consumers, and other publics. One may ask to whom this view of sustainability is appealing (Schaefer and Crane 2005). We would suggest that this form of sustainability meanings is the operation of a particular system, and any person can actually become

part of it through directing their intentionality to this system. Contrary to the traditional view, we argue that people are not fixed into certain views of sustainability, but they learn to recognise the context (meta-level) and act according to this context (lower level) (Bateson 1991). Furthermore, the general tendency observed in online discussions was that hybrid enthusiasts felt about themselves as morally superior to others, while creating tense relations through “othering” process (T. B. Porter 2005). The process seems to be related to “vulgar ethnocentrism” (Hunt 1993, p.86) or “cultural racism” (Jones 1999). In any situation, we observe that the sustainability distinctions are used to create somewhat unsustainable social conditions.

Content and Form

This analysis distinguishes between the content and the form of communication constructed by marketing systems. The *content of communication* is the unifying theme of distinctions that is enacted in the act of communicating. For example, a sustainable action may be constructed in reference to unsustainable conditions. The *form of communication* depicts the application of the distinction to itself, so one may ask how sustainable the act of sustainableness is. The hybrid car marketing system seems to use sustainability distinctions as the content of communication, while the form in turn may contradict this original distinction. This type of the system we call *autopoietic systems*. The insight is that autopoietic systems are driven by the reproduction of their very structures and processes while they may use a particular value (for instance, sustainability) as a guiding meaning. What other types of the marketing systems could also be observed? The matrix given in Figure 4 may help. We imagine the existence of the following types of marketing systems: autopoietic systems, parasite systems, modest systems, and sustainable systems.

		Content of Communication	
		Sustainable/ Unsustainable Distinction	Other Distinctions
Form of Communication	Sustainable	<i>Sustainable Systems</i>	<i>Modest Systems</i>
	Unsustainable	<i>Autopoietic Systems</i>	<i>Parasite Systems</i>

FIGURE 4 THE MATRIX

The marketing system may enact the distinction sustainable/unsustainable in the content of its

communication, or alternatively, it may enact the other type of distinctions. In the same way, the form of communication may be either sustainable or unsustainable. The system that exhibits the unsustainable form and sustainable content is referred to autopoietic systems. The parasite systems do not enact sustainability as the distinction in their communication, meaning that they do not recognise this as important. Their form may also become unsustainable. Examples may include certain marketing systems which are based on excessive consumption, competition, and growth, while ignoring their impact on society. The modest systems are those which do not employ the sustainability distinction in their communication, while the form of communication exhibits essentially sustainable patterns. These systems may become sustainable without communicating that they are such. These systems may be difficult to recognise unless one participates in them. The sustainable systems stress sustainability in the content of communication. Their form of communication is also sustainable. Although this may become a Utopian exercise to imagine this kind of marketing systems (Brown and Maclaran 1996), we maintain that the long evolutionary and social development may have already created the sustainable marketing systems, which have not become recognisable yet to the conceptual capacity of marketing researchers operating within the traditional domains of knowledge and methods. Citizens could discover many options to communicate (operate) which may exist in the loci of social meanings, socio-historical spaces, and theoretical realms. If such systems could be emulated, our task as citizens (not only as producers and consumers) must be to search for, recognise, and direct our intentionality to this kind of systems in this highly uncertain enterprise of living and navigating within the totalising domains of the marketplace.

DISCUSSION

The hybrid car marketing system might become sustainable when both the content and the form of communication are congruent. Thus, this investigation indicates that the problem of the sustainability of marketing systems is essentially the matter of meaningful communication that is the composite of two aspects, namely the content and the form. The identification of a sustainable marketing system according to both the content and the form of communication is perhaps both simple and complex. It seems to be simple in terms of observing the operated sustainable/unsustainable distinctions, the approach which can also be found in the framework of poststructuralist analyses (Holt 1997; Thompson and Hirschman 1995). It is complex, owing to the re-entry of an operator into the distinctions in order to reveal the form of communication which may indicate how sustainable the operation of distinctioning is (Luhmann 1992).

The communicative character of the sustainability of systems has been acknowledged in the extant literature. Porter (2005) indicated that the process of identity construction in regard to the corporate responsibility and environmental issues was predominantly discursive. The process is thought to be based on sustainability discourses which involve all stakeholders. Traditionally, marketing systems as complex organisation are defined in terms of their structure and operations, which are thought to have independent ontological existence (Dixon 1991; Dixon and Wilkinson 1982). In contrast, there exists a stream of literature that takes organisation (and marketing systems) as the network of communications, interactive social actions, and conversational flows (Bouchikhi 1998; Cooren et al. 2005; Czarniawska-Joerges 1998; Luhmann, 2004; Seidl and Becker 2006; Smircich and Calás 1995). The text-based view of systems is propounded by the Montréal School of management communication, according to which communication is a form of organising (Cooren et al. 2005). Similarly, researchers investigating the consumer side of marketing systems, report a *linguistic turn* in apprehending consumer culture and experiences (Arnold and Fischer 1994; Arnould and Thompson 2005; Thompson, Locander, and Pollio 1989). Most importantly, the issue here is not simply about communicating in a mechanical (conduit) sense, but about how communicative acts create the layered content of communicative forms within the structure and process of marketing systems. Communication is social, and therefore it may naturally lead to the consideration of interpersonal ethics and social sustainability of its form (Varey 2002).

Many researchers seem to become wary of the fact that sustainability has become simply a paragon of surface-level discourse and rhetoric for the marketing system actors (Dolan 2002; Kangun and Polonsky 1995; Luhmann 1989; Peattie 1999; Schaefer 2005; Schaefer and Crane 2005; Smith 1998; Welford 1997). Schaefer (2005) reviewed several green marketing literatures which argued that the sustainability “concern” represents only rhetorical rather than substantive moves by businesses. This means that changes are usually observed at a semantic level while the underlying fundamental mechanisms of business-at-work (a pragmatic side) remain unchallenged. Thus the research suggested that communication might have two forms of implications: semantic and pragmatic (Carpenter, Glazer, and Nakamoto 1994; Gruenfeld and Wyer 1992). The semantic form is thought to convey the literal meaning of the message, while the pragmatic form suggests implications as to why the message is being communicated. For example, Carpenter et al. (1994) observed how companies advertise the irrelevant attribute (not instrumental in delivering key value) of a

product at a semantic level, while the pragmatics of this kind of communication was assumed to create a meaningful competitive advantage for the brand even when consumers were made aware of the irrelevance of the attribute. In this case, the meaningless semantics is assumed to entail the meaningful pragmatics. Although the framework *semantics versus pragmatics* seems to be an insightful approach to the analysis of communication, it seems to connote the conduit metaphor of communicating (Axley 1984; Reddy 1993). However, in the case of marketing systems, the content and form of communication are not taken to be the simple delivery of information; rather they are assumed to be constructed through interaction among system actors. So the divergence between the content and the form of communication perhaps evokes certain ethical concerns and the observer of which may hasten to dub the autopoietic marketing systems as being unethical, hypocrite, amoral, and deceptive. Quite in parallel, Carpenter et al. (1994) point to the unethical side of incongruence between the semantics and pragmatics of marketing communication, although they seem to resolve the contradiction by suggesting that it is consumers who construct the meaning of a brand, while marketers only deliver the content. Related to the issue, Crane (2000) discusses the fair-play perspective that has emerged in the green marketing research field, which is focused on the ethics of “greenwashing”. For example, the distinctions (biodegradable, recyclable, light) used by companies in their packaging (this communication might involve reference to a whole marketing system) are found to be unproven and inconclusive, and sometimes even deceptive (Kangun and Polonsky 1995; Polonsky et al. 1998). However, the lack of deep analysis which links the marketing system to society and the natural environment is considered to be the weakness of this perspective (Crane 2000), and which might have hindered a deeper insight into the tension between the systemic content and form. In almost analogous research work, but in a different context, Livesey and Kearins (2002) analyse the environmental reports by the Body Shop and Royal Dutch/Shell corporations to find that the sustainability identity is built in the content level of communication by deploying the metaphors such as transparency and openness, while substantive changes (the form) are ignored. Interestingly, the environmental reports reviewed by the present authors also stress transparency (in reporting on environmental policies, programmes and achievements). However, this transparency seems to be in regard of distinctions-guided observation, and not in respect to the form. Further, Crane (1997) observes how sustainability practices get amoralised within certain corporations. The amoralisation of the environment is depicted in “the inclusion of environmental criteria into marketing practices [that] tends to be framed in largely amoral terms of technical procedures, costs, and customer

demand rather than ethical criteria” (Crane 2000, p.151). It may be the case that the author is observing the paradox of morality in the marketing system. Although the observation of practices is guided by moral and ethical distinctions, the actual form of the system constructed in terms of operative stabilities to extend autopoiesis is guided by entirely internal (system specific) autopoietic distinctions. Thus amoralisation could be thought of one of dynamic system processes that brings difference between the content and form of communication. The research on corporative sustainable communication appears to tell only a partial story about the marketing system. It seems that less research exists that could show how both the content and form of communication in the marketers domain might affect (arise in respect to) the rhetorical and actual discourses in the consumption systems (Crane and Desmond 2002; Desmond and Crane 2004). Some previous research indicated to the rhetorical nature of hybrid car users’ community communications (Kadirov and Varey 2006), while most sustainable consumption research seems to be underlined by the different angles of observing the form of sustainable consumption (Dolan 2002; Kilbourne, McDonagh, and Prothero 1997; Schaefer and Crane 2005; Van Dam and Apeldoorn 1996). For instance, Kilbourne et al. (1997) suspect the role of dominant social paradigms in influencing marketing practices in society. It is thought that the dominant social paradigm determines the relation between sustainable consumption views and the quality of life experiences. The dominant social paradigm (DSP) represents the set of beliefs and interpretive frames of societal functioning. Thus inter-individual interactions at the macro level is brought forth in describing how sustainable consumption can be achieved for all society without sacrificing the quality of life at the intra-individual level (Dolan 2002). In the framework of the current investigation, DSP comes into play in the form of a marketing system, a reflection of societal self-observation. It is argued that it is society (DSP) mirrored in the marketing system that may enact sustainability in its operations and communications. However, the key to understanding this dynamic may be in discerning the difference between the content and form of communication. Porter (2005, p. 1) recognises this tension by exclaiming that “indeed, the surface-level discourse may be a thin veneer that disguises much more powerful struggles around [environmental sustainability] identity establishment, negotiation, and defense”. Porter’s “thin veneer” may well be the hybrid car system’s “thick expansion”, where the sustainabbling operations tend to cover major paradoxes.

The issue (possibility of) of the sustainable marketing system appears to be far from being resolved (Dolan 2002; Nason 2006; Schaefer 2005; Van Dam and Apeldoorn 1996). The “objectivist” approach (Nason 2006; Schaefer and Crane 2005) might see a

contradiction between the task of absolute reduction in consumption (and thus production) and the increased social welfare ensured by more material consumption. The conceptual tension becomes more intense when the situation of developing countries is considered. Should not materially less privileged people have the right for more consumption? In contrast, the content-form sensitive investigation would pose the question in a different manner. It would ask whose observation the “objectivist” approach is? Is it not a “materialist” marketing system that is doing self-observation and posing self-selected definitions of the problem? In this sense we argue that a question may have already been posed in the presupposition of a certain and only the certain angle to answering the problem. The “objectivist” solution would end up suggesting certain relevant rations of consumption levels (and accordingly production levels) to citizens living in different socio-economic conditions, or to societies as a whole (Hart 1997; Schaefer and Crane 2005). However, the solution appears to be developed within the “objectivist” marketing systems, where the researcher is operating as an agent of a grand-observer – the marketing system. This may point to the self-closure of communication which is only one of many possible attempts to understand the complexity of the natural environment. So the concepts such as sustainable consumption, quality-of-life, and green marketing might have a connotation which is (materialist) system-specific, and only have meaning within this system. Nason (2006) may have realised the self-closure trap when he argued:

Is material at the root of wealth and well-being or will society move on to other forms of richness?

- Life-sustaining consumption;
- Services;
- Culture;
- Capability Enhancement

In other words if we tinker with the current system to make it better, we are serving a dysfunctional master with our well intended but compartmentalized and impotent declpline. In a sense, “we have met the enemy, and they is us (p.11).

So there could be many other forms of communication each of which is based on alternative concepts which the materialist marketing system (and its operators) may not recognise. The blindness of the autopoietic systems appears to be fundamental – the systems “cannot see that they cannot see” (von Foerster 2003). Also, there may exist the problem of cultural consumption, and even production (Dolan 2002; Kilbourne et al. 1997; Schaefer and Crane 2005). Consumption may become an end in itself, while utilitarian material need satisfaction may regress into the background. For instance, consumption may play a role of identity construction, hedonistic experience, and communication (Schaefer and Crane 2005). The production part of the marketing system may also react to this nature of consumption by creating and offering

goods and services which fuel the cultural and social use of them (Belk 1996; Holt 2002; Kozinets 2002a; Sherry 1998; Thompson, Rindfleisch, and Arsel 2006; Thompson and Troester 2002). The paradox of the concept of sustainability emerges when one requires reduction of consumption (and production that references this) that is actually seen as the social and cultural bases of life satisfaction and welfare construction (Dolan 2002). The proponents of the cultural view might defend the legitimacy of parasitic marketing systems which enact sustainability neither in the content nor in the form of communication. An example of that could be shopping as pleasure seeking (Elliott 1994). However, some ethnographic research may occasionally describe “modest” marketing systems which do not enact sustainability distinctions in the content whereas these traditional cultures (of wisdom) might be sustainable in their form. In turn, Schaefer and Crane (2005) suggest using sustainability distinctions as cultural bases when engaging in marketing experiences. The hope is that sustainability is attained when it becomes operated within the cultural and social experiential domains. The argument propounded in this work is not much different from the cultural approach to understanding the sustainability problem. Culture is simply redefined as a systemic process that is about transferring the ways of constructing observation and communicational forms from one generation to another (Luhmann 1995; Maturana and Varela 1992). In other words, culture is seen as “the trans-generational stability of behavioral patterns ontogenetically acquired in the communicative dynamics of a social environment” (Maturana and Varela 1992, p. 201). Sustainability becomes an issue of inter-generational communication that is constructed at the present condition of the marketing system. The argument is that citizens must realise the self-closure of the marketing system they operate in and the complexity of the environment. Hence the “parasitic” systems (consumption as hyperreal cultural force) seem to be neither necessary nor natural. Researchers should be cautious in defending such systems assuming the foundational criteria. For example, shopping as pleasure seeking may be specific observation operated within the hedonistically guided marketing system. This experience can be regarded as simply one of many selections of cultural existence which has been enacted by a small group of citizens residing in specific western environments. There could be many alternative marketing systems which do not operate along this distinction, where the concepts shopping and pleasure may have different systemic meanings. So cultural systems need to be open to other systems, not closed into themselves, and even worse, defend their way as natural and objective. Hunt (1993) warns about objectivism that is “seeking knowledge that is absolutely true, universally valid, absolutely correct, definitive, known with certainty, or known from a unique privileged position”

(p.86). However, objectivism may lead to “vulgar” systemic ethnocentrism that is believing “that our ways, because they are ours, must be closer to the truth, goodness, and beauty than are the ways of others” (Hunt 1993, p.86). In this sense, the appropriate form of sustainability can be taken as the opposite to objectivism and equal to being uncertain (about the self and environment) and being open to many options as far as the systemic enactment is concerned (von Foerster 2003; Weick 2001). Consequently, being limited to enacting sustainability in the content of communication (Schaefer and Crane 2005) may even become a vulgar ethnocentric operation, as it has a danger of being considered morally good and thus, the only right way of dealing with the issue. Some communications by hybrid car drivers which posit the system on the positive side of the distinction, and then command system specific solutions to the societal issues, may be an example to this case. In this case sustainability is the content, while ethnocentrism is the form of communication. Therefore, the observation of both categories needs to be exercised.

The complexity and uncertainty seems to be eliminated through severing the domain of meaning into innumerable distinctions. Luhmann (1995) talks about an ephemeral “social memory” of the social systems, which is the depository of all relevant distinctions. Systemic communications simply appeal to this social depository in order to be able to construct a meaning of events. In a similar way, hybrid car manufacturers operate with the emission/non-emission, recycling/non-recycling, and energy saving/wasting distinctions, consumers are essentially driven by the fuel efficient/inefficient distinction. This is consistent with the view that organisations practice sensemaking (of the environment) through distinctions (Daft and Weick 1984; Weick 2001). The systems may recursively do distinctioning about themselves operating distinctions (Taylor 2006). The distinctions are operated in the linguistic domain and always occur retrospectively, as argued by Maturana and Varela (1992). Furthermore, they go on to argue that any action is told (narrated) by an observer, so language becomes a means of distinction drawing. Spencer-Brown (1969) offers a general corollary in regard of this: “draw a distinction and a universe comes into being”. This means that any observation of an action starts with a distinction, and this distinction decides the nature of the constructed world. Kangun and Polonsky (1995) described a set of environmental marketing claims which were used to distinguish the companies and their products from other non-environmental products. The distinctions posited were as follows: degradable (versus non-degradable), biodegradable, photodegradable, compostable, recyclable, recycled content, source reduction, refillable, ozone-safe, and ozone-friendly. This does not exhaust the case. Distinctions are so pervasive that the systemic actors tend to take them for

granted. Such distinctions as true/false, good/bad, ethical/unethical, sustainable/non-sustainable appear to underlie our knowledge of the world, and especially the constructed reality of sustainable systems (Dolan 2002).

The argument is that the marketing system is built on the reciprocal observation of distinctioning on the part of market actors. This is exemplified in classic product differentiation strategies employed by marketers (Carpenter et al. 1994; Kotler 1994; M. E. Porter 1990; M. E. Porter and Van Der Linde 1995), and also in consumer interpretive strategies (Arnould and Thompson 2005; Hirschman and Thompson 1997; McCracken 1987; Mick and Politi 1989). Both camps (marketers and consumers) seem to self-referentially enact the sets of distinctions as a strategy to reduce the complexity and uncertainty they face in the marketing system. Some researchers note that discursive usage of highly vague, semantic, and meaningless distinctions creates a fundamental uncertainty in markets (Carpenter et al. 1994; Kangun and Polonsky 1995). Environmental claims are made, distinctions are drawn, and goods are differentiated, whereas the agents may know that the objective information on the real matter of a situation is not obtainable (Kangun and Polonsky 1995; Polonsky et al. 1998). This kind of distinctions are treated as misleading (Kangun and Polonsky 1995), uninformative (Hoch and Ha 1986), or meaningless (Carpenter et al. 1994). Again, in these accounts indicate that the dominating marketing system implicitly dictates the approach taken by researchers. Consumers seem to have their own reference system, identity projects, and interpretive habits (Hirschman and Thompson 1997). So describing certain distinctions as “meaningless” appears to be meaningless from the perspective of consumer experience, and perhaps vice versa (Thompson et al. 1989). The theory of communication and social systems teaches that there is no such thing as a meaningless communication (Luhmann 1995). Every communication (including both relevant and irrelevant product attributes) has its unique meaning within the respective marketing subsystem. So the issue of distinction-making may need to be resolved from the point of inter-system communication and communicative harmony.

Can distinctioning be sustainable? The dominant views on sustainability seem to be defined via the distinctions drawn by occidental cultural models, which entitatively define a man as coherent, unified, and rational (Dolan 2002). However, many other non-western cultural models (and marketing systems) may operate which might observe the essence of the problem differently. These alternative systems would be based on unconventional distinctions. Nevertheless, the tendency is that the dominant system would strive to engulf the referenced systems into its operational closure. The common standards will be set, criteria enforced, and the

conforming lines of distinctions promoted. Communication might become sustainable if it can transcend the boundaries of a single version of the marketing system. This would require the distinctions to be drawn consciously. In this regard, Holbrook (1998) argues that we, as citizens (not simply as consumers or producers), must develop the capability to differentiate the countervailing ramifications of our marketplace actions (communications) in a conscious manner. In his work, he explores the risks the cultural and educational populism (which is probably comparable to the diffusion of dogmatized distinctions) which entails tacit applauding to restricted (impaired) knowledge to mean that it has been “good enough” and comfortable. The tendency would be to teach people “not to discriminate” the systemic distinctions, or in the terms of this article, this would mean enforcing to discriminate along the lines of the enforcing, dominant system. In this regard, he wrote:

We should learn to ferret out, to decipher, and to expose this dangerous but ubiquitous tendency wherever it exists. We should, in short, make explicit (as critique) an insidious populist ethos that often runs deep but remains implicit (as consumer-flattering propaganda) in so much of our popular culture (especially that offered up for mass consumption by commercial interests concerned with appealing to the largest possible audience) (p.419).

The call is to develop appreciation toward what is happening around a person, his/her cultural context, and life situations. This would include the ability to critically judge, aesthetically evaluate, and morally estimate communications and their consequences in the system. One needs not to act as if there is only a single way of dealing with the life problem, identity-project, or even a consumption event, which otherwise would mean that he/she falls under a single dominating system. One needs to act as to increase the number of options in dealing with the above-mentioned marketing tasks by maintaining awareness of many other systems of communication (von Foerster 2003). This may similarly be relevant to managers’ work situations. There might not be a single, rational, straightforward, and necessary solution to marketing management problems, but many ways to define problems, reconsider them, and act by invoking various communication systems. Consequently, differentiation and distinctioning without being conscious of the content/form delineation of communication might turn into ethnocentrism, stereotyping, and in-group/out-group racism as it has been propounded by the theory of social identity (Jones 1999; Tajfel 1981). Terry Porter (2005) discusses this issue in detail:

Organizations and individuals [systems] continually engage in this categorization and identification [differentiation and distinctioning] process, in the environmental realm as in every other. It involves claiming membership in a reference group or organization through a

cognitive process of “othering”, or distinguishing oneself from an outside group, often stereotyping or disparaging “out-group” [the intentionality directed at the system]. These operations very often have a pejorative, or at the very least judgmental quality. Yet the process is so ingrained that it often takes a monumental effort for us to simply to notice ourselves doing it.

Thus, the operation of the sustainable/ unsustainable distinction may not guarantee the sustainability of the marketing system. Most often this kind of differentiation and distinctioning may become unsustainable as it could exhibit vulgar ethnocentrism. Therefore, the sustainability of distinctioning communications becomes an important aspect of acting in the marketing system. Hence the sustainability of the marketing system in both the content and form of communication may happen as “discursive struggle” (Livesey 2001). However, the argument in this work is that meaning is not only the character of languaging, i.e. use of words, but also that of communicative acts. Therefore it needs to be stressed that sustainability is essentially about *meanings struggle* within dominant marketing systems.

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Tuesday, June 5

2:00 – 3:30 **Session 10**

1030 Competitive Paper Session: Economic Development

Chair: Kenneth Yap, University of Western Australia

1031 - *Rethinking Development: Can Marketing Help? Insights from Postmodernity and the Third World*

A. Fuat Firat, University of Texas – Pan American

1032 - *Population Collapse: Why that Might Happen in the Developed World and What Can We Do About It?*

Abhijit Roy, University of Scranton

Mousumi Roy, Penn State University Worthington

1033 - *Remittances as Social Exchange: The Critical, Changing Role of Family as the Social Network*

James W. Gentry, University of Nebraska-Lincoln

Robert A. Mittelstaedt, University of Nebraska-Lincoln

1034 - *National Identity and Memorabilia*

Anthony Pecotich, University of Western Australia

Bradley Turner, Curtin University

Kenneth Beng Yap, University of Western Australia

Rethinking Development: Can Marketing Help? Insights from Postmodernity and the Third World

A. Fuat Firat, University of Texas, USA

This paper argues for a substantial change in perspective to provide answers to questions of development in the contemporary global world. After a brief review of the reasons for the persistence of the dated economic models of development, an attempt is made to provide insights from a postmodernist perspective and observations from the Third World. Based on these, some preliminary ideas to suggest a new marketing perspective for development are advanced.

INTRODUCTION

From the very beginning, the founders of the International Conference on Marketing and Development (ICMD) series sought to provide a forum to discuss the potential avenues that insights from a marketing perspective might illuminate to further development efforts (Kumcu and Firat 1988). As they indicated in the section on the history of the conference (ISMD website), the founders sought to decrease the dependency of the efforts for development on purely economic thinking and models. They sought to emphasize the multidimensionality of development (Firat, Kumcu and Karafakioğlu 1988).

Later, insights from explorations into postmodernity, which found some inroads into the marketing literature (Brown 1995, Cova 1996, Firat and Venkatesh 1993, Holbrook 1993), have reinforced the need to escape from the dated linearity of economist thinking. However, clear proposals for a multidimensional model have not yet found their way into the literature, nor has there been a welcoming atmosphere for such proposals. Attachment to what has been known and dominant in development thinking and fears of departing from the 'path' seem to be just too great. There are also the fears of losing what development has been achieved based on the economic models of development. Furthermore, the dominant economic perspective on development has led to a widely accepted definition of development in terms of simply economic growth. Several attempts at redefining development by including its dimensions other than the economic (cf., UN Development Programme 2005) have been left largely ignored. It seems that the most

significant reason for the continued dominance of the economic models of development, therefore, is that economic thinking has taken root in modern consciousness since Adam Smith and David Ricardo successfully set the foundations of economics as a key social science (Mill 1929; Say 1964).

PROPOSALS

What, then, may be the proposals that could overcome the barriers that any new proposal encounters: Non visibility of alternatives, fears of alternatives and change, and the historical rootedness of the economic model? What will make new proposals or alternatives able to muster influence, be convincing and forceful to be heard? Clearly, earlier appeals have largely failed. These were appeals to reason, appeals to the dire consequences for large sectors of populations around the world, and appeals to the heart for people to consider what is important to humanity (Chomsky 1999). Others have made appeals regarding the detrimental impacts of an exclusive focus on economics on ecology, on human health, on the Earth's resources, on other species, and the like, without much effect. The engine of economic growth still marches on relentlessly. What else is left to say? Practically everyone is aware of these negatives of focusing on the economic, yet as if a dependency on drugs, we seem to be unable to yank ourselves away from it. What is the cure?

Clearly, corporate dependency of our media, and even much of scientific research, does not help. Those who are in the best positions to inform of potential alternatives are deeply embedded in their dependencies on the economics of the market. Their interests and what provides them with their livelihood are too intertwined with the market. The market's health is dependent on its constant growth, and corporations, whether they be media corporations or others, depend on the market being healthy. The heart of the matter, then, in considering alternative proposals, is whether a healthy human society, along with its organizations, can exist and be maintained even when market growth does not occur! Can there be models of favorable living and being without rising economic affluence? Sustainable development discourses have tried to address this issue, but their focus is still largely economic (Bennholdt-Thomsen and Mies 2000). Mostly, they discuss how economic viability may still be achieved without further deterioration of the world's resources and species.

What if economic growth or even sustainability is not *the* criterion, or not the only criterion? Can we envision development when there is even economic recession? Could this be? Are there any examples or even inklings that we could find modes of living where preferred forms of life are achieved without economic growth?

NEW MODELS

The major modern alternative to the capitalist, market economy based model of organizing life was the socialist alternative. It can be argued that this was not a true alternative since its focus was still economic growth, but with the idea that this growth's achievement and the distribution of its benefits could be organized differently to realize an even more successful growth. Consequently, the two systems fought to industrialize, build economically faster and better. Capitalism won, it seems, because the original construction of the economic model was integrated based on the key medium of the economic, the market, and the socialist model suppressed what is considered to be unrestrained workings of this medium.

Modern Development

Modern culture, through which humanity sought to control nature using accumulated scientific knowledge, became separated into its practical spheres as modernity advanced. Earlier, philosophers of modern thought had separated culture into its discursive domains; science, morality and art. The purpose of this separation was to formulate the norms of modernity (Steuerman 1992), norms that would enable the achievement of the modern project: Improving human lives by controlling nature through scientific technologies (Angus 1989). Science, specifically that domain that would enable human beings to take control of their own destiny, had reason and objectivity as its norms. The norm of the domain of art was aesthetics, specifically beauty. The norms of the domain of morality were ethics and justice. For philosophers of modernity, these three domains had to remain separate, their norms not contaminated by the norms of the others. For the achievement of modern progress – ever approaching the goal of the modern project: a grand future for humanity where, through scientific knowledge, a human society is built that enables each human being to reach her/his full potential and live according to his/her own free will with dignity – it was especially important that the norms of science not be contaminated by those of art and morality. Any such contamination would divert humanity from its most efficient course of achieving the project.

Similar to its discursive domains, the practical domains that culture was separated into also had their particular norms, but, being practical domains, they also

had to have institutions or media through which these norms could be practiced or exercised. The key practical domains of culture were the economic, the political, and the social. Ironically, the cultural domain, while having the name 'culture', was relegated to a secondary, more determined rather than determining (as the economic, the social and the political were considered to be) status. With time, the economic became the core domain, the engine that guided all others. Its norm was the efficient distribution of material resources, the major source of progress toward the modern project's end. The medium through which this norm was to be practiced was the market as constructed by modern discourses (Slater and Tonkiss 2001). The political and the social, considered supportive to the economic, had norms that would help free the workings of the market from any interference. The norm of the political was democracy, and the norm of the social was civility. Similar to the relationship between the discursive domains, the norms of the social and the political, while complementary, should not contaminate the workings of the market. Thus, left independent of all influences, the market would accomplish the economic norm.

The medium of the political, the institution through which democracy – the norm of the political – would be exercised was the nation-state. The medium of the social was a number of social institutions, primarily the family, but also the institutions of public education and religion. As is still prominent in the political discourses in modern societies, it is generally thought that these institutions, the nation-state, public schools, religious organizations, ought not interfere in the market's workings while facilitating it and assuring its independence. How much and how well this can be realized has been, not surprisingly, a matter of contention. The general principle is, however, largely agreed upon in modern capitalist societies.

Any new model of development, therefore, that transcends the limitations of modern economic development must move away from the economic market centered models if a true alternative is to be discovered. The purpose in this paper is to develop some concepts toward advancement of such alternatives. While the economic market is not sought to be discarded or erased, it is not considered to be the key or the only element in development.

FOUNDATIONS FOR NEW MODELS OF DEVELOPMENT

As indicated in the subtitle of this paper, the sources for inspiration in developing new models of development used will be the literature on postmodernity and observations in Third World countries. These are useful sources for the reason that inherent biases in modern development thought can be averted by referring to a thought system that is critical of modernism and to

regions of the world where modernity has not thoroughly entrenched and become dominant. Let us examine what these sources may contribute to the discussion.

Insights from Postmodernist Discourses

Postmodernist discourses arose in reaction to modernity's tendency toward uniformity and universalism. In architecture, where the term postmodern was first coined, the reaction was to emphasize regionalism (Frampton 1983) or to juxtapose different architectural styles that in modern architecture were thought incompatible (Jencks 1987). In the social sciences, the reaction was against what Lyotard (1984) called the modern metanarrative, that universalizing myth upon which modern social orders depended and were organized. In this discourse, the term myth does not have a derisive meaning. Myths are cultural constructions of the social imaginary on the basis of which social realities are built. The disagreement is with the modern myth's insistence that there can be one and only one best solution for all humanity and its future. As indicated before, this best order and the best way to progress toward it were to be found through scientific discoveries on which all humanity could agree, form a consensus, and commit to, recognizing humanity's common good. Postmodernist discourses developed on the recognition of the general impossibility of these lofty modernist visions. Consequently, a loss of commitment to the modern project is expected and observed (Featherstone 1991).

Postmodernist discourses, in contrast, emphasize multiplicity instead of focusing on discovering and committing to a one best way. This emphasis reflects on all considerations regarding humanity, including perspectives on development, progress, and organization of human life. The modernist idea that the best organization of life is to be achieved through economic affluence is rejected, not to be opposed with another best way of organizing life, but with the understanding that many different organizations of life are possible and may well be preferred by different communities. Furthermore, a complete freedom for the human individual is considered to require multiple organizations of life that can be freely navigated by each individual. Having to commit to and remain within a single organization of life is considered as constraining freedom rather than liberating.

Development informed by postmodernist insights, then, would require the co-existence of multiple orders or multiple organizations of life, one of which may well be the market centered, economic order. However, if any one organization of life or order dominates and suppresses the rest, development will be considered to be stunted. In this perspective, tolerance for and existence of multiple orders is the key indicator of development. A further criterion would be that these

multiple orders indeed have distinct principles around which they are constructed. That is, existence of simply different forms of a single order, for example, different market centered economic orders, would indicate that a rather limited development has been achieved.

One underlying concern behind this approach to development is that, as is inherent in the term 'order', each organization of life must have an organizing set of principles and a structure of power that maintains the order, privileges certain forms, patterns, and behaviors, while discouraging others – otherwise, it would not be an order but chaotic. Consequently, the modern idea(1) that a social order could be formed that would allow every human individual to realize her/his free will is considered untenable; unless there were full correspondence of wills, which is, given experiences of human history and contemporary observations, an unrealistic expectation.

Insights from the Third World

In the western capitalist world (the First World!), the market has fully entrenched and is hegemonic, the dominance of the modern economic model of organizing life, therefore, in full control. In socialist or now marketizing socialist societies, the modernist impulse for economic progress is still politically strong, and the political power of governments in some of these countries disable major actualization of alternative orders. Third World countries, specifically those where the projects of modernization have generated market economies, but where this modern order is not yet fully entrenched and hegemonic, and where democratic institutions are largely functioning, currently seem to offer the best possibilities of observing alternative models of development suggested by postmodernist insights. Countries such as India and Turkey are specific examples.

In countries such as these, where each order, including the economic market order, contest and compete with each other, without being able to overwhelm others, there can be glimpses into the potentials of multiple orders. Observations in India will indicate, for example, that many Indians navigate co-existing orders without challenges to identity and with comfort. A Harvard University educated corporate lawyer in Madras (now Chennai), for example, navigates three or four orders in his daily life. In the morning, he has meetings at corporate offices, clad in western suit and tie, adhering to western business etiquette in addressing others, verbally or in body language. As he is driven home by his chauffeur, he stops at the local open-air market to buy some groceries and fruits, now having taken off his tie and changed his manners of address and contact. As this marketplace – where social and physical distances and personal relationships are differently structured – requires, he negotiates and communicates in

a completely different manner than when he was negotiating matters in the morning. When he arrives home, organized by his spouse who is a member of a special religious order, he transitions yet again to fit this order in behavior and in attire.

People who inhabit these countries where multiple orders co-exist, and who navigate these orders on a daily basis, do not exhibit the difficulties expected from and observed in inhabitants of orders where a single order prevails. Concerns regarding identity struggles – “Who am I?” “Which one is really me?” – are not encountered; transitions from one order to the other accompanied by changes in the ‘persona’ are quite smooth.

These observations present a different scenario for paths to development as well as the meaning of development, thus the visions of ‘developed’ stages to be arrived at, than the ones we have witnessed in the history of ‘development’ in the First World. A more postmodern model of development is in the making. The economic market model of development assumed that a single order, which would provide stability and the ability for all to achieve the ideals of the modern project, would be preferred by all involved, since all humanity shared a common good. This assumption is now highly suspect.

INPUTS FROM MARKETING

Marketing observations around the world indicate that people have taken the modernist goal of individual freedoms and distinctions seriously. Rather than agreement on humanity’s goals, interests and visions, there are growing signs of differences in these among the peoples of the world. Generally, incompatible visions and goals, and perceptions of interests exist and persist. Given human history, it seems unlikely that consensus will ever be obtained. Consequently, the postmodernist sensibility that demands tolerance for the co-existence of multiple orders is most likely to garner increasing support.

Consumer research from different parts of the world points to a growing desire among consumers to have experiences that arise from being in or inhabiting different cultures (Pine and Gilmore 1999), rather than be constrained to experiences of one culture. Evidenced in the tremendous increase in tourism, now making it the largest industry in the world, as well as in consumers’ choices for sampling different cultures of food, lifestyles, music, etc., rather than expressing single favorites in each domain, this appetite for difference and multiplicity is often accommodated by marketing organizations. Thus, the marketing institution is aware of the changes in consumer culture. However, certain forces of history and fear, as indicated at the beginning of this paper, render marketers unable and unwilling to respond to these transformations through means that are outside of

the dated business practices that require all demand to be commercialized through exchange and offerings to be made available only through the market.

As the institution that links business operations to cultural desires, marketing is in the best position to discover modes of responding to cultural changes. Several marketing scholars have signaled changes in marketing that correspond to the observations regarding cultural changes made above (Cova 1999, Firat, Dholakia and Venkatesh 1995, Vargo and Lusch 2004). In general, there is a need to abandon the focus on products and provision. Instead, greater attention needs to be focused on process design and co-production (Firat and Dholakia 2006, Firat, Dholakia and Venkatesh 1995, Prahalad 2004). As, globally, people increasingly abandon the impulse to amass possessions as the means for partaking in development, the marketing institution has to respond and – being closest to consumers as the link – has the best capability to design novel processes to facilitate it for consumer communities to organize life, rather than provide them with products.

CONCLUSION

Insights from multiple disciplines on postmodernization of cultures across the world, and observations from the Third World coincide with discoveries made by consumer researchers and marketing scholars to indicate that the dated modern, economic market based definitions of development can no longer fulfill developmental visions, nor can they shed light on developmental efforts seeking to organize human lives to enable meaningful and substantive life experiences. Models of development will have to articulate, using these insights, dimensions of development that can be integrated into the transformations that take place with future history, dimensions other than economic growth. Also required is the articulation of how an order of multiple orders provides the richness and comprehensiveness of meanings sought in life, to be aided by economic affluence, but that require a much balanced progress along the many other symbolic, cultural dimensions through which human beings signify, constitute, produce, and realize meaning.

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Population Collapse: Why That Might Happen in the Developed World and What Can We Do About It?

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Over recent decades, fertility rates have declined dramatically throughout the world (Morgan and Taylor 2006; Longman 2004), particularly in the Western nations (Douglass 2005; Wattenberg 2004). Although contemporary scientists had sounded alarming bells a few years ago over unchecked population growth once the world's population surpassed the five billion mark (Ehrlich 1974), recent trends show a reverse phenomenon occurring in the near future.

According to the medium variant projection by UN estimate, the population in the developed regions will rise from 0.81 billion in 1950 to 1.25 billion peak in 2030, and will then fall to 1.24 billion by the end of 2050. The population is likely to drop even further, if the current fertility rates remain same in future, as shown in constant fertility variant. Total growth of more developed regions between 2005 and 2050 is projected to be at 25 million, less than 1% of world population growth. This is in stark contrast with the population growth in last century, when accounted for almost 15 % of world population between 1950 to 1975. According to the UN estimates, 16 countries in Eastern and Northern Europe have lost their population between 2000 and 2005, ranging from 37 thousands in Estonia to more than 3 million in the Russian Federation.

In this paper, we attempt to consider the significant demographic, cultural and economic/environmental factors responsible for population implosion in the developed nations as well as the potential consequences of this phenomenon, if it were to occur. We followed a "discovery oriented" approach, and discuss the more "salient" insights in the following sections as suggested by Zaltman, LeMasters and Heffring (1982). Public policy implications and issues for future research are also discussed.

The demographic antecedents are factors that enhance or impede the phenomenon of population implosion- they are subdivided in four categories, such as fertility rate, emigration, female employment rate, and religious denomination. Cultural Antecedents refer to values and customs predominant in a society, which are subdivided in the following four categories - feminism, delay in marriage age, lifestyle choices, and individualism. Economic and environmental conditions and processes are considered as the final set of

antecedents and are comprised of the four following subgroups, i.e., maintaining a standard of living, the cost of raising children, government policies and urbanization.

The Demographic consequences of the population implosion have been discussed in two categories, such as aging population and rising immigration. The dilution of dominant culture and elderly oriented markets are the two distinct subgroups of the Cultural consequences. The two subgroups, slowdown in economic growth and change in geopolitical power dynamics are discussed under Economic/Environmental consequences.

Nations with below replacement level of fertility rate are trying different ways to improve their situations (McDonald 2001, McNicoll 2001). Medical technologies, such as IVF, are helping the families to conceive. Russia is planning to adopt a 10-year program which will encourage women to have children by providing them with financial incentives and subsidies. Australia is offering a \$4,000 tax free bonus for every baby, and is also committed to pay all child care costs for women who want to work. Many of the developed countries (e.g., France, Italy, Poland, and Japan) have offered some combination of bonuses and monthly payments to families. Singapore will spend \$3,000 for the first child, \$9,000 for the second child, and up to \$18,000 each for the third and fourth child.

The current trend of declining fertility and mortality rate poses a challenge to the leadership and identity of the developing countries in years to come. These nations will have to find new strategies to fight issues such as, how to control the budget deficit, keeping taxes low for working population and at the same time providing for the needs of retired people as promised. Keeping their country secured internally and as well as in the global arena will need innovative approach in the face of a shrinking young population. Since population density will grow in developing and underdeveloped countries, global powers among the nations will be redistributed depending on the economic and military strength of the nations. Bridging the gaps between the haves (HDC) and the have not's (LDC) in the world will be one of the most pressing problems, which must be resolved by working

together to achieve a humanitarian success story for all nations.

The forecasted recent population growth, followed by future population decline presents a multifaceted challenge for this generation. The uncertainty and challenges of the future demographic mosaic portends an unclear and doubtful future. It might result in an

increased interest on the part of national governments in the developing nations in implementing effective economic, environmental, immigration and social policies, as well as an evaluation of their ethical and practical implication.

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Remittances as Social Exchange: The Critical, Changing Role of Family as the Social Network

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Remittances from immigrants in developed countries to their families back home constitute economic flows almost comparable to the levels of foreign direct investment and greater than those of international aid. We look at remittances from the perspectives of multiple stakeholders, before focusing on the primary social network (the family). We end by speculating as to the implications that the changing nature of the family institution globally may have for the flow of remittances in the future.

Remittances, the monetary flows from immigrants to their countries of origin, have generally been covered in the Macroeconomics literature rather than in Macromarketing. After all, we are talking about flows of money. However, these flows are really part of an exchange process within a social network, usually constituted by the extended family. Thus, we propose to look at remittances from a macromarketing perspective, enabling us to focus on a stakeholder, the family, that has been largely ignored in Macromarketing (Gentry and Baker 2005).

The Issue

People move across borders primarily to pursue economic enhancement for themselves and their families. Many leave loved ones behind, and send money home (henceforth referred to as remittances). Suro et al. (2003) define remittances as the monetary expression of a profound human bond between people who come to the US (or to any developed country) to work for long hours at low wages and the families they left behind. The magnitude of the remittances received by developing countries is not trivial; in fact, it is estimated to be as high as 25% of some countries' GDPs. The World Bank estimates that total remittances this year should reach \$268 Billion in 2006 (*Economist* 2006b).

While there has been much recent news coverage of the monitoring of flows across borders, little work has focused on the processes involved, including the motivations behind these monetary flows. The purpose of this paper is to investigate those underlying mechanisms.

Public Policy Issues

Frequently, the issue of remittances is discussed from the perspective of only one stakeholder. For example, those opposed to immigration often take the perspective of the taxpayer in the host country, decrying the flow of money out of the economy. Those of the Lou Dobbs persuasion claim that immigrants cost middle and upper class taxpayers more than the immigrants pay in taxes; therefore, Americans taxpayers are subsidizing the transfer of money abroad.

Governments in developed countries are monitoring these flows carefully in order to close down the flow of money to terrorists. Given that many distribution channels for funds are "informal," monitoring them is not simple. Obviously some of these informal methods for getting money to loved ones have also been used to get money to individuals who use them for purposes counter to the best interests of those of us in developed countries.

More humane perspectives may take the viewpoint of the recipients and focus on the reduction in the levels of poverty in developing countries. From the perspective of the recipient countries, funds remitted by their nationals working in developed countries are, in effect, exports. However, unlike other exports, the dollars (i.e., earned claims on purchasing power in the U. S. or other developed country) go directly to low-income households. Among other things, this means that the "multiplier effect" is substantial. The classic Keynesian multiplier is $1/(1-MPC)$ and, as the marginal propensity to consume among impoverished people is very near to 1, the turnover effect of these earnings is going to be very high. In addition, limited amounts of remittances are used as sources for investment. Adams and Page (2005) found that both international migration and remittances have a strong, statistically significant impact on reducing poverty in the developing world. They conclude, "Lowering the transaction costs of remittances will help to increase the poverty-reducing impact of international remittances and will also encourage a larger share of remittances to flow through formal financial channels" (p. 1660). As we will discuss later, transaction charges for remittances are an issue of concern. Ratha (2004) questioned why remittance fees should be so high and why they should increase – rather than stay fixed – when the amount of transfer increases. He concludes that regulatory frameworks are flawed.

A macromarketing perspective would suggest a systematic investigation of the phenomenon taking a wide variety of stakeholders' perspectives into consideration. We suggest that, in this case, family may be the most crucial stakeholder.

The Role of Remittances Globally

As noted earlier, migrant workers will remit more than \$268 billion to their families this year (*Economist* 2006b); this amount is twice the level of international aid (Adams and Page 2005). In Latin America, it is more than aid and foreign direct investment combined. As noted by O'Neil (2003), the numbers associated with remittances are somewhat questionable as much money goes through informal channels, making estimation somewhat difficult. The International Monetary Fund only reports data on official worker remittance flows (and does not include private, unrecorded channels): Adams and Page (2005) note that as little as 1/3 is official in some countries such as Egypt. Ratha (2003) noted that remittance flows are the second largest source, behind FDI, of external funding for developing countries. Further, remittances are also more stable than private capital flows, which often move pro-cyclically (Ratha 2003). Remittances may even rise in response to economic cycles in the recipient country. Moreover, as nearly one billion people draw support from remittances, the scope of the issue is indeed great.

Table 1 lists the ten largest recipients of remittances from the US, while Table 2 lists the ten economies most dependent upon remittances as a source for GDP.

TABLE ONE
TOP TEN RECIPIENTS OF REMITTANCES FROM
THE US, 2001

COUNTRY	MILLIONS OF DOLLARS
Mexico	9,920
India	9,160
Philippines	6,266
Egypt	2,911
Turkey	2,786
Bangladesh	2,104
Jordan	2,011
Dominican Republic	1,982
El Salvador	1,925
Colombia	1,784

O'Neil (2003)

What's Marketing Here?

Remittance policy has obvious macroeconomic implications, but marketing elements are less clear. One issue is that of channels, as the flow of money to developing countries is not as simple as one might expect. While electronic fund transfers have made available a variety of new alternatives, weak banking structures have presented many problems in the past, in some cases making the security of the transactions a major concern. We will discuss the various processes used by North American sojourners to move funds securely across borders.

TABLE TWO
U.S. REMITTANCE DEPENDENCE, 2001

COUNTRY	REMITTANCES AS % OF GDP
Haiti	24.2
Jordan	22.8
Nicaragua	16.2
El Salvador	14.0
Jamaica	13.6
Dominican Republic	9.3
Philippines	8.9
Honduras	8.5
Ecuador	7.9
Guatemala	3.1

O'Neil (2003)

A second Marketing concern here is to re-iterate (Gentry and Baker 2004) the need for macromarketers to consider the family institution in its stakeholder evaluations of marketing's interfaces with society; remittances represent a social exchange process, largely within the family. As cited in Gentry, Dahab, and Jun (1998) at a previous Macromarketing Conference, Fallows (1993, p. 70) noted that the Anglo-American economic perspective focuses on how individuals fare as consumers and on how the whole world fares as a trading system, but that "does not really care about the intermediate levels between one specific human being and all five billion." One of those overlooked levels is family. Major points to be made in this paper are that the remittance phenomenon is dependent on family for its existence and that family is a dynamic institution which may have profound influence on changes in the patterns of remittances over time.

Nature of the Remitter

Most remitters are recent immigrants with little education, low earnings, and limited familiarity with banking systems either in the US or in their home

countries (Suro et al. 2003). Remittance senders are often unaware of the full costs they are paying to send money home and have made little effort to explore alternative methods. Instead, they tend to rely on word-of-mouth recommendations, familiarity, and convenience when choosing a method for transferring money, even if they are concerned that they are paying high fees.

Many remittance senders take a skeptical view of banks and other financial institutions, based on impressions rather than firsthand knowledge because many remitters and their families do not have bank accounts or credit cards. Some remitters have an added reason for avoiding banks, as those not lawfully admitted to the US need to present US identity documents when applying for a bank account. Approximately 40% of the adult Latino immigrant population is not authorized, and thus not eligible for a social security number formerly needed to open an account.

This situation is changing rapidly with the growing acceptance by banks of ID cards [Matriculas] issued by Mexican consulates. These are simple identity cards for Mexican citizens living abroad, acquirable with a Mexican birth certificate, another official Mexican identity document (driver's license or voter registration card), and something attesting to their US address, such as a utility bill. The card bears the individual's photo and US address. Other Latin American countries do not offer a similar service. With the Matricula, one can apply for an Individual Taxpayer Identification Number—which does not require a showing of legal status.

Having a bank account, though, does not always result in the use of the banking system to remit. Suro et al. (2003) found that 43% of their respondents who said they sent remittances regularly did not have a bank account. Among those that do have bank accounts, less than 25% understood that banks could send remittances. Even those who remit for investment purposes are no more knowledgeable about the various processes for sending money (Suro et al. 2003).

Why Do Immigrants Remit?

Inter-familial transfer theories argue that the underlying motivation migrants have for sending money home is an unselfish one (Cortina and de la Garza 2004). Lucas and Stark (1985, p. 902) argue that the most obvious motive for remitting is a kind of “self-contractual arrangement between migrant and family” where migrants and members of a household act collectively to maximize expected income and where migrants remit with the sole purpose of helping the household economy. Migrants send money home in order to assure those who stayed that, in the event that economic conditions at home deteriorate, the household can rely on the migrant's remittances for support.

A second motivation has more of a reciprocal exchange function, as migrants are effectively paying family and

relatives back for investments in the education or travel of the migrant. An alternative motivation involves a form of co-insurance, as both migrants and family provide monetary and in-kind transfers to ensure the other against temporary shocks (Black 2003). Regardless of the motivation, they tend to become less prominent over time, especially if the immigrant is able to bring family to the host country to live. Black (2003) found that the peak period for remittances seems to be three to five years after immigration.

How Do Recipients Use the Remittances?

Summarizing across a number of studies, Sander (2003) found the following (in descending importance) to be the uses of the remittances received.

- daily needs and expenses (consumption)
- medical/health care expenses or education
- consumer durables
- improving or building housing, buying land, or livestock
- loan repayment (often involving costs of migration)
- savings
- income or employment generating activities

In Latin America, Cortina and de la Garza (2004) found that approximately 70% of immigrant remittances are sent for family-oriented purposes whereas only 30% remit for both family and collective purposes. Family-oriented remittances are sent primarily for food and basic consumption (almost 70%), followed by health (8%) and education (4%). In Viet Nam, Cox (2002) found that the majority of remittances are gifts given to relatives and used for consumption (72%); non-relatives tend to be given loans, which are used for investments (91%).

Thus, the vast majority of remittances go for improving the quality of life of the migrants' family in the home country. This process has significant impact on the reduction of poverty in developing countries. In Latin America, Cevallos (2005) found that the greatest effects are observed in El Salvador and the Dominican Republic, where the addition of remittances to household income reduces overall poverty by 4.5 percent and 2.2 percent, respectively. In the other countries of the region, the resulting decreases are less than two percent. In the 11 countries studied (Bolivia, the Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Paraguay, Peru, and Uruguay), it was determined that 50 percent or more of the people who live in recipient households would drop below the poverty line if it were not for the income they receive through these money transfers.

While the use of remittances for investment purposes is somewhat limited, Woodruff and Zenteno (2001) found that almost 1/5 of the capital invested in microenterprises in urban Mexico came from remittances. Countries do make use of remittances in their economic planning;

Brazil, El Salvador, Mexico, Panama, and Turkey have used future workers' remittance-backed securities to raise external financing (Ratha 2003).

Migrants also make collective remittances: contributions for public works, social services, or for other community projects sponsored by local community-based groups or by government economic development initiatives. The largest single category of collective remittances is natural disasters (45%), while 38% goes to community development, broken into public works (15%), social services (17%), economic development (5%), and town/saint celebrations (14%) (Cartina and de la Garza 2004).

Means of Transferring Remittances

There are a wide variety of options for sending money across borders; as noted earlier, however, most remitters have limited education and little formal financial experience, leading to less than systematic decisions when transferring money. Nearly eight of ten remittance senders to Latin America use money transfer companies. Western Union has been the traditional purveyor of money transfers, but Wal-Mart is now becoming the "poor man's bank" with its slightly cheaper charges, its check cashing services, etc. Remittances (official ones, anyway) to Mexico in 2004 mainly went through small money transfer organizations (68%), but also through Western Union (15%), Orland Valuta (10%), and Money Grams (7%) (Hernandez-Coss 2005). Sander (2003) listed the pros and cons of the primary options open to remitters, as shown in Table 3. In Table 4, also taken from Sander (2003), we can see the distributions of the services being used to remit to different countries. Informal systems have been dated back to ancient China. After 9-11 they, especially Hawala, have received much attention. The most common form of hawala sees money transferred via a network of hawala brokers, or hawadars. A customer approaches a hawala broking in one city and gives a sum of money to be transferred to a recipient in a foreign city. The hawala broker calls another broker in the recipient's city, gives disposition instructions for the funds (usually minus a small commission), and promises to settle the debt at a later date. There are no promissory instruments exchanged between brokers; it is all on the honor system. Thus it operates in the absence of a legal and judicial environment. Settlements between brokers can take various forms. They also often profit by bypassing the official exchange rates, using black market rates. Remitters find it to be fast, convenient, and safe, with a far lower commission than that charged by banks. The extra-legal nature of the system has received a great deal of attention in the post 9/11 era as it has been used commonly to launder money to terrorists.

Africa has seen the introduction of Me2U, a service that allows callers to use text-messaging to send airtime credit to other mobiles. In villages it has emerged as a substitute for cash, with people using airtime to pay for their shopping. Shopkeepers cash in their accumulated phone credits with people who make money by offering callers use of their mobile phones as a sort of public phone.

As noted by Hernandez-Coss (2005), the main concerns for the remitters and recipients are the first and the last miles of the money flow. For both the sender and the receiver, convenience is key in terms of access to a reputable agent to trust with the money. Especially for the receiver, security is important as crime elements are well aware of these monetary transfers and monitor the pick-up locations.

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Transaction Costs

The average remittance is \$200. The average transfer fees and foreign exchange charges for sending a \$200 remittance to Latin America has dropped below \$20, which is about what it was in 2000. Many remitters pay more, and when the costs of cashing a paycheck and other fees are added into the picture, the total cost of the average remittance transfer often gets to 10 to 15 percent of the amount sent (Suro et al. 2003). The costs vary greatly by part of the world and by the options available. Orozco (2003) found the cost of sending \$200 was highest in Bangladesh (15.1%) and lowest in the Philippines (6.6%), with Greece (13.8%), Turkey (13.1%), Zimbabwe (11.9%), Pakistan (11.8%), India (10.1%), Portugal (9.5%), and Ghana (7.5%) in between. One might expect that electronic fund transfers would reduce these transaction costs greatly, but the charges are not inexpensive. Bank of America's SafeSend program and Citibank's Money Card each issue debit cards to a designated person in Mexico upon enrollment of a person in the US. SafeSend charges \$10 or \$15 per transfer while Money Card charges \$7.95 plus a \$5 monthly maintenance fee. SafeSend allows one free ATM withdrawal for each deposit.

TABLE THREE: OPTIONS FOR REMITTING MONEY

OPTION	PROS	CONS
FORMAL MEANS		
Banks	*often cheapest option for large transfers *reliable though can be slow *money never lost, but can be delayed *good networks in most sending countries	*high cost for small transactions *more accessible in host than home country *requirements for account opening for both sender and receiver (ID, minimum balance, fees) *restricted banking hours *bank locations (urban centers, more affluent neighborhoods) *low interest in consumer segment *cumbersome to track lost funds
ATMs	*speed	*not available in some home countries, especially in rural areas *security issues when recipient collects the money *sender and receiver must go through banking bureaucracy
Post Office	*often cheaper than other formal services *extensive network of service points worldwide	*slow *possible delays at payout due to low service quality *lack of liquidity in many developing countries
MTO (Money Transfer Operators)	*fast *reliable *very accessible in major centers	*high cost per transaction, especially for small transactions *unfavorable forex rates *not typically available outside main centers
INFORMAL MEANS		
Hawala	*costs typically lower than formal services *reliable *often good forex rates *fast transfers *some deliver to the door *some advance money *trust relationship *service clients and locations which are not service or are underserved by formal providers	*cost at times as high or higher than formal services *outside the legal system *receiving much monitoring since 9/11
Self, relatives, friends	*trust *no fee or direct cost *door-to-door delivery *operate in areas with no or very limited financial services	*slow *risk of loss with slow, partial, or no recovery of funds

Sander (2003)

TABLE FOUR
USE OF OPTIONS ACROSS COUNTRIES
OPTION USED

	DESTINATIONS			
	Philippines	Bangladesh	Latin Am	Mexico
Banks	49	46*	20	8
MTOs	37	incl*	41	n/a
Post	n/a	incl*	14	68
Other	n/a	incl*	n/a	5
Self, etc.	14	13	15	19
Hawala	n/a	40	n/a	n/a

Sander (2003)

Our Macromarketing Framing of Remitters

We agree with Grieco (2003, p. 3), that “remittances are the resources exchanged among the members of a social network.” The social networks here are essentially family networks and the process is one of exchange: a form of implicit contract between the immigrant and those left behind. The expectations of the parties and their abilities to deliver on their obligations (and monitor the behavior of the other parties) are important.

There are three major possible exchange situations, defined by the role of the immigrant. First is the expatriate. He or she is in the host country for a long stay and possibly permanently. Eventually he or she may return “home” (or they may emigrate to another place (Nekby 2006)), but the important point is that those left behind have no expectation that the expat will ever return. Remittances from the expat may be in the form of gifts and are motivated by altruism (i.e., a non-exchange); however, many will represent a sense of obligation that continues long after the debt has been repaid for any expenses occurred by the family in sending the individual abroad. This is consistent with Fiske’s (1991) definition of communal relationships, as gifts are repaid but not in the same form nor in a short time period. We expect the expats to be interested in assimilating into the host culture, and intent on maintaining relationships with fellow expats as “useful networks” to help them negotiate the host culture.

Second is the sojourner. The sojourner is like an expat but has left home for work in another place with the intention of returning “home.” The family that remains behind does so by choice and expects the sojourner to return. The situation might be seen as the family trying to diversify its economic risk (e.g., we’re all trying to live off the same farm and the crops may fail) and, possibly, add to its total income. The exchange is complex; the immigrant remits to add to the family’s income but expects, in return and on return, to have something to show for his or her separation from family and friends. Obviously the sojourner places trust in the home folks to protect his or her “stake” which includes both money and personal relationships (e.g., one doesn’t

expect one’s cousin to marry one’s fiancé while one is away.) We expect the immigrant to remain relatively unassimilated in the host country, and the choice of remittance methods and amounts sent (with the attendant effects on spending in the host country) would reflect the lack of assimilation. The sojourner’s contacts in the host country would be almost exclusively with other sojourners.

Third is the pathfinder. The family’s goal is to relocate to a new place where opportunity is greater. This means that the pathfinder’s goal is to build a beachhead for the family. Remittances will be sent for family maintenance but the pathfinder will be trying to invest in the host country in things that will make it possible for other family members to make the transition. These could be investments in tangibles but, more likely, would be in intangibles such as education. Note that the trust relationship is now largely reversed. Those left behind have to trust the immigrant to make it possible for them to migrate and, perhaps even more important, trust in the immigrant’s judgment of the suitability of host country for the family’s betterment. And family dynamics in the country of origin can change the list of eventual migrants that one intends to sponsor. Compared to the sojourner, the pathfinder’s remittances would be a smaller proportion of income and, as more and more of the family arrived, would be reduced accordingly. Furthermore, we expect the pathfinder to be trying to assimilate, relative to the sojourner, and the relationships to other immigrants to be more like those of the expat. Thus, both the pathfinder and the expat may be expected to find more efficient means of sending money home, whereas the sojourner’s more limited social networks in the host country may restrict them to those known best to other short-timers.

As time passes, the situations of both parties – the immigrant and the family – change. The immigrant may change from sojourner to expat, as with the many graduate students who came with the intention of returning home as soon as they get the degree. These changes would be reflected in remittance behavior, and the frequency or amount of the remittance would act as a signal to the rest of the family. The sojourner begins to

send less saying, in effect, “I’m wavering in my resolve to return home.” The pathfinder sends less because he or she is investing in capital (say, a house) to make ready for the others.

Meanwhile back home, the nature of the family that stays behind – the families of all three types – will be changing. It may not matter much to the expat but those left behind are, in a sense, the goal objects of the sojourner and especially the pathfinder.

For the pathfinder, changes in the family back home may make the family less enthusiastic about coming to the host country and/or less suitable. For example, marriage of a sibling that remained behind would change the equation; now the sibling’s spouse has a say in the matter and it may complicate the situation for the pathfinder. Likewise, divorce of the pathfinder by a spouse who had remained at home would really force a change in plans

Changing Family Dynamics

As noted above, the nature of the relationship between the remitter and the family in the home country is a dynamic one due to changes within individuals over time. At the same time, we are seeing changes in the family institution as well, and these changes merit concern when studying these unique social exchanges.

We are well aware of the changing nature of family in the developed world, where divorce has become common and de-stigmatized. In Europe more than in the US, marriage is seen as increasingly unneeded, and the incidence of children being born out of wedlock has reached over 50% in countries such as Iceland and Sweden. Individual definitions of “family” increasingly place more emphasis on “relationship” than “legal” or “blood” ties. To most of the world, the US is seen as a country where we isolate our elderly by placing them in nursing homes. [As an aside, we predict that, as longevity comes to the developing world along with increasing geographic mobility, it too will understand the horrors of dealing with Alzheimers and come to realize the necessity of full-time care of some elderly by people other than family (Gentry, Kennedy, and Macintosh 1995).] Marketing literature discusses the need for service providers to fulfill roles formerly done by family (Goodwin and Gentry 1997). The fragmentation of family witnessed in the US is not limited geographically to North America, as divorce is a growth phenomenon globally.

Table 5 presents divorce rate statistics across a variety of countries and Table 6 summarizes the changes in divorce rate from 1980 to 2002 across 12 nations. The US does have the highest divorce rate in the world, but it also has a very high marriage rate (the highest of the 12 countries

in Table 6). If we compare the divorce rate to the marriage rate, the US has a lower ratio than Sweden and the UK. Moreover, the divorce rate has dropped in the US (as well as in Canada and the UK) from 1980 to 2002, whereas it has grown (sometimes very rapidly) in the other countries. Thus, though divorce rates are very low in most Latin American (Catholic) countries and in Muslim countries, they have grown rapidly, reflecting a somewhat less tight family unit.

There are other indicators that the family institution is changing globally. The growth of the Pentecostal church in Latin America has been associated with the region’s economic growth. While the Protestant work ethic may have some influence, the better explanation for the relationship is that the movement away from the Roman Catholic faith enabled the growth of Individualism, and more emphasis on equity rather than equality. “The Evangelical convert becomes, in a sense, a stranger in his own community, which insulates him from free riding by others who follow Catholic-inspired norms” (Portes and Sensenbrenner 1993, p. 1339). Geertz (1963, p. 123), in a study of entrepreneurs in Bali, found that while entrepreneurship is highly valued there, businessmen face the problem of numerous claims on their profits based on the expectation that economic decisions “will lead to a higher level of welfare for the organic community as a whole.” Thus, we are witnessing pressures to lessen extended family ties.

In much of the developing world, children have been viewed as sources of cheap farm labor and investment, as they are obligated to take care of aging parents. This form of “social security” has no government involvement; one’s security in old age comes from social (family) relations. The growth of the new social norms associated with the religious shift and with Individualism has made it more acceptable not to share one’s new wealth with family. Belk (2000) reported observing very similar processes in his video study of the emerging middle class in Zimbabwe.

CONCLUSION

This paper has investigated the remittance phenomenon through a macromarketing lens, looking at issues from the perspectives of various stakeholders. The emphasis, however, was on the primary institution forming the social networks for these exchange relationships, the family.

We argue that family, which we have documented to be the core of the remittance process, is a changing phenomenon and one that cannot be assumed to remain as the stable backbone for the huge inter-familial

TABLE 5
DIVORCE RATES ACROSS COUNTRIES, COMPARED TO THE U.S.
COUNTRY DIVORCE RATE (PER 1000) RATIO OF U.S. RATE

Sri Lanka	0.15	.030
Brazil	0.26	.053
Italy	0.27	.055
Mexico	0.33	.067
Turkey	0.37	.075
Mongolia	0.37	.075
Chile	0.38	.077
Jamaica	0.38	.077
Cyprus	0.39	.079
El Salvador	0.41	.083
Ecuador	0.42	.085
Mauritius	0.47	.095
Thailand	0.58	.117
Syria	0.65	.131
Panama	0.68	.137
Brunei	0.72	.146
Greece	0.76	.154
China	0.79	.160
Singapore	0.80	.162
Tunisia	0.82	.166
Albania	0.83	.168
Portugal	0.88	.179
Korea	0.88	.179
Trinidad	0.97	.196
Qatar	0.97	.196
Guadeloupe	1.18	.238
Barbados	1.21	.244
Finland	1.85	.374
Canada	2.46	.497
Australia	2.52	.509
New Zealand	2.63	.568
Denmark	2.81	.531
United Kingdom	3.08	.622
Russia	3.36	.679
Puerto Rico	4.47	.903
United States	4.95	1.00

Source: Crouch et al. (2006)

flow of money from the developed world to the developing world. Greico (2006) notes a generalized remittance decay trend over the immigrant's time in the new country; we suggest that this will accelerate should the family institution weaken globally. Economies depend on these flows, and it does not take much speculation about the nature of the post-modern family to infer that such flows may dry up much more quickly in the future.

The above suggests a controversial public policy alternative. If we want to eventually cut down on remittances, we should try (as a society) to integrate remitters into our culture as soon as possible. On the other hand, if we want to maintain this form of aid to

LDCs, public policy should be aimed at creating and supporting institutions, including marketing institutions, that maintain and reinforce the "foreign" cultures of the remitters. From a consumer vulnerability perspective, efforts should be made to educate sojourners as to more efficient means of transferring monies home and to regulate the transaction costs being charged. Further, this latter perspective might acknowledge the critical role of family to the perspective of life to which we adhere, and thus to consider this very vulnerable immigrant segment whose intentions are admirable but whose lack of education and experience make them susceptible to market behaviors that we all should abhor.

TABLE 6
MARRIAGE AND DIVORCE RATES, 1980 AND 2002
COUNTRY

COUNTRY	MARRIAGE RATE PER 1000 (AGED 15-64)		DIVORCE RATE PER 1000 (AGED 15-64)	
	1980	2002	1980	2002
United States	15.9	11.7	7.9	6.0
Canada	11.5	6.8	3.7	3.3
Japan	9.8	8.8	1.8	3.4
Denmark	8.0	10.4	4.1	4.3
France	9.7	7.2	2.4	3.3
Germany	N/A	7.1	N/A	3.7
Ireland	10.9	7.6	N/A*	1.0
Italy	8.7	6.9	0.3	1.1
Netherlands	9.6	7.7	2.7	3.0
Spain	9.4	7.4	N/A	1.5
Sweden	7.1	6.6	3.7	3.7
United Kingdom	11.6	7.3	4.4	4.1

*Divorce was not allowed in Ireland until 1997.

Source: US Census Board, 2006 *Statistical Abstracts*

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National Identity and Memorabilia

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We explore the nature of national identity and its relationship with citizenship and the purchase as well as the intent to purchase Singaporean memorabilia. This was carried out with a sample consisting of Singaporean citizens and tourists. Our research tended to support the notion that national identity may indeed consist of a conglomerate of variables including ethnocentrism, patriotism, national achievement, and a sense of place. While our findings in support of the positive relationship between national identity and intent to purchase are not surprising the negative relationships with citizenship and the purchase of memorabilia is unexpected and provide an interesting basis of speculation. It is possible that the scholarly accepted measurement of 'consumer ethnocentrism' does not in fact measure ethnocentrism but rather some other variable(s) related to attitudes to free trade.

Despite the research focus on globalization and its accepted importance, it is within and between the smaller national, cultural and ethnic groupings that most of the major problems in the world still exist (e.g. Economist 2002; Economist 2003, 2004; Krugman and Obstfeld 1994; Long 1999; Pecotich and Shultz 2006; Shenggen, Zhang, and Zhang 2004; Williamson 1965; Yang 2000). Developments in communication, the internet and transportation have made the world a smaller place, but nonetheless, human movement still involves the crossing of national and ethnic boundaries. In these contexts people as tourists, immigrants or citizens may carry multiple, perhaps conflicting, identities at different levels of aggregation, for example, national, cultural, ethnic, family, and place (Blank and Schmidt 2003; Cerulo 1997; Ellemers, Spears, and Doosje 2002; Polletta and Jasper 2001; Spencer 2005). Given that the study of marketing phenomena at an aggregate level is a legitimate topic for macromarketing scholars (Hunt 1976b, 1976a, 1977, 1981) the dearth of the literature in areas of national identity, pride and achievement is surprising. Our purpose is to take a step toward remedying this defect by reporting a study concerning the relationships between citizenship, national identity, purchase and the purchase intent of national memorabilia among a sample of citizens and tourists in Singapore. It is timely to discuss these related concepts in

the macromarketing developmental forum, particularly with the existence of increasing tension in views on economic integration and nationalism.

Literature Review and Conceptual Development

Research on human identity has a long history and has been approached from so many different points of view that integration is difficult (e.g., Blank and Schmidt 2003; Cerulo 1997; Chapman and Facey 2004; Ellemers, Spears, and Doosje 2002; Gecas 1982; Geisler 2005; Gieryn 2000; Howard 2000; LeVine and Campbell 1972; Monroe, Hankin, and Van Vechten 2000; Polletta and Jasper 2001; Spencer 2005; Yinger 1985). However, it seems that even from the earliest time human identity was considered to consist of three components: the biological, the individual and the social (Monroe, Hankin, and Van Vechten 2000). While the philosophical issues are intricate, identity is generally used to refer to a cognitive or mental representation of who a person is and provides a sense of uniqueness and continuity in time and space. It develops from birth and while its most powerful manifestations are developed in childhood and adolescence, individuals are postulated to go through various stages of identity development throughout their lives. There are many applicable theories such as Zajonc's (1965; 1969) drive theory of social facilitation which predicts how the mere presence of others influences social judgment and Erikson's (1968) theory of developmental stages to form a stable identity.

Whatever the variations of the theories, identities seem to develop from cognitive processes designed to help us understand a complex environment by the development of necessary categories for swift information processing. These categories fashioned in early childhood form the powerful basis of the personal and social identity. Personal identity generally refers to those attributes that distinguish one person from another. Social identity takes into account the social context of human existence and "refers to the social categories, attributes, or components of the self-concept that are shared with others and therefore define individuals as being similar to others" (Monroe, Hankin, and Van Vechten 2000, p. 421). More formally, emphasizing the emotional element, Tajfel (1978, p. 63) defined *social identity* as "that part of an individual's self-concept which derives from his [her] knowledge of his [her] membership in a social group (groups) together with the value and emotional significance attached to that

membership." These social identities form a part of human heredity, and derive from hierarchical group memberships such as nationality, race, and ethnicity. They are a source of powerful behavioral propensities resulting in stereotyping, discrimination and ethnocentrism.

In this study we focus on national identity and seek to explore its effects on the purchase of national memorabilia. Nations as groups are central to social identity. To illustrate this importance we simply need to reflect on our emotions at the mere mention of the word "treason." Tajfel's (1978; 1982) social identity theory suggests that humans as social animals seek to belong to groups, and they see their groups (in-groups) as being superior to other groups (out-groups). Strong emotions are associated with the nation and nationalism forms a very powerful motivator to human collective actions. We generally postulate that ethnocentrism, patriotism, pride in national achievement and sense of place form latent components of national identity, that they are a function of citizenship and are positively related to the purchase and purchase intent of national memorabilia (see Figure 1).

Ethnocentrism and consumer ethnocentrism

Ethnocentrism is a hundred year old sociological concept that holds 'one's own group is the center of everything and all others can be scaled and rated with reference to it' (Sumner 1906). According to LeVine and Campbell (1972) ethnocentrism includes tendencies to: (1) distinguish various groups; (2) preserve events in terms of the group's own interests (economic, political and social); (3) see one's way of life as superior to all others; (4) see one's own group as honest, strong and superior; (5) be suspicious of and disdain other groups; (6) and see other groups as dishonest, weak and inferior. An ethnocentric society is considered to be one in which individuals make evaluations of other nations based on their biased national perspectives in an attempt to maintain culturally-centered values and behaviors (Hult, Keillor, and Lafferty 1999; Pecotich and Rosenthal 2001; Samice 1994). In this way, ethnocentrism represents omnipotence, superiority, acceptance of culturally identical views and ideas and rejection of cultural dissimilar ideas or people (Shimp and Sharma 1987). In the marketing literature Shimp & Sharma, (1987, p. 280) refer to consumer ethnocentrism that they defined as "the beliefs held by American consumers about the appropriateness, indeed morality, of purchasing foreign made products". The concept helps to explain why some consumers prefer domestic goods, while others do not discriminate between domestic and imported products (Sharma, Shimp, and Shin 1995). It is also perceived as a non-tariff barrier capable of warding off international competition (Porter 1986).

O'Cass and Lim (2002) have observed that brands of Western origin tend to be as popular and successful in Singaporean markets as they are in their domestic markets. The researchers found no relationship between the

ethnocentric tendencies of consumers and the preference or purchase intention for foreign brands. Also, no differences in ethnocentric tendencies across age or gender were found within their sample. Few Singaporean products have been successful in developing the type of consumer brand image necessary for entry into global markets. As a result, very few Singaporean brands are recognized throughout the world (Chowdhury 1999 ; O'Cass and Lim 2002).

Measured as one of four antecedents of national identity, Phau and Chan's (2003) replication of Keillor and Hult's (1999) study, analyzed the CET of four East Asian nations – Singapore, Korea, Thailand and Taiwan. Again, the CET of Singaporeans was found to have a low score (the lowest of the four nations taken into account). The researchers attributed this to the scarcity of natural resources (particularly land) and, due to the small domestic market, the infeasibility of locally manufacturing a wide range of products (Phau and Chan 2003). In this study we seek to explore the nature of consumer ethnocentrism by proposing that it forms a part of the broader construct of national identity that is positively related to Singaporean citizenship and the purchase of memorabilia (see Figure 1).

Patriotism

A precise definition of patriotism has been contested in the literature for more than fifty (50) years; some even believe it will never be adequately defined as language is not a neutral medium and its meaning is subjectively based on one's multidimensional belief system and the intentions/behaviors that arise from it (Eagly and Chaiken 1993; Hurwitz and Peffley 1990). Notwithstanding the inherent difficulties, many researchers have attempted an explanation. The earliest research in this field holds that 'true' patriotism is a combination of 'love for one's country' and 'attachment to national values based on critical understandings' (Adorno et al. 1950). Social Identity Theory (Tajfel and Turner 1986) suggests that patriotism is a feeling of national belongingness and contributes to one's national identity. Patriotism comes under the umbrella of national identity and both share a positive in-group evaluation (Blank and Schmidt 2003; Kosterman and Feshbach 1989). But unlike patriotism, nationalism is described as a belief in national superiority (Hechter 2000; Kosterman and Feshbach 1989) and an uncritical acceptance of national, state and political authorities (Adorno et al. 1950; Staub 1997). Patriotism is regarded as softer, more positive concept than nationalism (Blank and Schmidt 2003) and has been measured from this perspective by numerous researchers (Hurwitz and Peffley 1990; Kosterman and Feshbach 1989; Owen and Dedrick 1989).

It has long been recognized that patriotism is positively related to ethnocentrism (Adorno et al. 1950; Murdock 1931). More recent studies have confirmed this relationship can significantly affect product choices (Han 1988; Mihalyi 1984; Samice 1994; Sharma, Shimp, and

Shin 1995). This becomes manifest when (1) consumers purchase local products due to patriotic reasons or (2) when consumers avoid foreign products due to patriotic reasons. Hence, patriotism has been found to be positively related to ethnocentrism (Shankarmahesh 2006) and it is reasonable to postulate that it forms a part of the more general construct of national identity (Mihalyi 1984).

National Achievement

For a nation to have a good global reputation there is a need to demonstrate proficiency, not just declare it (Lehmann and O'Shaughnessy 1982). National achievements are desirable intra-national confirmations that foster pride amongst the masses (e.g. achieving the highest GDP per capital in the world or being rated the safest nation in the world in which to live). They can be described as news worthy 'stories' that get citizens thinking positively about their country, thus stirring patriotic feelings. Upon learning of a national achievement they are reminded of their nation's position in the world and they feel proud to be associated with the success. Such achievements warrant both national and international recognition and can be made by government, individuals, groups or companies. We postulate that national achievement forms an important component of national identity although an exhaustive search of the sociological, psychological and marketing literature has found no reference to national achievements or its relationship to national identity. Indirect support for this assertion may be found in Rusciano's (2003) research who found that negative national characteristics and actions are negatively correlated with pride (i.e. reservations about one's nation decrease as pride increases, and vice versa). Further, arguments in support may be extrapolated from sports marketing theory where a citizen is likened to a sports fan and a team to the nation the citizen belongs. Few products or services (e.g. Harley Davidson) generate levels of social association like that often related with sports (Underwood, Bond, and Baer 2001). Fans draw strength and a sense of identity from their affiliation with a team (Sutton et al. 1997; Wann and Branscombe 1993). A sports fan refers to a team as 'my team' – this of course does not imply ownership, but rather allegiance, loyalty, pride and strong association (which is consistent with Belk's (1988) concept of the extended self). Such feelings emerge (or are reinforced) when sports teams achieve success (i.e. wins games). Thus, there is a parallel between sports fans and a nation's citizens; both are characterized by the same types of feelings (i.e. high levels of commitment and emotional involvement). We suggest that if a sports fan's level of association can be affected by their team's achievements, the same principle applies to levels of national identity which can also be affected by national achievements.

Sense of Place

The concept that we widely label as a "sense of place" is an important area of research that spans many disciplines (Boyne and Hall 2004; Connell and Gibson 2004; Gieryn 2000; Hudson 2006; Kruger and Jakes 2003; Leann 2006; Lewicka 2005; MacKenzie 2004; Miller et al. 1998; Spencer 2005; Violich 1985; Violich 1998) and has not been uniquely explored in marketing. Kruger and Jakes (2003, p. 819) propose that place has been used in three ways: "As *location*, place can mean "the spatial distribution of social and economic activities" that results from different costs of doing business in different places. Place as *locale*, on the other hand, provides the setting or backdrop for everyday activity. *Sense of place* involves individual or group identification with a place resulting from interaction with it." Our use of the term is consistent with "sense of place" and is presented as a holistic group phenomenon that is developed on the basis of past experience, and carries social and cultural meanings that lead to a deep attachment to the place involved. We submit that "sense of place" is a component of national identity which is a highly salient place within which human beings exist (Figure 1). This position is consistent with the theories of "social facilitation," (Zajonc 1965), Erikson's (1968) "stages of development" and Tajfel's (1978) "intergroup relations."

INSERT FIGURE 1 HERE

Method

The model in Figure 1 and its accompanying hypotheses were investigated by surveying Singaporean citizens and residents in Singapore. The study had two stages of research, beginning with focus groups then followed by a quantitative survey. Seven focus groups were conducted among a mix of 80 male and female respondents between 20 and 30 years of age. They were asked to describe their beliefs about national pride and patriotism, as well as, their attitudes towards Singaporean-made products and Singapore memorabilia. Their responses were useful for the adaptation of the measurement scales to the specific situation as well as to generate the items to measure *national achievement*.

Ethnocentrism was measured with the seventeen (17) item consumer ethnocentric tendency (CET) scale developed by Shimp and Sharma (1987). Numerous studies have found that high CET scores indicate a consistent reluctance to purchase foreign products and tendencies to evaluate them negatively (Hult, Keillor, and Lafferty 1999; Pecotich and Rosenthal 2001; Saffu and Walker 2005; Sharma, Shimp, and Shin 1995; Shimp and Sharma 1987; Watson and Wright 2000). Non-ethnocentric consumers on the other hand, are believed to evaluate foreign products on their own merits (e.g. quality or price). In this context the reliability of CET was found to be .89.

The twelve (12) item scale developed by Kosterman and Feshbach (1989) was used to measure *patriotism* (e.g. I am proud to be a citizen of my country; and although at times I may not agree with the government, my commitment to my country always remains strong). Coefficient alpha reliability index was found to be a highly satisfactory .87. The scale for '*national achievement*' was developed on the basis of the focus group interviews described above. Respondents were asked first about what would make them proud as Singaporeans. Most respondents indicated that they were proud of Singapore because this was where they belonged or where they were born. They went on to say that they also feel proud because Singapore had achieved so much in such a short period of time, particularly when it is a small country. When asked specifically about the kinds of achievements that made them proud, comments included "...that Creative Technology is a world-leader in their business", "weathering the Asian Financial Crisis", "handling the outbreak of SARS well," and "hosting the global IMF conference". When respondents were asked about the kinds of achievements that *would* make them more proud of Singapore, comments included "a local film or celebrity breaking out into the international scene", "qualifying for the (soccer) World Cup", "compliments from foreigners on high standards living", and "Singapore being highly ranked in an international survey." In the absence of an established scale, these comments were used to generate a battery of illustrative items to construct a measure of 'national achievement' which was found to be roughly unidimensional (one factor exploratory factor analysis) with a reliability index of .92. *Sense of place* was measured using an adapted form of the identity component of Jorgensen and Stedman's (2006) measure and found to have a reliability of .88. The wording of items for all scales was adapted to suit the local context – mostly replacing references to America and Americans with Singapore and Singaporeans. All items were measured on 5-point Likert-type scales (1 = *strongly disagree*, 5 = *strongly agree*).

Memorabilia purchase intent was measured using three scales: (1) a four item, five point likelihood of purchase format with an alpha of .73; (2) four item five point agree disagree format in the proud to wear format with an alpha of .96; and (3) a ten item in five point likelihood to purchase format (alpha = .91). *Citizenship* was measured by a categorical zero one variable with Singapore at the high end. The respondents were also asked to indicate ownership and previous purchase of memorabilia. This was a simple frequency count. The data was collected using the mall intercept method. The sample comprised of 446 respondents with a net sample of 305 Singaporean citizens. Of the net sample, there were 49% males and 82% were 35 years of age and under.

Analyses and Results

The partial least squares (PLS) estimation procedure was used to test the model (Chin 1998; Fornell and Cha 1994; Lohmoeller 1989; Wold 1981). PLS is a general technique for estimating path models involving latent constructs indirectly observed by multiple indicators. It was developed by Wold (1981) to avoid the necessity of large sample sizes and 'hard' assumptions of normality. It was, therefore, considered particularly suitable in this study as our aims are largely exploratory. A PLS model consists of two sets of linear relations: the outer model involving the latent and the manifest variables; and the inner model where the hypothesized relationships between the latent variables are specified. A major advantage of PLS is that the outer model formulation explicitly allows for the specification of both reflective and formative modes as well as categorical variables. Reflective indicators are formed in the classic test theory factor analytic model. The formative indicators, however, are not assumed to measure the same construct nor are they assumed to be positively correlated. Rather they are an optimum linear combination forming the latent construct in the canonical analysis sense. We expressed the measures as reflective indicators in which case the factor analytic model applies. The citizenship variable was formalized as a categorical 0, 1 dummy variable with the tourists at the low-end and the Singaporeans at the high-end. The revised PLSGraph computer program (Chin and Fry 2003) was used to evaluate systematically the properties of the outer and the inner model as expressed in Figure 1.

Evaluation of complex models involves a logical examination of several fit indices to establish the predictive relevance (Lohmoeller 1989). The results in relation to the outer measurement model were all found to be satisfactory. For the latent variable *national identity* the bootstrap critical ratios (Chin 1998) are acceptable (greater than 1.96) for all variables. The Average Variance Extracted (AVE) (Chin 1998; Fornell and Cha 1994) was a high .50 and the combined reliability was satisfactory .79. Our general proposition that the four components of *national identity* may be *ethnocentrism*, *patriotism*, *national achievement* and *sense of place* appears to have some exploratory support. For the rest of the latent variables the statistics were highly satisfactory – the AVE were all above .62 and the composite reliabilities above .83.

The postulated positive relationship between *citizenship* and *national identity* was not supported (Figure 1) - the standardized regression coefficient was significant ($\beta = -.18$, $p < .05$) but in the opposite direction. The mean proportion of variance explained (AVA), the R^2 was a low 0.03. A similar situation exists with *national identity* and *purchase of memorabilia* ($\beta = -.17$, $p < .05$ and AVA .06). The positive relationship between *citizenship* and *purchase of memorabilia* ($\beta = .15$, $p < .05$ and AVA .06) was

supported. The direct relationships between *purchase of memorabilia* and *purchase intent* was significantly negative ($\beta = -.21, p < .05$) while the relationship between *national identity* and *purchase intent* was found to be significant ($\beta = .55, p < .05$). The R^2 was in this case .39 which was higher than the recommended minimum of .10 suggesting the effect size may be of sufficient magnitude to be of further interest (Falk and Miller 1992).

Conclusions

In this study we sought to explore the nature of *national identity* and its relationship with *citizenship* and the *purchase* as well as the *intent to purchase* Singaporean memorabilia. Our research tended to support the notion that *national identity* may indeed consist of a conglomerate of variables including *ethnocentrism*, *patriotism*, *national achievement*, and a *sense of place*. While our findings in support of the positive relationship between *national identity* and *intent to purchase* is not surprising the negative relationships with *citizenship* and the *purchase* of memorabilia is unexpected and provide an interesting basis of speculation.

It is possible as Phau and Chan (2003) maintain that Singaporeans lack a sense of patriotism and that their national identity is weak. They support their claim by citing the prevalence of Singaporean emigration to Australia during the 1980's. Another possibility is that our study did not arouse a high level of patriotic national feeling. Levels of patriotic feelings can appear in response to an outside threat (Kosterman and Feshbach 1989). This kind of patriotism typically results when something undesirable occurs (i.e. national involvement in a war) and individuals rally to support or condemn the action (Heatherington and Nelson 2003). Further, that Singaporeans may feel no guilt in purchasing foreign products is consistent with a national phenomenon labeled the 'kiasu' spirit. This uniquely Singaporean consumer trait implies a willingness to disregard commonly accepted standards of behavior to take advantage of bargains (Piron 2002). They are motivated primarily by price. Therefore CET is low. Perhaps the most interesting possibility involves the measurement of *ethnocentrism*. The operationalization of this variable by Shimp and Sharma (1987) is weak in the sense that their measure does not take into account the more powerful "in/out group" notions of the traditional formulation (Tajfel 1978; Tajfel 1982). It is possible that their measure which they label "*consumer ethnocentrism*" does not in fact measure *ethnocentrism* but some other variable related to attitudes to free trade. Consistent with this, our conglomerate which we labeled *national identity* may in fact not be sensitive enough to distinguish between the soft aspects of internationalism and sense of identity, and much stronger ethnocentric nationalistic tendencies that lead to discrimination most strongly manifested in periods of hostility.

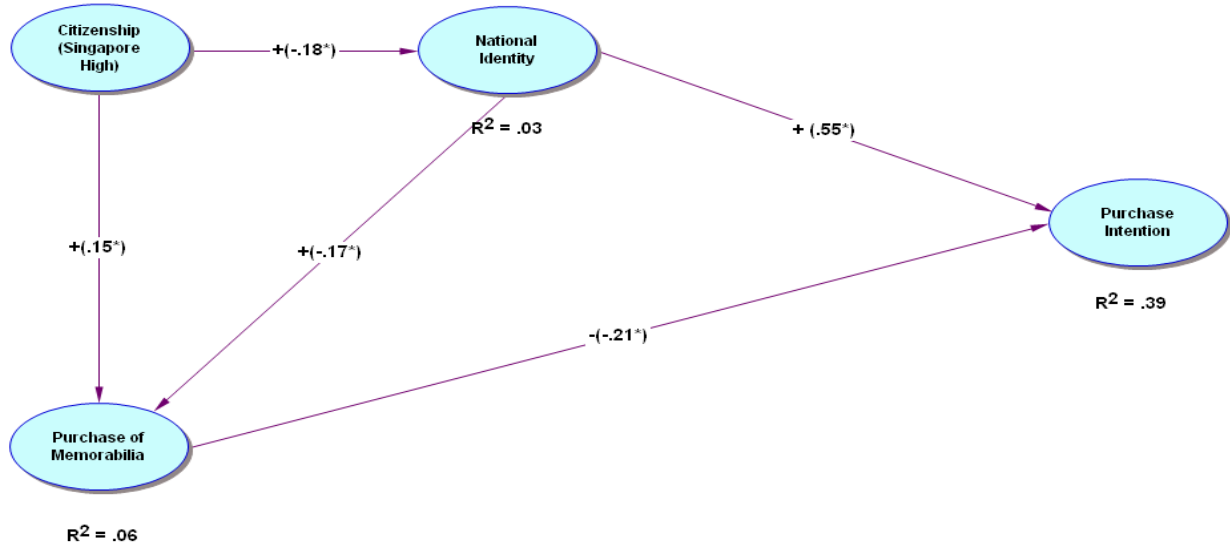
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Figure 1: National identity and Memorabilia^{1, 2}



Note: ¹ The + or - indicate the direction of the postulated relationship and the figures in parentheses are regression coefficients where * indicates significance at $p < .05$ (Bootstrap T Statistic).

² R^2 indicates the effect size or proportion of variance explained by the relevant regression equation.

Tuesday, June 5

2:00 – 3:30 **Session 10**

1040 Working Paper Session: Marketing and Society

Co-Chairs: Marilyn Liebrezn-Himes, The George Washington University
 Robert F. Dyer, The George Washington University
 Hamed Shamma, The George Washington University

1041 - *Ethical Fashion or Fashionable Ethics: Towards a Taxonomy of High Fashion Clothing Organisations*

Kellie Dalton, Dublin City University
Pierre McDonagh, Dublin City University

1042 - *Ethics of the Beautiful Game: Football Clubs in Crisis?*

Jason Healy, Dublin City University
Pierre McDonagh, Dublin City University

1043 - *Social Responsibility – A Corporate War From Within*
WITHDRAWN

Mukti Mishra, Victoria University

1044 - *A Cross-Cultural Analysis of Print Humorous Advertising in the UK and Greece*

Hatzithomas Leonidas, Aristotle's University of Thessaloniki
Boutsouki Christina, Aristotle's University of Thessaloniki
Zotos Yorgos, Aristotle's University of Thessaloniki

Ethical Fashion or Fashionable Ethics: Towards a Taxonomy of High Fashion Clothing Organisations

Kellie Dalton, Dublin City University, Ireland
Pierre McDonagh, Dublin City University, Ireland

This paper presents a taxonomy of fairly traded & ethical clothing organisations in an effort to establish what constitutes the dynamic of a Ethical and/or Fairtrade clothing organisation. This is enabled by contrasting several High Fashion organisations against theoretical frameworks of Corporate Social Responsibility and Business Ethics (Peattie 2002; Peattie et al 2002; Crane and Matten 2004). Analysis of the structures and operations of the clothing market is presented against the backdrop of increasing practices of Fairtrade and ethical discourse in contemporary Europe (see for example Crane 2001; Crane with Harris 2002; Crane and Matten 2004; Davies and Crane 2003; Fair Trade Federation 1999; Low and Davenport 2005; Maseland and De Vaal 2002; McDonagh 1998; 2002; Moore 2004; Peattie 2002; Peattie et al 2002; Randall 2005; Smith and Barrientos 2005; Wempe 2005).

Given the widespread discussion of ethics in macro marketing and public policy arenas (see Singhapakdi and LaTour 1991 or Murphy 2003) and the confusion surrounding ethical clothing in the marketplace, concerns have arisen that ethical, style-led fashion will not afford consumers with a fully balanced understanding of the complexities of the global issues involved (Davidson, 2006).

The present study aims to unpack our media-driven, fragmented understanding of fair-trading and ethical policies in the clothing industry by reporting on high fashion houses based in London and Denmark such as Katharine Hamnett and Noir. Ethnographic data includes observation, and depth interviews in these organisations and the authors will share insights from initial pilot work. The paper endeavours to inform (public, academic and industry) awareness of the relevant ethical principles and practices and their organisational implementation in the high fashion sector reflecting on previous macromarketing scholarship in the area of ethical issues.

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Ethics of the beautiful game: Football Clubs in Crisis?

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Given the increasing pace of commercialisation of football (soccer) and the ethical implications which are evident as a result, this paper sets out to describe, first, how a thorough Macromarketing Analysis can be carried out to assess these implications. So, we apply Laczniak and Murphy's (2006) Essential Basic Perspectives (BPs) for Evaluating and Improving Marketing Ethics to the question of how an 'Ethical Football Club' should operate. Secondly, we consider how this can then be used as a benchmark to investigate how 'ethical' an existing Premiership Football Club is by comparison to the guidelines (or Basic Perspectives).

Keywords: ethics; football clubs; soccer; normative marketing theory; Premiership; Laczniak and Murphy's Essential Basic Perspectives (BPs) for Evaluating and Improving Marketing Ethics; Macromarketing.

Our research will be carried out at a Premiership Football Club. The reason for the choice of the Premiership in England as the main research site is due to it being one of the most successful leagues in the world in both financial terms and in terms of producing successful teams (two Premiership teams have won the UEFA Champions League in the past decade and one has won the UEFA cup).

The Premiership is the top league in football in the English league structure. It is fully professional. It was formed in 1992 after the Football Association's 1991 'The Blueprint for the Future of Football' stated their agreement that there should be a new division formed (separate to the old league structure, but not entirely (e.g. there are still teams promoted and relegated to and from the old leagues), which had 'Division One' as its top division), to become the top division in English football and be called the Premiership (Conn 1999, Premierleague.com 2007)

It is important to note that for the purposes of this paper, the terms 'football' and 'soccer' will be used interchangeably, to refer to the sport of soccer (as 'football' would be the most common term used to describe 'soccer' in Europe), not to be confused with

other forms of football, most notably 'American Football'.

COMMERCIALISATION OF FOOTBALL

Sport globally is a unique and powerful cultural phenomenon which both unites and divides communities as well as engendering an increasing element of entertainment value. Football (Soccer) is the most global and "the most prominent of world sports" according to Hare (1999), but, like many sports, it is a highly commercialised game.

Commercialisation of any arena brings with it many ethical dilemmas, some of which are outlined in this abstract. Specific literature on the ethics of sport, and in particular soccer, is still quite limited, partly due to it being a topic that has only really received academic interest in the past two decades. This is mainly a product of the increasing pace of this commercialisation during this time.

Until the early 80s, football clubs were mainly loss-making (Hamil 1999). Now, football is, very much, big business with huge investment from wealthy individuals and firms often with one thing in mind, profit. The large clubs have been transformed into highly profitable purveyors of the full gamut of leisure-related product lines, attracting an increasing number of spectators from across the full range of income groups (Hamil 1999). There are resultant ethical implications.

Modern sport is now a thriving, commercialised, industry. But, as early as 1977 in a CBS documentary entitled 'The Baseball Business', Kahn (1977) said, "sport is too much a game to be a business and too much a business to be a game." This commercialisation is evident in a number of areas within the game. Here are some examples:

- Football being viewed as a product (Howard and Sayce 1998, updated in 2002)
- Clubs as brands (Howard and Sayce 1998, updated in 2002)
- Growth of the amount of merchandising activity by football clubs, now, "a retail industry in its own right" (Football Task Force 1999a)
- Increased media coverage and investment. With particular regard to the FA Premiership in England, "in part this has been due to the

marketing of football by BSkyB” (Football Task Force 1999a)

So, given the fact that sport is a business, a business that plays a very large part in our everyday lives, whether it is the activity of watching it, or taking part in it (Liu, et al. 1998, p. 94), it must be subject to the same or similar ethical issues as other areas of business. However, there are also other “ethical issues unique to the sport industry” (Hums, et al. 1999), which complicate the issue.

Some of these are due to “the uniqueness of the sport” (Mason 1999, p. 405) and some are due to sport being increasingly moved towards business. This has resulted in a more profit-oriented approach and with this comes a number of ‘growing pains’ introduced by many new and varied ethical considerations (Hums, et al. 1999).

Thus, ‘commercialisation’ of sport has been widely argued against. One argument claims that ‘commercialisation’ has brought about a situation where the sports and their participants are progressively taken over by ‘business imperatives’ (Armstrong 1996, Guterson 1994, Kidd 1988, Slack 1998). Lasch (1979) has claimed that the institution has brought the sporting game to the point of its degradation and even obliteration. For example, one symptom of this is the corruption of modern day sport (Cunningham and Dollar 2001), which has been portrayed as typical of the general degradation in all practises over dominated by their concomitant institution (Arnold 1997, Lasch 1979, Morgan 1994, Stewart 1987).

But, this commercialisation is by no means a strictly modern phenomenon. As early as 590 BC, Greek athletes were financially rewarded for an

Olympic victory (Harris 1964). With particular reference to football, there is little doubt that increasing commercialisation is one of the key causes of concern as highlighted by Hudson (2001).

Slack (1998) argues, “since its formative years sport has had a commercial component to its operation”. He then goes on to say that “in no previous time period have we seen the type of growth in commercialisation of sport that we have seen in the last two decades”. Taylor argues that “the problem for us in 2000 lies in the fact that [football] is changing so fast. It is not what it once was” (Taylor 2000, p. 55).

Hence, it seems that the problem is not in the fundamental idea that professional sport/football is a commercialised entity. It has a ‘love-hate’ relationship with the commercial world according to Shannon (1999, p. 539). He elaborates by pointing out that on the one hand the need for money dominates the thoughts of sports administrators while on the other hand many people who write or comment on sport complain about the malign influence of money and “commercialism”.

ETHICAL IMPLICATIONS OF INCREASED PACE OF COMMERCIALISATION

Football is being transformed by heavy commercialisation. This, it is argued, is due to increasing emphasis on winning at all costs because of the association of athletic success with outcome goals of profit and visibility (Frey and Eitzen 1991). This emphasis has, according to some sources, given rise to new, or intensified existing, ethical dilemmas, such as those outlined in Table 1 below:

TABLE 1: ILLUSTRATION OF SOME OF FOOTBALL’S ETHICAL DILEMMAS

- Problems linked with the role of the media within the game. Some scholars suggest that the media involvement in sports has increased the commodification of sport, which has ruined the sport for fans (Klatell and Marcus 1988). Rader (1984) has argued that television has altered the relationship between fan and athlete, causing irreparable damage to the traditional spectator experience.
- There has been an increased incidence of athletes using performance enhancing drugs (Frey and Eitzen 1991)
- Football being viewed more and more as a ‘product’ and being ‘commodified’ (Hawkes 1998, pp. 37-38, Mason 1999, Washington and Karen 2001, p. 201)
- Fan exclusion. E.g. increasing ticket prices (Frey and Eitzen 1991)
- Rapid wage inflation of those working within the game (Conn 1997)
- Exploitation of fan-base with merchandising, for example, particularly the sale of replica kits (Football Task Force 1999a)
- Issues raised given involvement of sports organisations with sponsors e.g. the argument that some Olympic sports are merely a battle of the shoe companies (Cunningham and Dollar 2001). The affect of allowing sponsorship involving ‘unhealthy or unsafe’ products (McDaniel and Heald 2000)
- Stakeholder conflict, with particular regard to the goals of clubs: are they profit maximisation or sporting success? Hamil argues that the very notion of football clubs acting like commercial companies is somewhat perverse for “football clubs were never intended to be profit-maximising

firms. They were intended to act as sporting clubs" (Hamil 1999, p. 25)

- Clubs detachment from their local communities (Football Task Force 1999b)
- "Huge concerns about the governance of football" (Hansard 1999, col. 954). E.g. corruption: accusations of corruption attended the FIFA presidential election of 2002 (Darby 2003)
- Supply chain management: the suppliers of the various wares used and sold by clubs have been sometimes ethically questionable and this has brought about a body of literature on the subject. For example, the items sold in Manchester United's 'supermarket' being manufactured in sweatshops in India (Hawkes 1998)
- Inequitable sharing of income to the sport. Hargreaves (1986) describes how this can lead to an uneven development within a sport
- Gambling: the issue of gambling is a very controversial one and one that has been widely argued against in literature on ethics mainly due to the "insidious evils which result from it" according to Freeman (1907). But, with it being a widely accepted activity in modern western society, there is also a body of literature that has developed regarding its involvement with modern sport e.g. McKelvey (2004) questions its involvement with US professional sport on ethical grounds
- Player power and players as products. David Beckham's negotiations with Manchester United in 2002 were reported to be 'stuck' not on his value as a player but rather on his 'brand' value - as a celebrity or an icon used to push merchandise (Howard and Sayce 1998, updated in 2002)
- Cheating, bribery, match fixing. An example of how the issue is so prominent is the Italian match-fixing scandal (BBC Sport Online 2006)

But, as already outlined it is not true that, in the context of professional football, all commercialisation is necessarily a bad thing. Some positives outlined in the literature show this. Hudson (2001) shows how the influx of money into the game has improved it considerably. When compared with the 1980s, attendance figures are quite healthy, with many of the Premiership games regularly sold-out.

Hooliganism is also on decline and football is once again emerging as a 'family game' (Hudson 2001). Hudson and Callaghan (1999) use the example of Sunderland FC to describe how the extra funding in modern football allows clubs the option to expand their not-for-profit community activities. But, unfortunately, this is the exception rather than the rule. As Brown (2000, p. 257) comments "by far the vast majority saw little reason to alter their practices greatly, something particularly prevalent in the Premier League."

Given all this, it would appear a macromarketing analysis would be helpful as various parties, including, marketers, clubs, football association, players and managers, shareholders, fans, the media, regulators and any other individual or organisation who is involved with the sport, have to face difficulties when it comes to the ethics of how they are treated and how they treat others.

This research will explore what constitutes 'an ethical football club', using the guidelines contained in the adapted Basic Perspectives (BPs), which appear later in this paper. These will be used to investigate the ethical situation in a professional football club, with a primary focus on the Premiership in England, draw

conclusions and make recommendations that will describe how the situation could be improved.

THE PRESENT STUDY: MACROMARKETING ANALYSIS

In order to carry out a Macromarketing analysis, for the purpose of investigating the current ethical situation, models such as the '*Hunt-Vitell Theory of Ethics*' (Hunt and Vitell 1986, 1993, 2006), and Laczniaik and Murphy's (2006) *Essential Basic Perspectives (BPs) for Evaluating and Improving Marketing Ethics* have been consulted.

The *Hunt-Vitell model* is a theory of ethics.

Its objective is to increase our understanding of ethical decision making by means of a process theory that explains and predicts phenomena in situations having ethical content. (Hunt and Vitell 2006, p. 149)

Laczniaik and Murphy's (Laczniaik and Murphy 2006) *Essential Basic Perspectives (BPs) for Evaluating and Improving Marketing Ethics* provide

a normative set of recommendations for elevating the practice of marketing ethics (p. 154)

It sets out to describe what *ought to be* and to "establish guidelines" for organisations so that they can evaluate and improve their ethical behaviour.

We will adapt the BPs for the purpose of drawing on their recommendations, in order to discover whether or not a football club's day-to-day operations could be considered 'ethical'. The guidelines set by the BPs will

be the benchmark with which the football club will be compared

to assess the gap between current practices and the postulated ideals of normative marketing ethics (P. 157)

The BPs themselves have been formulated to animate the highest standards of ethical practice by drawing on fifty years of relevant literature.

Our adapted BPs describe how a football club should be run, across all of the club's operations.

The new set of BPs is summarised in Figure 1. The BPs are interactive and integrative. They can assist football clubs in evaluating the relationship between their operations and society.

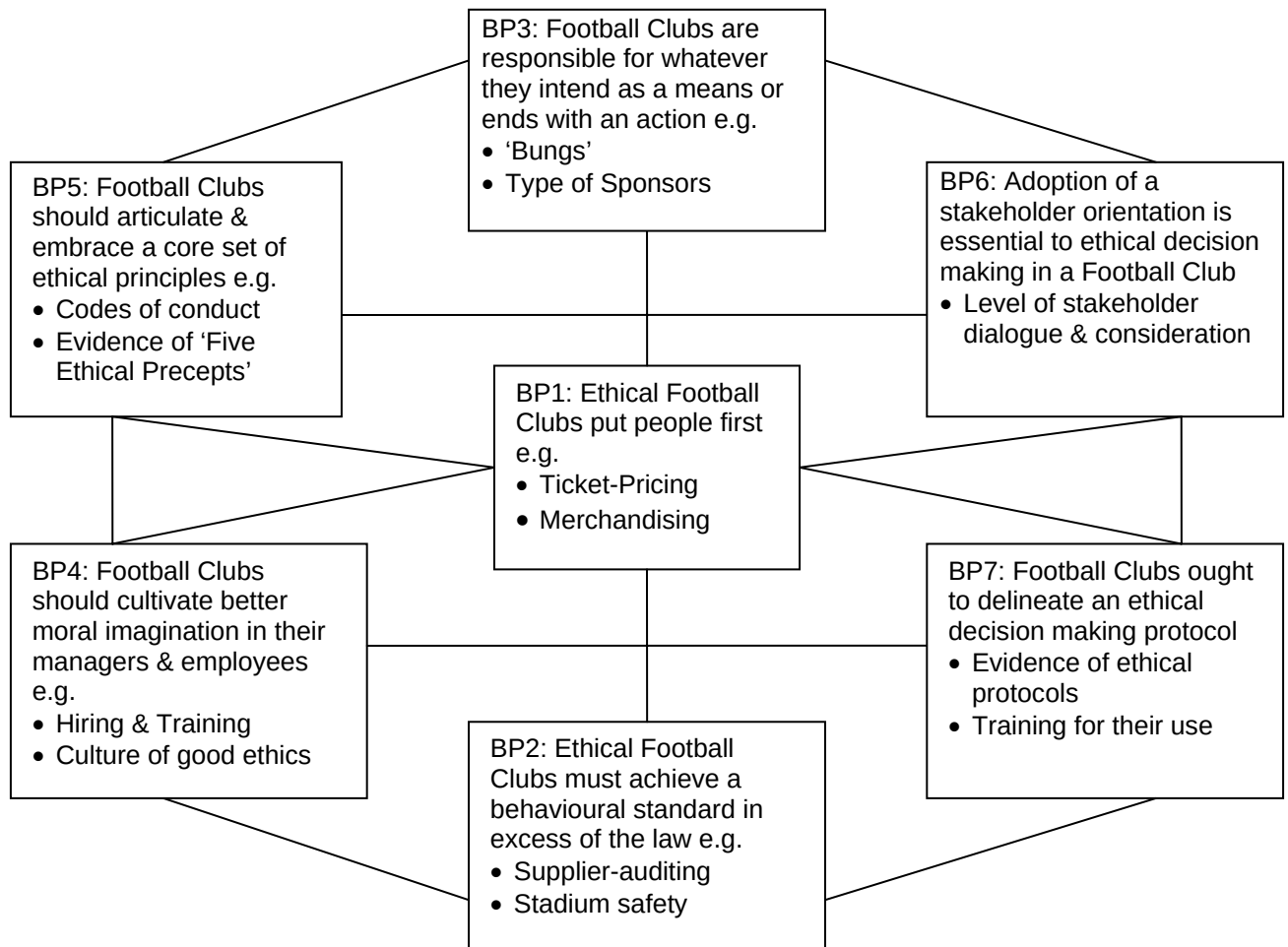


FIGURE 1 A SUMMARY OF THE BASIC PERSPECTIVES (BPS) FOR EVALUATING AND IMPROVING THE ETHICS OF FOOTBALL CLUBS

NOTE 1: An adaptation, based on Laczniaik and Murphy's (2006) *Figure 2 A Summary of the Essential Basic Perspectives (BPs) for Evaluating and Improving Marketing Ethics*

NOTE 2: Each BP on diagram contains a description, and examples of the type of issues relevant to a Football Club

BP 1 – Societal Benefit: Ethical Football Clubs Put People First

The football club should always be of service to people. They should ensure that their operations create a perceived and real social benefit. People should never be treated as cogs in the system whether they are fans, employees, suppliers, distributors or some other stakeholder. Football clubs should put 'people first' if they wish to prosper in the long run.

Persons should never be treated as merely a means to a profitable end according to Kant's well-known categorical imperative, second formulation (Bowie 1999, Kant 1785/1981) Stakeholders must be treated as ends in themselves. Failing to do this is to not put people first.

Examples of current issues that warrant further investigation are as follows:

- Ticket pricing to attend matches: Hums, Barr and Gullion (1999) have seen an increased rate of price hikes in professional sports and commented that

the consumption of spectator sport in person is beginning to become an activity for the elite, whilst others are denied access

Ill feeling amongst the, once loyal, fans is exacerbated by the provision of space intensive corporate entertainment facilities instead of seating for the average genuine supporter (Hawkes 1998, p. 39)

- Another prominent issue is that of pricing of merchandise, such as replica kits and, as described by Tony Blair, British Prime Minister, "the plethora of ever changing strips" (quoted in Hamil, et al. 1999, p. 22). In 2002, Manchester United, Umbro and the FA were all accused of price fixing on kit products (Howard and Sayce 1998, updated in 2002)

These are just two of the issues. What Michie and Oughton (1999) refer to as the 'peculiar nature' of the industry contributes to the problem, especially given the unique 'relation of the customer', in this case the football fan. This unique nature is due to fan loyalty. Fans tend not to switch allegiances and this creates a monopolistic situation that gives way to "public interest concerns" that clubs may abuse their power, by not putting people first, in the name of making more profit.

Interviews with football club management and employees, and with other stakeholders such as fans, agents, and suppliers will reveal what the current situation is with regard to their treatment and show where problems may lie in how the club operates. Do they put people first? Or are stakeholders merely treated as a means to a profitable end?

Analysis of official policies and strategies will supplement the interviews.

BP2 – Two Realms: Ethical Behaviour of Football Clubs Must Exceed Legal Requirements

The law constitutes the baseline expectations placed upon football clubs by society. Ethical football clubs should continually strive to exceed these legal minimums (Laczniak and Murphy 2006).

Laczniak and Murphy describe how it would be favourable to choose a stakeholder approach (Freeman 1984) as opposed to the agency theory (DeGeorge 2006) perspective of management. The stakeholder approach would involve engagement with stakeholders, in order to better understand their perspectives, to allow their interests to be factored into any future decisions.

To discover the level, if any, of stakeholder involvement in the organisation (beyond the basic legal necessity) it would be necessary to interview employees and management to discover what the culture is regarding stakeholder dialogue and stakeholder inclusion in decision making. Further interviews with relevant stakeholders themselves would supply more balanced evidence on this issue.

Lomax (1999) goes into detail on the Northampton Town situation. They have got elected supporters' representatives on the board of directors. This shows good initiative in adopting a stakeholder approach, and is supplemented in other ways, such as how the club is in cooperation with the Northampton Borough Council and the national Football Trust over its stadium, which was built and is owned by the council and Trust.

Other areas of operations will be analysed also to investigate what attitudes exist with regard to doing more than the legal minimum. One example is the management of stadiums and health and safety standards within these stadiums. Is the club proactively looking to improve on these issues or do they just do the legal minimum? This would require an analysis of procedures and policies along with interviewing management and employees.

An important area would also be supply chain management. Researching whether or not the club has standards above the legal minimum concerning its suppliers and distribution partners will involve analysis of Codes of Conduct along with investigation of supplier-auditing techniques (if they exist), and also interviewing of management and employees involved in this area. This is a particularly important issue in the modern climate of globalised supply chains and the apparent links between football merchandise and sweatshop labour (Hawkes 1998).

This BP could be linked to BP4 when considering the 4 broad types of marketing managers.

BP3 – Intent, Means and End: Three Essential Components of Ethical Analysis

This BP concerns three components of all football club actions – the intent of an action, the means by which

the practice is implemented, and the end or consequences of the strategy or tactic, all of which are the responsibility of the football club.

Basically, if a club has ethical intentions and engages in ethical reasoning when deciding upon the means, then they may act but should also consider the risk of potential side-effects.

Football clubs should avoid actions that result in a direct major negative outcome for another stakeholder. A current example of this type of action is the use of a 'bung' (Scott 2006). A bung is an illegal payment made or received as part of a player transfer deal. It is essentially a bribe and it upsets the free market economics under which the football transfer market is said to operate and so has a negative effect on other clubs. But, there are also other negative side effects, including improper use of shareholders' funds, breach of the law and breach of football regulations.

There are also unintended side effects, such as the affect of allowing sponsorship involving 'unhealthy or unsafe' products (McDaniel and Heald 2000). Sponsorship is an area that is very important to football clubs due to the revenue it creates. It would be useful to research the decision-making protocols involved in selecting who is to be a sponsor. This would involve investigating if there are criteria for the 'type of sponsor' (e.g. can it be ANY organization?). It would require analysis of policies covering selection, along with interviewing of relevant management and staff to discover what the culture is regarding this issue.

So, interviews held with management and employees will allow further investigation of decision-making structures to discover how they take into account the ethical implications of their decisions and actions. This will be supplemented with reviewing of official guidelines covering various issues within the club (e.g. Codes of Conduct, Stakeholder inclusion policies).

BP4 – Football Club Management Differ in Moral Imagination and Development: Four Types

Football Clubs should aim to improve their ethical aptitude by hiring and training those who will likely understand and appropriately apply moral reasoning. Managers will possess varying levels of moral development, owing to different life experiences and core values, as well as their basic human character (Hosmer 1994). So, the club must take an interest in hiring ethical people, and also training and educating them to a high level of ethical reasoning.

Laczniak and Murphy describe four basic types of manager in a marketing sense. They are the '*Egoistic marketing manager*', '*Legalist marketing manager*', '*Moral striver*' and the '*Principled marketing manager*'. These are generalizable to managers in other areas of the organization for the purposes of this paper.

Analysis of policies and the culture within a football club will indicate how it attempts to have management who, both, have and apply a high-level of moral reasoning in their position. This would entail investigation of the procedures for hiring, training and educating employees throughout the club in order to check for consideration of measuring and improving ethical ability. It would also be essential to interview management and employees to gain knowledge of their experiences with regard to how the club encourages good ethics (e.g. do clubs encourage players to use their celebrity-status for the good of the local community and to help highlight social issues?).

This would also seek to discover if there is a system of rewards for ethical management and employees.

BP5 – Five Essential Ethical Precepts for the Enlightened Football Club

Football clubs who aim to operate on a high ethical plane should articulate and embrace a core set of ethical principles. Clubs need to refer to their company ethics statement and then work to derive an appropriate list of sacrosanct ethical guidelines. Assuming the club practices a stakeholder approach, it may be useful for stakeholders to be consulted on such a basic-level ethical guide.

There are five ethical precepts suggested by Laczniak and Murphy and these have relevance for football clubs aiming to be ethical. So, analysis of how they fare on each issue would be useful, along with looking at existing codes of conduct and any other ethical guidelines that clubs may have in place, at any level of the organization.

The first essential ethical standard they suggest is the '*principle of non-maleficence*'. It states that football clubs "should knowingly do no major harm when discharging their... duties".

The second essential moral precept is the '*principle of nondeception*'. This principle is largely based on the idea that trust is essential in the relationship between the club and its stakeholders and it should therefore avoid engaging in activities that are, or appear to be deceiving. It rests on good communication channels between club and stakeholders and would certainly benefit from ongoing dialogue. It also states that football clubs should never unfairly manipulate consumers. There is a feeling amongst supporters that the game has become too commercialized according to Conn (2007) and it has led to clubs "struggling to maintain crowds". He argues that over-commercialisation is "turning lifelong supporters away". This indicates broken trust between supporter and club. It would be useful to investigate what clubs do to inform fans and other stakeholders by way of communication and dialogue. Do clubs actively aim to build better relationships with stakeholders in an inclusive fashion? Do clubs intentionally mislead stakeholders? Questions such as these are only answerable following investigation of policies and codes regarding communications and marketing at a football club, along with interviewing

management and staff at the club, as well as external stakeholders to discover what the actual situation is.

The third moral precept is the '*principle of protecting vulnerable market segments*'. This means they must provide special protections to those parties with depleted bargaining power such as children, the elderly, the mentally feeble and the economically disadvantaged. Lacey (2007) explains how statistics indicate that "younger fans can no longer afford to watch [football].... [and] fewer than one in ten of those going to games is under 24".

Further evidence of a lack of protection for vulnerable market segments is illustrated by the fact that in recent years there has been a spiralling of prices that has placed the game outside the reach of its many followers (Hawkes 1998). The trend, Hawkes comments, predicts that fans are likely to desert the game in large numbers, depriving clubs of their most stable and important source of revenue when the fashion once again drops out of football. This concern is echoed by Hudson (2001) when he talks of the 'locking out' of traditional working class fans.

Issues such as these indicate a need for clubs to put in place more protections for vulnerable segments of their fan base. But, given the fundamentally unique nature of the relationship between a sports fan and his/her team, termed 'fan equity' (Saloman Brothers 1997) which basically explains how fans are irrationally loyal, providing the club being supported with an almost monopolistic position of power, all fans could be considered at least slightly more vulnerable than the average consumer consuming a product other than sport. The fan-club relationship is not easily explainable, or manageable according to the theories of free market economics. It is a relationship, it could be argued, which requires the club to take special care in protecting its fans, all of them, from exploitation, given the inherent vulnerability of a fan when it comes to their club.

So, to measure how clubs protect fans, it is necessary to engage in analysis of their official policies, procedures and codes of conduct regarding various issues involving fans' interests along with interviews to be held with management and employees, and supporters themselves, to discover the culture within the club regarding such issues and to find out how fans feel the club takes such issues into account.

The fourth moral precept is the '*principle of distributive justice*'. Central to this is John Rawls' (1971) 'difference principle'. According to Rawls, practices are unethical *if, over time, they contribute to the further disadvantage of those segments of the market that are least well off in terms of information, economic resources, access to supply, market literacy, and other factors essential to marketplace transactions.*

For the purpose of this research, and due to the nature of the game that distinguishes it from other industries as a result of the need for league balance and distributive justice (across the industry, even to competitors) (Conn 1999, Findlay, et al. 1999), we will extend the scope of this point, beyond its concentration on the effect it has on

customers (fans), so that it also includes other stakeholder such as competitors.

At the moment there is clear evidence of what Sepp Blatter, current President of FIFA (Fédération Internationale de Football Association), has called 'pornographic greed' in the game that is contributing to the 'gulf' opening up in distribution of finance (Hills 2007). This creates greater competitive imbalance (Findlay, et al. 1999) which has a negative effect on 'fan-equity' given the growing league-inequality and predictability of outcomes.

Analysis of current regulatory structures in place at national-government and industry level will reveal what current rules and agreements exist regarding financial-income distribution. Interviews with football club management themselves will indicate what they are currently doing to address the issue and what the current feeling is towards rectifying apparent inequalities.

The fifth and final, moral precept is the '*principle of stewardship*'. Football clubs must act for the betterment of their host environments and community and in this way carry out their social duties to the common good.

Environmentally, clubs should ensure that operations do not have unnecessary external costs on the physical environment. Analysis of policies and codes within the club will show how such issues are provided for procedurally. Interviews with management and employees will further illuminate the situation whilst also detailing what the culture is.

Clubs operate in both, their local community, and, in a more abstract sense, in their league structure. The Football Task Force report, '*Investing in the Community*' (1999b), covers the issue of club involvement with, and responsibility to, the local community very well.

As far as the league is concerned, one of the main issues is that of the need for league-balance, as mentioned earlier, and the necessity for clubs to cooperate in order to produce the overall 'league-product' (Findlay, et al. 1999).

To discover how clubs go about managing their operations' affect on the local community, and what initiatives they undertake, analysis of policies, along with interviews with management and employees at a football club, and also in the local community with relevant parties, such as representatives of the local authorities and members of the public, will provide an insight into both sides of the situation.

League-wise, analysis of regulations and agreements (e.g. television-coverage deals) covering distribution of income, as mentioned earlier, will be necessary, along with investigation of what forums exist for cooperation between clubs, leagues and national bodies for the betterment of the game as a competitive and equal sport. Interviews held with club management and possibly others involved in regulation (e.g. English Football Association representative) will shed light on this issue.

BP6 – Six Basic Stakeholders: Embracing the Stakeholder Concept

Stakeholder theory is probably the most popular and influential theory to emerge from Business ethics (Stark 1994).

Adoption of a stakeholder orientation is essential for the advancement and maintenance of ethical decision making...it embodies the notion that [football clubs] operate in and on behalf of society (Lacznia and Murphy 2006, p. 167)

A stakeholder is any group or individual who can affect, or is affected by, the achievement of the organization's objectives (Freeman 1984, p. 46)

Using Freeman's definition, it is very difficult to put a definite number on how many stakeholders a football club would have. But, using Lacznia and Murphy's basic idea of breaking stakeholders into groups of importance, we get *Primary stakeholders* and *Secondary stakeholders*.

The *primary stakeholders* are by and large the same across all types of organizations in most industries: investors (owners), customers (fans) and employees.

Secondary stakeholders of a football club would include suppliers and distributors. They have a two-way relationship similar to a partnership that is often covered by contract. This would include suppliers of goods for resale, such as merchandise, as well as other middlemen involved in the game such as players' Agents.

Host community (in both the real sense of the physical vicinity and also the more abstract league-sense), and general public are two other important secondary stakeholders who have a vested interest in the social outcomes of the clubs operations (e.g. McManus 2002). The media is a hugely important secondary stakeholder given the increased role it plays in modern football.

Frey and Eitzen (1991, p. 509) comment that media and sport have emerged with a symbiotic relationship, particularly economically. This relationship, it is argued, has led to an increasing influence in sport from the media.

The FA Premier League was launched via BSkyB satellite TV money in 1992 (Howard and Sayce 1998, updated in 2002). This new league, it is argued, is responsible for revamped stadiums, to some extent, at least, financed by income from media sources, which are now much safer and more comfortable environments for spectators. It is also said that the Premiership is a much more family-oriented sport than old Division One football, with the hooliganism that dogged English football in the 1970s and 1980s on the decline.

One of the negative affects is shown in concerns over increased sponsorship that has occurred due to media attention. The nature of some of this sponsorship has been questioned (McDaniel and Heald 2000). Another negative that has been highlighted is the inequitable sharing of this increased income across clubs (Findlay, et al. 1999).

Hargreaves (1986) describes how this can lead to an uneven development within a sport.

Other secondary stakeholders would include legal and political institutions (both local and national), as well as regulatory structures within football (e.g. The English FA (Football Association), UEFA (Union of European Football Associations), FIFA)

If a genuine stakeholder operation is not truly central to marketing operations, a long-term habit of ethical behaviour becomes nearly impossible (Lacznia and Murphy 2006)

The alternative perspective of the *agency approach* dictates that "investor return always comes first". One way, it could be argued that this is in evidence in football at the moment is the increasing prices that are, in effect, driving less well off fans out of the game, partially due to ticket pricing schemes that allow clubs to set the price of a match ticket according to the perceived demand for a particular match. Jackson argues that it is the main reason why the average attendance at Premiership matches has fallen from 33,875 to 32,775 (Jackson 2007).

Conn (1999) explains that the English FA's Blueprint for the Future of Football:

Contained the fateful advice that football should move upmarket to chase 'more affluent middle-class consumers'

This recommendation came at a time when hooliganism was a major problem, and Lacey (2007) explains how it was intended, in part at least, to price 'the hoolies' out, "which is what happened". Although there is still some evidence of hooliganism in football (e.g. Murray 2007, Wilson and Lowe 2007). But, the problem now is that some less well off fans are being priced out. "Younger fans can no longer afford to watch" (Lacey 2007).

This exclusion of social groupings by pricing them out is more akin to a model of 'maximising shareholder wealth' than the stakeholder approach suggested. Even Alex Ferguson (First-Team Manager, Manchester United) accepts that while

football is big business... it also plays an important role in the country's social and cultural life. Some may see it as just about money. I see it as much more important than that (Ferguson 1999)

Ferguson also describes how he feels there needs to be more of a cooperative (stakeholder-like) approach:

More input is needed from people within the game itself. We all need to be involved in these discussions and decisions – the game's administrators, the clubs and the fans

But, this is easier said than done:

Implementation of a workable stakeholder concept is one of the greatest challenges facing organisations that desire to

operate on a high ethical plane (Laczniaik and Murphy 2006, p. 168)

It depends on a decision-making system that is flexible and adaptive.

Laczniaik and Murphy describe how:

often the most effective stakeholder approaches (Clarkson 1998) involve using a specified decision-making regimen (see BP7), based on strong ethical values (BP5) that minimise the likelihood of disadvantaging (i.e., causing major harm) relevant stakeholder groups (BP3) (Laczniaik and Murphy 2006, p. 168)

They also indicate the helpfulness of having specified core values that are not to be violated.

It will be necessary to analyse decision-making systems within a football club through investigation of official policies and codes, as well as holding interviews with the management, and both primary and secondary stakeholders (as described above) in order to discover who is actually involved in decision making at the club, and to illuminate what level of stakeholder dialogue and inclusion is in place.

BP7 – The Seven Steps of Moral Reasoning for Football Club Management

Laczniaik and Murphy describe ‘A Protocol for Formulating the Ethical Evaluation Process in Marketing Organisations’.

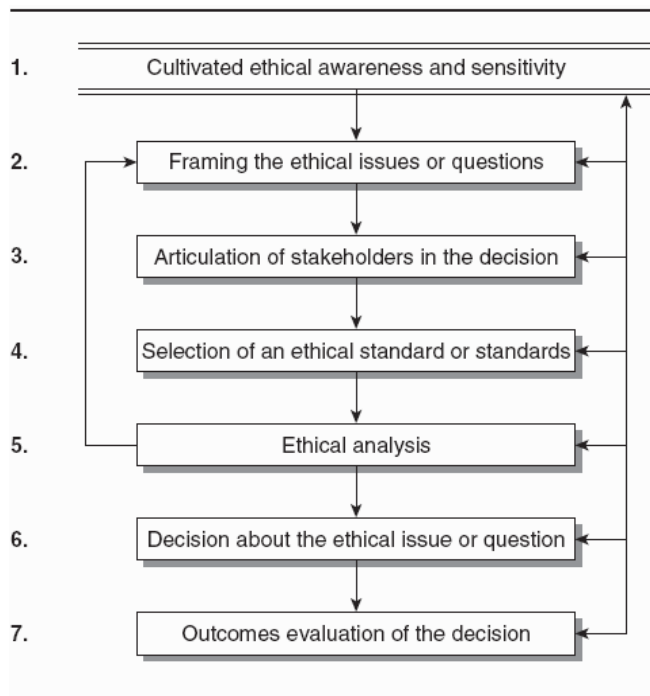


FIGURE 2 A PROTOCOL FOR FORMULATING THE ETHICAL EVALUATION PROCESS IN MARKETING ORGANISATIONS (TO BE APPLIED TO A FOOTBALL CLUB)

SOURCE: Laczniaik and Murphy's (2006) *Figure 4 A Protocol for Formulating the Ethical Evaluation Process in Marketing Organisations*

This protocol is equally applicable across all parts of the decision-making structure within a football club, and therefore, we will adopt this same protocol as a basis for this BP. See Figure 2.

The premise of this BP is that football clubs striving to be ethical should:

delineate an ethical analysis protocol and train their managers to follow it (Laczniaik and Murphy 2006, p. 169)

Laczniaik and Murphy fully describe how this protocol could be applied within an organisation. Its purpose in a club could be to be used as a technology to educate management to be better at moral reasoning, in order that they can apply the type of decision processes outlined to their own decision-making.

Our research will look for evidence of such technologies being used in a football club, taking all seven points together and separately. It will be necessary to investigate whether or not a club has similar ethical evaluation protocols, either, as part of its official procedures, or, as part of the culture of the organisation. To do this, it will be necessary to check official club policies, and mechanisms such as in recruitment, training and education, for such protocols, and, if discovered, to describe how they work. Then, interviews will be held with relevant management and employees to see what sort of ethical protocols they themselves use. These can then be critically analysed with the help of comparison to the protocol prescribed by Laczniaik and Murphy.

This BP, above all others, will present the most opportunities for the exploitation of research-synergies. This is due it taking into account much of the data that will be discovered through investigation for evidence of the other BPs.

CONCLUSION

Laczniaik and Murphy (2006) provide a normative examination of ethical marketing practice. They set out to describe how a marketing organisation should operate in order to achieve a high-level of ethical behaviour. The Basic Perspectives (BPs) they describe are to be used to assist marketing organisations in evaluating and improving the relationship of their operations to society.

This paper sets out to adapt these guidelines to a Football Club. Thus, we have described how they apply in this setting, with the aim of outlining, through the BPs, how exactly a club should be run in order to be considered an 'Ethical Football Club'. In line with this year's conference theme, such a club would indeed be building bridges and forging alliances, both, globally and within their local community.

These adapted BPs will be used as a benchmark of ethical behaviour when researching how a current Premiership Football Club actually operates, with reference to the various topics and areas set-out in each BP as described in this paper, with the potential of making recommendations for possible ways to become more ethical, having critically analysed the clubs practices through comparison to the guidelines.

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Social Responsibility: A Corporate War from Within

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Corporate Social Responsibility is a much misunderstood concept, which has gained importance in the post-Enron world. This article attempts to throw some light on the concepts of Corporate Social Responsibility and Personal Social Responsibility. It suggests a framework to transform Corporate Social Responsibility into Corporate Social Renaissance, which will have the potential to make social responsibility a profitable proposition for businesses.

Social responsibility seems to be a moralistic term which may not have any meaning for a pragmatic corporate and yet it is the talk of the day in the Post-Enron world. It is an appealing idea, no doubt, but is it worth pursuing by a business? Such doubts presuppose that interests of society and business are at variance with each other. Of course, it is a complex issue but let us make an attempt to understand the whole concept of social responsibility along with its personal and corporate ramifications.

DECONSTRUCTING SOCIAL RESPONSIBILITY

Social responsibility presupposes a quid pro quo relationship with society. Since entities like states, governments, corporations, organisations and individuals exist and operate in society, it is their obligation to be responsible towards society either by acting in a responsible manner (positive responsibility) or refraining from irresponsible acts (negative responsibility). With great power comes greater responsibility — the social responsibility of an entity grows with its capacity to influence the society. If this premise is accepted, then an organisation needs to be much more socially responsible than an individual.

Social responsibility means being responsible to people, for the actions of people and for the actions that affect people directly or indirectly. It also means being responsible to the immediate environment and the world at large. It is no wonder then that organisations throughout the world are being held responsible for their actions as they have the enormous capacity to influence their shareholders and stakeholders as well as their socio-economic, political and natural

environments. However, it should be kept in mind that to be responsible doesn't necessarily mean to be intentional. A corporate may unintentionally damage the environment and yet it would be held responsible for such acts.

For the purpose of this article, we shall focus on two dimensions of social responsibility viz. personal social responsibility (PSR) and corporate social responsibility (CSR).

PERSONAL SOCIAL RESPONSIBILITY (PSR)

Social responsibility taken into personal domain is referred to as PSR. A socially responsible person strives to make positive difference in others' lives. One can act in a manner that may create a positive difference to the lives of others; one can refrain from acting in a manner that may be perilous to others. A socially responsible person would refrain from rash driving to obviate accidents. However, it would be utterly irresponsible if he were to see an accident victim and pass by. A socially responsible person must also act positively in order to make a positive impact on others' lives. It is this sense of social responsibility that has given rise to a new breed of socially conscious employees, who could be 'whistleblowers' should their employer's actions harm the public at large. It is this sense of social responsibility that has given rise to the social reformers of their time and place. It is this sense of social responsibility that has given humanity its leaders since times immemorial. Azim Premji Foundation established by Mr. Azim Premji, one of the richest Indians is an example of positive PSR. The Foundation works towards universalizing quality education, which is one of the most difficult Millennium Development Goals to achieve, as per a 2004 World Bank study. Positive social responsibility is like the philosopher's stone that can transform a person of ordinary intellect into a great personality. History corroborates that almost all of those who have left their footprints on the sands of time were marked either by the extraordinary presence of the sense of positive social responsibility or its extraordinary absence. It is of little wonder then that all philosophical, moral, ethical and theological doctrines have heavily emphasized personal social responsibility.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Corporations were originally conceived as "Public Trusts" whose mandate was to further rational interests

and advance the common goods. However, modern 'for profit corporations' are alleged to have unleashed "global monoculture" and represent the institutional principles of laissez faire capitalism which has a global theology without morality. Undoubtedly corporations are the most pervasive and dominant institutions now like the monarchy and the church of yester years.

In market parlance, corporate refers to organized and systematic business; social means everything to do with people and the environment they live in and responsibility is the accountability between the two. Thus, Corporate Social Responsibility (CSR) should be the bloodline of the business world as is being currently projected. CSR is a concept highlighting that organisations', especially (but not only) corporations have an obligation to consider the interests of all stakeholders. World Business Council for Sustainable Development, which brings together 180 international companies (such as GM, Coca Cola, 3M, DuPont, Sony etc.) in shared commitment to CSR defines it as the "continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as the local communities and the society at large".

Unlike PSR, CSR has not been the focus of philosophical, moral, ethical and theological deliberations traditionally. Consequently, the behavior of a corporation is still largely the subject of law, which of course is more prohibitory in nature. A corporation can fulfill its negative social responsibility by abiding by the law in all its functions. Some of the most vocal critics of the concept of CSR like the Nobel Laureate Milton Friedman argue that it is enough for a corporate to fulfill its negative social responsibility. He further states that the social responsibility of business is to increase its profits; that social responsibility can only be for individuals and not for businesses as such. January 22, 2005 issue of The Economist proclaims, "The proper business of business is business. No apology required". Such arguments may not hold much water should it be possible to show that interests of society are not radically different from those of businesses.

We are seeing the emergence of a new breed of organisations that can tackle the ever increasing competition in the global business environment — the high performance organisations (HPO). HPOs are intentionally designed to bring out the best in employees to produce sustainable organizational results. An increasingly large number of companies in the Fortune 500 list are HPOs today. HPOs are increasingly attracting attention of researchers worldwide. They demand that the workforce must be strategically aligned with the goals and objectives of the organisation. If we accept the argument that a

person can have social responsibilities but a business cannot, then we will face a piquant situation. We will have a person accepting PSR in an organisation rejecting the very idea of CSR! An employee may not negatively affect the society in his/her personal capacity, but his/her organisation may be doing so intentionally or unintentionally. Would it not be ethical for the employee to blow the whistle to alert the organisation about such actions? If an employee knows that the brake control systems of a particular batch of car have problems, would it not be more ethical to alert the concerned authorities within the organisation about this? If he/she just keeps silent and waits for the organisation to recall the entire batch of cars after they have taken their toll on some hapless victims, he/she would have still fulfilled the negative PSR obligations, but would that be truly ethical behavior? Would it not be a commendable fulfillment of PSR obligations to let the public know about such defects should the organisation deliberately neglect such whistles? If we accept the relevance of positive social responsibility for the person while denying it for the corporation, then we enter into a situation where personal obligations may anytime find themselves at variance with corporate obligations. Certainly this kind of situation cannot be conducive for creating an HPO. If we are not convinced about the need to become an HPO, we still need to act in the best interests of the company reputation — arguably the most important company asset. CSR, especially positive CSR, is perceived as a great way to enhance company reputation.

Often sustainability is considered to be at the core of the concept of CSR. In the simplest terms, one can define sustainability as the way of fulfilling the needs of present without compromising those of the future. One of the greatest value that organisations add to individuals is to survive them. They are not limited to the time-span of their founders. Attitude of a 100 meter racer can take one only there; it requires a different kind of attitude to survive a 50 km marathon. Sustainability apparently comes as the only way to fulfill such objectives. It is the attitude of optimizing business processes to get a sustained growth and profit over the years. It is too precious to be subordinated to the quest for growth and profit. Monsanto's attempts to commercialize the 'Terminator Seeds' is an excellent example of subordinating the greater good of society to the insatiable hunger for profits in a 'lawful' way. Little wonder then that CSR often demands voluntarily going beyond law!

Critics of CSR would be right if we equate it with charities and philanthropies. A corporation can earn profits in unethical ways and pass a certain portion of it to society in the form of charity. Enron was known to have produced excellent CSR reports on their initiatives annually before it crashed. Companies like

British American Tobacco (BAT) are accused of ulterior motives behind producing their CSR reports. The attempt to generate company reputation by such gimmicks is not CSR; it is much more fundamental. Michael Porter advocates the much needed shift of CSR from the public relations periphery to the strategic core of management. CSR requires striking a balance between stakeholders' needs and the company's need for growth and profit without tilting it in favor of one or the other.

AN EXAMPLE OF A GOOD CSR

Automobile giant Daimler Chrysler's Global Sustainability Network is dedicated to figuring out ways to use reusable raw material and biofuels in automobile production. Their seven-year long research culminated into identifying Sisal fibers produced in South Africa for usage in locally produced C-class Mercedes cars. The German firm Johann Borgers provided the fiber technology to Brits Textiles, one of the three South African organisations involved in the program. Daimler Chrysler's initiative is resulting into substantial money saving, transfer of technology from North to South, reduced environmental impact and opening up of new vistas for economic development in the African tropics.

GROWING ACCEPTANCE OF CSR

CSR is fast catching up with businesses these days. The above-mentioned issue of The Economist highlights that increasingly large multinationals are using their community services alongside profit to justify their existence in their annual reports. The UN Global Compact, a corporate citizenship project has gained the participation of 2,300 corporations in 87 countries. International Finance Corporation (IFC) has already invoked environmental and labor standards for investing in the private sector. International Standard Organisations (ISO) is developing ISO 26000 as the standards for social responsibility of organisations. Corporation 2020, a long-term project initiated in Boston by the representatives from the government, law, business, labor unions, academics and investors is exploring the possibilities of balancing the short-term shareholder interests with long-term stakeholder interests.

PROMINENT BUSINESS ADVANTAGES OF CSR

Since the concept of CSR is intimately connected with the concept of sustainability, the short-term financial gains are unlikely to motivate businesses to take up CSR seriously. Usually the benefits are more perceptible in the long run. Some of the more perceptible benefits are mentioned below: -

Increased Profit

Some academic studies like those done by Harvard University have indicated that CSR practices have a direct impact on the bottom-line of the company.

Access to Capital

Various indices like Dow Jones Group Sustainability Index, Morley Fund Management Sustainability Index, FTSE4Good Index etc. analyze CSR activities of various companies. With the concept of Socially Responsible Investment (SRI) fast catching up, the chances for companies with sound CSR practices to access capital are getting increasingly brighter.

Increased Operational Efficiency

Reduced waste production and water usage, recycling materials and increased energy efficiency often over-compensate the initial investment made, so as to make the process socially responsible. Dow Chemicals is set to reduce the production of 26 toxic chemicals; thereby, saving 5.4 million Euros per annum.

Human Resources

CSR can be a great way to attract qualified people and retain them. Measures like community volunteering are a great way to channelize the emotional and social needs of the employees for the greater good of society. It helps in brand building also. In a study conducted in EU countries in the year 1999, 87% of the employees said that they would increase their loyalty to the company if it is found socially responsible. An online survey conducted on MBA students by Net Impact, a nonprofit student leadership group having 130 chapters on four continents showed that 79 percent of all respondents would prefer joining a socially responsible company. 89 percent respondents agreed that business decision should factor their social and environmental impacts. Interestingly 78 percent respondents opined that CSR should be incorporated into core business courses.

Risk Management

Company reputation, its most precious and hard earned asset can be destroyed in a moment. Reports of its involvement in an 'oil-scandal' seriously damaged the well-crafted image of the oil-major Shell. Such situations cannot be obviated by a superficial CSR culture as Shell had at that time. If all the business processes are molded in a socially responsible manner, only then can the possibilities of risking the hard earned reputation be minimized.

Increased Sales and Customer Loyalty

A CSR Europe/ MORI study (2000) indicated that 70% of European consumers are considering a company's commitment to CSR. 1 out of every 5 respondents showed the willingness to pay more for a product manufactured by a socially responsible company. 1 in 6 respondents frequently decided against buying a product because of the company's reputation.

Brand Differentiation

Increasingly organisations like Infosys, Tata Group of companies, The Body Shop etc. are differentiating themselves from the rest on ethical grounds. Socially responsible corporations are more likely to add that elusive "X Factor" to their brands to get much needed competitive advantage.

Less Regulated Environment

Companies that are well known for their socially responsible behavior are likely to have a more receptive regulatory environment. Regulatory bodies are more likely to take a considerate position for a company with extensive CSR activities than for company that is not known for it.

Most of the advantages discussed above are hard to achieve by discharging the negative CSR obligations. This also makes a case to be engaged in positive CSR activities by assimilating it in the very culture of the organisation.

PROPOSED FRAMEWORK FOR CSR

Mere cosmetic changes can hardly make any corporation a socially responsible corporation. It requires a fundamental shift in the way the business is conceived and implemented. We propose a framework for CSR to achieve that end. While going through the framework, it should be kept in mind that we are advocating a balance between the stakeholders' needs and the corporate need for growth and profits. We are not in favor of sacrificing one for the sake of the other.

CSR, as we see it, requires a fundamental change in the way business is done. Abiding by law and adhering to standards amount to negative CSR, which every organisation is anyway supposed to do. A 'CSR - aware' corporate would love to set standards for others to follow in every aspect of its business. The proposed CSR Framework requires businesses to be responsible towards their employees, customers, environment, other businesses and other stakeholders. Numbers mentioned in brackets indicate the number of elements proposed for each area of responsibility. Let us have a closer look at each of the elements mentioned in figure 1 separately; however, it should be borne that these

elements would be applicable for different businesses mutatis mutandis.

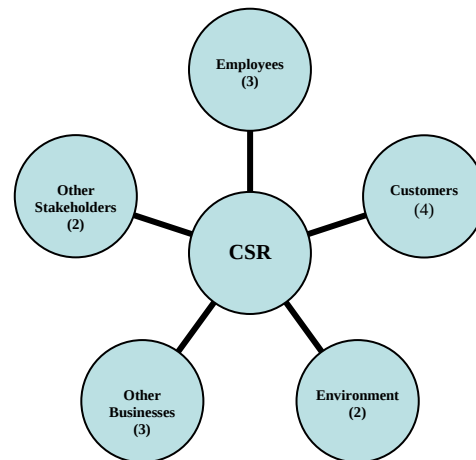


Figure 1: CSR Framework

Employees

A corporate can focus on three aspects to be called as responsible towards its own employees:-

Enriching experiences at work

A CSR - aware corporate would try its utmost to enrich experiences of employees at work. Some of the elements that help enhancing experiences at work are mentioned below:-

Recruitment: As far as practicable, a corporate should go for a recruitment process that provides the potential candidates with a realistic picture of the job life. Recruitment tool like Realistic Job Previews (RJP) and Job Compatibility Questionnaires (JCQ) are an excellent way to ensure that the corporate largely gets those qualified candidates who have made a well-informed choice to join. Employees who feel cheated after joining are not in the best interests of the company.

Compensation: No corporate can be called socially responsible if it fails to provide its employees with living wages on an equitable basis. The fruits of globalization are disproportionately reaching the employers. Workers' share in the US economy in terms of salary and wages declined by 2.5 percent from 2000 to 2005. In the same period, it declined by 3.1 percent in Germany and 3 percent in Japan. A CSR - aware corporation would not be a part of such trends. It would ensure that employers as well as employees get proportionate benefits of the economic pursuits of the company.

Organizational culture: A self-actualizing culture that provides employees with adequate freedom to develop and to contribute is something that creates a win-win situation for both employees and the corporate. A corporate will move towards CSR if it is able to create a culture that helps to bring the best out of every employee. It is not uncommon to find out corporates that have faced embarrassing situations due to some employees resorting to unethical means to meet or beat their performance targets. Having a culture that is based on sound ethical practices would ensure that the “do good” thing gets ingrained in the way employees work.

Employee voice: Employee voice and a sound and transparent grievance redressal mechanism is a must to ensure the continued trust of employees in the company. Without such trust, a conducive culture cannot be created.

Career management: A CSR - aware corporate would actively take interest in managing and developing the careers of the employees. If an employee understands that his/her employability increases substantially by remaining associated with the company, then his/her loyalty towards the organisation is also likely to increase. Thus a CSR - aware corporate is likely to face lesser employee turnover problems. SAS Corporation is an example in this case with almost negligible turnover rates.

Employee self service intranet: Such intranets are great ways to enhance the company-employee interaction. Leading corporations like Microsoft are using it with great results. They can be profitably used for handling employee queries, developing strategic competencies, developing careers, planning earnings and what not! High level of interaction between employees and the business is a mandatory requirement to be a CSR - aware corporate.

Labor standards: While excessive regulation can be a disincentive to go beyond, a laissez-faire situation may become a disincentive to ensure even minimum standards to further short-term interests of the corporate. Probably a good mix of legal and voluntary standards would work better to ensure at least core labor standards as specified by International Labor Organization's Declaration on Fundamental Principles and Rights at Work (1998). It will be great if an international consensus on doing business only with organisations ensuring core labor standards is reached. Clearly this makes government a very important player in ensuring a CSR-friendly environment. Often the foreign direct investors in developing countries seek a protected environment with all rights and no obligations. Such desires can hardly be just and regulations favoring them are likely to make matters worse. Labor and business cannot be seen as rivals; no

organisation can sustain itself by exploiting its own work-force.

Balancing work-life

CSR - aware corporates should strive to create a work-life balance for their employees so that sacrificing personal lives may not become a precondition for a successful professional life. Employees with serious work-life imbalance are likely to be highly stressed and unhappy with their situation. A CSR - aware corporation cannot afford to waste its employees like that.

Fostering micro-entrepreneurship

Responsibility and ethics presuppose ‘choice’, the freedom to decide between different possible courses of action. Corporates that foster a culture of micro-entrepreneurship are more likely to move towards the ideal of CSR as it provides that ‘choice’ to employees.

Customers

A CSR - aware corporation would care for its customers in every way possible.

Involving customers in the business

Advancements in the field of Information and Communication Technologies have made it possible to closely involve customers in the business. Interactive marketing is making it possible for corporates to closely involve customers in developing new products. It should go beyond merely asking their opinions via impersonal surveys.

Factoring customers' sensitivities

It is important for modern corporates to factor customers' sensitivities while delivering products and services. A CSR - aware corporate would definitely respect its customers in terms of their culture, ethics, tastes and preferences. Countries like India with strong sensibilities towards explicit sex in public are facing an interesting argument from film-makers — ‘We make such films because customers want them. If customers won't prefer them, then we will be forced to stop making such films for want of business’. The fallacy of such an argument may not be obvious but a closer look would make it clear to anyone. Murders and lootings are going on in the society since times immemorial. Should law facilitate them because there are some who want them? Should we provide for everything that someone wants? Should corporates supply nuclear weapons to terrorists because their demand is increasing in that market? Ethics and responsibility are there because we have a certain degree of freedom to choose our actions. Just catering to customers' preferences would not make a corporation CSR - aware; it is also important to assess its impact on the

society at large. A corporate need not assume the role of a moral police for the society, but it must make its own sensibilities clear as far as its own actions are concerned.

Customers' delight

Customer satisfaction is negative CSR, which just fulfills the minimum corporate responsibility towards them. A CSR - aware corporate would strive for delighting its customers by the way of its conduct, product and services.

Empowering customers

A CSR - aware corporate would not stop with delighting its customers, it would strive to empower them. Empowerment may have different meaning in different contexts. Probably for the customers in developed countries, it may mean providing a choice in as many aspect of customers' decision as possible. For other countries, it may also mean building up the purchasing power of customers. Project Shakti of Hindustan Lever Limited, the Indian subsidiary of Unilever is an example of such a move.

Environment

A CSR - aware corporation has to take care of the way it impacts its immediate and not so immediate environments directly or indirectly.

Eco-friendly production

Corporations should strive to change their 'Bill of Material' in a way that eco-friendly materials should get a chance as far as is practicable. It is not possible to replace all materials in all industries with eco-friendly alternatives now, but it is an ideal towards which corporates should move.

A corporate that wants to differentiate its brand on the basis of eco-friendly material will have to go about researching such possibilities on its own. It may be costly to research but it would be well worth the effort if it is strategic. Alternatively, corporations in similar businesses should come together to form a network to pool and share resources for researching and developing eco-friendly materials. Such a network can also be established with governments. Despite all talks about competition, the way to grow still passes through collaboration. Such arrangement would also facilitate wider acceptance of such protocols as the Kyoto and the Montréal. We hope that enlightened corporates would take note of our suggestions to explore such possibilities.

Eco-friendly production also involves looking for methods to make efficient use of natural resources and energy. Recycling wastes and finding out their commercially viable usage should be the focus of research for a CSR - aware corporate.

Ethical R & D

Corporations like Monsanto and many pharmaceutical companies have made countries like India their favorite guinea pig. It is not because India offers excellent research facilities but because it is yet to develop stringent rules and regulation that exist in countries like USA. A CSR - aware corporate would not look for exploiting loopholes in the existing regulations to foster its business interests; rather it would go for developing its own standards of research based on sound ethical principles.

Other Businesses

Businesses operate with their network of suppliers and client industries. A CSR - aware corporation would be careful about the way it conducts business with such networks. A corporation can establish best practices for CSR for itself and yet continue to do business with other corporations having dubious credentials in being socially responsible; this can hardly be referred to as a CSR - aware business practice. The challenge for modern multinationals is to ensure a socially responsible supply chain. The era of virtual organisations is seeing a tremendous wave of outsourcing of business processes; corporates are making profits on the outsourced products and services. Such business relations can be termed 'responsible' only if the businesses are partners in responsibility and not just in profits. Nike's experiences show that monitoring business partners may not help much in ensuring responsible business behavior. If large multinational corporations come together to invoke a common policy of doing business with socially responsible organisations in a transparent manner within or outside their home countries, then this problem can be tackled to a significant extent. Probably standards like ISO 26000 are going to be a great help in identifying responsible businesses across the globe.

Cooperation

Behind the deadly play of the hunter and the hunted in the jungle goes the magnificent drama of cooperation with nature. These are the times of intense competition and the winners are likely to be those who, apart from having other sources of competitive advantage, also have access to some kind of business network. A CSR - aware organisation would strive for developing a strong network of businesses that may create a win-win situation for all. Even the competing companies can find out certain areas of collaboration which may strengthen their positions in market without diluting their competitive advantage.

Extranets

Companies like Dell are using their extranets to have a transparent and timely business with their suppliers. Such extranets can minimize the inventory carrying costs by promoting 'build to order' manufacturing. A CSR - aware corporate would go even further to extend this extranet to the suppliers' suppliers or even beyond that. Dell is already on its way to achieving it and one can see that such corporates are likely to reap enormous benefits that such close and tight connectivity can provide.

Condemning unethical practices

Tata group denounced an airlines deal when they were asked for a bribe. It is important for a CSR - aware organisation not to foster such banes of society in the name of pragmatism.

Other Stakeholders

Corporates can divide their worlds into two parts: present stakeholders and prospective stakeholders. In a way, the entire society is a stakeholder in business. Socially Responsible Investments apart, there are still other ways in which corporates can cater to the needs of other stakeholders.

Getting involved in community activities to increase business

Corporates like Microsoft are often accused of ulterior business motives as far as their educational initiatives are concerned. Such issues would not arise in the first place if CSR could be differentiated from charity and philanthropy. It is unethical to indulge in charity for unstated business gains, but it cannot be unethical if a corporate does that with stated business objectives. The poor quality of high school graduates in USA is increasing the cost of training for companies that hire them. Such being the case, if companies invest in improving the quality of education, they are likely to get a long term benefit with enhanced loyalty of those who will be benefited by such a move. The 'Campus Connect' program of Infosys in India is an attempt to enhance the quality of engineering education and consequently the applicant pool. Such initiatives cannot be branded as unethical even if they are explicitly designed to benefit the business. These are the examples of a typical win-win situation for both the society and the company. We are not advocating that each corporate should do it separately. A network of corporates and governments with pooled resources can achieve such objectives far more efficiently and effectively. Many multinationals have raised their voice to provide Bangalore, the so called 'Silicon Valley' of India with a better infrastructure. It is in their best interest to ensure a better infrastructure for

the city, but it will also help all citizens. A CSR - aware corporation need not indulge in selfless service to discharge its social responsibilities. It can be far more effective if such motives are strategically aligned to increase long run corporate reputation and profits.

Responding to the emergent needs

This may be one area which may not be profitable for the corporate significantly, but still must evoke response from a CSR - aware corporate. A CSR - aware corporate would not shirk from participating in disaster mitigation efforts in the face of tsunami or earthquake just because it wouldn't earn profits for doing so. Helping society in issues of pressing concern would be an excellent way to win employee admiration and create a good name in society. A CSR - aware corporate may also offer to help governments and UN organisations in achieving some of the Millennium Development Goals. Again it would be wise if it is done in the form of a network so that a single corporate may not be forced to drain out shareholders' hard earned money. CSR is a matter of intelligent and *not* emotional decision. It should benefit the corporate and the society alike and only then can it be sustainable.

CONCLUSION

CSR is not a matter of a department within a corporate; it is the way of corporate life. Our framework attempts to put CSR in everything a corporate does and that is the sure way to sustainability, both for the business and the society. CSR pursued in the suggested manner would usher a **Corporate Social Renaissance**, which will not only restore the image of business in the post-Enron world, but will also pave the way for 'responsible profits'.

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A Cross-Cultural Analysis of Print Humorous Advertising in the UK and Greece

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Humor is a social expression with beneficial effects on physical and psychosocial health and well-being. In advertising, humor constitutes a communication strategy that targets consumers' attention and aims to create positive attitudes towards the ad and the brand. This paper discusses (the effects of) humorous print advertising on two culturally diverse markets, UK and Greece. A sample of 12,351 print advertisements was collected from the largest circulation UK and Greek magazines and was examined using content analysis. Limited studies have focused on the ways in which the humorous content varies across national cultures, and the present paper attempts to shed light on this gap. The results show that although the overall incidence of humor in the UK is significantly greater than in Greece, similarities in the creative strategies of the same product categories and the same types of magazines (men's, women's and general audience magazines) tend to exist, indicating the importance of product and gender characteristics.

Humor is panhuman (Ziv 1988), it is present in both tribal and industrialized societies (Apte 1985). As Berger (1987, p. 6) states: "Humor is...all pervasive; we don't know of any culture where people don't have a sense of humor, and in contemporary societies, it is found everywhere--in film, on television, in books and newspapers, in our conversations, and in graffiti". However, consumers' preference in humorous content varies among different countries, due to the social conditions and restrictions prevailing in each country (Nevo, Nevo and Yin 2001).

Humor is one of the most commonly used emotional appeals in advertising (Beard 2005). The research papers that have examined the role of humor

in the advertising effectiveness can be grouped into three broad categories. The first group of studies focuses on the source and the message factors, namely the

relatedness between humor elements and message elements (Alden and Hoyer 1993; Flaherty, Weinberger

and Gulas 2004; Speck 1991). The second stream of studies concentrates on situational factors, such as the program context (Furnham, Gunter and Walsh 1998; Gunter et al. 2002; Perry et al. 1997). Finally, a number of research papers have examined the role of the advertising audience's individual factors, for instance, the effect of need for cognition (Cline, Altsech and Kellaris 2003), need for levity (Cline and Kellaris 1999) and affect intensity (Geuens and Pelsmacker 1999).

Few researchers have focused on the ways in which the humorous content varies across national cultures (Alden and Hoyer 1993). The contemporary global marketplaces engender the need for global campaigns, transposing the researcher's concern from the local – oriented studies to cross-cultural approaches. In the following discussion, the use of humor types in UK and Greek print advertising are compared, using the humorous message taxonomy (Speck 1991) and Rossiter and Percy's (1997) brand attitude grid. The following research questions are formulated:

1. Do the use of humor processes, the use of humor types, and the use of types of relatedness vary between UK and Greek print advertisements?
2. Do the use of humor processes, the use of humor types, and the use of types of relatedness vary across men's, women's and general audience magazines (UK and Greek magazines)?
3. Do the use of humor processes, the use of humor types, and the use of types of relatedness vary across product groups?

Prior studies focused mainly on television advertising and were based on relatively small samples. In the present study 7,337 UK ads and 5,014 Greek print ads were content analyzed. This study adds to the growing literature on cross – cultural studies of humorous advertising and provides insights into the understanding of humor structural elements, the relationship between humor types and nature of products and the role of the target audience's gender. Also contributes to the discussion on the cross-cultural studies involving Mediterranean European countries.

The rest of the paper is arranged as follows: Initially, a review of the cross – cultural literature on humorous advertising is made. Second, three alternative humor taxonomies are analysed and a special reference on Speck's *humorous message taxonomy* is made. The research procedure is described in the methodology section. Finally,

in the results – discussion section the findings are analyzed and are explained based on the relevant literature.

LITERATURE REVIEW

Cross – Cultural Studies of Humorous Advertising

Weinberger and Spotts (1989) undertook a survey of US and UK ad agency executives. They content analysed 450 US and 247 UK TV ads in terms of the use of humor, using Kelly and Solomon's (1975) technique typology and the Foot Cone and Belding (FCB) grid (Vaughn 1980 1986). UK managers appeared significantly more positive regarding the use of humor in advertising and they believed that humor constitutes an effective communication strategy. Furthermore, UK managers, compared to American executives, considered that humor is not limited by the gender and the education level of perceivers. American and UK executives agreed that humor appealed more to younger groups. On the contrary it did not seem to attract the interest of older audiences. There was a general consensus for the notion that humor is more suitable for radio and TV commercials. Interestingly, UK executives claimed that the use of humor can also contribute significantly to the effectiveness of print and outdoor advertising. Finally, according to the content analysis the 24.4 per cent of the US and 35.5 per cent of the UK commercials were coded as being humorous. In terms of the type of humor employed in US and UK commercials, it seems that both of them incorporated mainly ludicrous humor (US 66.4%, UK 59.1%), satire (US 26.4%, UK 33.3%) and pun (US 4.5%, UK 14.0%).

Toncar (2001) replicated a portion of the Weinberger and Spotts (1989) study. He analysed the use of humor in TV commercials, in the US and the UK and proposed that the overall use of humor has become more similar in the two countries. The sample of his study was 848 US ads and 282 UK ads. Both Weinberger and Spotts (1989) and Toncar (2001) revealed that humor is being used significantly more often in the UK ads, compared to the US ads. In both markets, humor was most often used to promote low – involvement feeling products and least often used to promote high involvement feeling products.

Alden and Hoyer (1993), focused on Raskin's script semantic theory of humor and its use across different countries. They conducted a comparative content analysis of US, German, South Korean, and Thailand television humorous advertising. In all four countries, the percentage of humorous advertisements that contained incongruent humorous contrasts ranged from 57% to 92%. Thus, the researchers concluded that humorous contrasts could constitute the common theme of a global advertising campaign, since the majority of people

around the world perceive contrasts as comic, funny, or ludicrous.

De Pelsmacker and Geuens (1998) carried out a quantitative study on a sample of 100 Polish students and 115 Belgian students, examining the communication effects of four types of print ads, warm, erotic, humorous and non-emotional. According to their conclusions in Belgium the emotional advertising induced significantly more positive attitude towards the ad and attitude towards the brand, while in the Polish case humour and eroticism triggered more favourable responses. Erotic ads in Poland achieve higher ad and brand recognition.

Koudelova and Whitelock (2001) content analyzed 102 Czech TV advertisements and 210 UK commercials in order to compare advertising in the two countries. In terms of humor, using a part of Kelly and Solomon's technique typology (1975) (pun, joke, ludicrous, satire and irony), they indicated that 25.8 per cent of the UK and 8.9 per cent of the Czech commercials were viewed as having a humorous intent. In particular, the 15.2% of UK commercials and 4.9% of the Czech ads employed some kind of joke and only the 5.3% of UK TV ads and the 1.9% of the Czech ads incorporated puns.

Nevo, Nevo and Yin (2001), conducted a content analysis of jokes supplied by Singaporean and US students using three self – report questionnaires. Their findings revealed that jokes supplied by Singaporean students were more conservative than those written by American students. Furthermore, Singaporean students compared to the American ones, reported a significantly greater number of jokes with aggressive content and relatively fewer jokes with sexual connotations.

The typologies of humor

Raskin (1985) analysed humor under the prism of linguistics, and proposed the **Script-based Semantic Theory**. This theory states that a verbal or written communication is considered a joke when the "text...is compatible fully with two distinct scripts and the two scripts are opposite in certain definite ways such as good-bad, sex-no sex, or real-unreal." The third element, the punchline, "switches the listener from one script to another creating the joke" (Raskin 1985 p. 34-35). According to Raskin (1985), there are three different types of humorous contrasts: (1) actual/existing and non-actual/non-existing; (2) normal/expected and abnormal/unexpected; and (3) possible/plausible and fully/partially impossible or even less plausible.

One of the most recent taxonomies of humor in advertising is **Stern's taxonomy of comic types** (1996). Stern's taxonomy is a framework mapped into a two-dimensional space, which is used to derive two bipolar continua. The horizontal continuum has "physical humor" on one end engendered by action, and verbal humor on the other end that emphasises speech and language. The vertical continuum displays the "romantic comedy" on one end,

aiming at sharing pleasure as well as creating bonds with others, and “satiric comedy” on the other end that enables people to “derogate” others.

According to **Speck’s humorous message taxonomy** (1991), humor is engendered from three underlying processes, incongruity resolution, arousal safety, and humorous disparagement.

According to the **incongruity - resolution process**, during an advertisement, there are events, pictures or texts presented, which comprise some type of schema incongruity. Thus, the person does not conceive at once the connection of different events, pictures, or texts, since the entire stimulus event does not comport with his expectations. This fact grabs attention. Then some advertising cues provide the linkage (punchline) of different events, pictures, or texts resolving incongruity and leading to humor appreciation. In the **arousal – safety process** “laughter occurs when a person has experienced heightened arousal but at the same time (or soon after the arousal) evaluates the stimulus (usually another person) as safe or inconsequential”. Kaplan and Sadock (1981) define arousal as “a psycho-physiological concept pertaining to the activation of nervous system”. Finally, humorous disparagement process always implies a triadic relationship: joke – teller, joke – hearer and victim. The joke – teller attacks the victim. The victim can be present or not. The joke -hearer is asked to forgive the attack, and he has the clue of accomplice, while humor serves as reward.

There are five types of humor, all generated from the combination of the three aforementioned humor processes namely: **comic wit, sentimental humor, satire, sentimental comedy, and full comedy** (table1).

Apart from the three underlying humor processes and the five types of humor, Speck (1991) developed a broader typology concerning the humor relatedness in an ad, namely the relationship between humor elements to the message elements:, intentional relatedness structural relatedness and semantic relatedness. **Intentional relatedness** deals with the separation between humor - dominant advertisements and message - dominant advertisements (information and image dominant ads). **Structural relatedness** refers to the syntactical function of humor within message – dominant advertisements and of product information within humor – dominant advertisements. The connection between humor and product deals with the use of product information as structural elements of humor in humor – dominant ads or the use of humor in order to facilitate the message

effectiveness in message – dominant ads. In the later case, research coders should define the position of subordinate humor elements (initial humor, embedded humor, and closing humor). The relationship of humor to product - related themes is a type of **semantic relatedness**. Thus, humor can be thematically related to the product themes or thematically unrelated to the product themes.

TABLE 1
TYPES OF HUMOR

	<i>Incongruity - resolution</i>	<i>Arousal - Safety</i>	<i>Humorous Disparagement</i>
<i>Comic wit</i>	X		
<i>Sentimental humor</i>		X	
<i>Satire</i>	X		X
<i>Sentimental comedy</i>	X	X	
<i>Full comedy</i>	X	X	X

Source: Speck, 1991

The Evaluation of the three typologies of humor

The three typologies of humor are evaluated in terms of their ability to explain the cognitive, affective and interpersonal mechanisms that create humor. Their capacity to interpret both verbal and visual humor is also discussed.

In search of the fundamental mechanisms that produce humor, McGhee (1974) and Wicker, William and Amy (1980) concluded that humor is produced by: cognitive, affective and interpersonal mechanisms. Speck’s humorous message taxonomy (Speck 1991) encompasses these mechanisms, as the incongruity resolution process conveys the cognitive mechanisms, the arousal – safety process the sentimental mechanisms and the humorous disparagement process the interpersonal mechanisms. On the contrary, the script – based semantic theory (Raskin 1985), conveys only the cognitive mechanisms, while the taxonomy of comic types (Stern 1996) conveys only the affective (romantic comedy) and the interpersonal mechanisms (satiric comedy) (Table 2).

TABLE 2
THE COMBINATION OF THE THREE TYPOLOGIES OF HUMOR AND THE THREE HUMOR MECHANISMS DEFINED BY MCGHEE (1974)

	<i>Cognitive Mechanisms</i>	<i>Sentimental Mechanisms</i>	<i>Interpersonal Mechanisms</i>
Script – Based Semantic Theory (Raskin 1985)	(1) actual and non-actual (2) expected and unexpected (3) possible and fully/partially impossible		
Taxonomy of comic types (Stern 1996)		Romantic Comedy	Satiric Comedy
Humorous Message Taxonomy (Speck 1991)	Incongruity Resolution	Arousal Safety	Humorous Disparagement

Good visual content is critical, when a brand satisfies positive motives (social approval or sensory gratification) (Rossiter and Percy 1997). On the other hand, the advertising of high risk products that satisfy negative motives, for example a refrigerator, a washing-machine and an electric cooker, requires the verbal explanation of the advantages the brand offers. Consequently, a complete classification of humor should be applied on both verbal and visual humor. This would enable the analysis of all product categories and enhance the comparability of the findings in various studies.

The script – based semantic theory (Raskin 1985) focuses exclusively on the verbal humor and cannot explain all the humorous aspects of a television advertisement. On the other hand, Speck's (1991) as well as Stern's theory (1996) can explain both verbal and visual humor. However, the use of Stern's taxonomy of comic types (1996) is advisable only in the case of television advertising, since natural comedy can exist neither in the radio nor in the print ads (Table 3).

TABLE 3
VERBAL AND VISUAL HUMOR

	<i>Verbal Humor</i>	<i>Visual Humor</i>
Script – Based Semantic Theory (Raskin 1985)	(1) actual and non-actual (2) expected and unexpected (3) possible and fully/partially impossible	
Taxonomy of comic types (Stern 1996)	Verbal Comedy (with limitations)	Visual Comedy (with limitations)
Humorous Message Taxonomy (Speck 1991)	Incongruity Resolution Arousal Safety Humorous Disparagement	Incongruity Resolution Arousal Safety Humorous Disparagement

METHODOLOGY

Content analysis was used in order to test the research questions. Content analysis provides “a scientific, quantitative, and generalizable description of communications content” (Kassarjian 1977, p.10). Twenty nine researchers were trained on the details of the task and the dimensions of the constructs being measured, the methodology of humorous message

taxonomy (Speck 1991) and the methodology of the brand attitude grid (Rossiter and Percy 1997). The 29 coders were trained on a great number (100) of related examples. Discrepancies in coding were resolved by a third judge. The largest circulation UK and Greek magazines were analysed (table 4). The final sample was 12.351 (7.337 UK ads and 5.014 Greek ads) print advertisements (after removing the duplicate ads).

TABLE 4
THE CONTENT ANALYZED MAGAZINES

<i>UK</i>	<i>GREECE</i>
<i>Women's Magazines (36 issues)</i>	<i>Women's Magazines (36 issues)</i>
Marie Claire (12 issues), Cosmopolitan (12 issues), Vogue (12 issues),	Marie Claire (12 issues), Cosmopolitan (12 issues), Vita (12 issues),
<i>Men's Magazines (36 issues)</i>	<i>Men's Magazines (36 issues)</i>
FHM (12 issues), CQ (12 issues), Loaded (12 issues)	Men's Health (12 issues), Men (12 issues), Esquire (12 issues)
<i>General Audience (24 issues)</i>	<i>General Audience (24 issues)</i>
Face (12 issues), Traveler (12 issues)	Lifestyle (12 issues), CLICK (12 issues)

ANALYSIS OF RESULTS (DISCUSSION)

Overall, 33.6% of UK ads and 27% of Greek advertisements were described as humorous (table 5). In a relevant vein, Weinberger and Spotts (1989) and Toncar (2001) revealed that humor appears significantly more frequently in the UK than in the USA. Besides, Koudelova and Whitelock (2001) indicated that humor is used significantly more often in UK ads compared to the Czech commercials, while Whitelock and Rey (1998) proposed that humor is incorporated in advertising to a greater extent in the UK than in France. These findings show that British advertisers favor the use of humor.

Statistically significant differences in the use of humor processes were found, since Greek advertisers concentrate on the incongruity resolution process, while their UK counterparts use more often arousal safety process (table 5). Regarding the humor types, comic wit appeared significantly more frequently in Greece than in the UK, whereas the frequency of sentimental humor and full comedy were significantly higher in the UK than in Greece (table

5). Furthermore, content analysis revealed that 64.4 per cent of the humorous ads in the UK are humor dominant while the respective percentage for Greece is 43.1 per cent. On the contrary, Greek advertisers prefer information dominant print ads to a greater extent than UK advertisers do. This is consistent with Lannon's (1986) scenario that British advertisers use more soft sell methods, which would include greater use of humor. Finally, interestingly UK ads incorporated more often closing humor than Greek ads (table 5).

Emphasis was given on the effect of the various types of magazines (male, female, and general audience magazines) on the use of humor. Both in the UK and Greece, the male and female audience magazines employ a significantly more humorous approach on the advertised brands compared to the general audience magazines (table 6). Furthermore, some differences in the use of humor processes are apparent. Both UK and Greek humorous ads promoted in general audience magazines involve mainly incongruity resolution process. However, UK advertisers use the arousal safety process more frequently in women's magazines, whilst their Greek counterparts in general audience magazines. UK men's magazines contain a greater number of

advertisements that involve the humorous disparagement process (table 6).

TABLE 5
UK VERSUS GREECE

Variables	UK (%)	Greece (%)
Total Sample	7.337	5.014
Humorous Ads **	33.6%	27%
Humor Processes		
1. Incongruity –resolution **	86.0%	89.0%
2. Arousal – Safety *	26.6%	23.2%
3. Humorous Disparagement	11.2%	9.5%
Humor Types		
1. Comic wit*	63.6%	67.1%
2. Sentimental humor**	12.5%	9.2%
3. Satire	9.2%	8.1%
4. Sentimental comedy	11.6%	12.8%
5. Full comedy**	2.0%	1.0%
6. Other	0.2%	0.4%
Intentional Relatedness		
1. Humor-dominant **	55.5%	43.1%
2. Information- dominant **	31.6%	43.9%
3. Image-dominant	12.5%	11.8%
Humor position		
1. Initial humor	64.4%	65.0%
2. Embedded humor	30.3%	31.8%
3. Closing humor*	5.3%	3.1%
Semantic Relatedness	93.9%	94.3%
Structural Relatedness	95.1%	96.5%

* p<.05, ** p<.01

In Greece, the situation seems to be more balanced, regarding the use of the humorous disparagement process, (10.4 per cent in men's magazines, 10.6 per cent in general audience magazines and 8.6 per cent in women's magazines). Regarding the humor types, similar creative strategies were found overall across both countries. In particular, it seems that in Men's magazines satire is preferred, while in general audience magazines comic wit and sentimental comedy, and in women's magazines sentimental humor (table 6). Moreover, humor dominant ads appear to target mainly men, whilst information dominant ads women and image

dominant ads general audience (table 6). Humorous ads are considered more effective when the target audience consists of men versus women (Madden and Weinberger 1982). Humor dominant advertisements seem to incorporate higher levels of humor, as opposed to information dominant and image dominant ads Hatzithomas and Boutsouki (2006). This could explain why humor – dominant advertisements target mainly men. Finally, the findings concerning the humor position, within the advertisement, are similar in both countries. Initial humor is employed more often in women's magazines, whereas embedded humor and closing humor in men's magazines (table 6).

Regarding the use of humor across the product categories, the present study further supports Spotts et al (1997) findings. Humor seems to be employed mainly in the advertisements of low involvement products that fulfil positive motives and least often used in high involvement products that satisfy positive motives (table 7). Similarly, two studies (Weinberger and Spotts 1989; Toncar 2001) that evaluated the use of humor using the FCB planning matrix, indicated that a larger proportion of low involvement - feeling products employ humorous appeals. In the products with a positive motivation, advertising focuses mainly either on humor or on image and to a lesser extent on information, compared to the products with a negative motivation in which information – dominant ads are chosen (table 7). This is consistent with Rossiter – Percy's recommendation (1997) that advertisements of product decisions driven by positive motivations should emphasise primarily emotional authenticity and to a lesser extent information (Percy and Elliot 2005).

CONCLUSIONS

Despite the significance of humor in advertising, relatively few cross-cultural studies of humor are available (Spotts 1989; Toncar 2001; Alden and Hoyer 1993; De Pelsmacker and Geuens 1998; Koudelova and Whitelock 2001; Nevo, Nevo and Yin 2001).

The present study reveals a number of significant differences between humorous advertising in the UK and Greece. In terms of the use of humorous advertising, a significantly higher percentage of advertisements in the UK compared to Greece were found to have a humorous intent. Besides, a significantly higher frequency of humor-dominant humorous ads was found in the UK ads. Greek advertisers seem to concentrate on more simple humorous advertising executions. Thus, the Greek humorous advertisements involve mainly the incongruity resolution process and focus on comic wit.

TABLE 6
UK VERSUS GREECE REGARDING THE TYPE OF MAGAZINES

<i>Variables</i>	<i>UK (%)</i>			<i>Greece (%)</i>		
	Men's (%)	General Audience (%)	Women's (%)	Men's (%)	General Audience (%)	Women's (%)
<i>Humorous Ads</i>	33.9**	18.2**	36.7**	28.8**	22.0**	28.3**
<i>Humor Processes</i>						
1. Incongruity –resolution	90.9**	94.0**	83.0**	90.6*	93.1*	86.9*
2. Arousal – Safety	22.7**	22.6**	28.8**	22.0*	30.0*	21.9*
3. Humorous Disparagement	14.4*	7.1*	10.2*	10.4	10.6	8.6
<i>Humor Types</i>						
1. Comic wit	65.0*	71.4*	62.2*	67.9	61.3	68.3
2. Sentimental humor	7.1*	4.2*	15.8*	6.9*	6.9*	11.1*
3. Satire	11.5*	7.1*	8.3*	10.1	8.8	6.7
4. Sentimental comedy	13.2*	16.1*	10.4*	13.8**	21.2**	9.9**
5. Full comedy	2.9	0.0	1.8	0.7	1.8	0.9
6. Other	0.3	0.0	0.3	0.2	0.0	0.7
<i>Intentional Relatedness</i>						
1. Humor-dominant	62.9**	42.9**	52.7**	49.5**	48.8**	37.9**
2. Information- dominant	19.5**	36.9**	36.6**	34.8**	30.9**	52.8**
3. Image-dominant	17.5**	19.6**	9.5**	15.6**	20.3**	7.3**
<i>Humor position</i>						
1. Initial humor	40.7**	57.3**	74.0**	54.4**	54.9**	72.5**
2. Embedded humor	44.8**	40.6**	23.6**	41.3**	39.8**	25.5**
3. Closing humor	14.4*	2.1*	2.3*	4.4	5.3	2.0
<i>Semantic Relatedness</i>	92.8**	79.8**	94.7**	96.3**	81.6**	96.9**
<i>Structural Relatedness</i>	94.4*	79.5*	96.9*	95.2	96.2	97.5

* p<.05, ** p<.01

Moreover, our results provide evidence of the significance of type of magazine and product category in the content of humorous advertising. Men's magazines employ significantly more aggressive types of humor, such as satire, while women's magazines adopt more sentimental approaches, such as "sentimental humor". On the other hand, in general audience magazines neutral types of humor are preferred, as for instance comic wit.

Furthermore, humor seems to be more appropriate for low involvement products and less for high involvement products that satisfy negative motives. The findings also indicate that when there

are positive motives, advertisers prefer humor-dominant and image-dominant ads. On the contrary, when motivation is negative, information-dominant ads are considered to be more suitable.

MACROMARKETING IMPLICATIONS

The key macromarketing implications for this study stem from the similarities discovered between the two countries. Both UK and Greek advertisers use mainly incongruity resolution process in order to produce humorous appeals (Table 5). In line with present research paper, Alden and Hoyer (1993) indicated that

the incongruity and/ or incongruity resolution processes are the common denominator of humorous advertisements around the world. Thus, according to

them, incongruity, and/ or incongruity resolution processes could be the core of a global standardized communication strategy.

TABLE 7
UK VERSUS GREECE REGARDING THE NATURE OF PRODUCTS

<i>Variables</i>	<i>UK (%)</i>				<i>Greece (%)</i>			
	1	2	3	4	1	2	3	4
<i>Humorous Ads</i>	38.1**	20.4**	52.3**	51.0**	30.8**	19.8**	39.7**	43.4**
<i>Humor Processes</i>								
1. Incongruity –resolution	89.2**	87.0**	83.0**	87.9**	95.3**	86.4**	91.0**	84.4**
2. Arousal – Safety	22.9**	23.6**	33.6**	19.0**	19.8	23.4	26.2	21.6
3. Humorous Disparagement	9.1	10.9	11.7	13.7	10.1	10.6	7.8	8.0
<i>Humor Types</i>								
1. Comic wit	69.5**	65.7**	57.5**	67.6**	71.2	64.5	66.7	68.3
2. Sentimental humor	9.1**	10.9**	16.7**	8.8**	5.0	10.6	9.7	10.1
3. Satire	7.6	9.0	9.1	12.1	8.3	9.0	6.5	7.5
4. Sentimental comedy	11.9	10.6	13.2	8.8	12.6	11.9	15.6	11.6
5. Full comedy	1.5	1.8	2.7	1.3	1.8	0.9	0.9	0.5
6. Other	0.0	0.7	0.0	0.3	.0**	1.1**	.0**	.0**
<i>Intentional Relatedness</i>								
1. Humor-dominant	47.2**	56.4**	52.7**	70.6**	25.9**	55.0**	25.2**	61.8**
2. Information- dominant	43.4**	25.5**	36.1**	15.0**	65.6**	29.4**	67.6**	17.1**
3. Image-dominant	8.9**	16.6**	10.6**	13.4**	7.9**	13.8**	7.2**	19.1**
<i>Humor position</i>								
1. Initial humor	58.0**	51.4**	78.6**	60.0**	71.4**	56.0**	73.0**	52.4**
2. Embedded humor	38.0**	41.5**	17.5**	30.6**	26.1**	40.2**	24.5**	42.7**
3. Closing humor	4.0	7.1	3.9	9.4	2.5	3.7	2.5	4.9
<i>Semantic Relatedness</i>	93.6*	91.8*	94.9*	90.5*	97.5**	94.3**	94.7**	88.9**
<i>Structural Relatedness</i>	98.7**	93.0**	96.3**	92.9**	98.6	96.8	98.8	93.0

1: High Involvement Negative Motivation, 2: High Involvement Positive Motivation,
3: Low Involvement Negative Motivation, 4: Low Involvement Positive Motivation

* p<.05, ** p<.01

Moreover, this study indicated that comic wit and initial humor are the humorous execution elements that are preferred mostly in the countries analysed. Surprisingly, both UK and Greek advertisers chose similar strategies in terms of the target audience's gender. The same category of magazines tends to incorporate the same (similar) humorous elements in both countries. In addition, the category of products seems to affect the use of humor

and the type of semantic relatedness developed between humor elements and message elements.

Do the aforementioned conclusions provide evidence that UK and Greek consumers are becoming homogenous in their humor preferences? Wierenga, Pruyn and Waarts (1996) claimed that there are tremendous differences among the countries of the European Union. European Union consists of six major "clusters" in terms of consumers' needs and purchasing behaviors (Vandermerwe and L'Huillier 1992). Within each of them, the standardization of marketing is

possible. UK and Greece belong to different market clusters and it could be assumed that their consumers prefer different types of humor.

However, transportation and mass media, multinational consumer goods, entertainment personalities (e.g. singers, movies, television stars and sports heroes) and international advertising campaigns have created a common basis for the understanding of consumers around the world. For instance, some television series such as Dallas and Dynasty have gained worldwide popularity (Belk 1996). As a result, especially young people across Europe have developed unified tastes in music, sports, and cultural activities (Guido 1992). These common experiences can provide the raw material for standardized humorous advertising that will be appealing to both UK and Greek consumers.

Advertisers should be careful with ethnic humor and generally with disparaging humor. Disparaging humor can at the same time unite and divide the target audience, drawing a line between participants and outsiders (Meyer 2000). If the perceiver doesn't share the opinion being communicated and disagree about the perspective, he may identify with the disparaged advertising character and consider the ad insulting and offensive. Indeed, when satire crosses the line from tolerance to offensiveness, the commercial may irritate and annoy the advertising audience (Stern 1996; Zillman and Stocking 1976). On the other hand, an advertising audience in strong agreement with the subject of humor identifies with the source of message (Meyer 2000), the advertising and the brand. Hence, depending on the agreement or disagreement with the subject of humor and on the identification with the joke teller or the victim, the advertising audience experiences different levels of perceived humor and irritation.

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