The 35th Annual Meeting of the Macromarketing Society

Exploring the Frontiers of Macromarketing

Papers of the 35th Annual Macromarketing Conference

University of Wyoming
Laramie, Wyoming, USA
June 9-12, 2010

Program Chair:
Terri L. Rittenburg, University of Wyoming

Arrangements Chair:
Mark Peterson, University of Wyoming

Conference Sponsors:
The Macromarketing Society, Inc.
The Daniels Fund, Denver, Colorado
School of Energy Resources, University of Wyoming
College of Business, University of Wyoming
Department of Management & Marketing, University of Wyoming
&
Journal of Macromarketing
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Cover Photo: Terri Rittenburg
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Editor’s Notes:

Special thanks for all those who contributed their time and energy serving as track chairs for the conference. Their suggestions, cooperation, and diligence played a crucial role in the creation of an academically stimulating program for the 35th Macromarketing Conference. We would like to commend them for all their efforts.

Track Chairs*

Art, Culture, and Markets
Kent Drummond, University of Wyoming, USA

Competition and Markets
William Redmond, Indiana State University, USA

Environment, Nature, and Sustainability
Pierre McDonagh, Dublin City University, Ireland
Andrea Prothero, University College Dublin, Ireland

Ethics, Equity, and Justice
Eugene Laczniak, Marquette University, USA

Food Marketing Systems
Tim Burkink, University of Nebraska at Kearney, USA
Julie Stanton, The Pennsylvania State University, USA

Globalization
Ahmet Ekici, Bilkent University, Turkey

Macromarketing Education
David Hunt, University of Wyoming, USA
Scott Radford, University of Calgary, Canada

Marketing and Development
Kenneth Beng Yap, University of Western Australia, Australia

Marketing and Public Policy
Elizabeth Moore, University of Notre Dame, USA
William L. Wilkie, University of Notre Dame, USA

Marketing History
Leighann Neilson, Carleton University, Canada

Materialism and Consumption
William Kilbourne, Clemson University, USA
Poverty and Subsistence Societies
José Antonio Rosa, University of Wyoming, USA

Quality of Life
Alexandra Ganglmair-Wooliscroft, University of Otago, New Zealand
Don Rahtz, College of William and Mary, USA

Religion and Markets
John Mittelstaedt, Clemson University, USA
Delia Perez Lozano, Tecnologico de Monterrey, Mexico

Sports and Society
Bettina Cornwell, University of Michigan, USA

Systems and Networks
Ben Wooliscroft, University of Otago, New Zealand

Underresearched Stakeholders
Aubrey R. Fowler III, Valdosta State University, USA
James Gentry, University of Nebraska-Lincoln, USA

*Papers submitted by track chairs to their own tracks were independently reviewed. The review process was handled by the program chair.

In addition to the track chairs, others contributed their time and effort as reviewers for the many papers that were submitted. They should all be commended as well.

Ad Hoc Reviewers
John Anderson, University of Nebraska at Kearney, USA
A. Dwayne Ball, University of Nebraska-Lincoln, USA
Andrés Barrios Fajardo, Lancaster University, UK
Fred Beard, University of Oklahoma, USA
Terry Beckman, Queen’s University, Canada
Raymond Benton, Loyola University Chicago, USA
Jozsef Beracs, Corvinus University of Budapest, Hungary
Shona Bettany, Bradford University, UK
Jan Brace-Govan, University of Monash, Australia
Sylvain Charlebois, University of Regina, Canada
David Clampil, Liverpool John Moores University, UK
Janine Dermody, University of Gloucestershire Business School, UK
Susan Dobscha, Bentley University, USA
Andreas Falkenberg, Agder University, Norway
Jim Freund, Lancaster University, UK
Michaela Haase, Freie Universität Berlin and Institut für Markt-Umwelt-Gesellschaft, Germany
Louise Heslop, Carleton University, Canada
Ronald Hill, Villanova University, USA
We would also like to thank Alex Brauer, a University of Wyoming graduate student, who worked diligently as editorial assistant for this proceedings book.
Macromarketing Milestones
The first Macromarketing Seminar was organized by Professor Charles Slater at the University of Colorado in August, 1976. Since then, an unbroken series of 34 meetings has been held annually. Sometimes referred to as the “macromarketing seminar” and at other times as the “macromarketing conference,” these meetings have convened in the U.S. (25 times), Canada (3), Norway (2), Australia (1), Croatia (1), the Netherlands (1), and New Zealand (1). Along with the creation of the Journal of Macromarketing in 1981 and the incorporation of the Macromarketing Society on March 1, 2004, these gatherings define macromarketing as a separate field of scholarly knowledge. For further information on the history of macromarketing, see Stanley J. Shapiro. 2006. Macromarketing: Origins, development, current status and possible future direction. European Business Review 18 (4): 307-321.

<table>
<thead>
<tr>
<th>Year</th>
<th>Theme, Host, and Venue</th>
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<tbody>
<tr>
<td>2009</td>
<td>Rethinking Marketing in a Global Economy, University of Agder, Kristiansand, Norway, June 4-7</td>
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<td>2008</td>
<td>Macromarketing: Systems, Causes, and Consequences, Clemson University, Clemson, South Carolina, USA, June 4-7</td>
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<td>2007</td>
<td>Macromarketing and Development: Building Bridges and Forging Alliances, Washington, D.C., USA, June 2-5</td>
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<tr>
<td>2006</td>
<td>Macromarketing—the Future of Marketing?, University of Otago, Queenstown, New Zealand, June 6-8</td>
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<td>2005</td>
<td>Discourse, Diversity and Distinction: Macromarketing at 30 Years (special sub-theme: Remember the Titans), University of South Florida, St. Petersburg, Florida, USA, May 25-31</td>
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<tr>
<td>2004</td>
<td>Macromarketing Scholarship and Education for a Global Century, Clemson University and Simon Fraser University, Vancouver, Canada, May 29-June 1</td>
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<td>2003</td>
<td>Marketing to Diverse Cultures, Foxwoods Resort Casino, Mashantucket, Connecticut, USA, August 11-14.</td>
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<td>2002</td>
<td>Macromarketing in the Asia Pacific Century, University of New South Wales and University of Western Australia, Sydney, Australia, June 11-14</td>
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<td>2001</td>
<td>Globalization and Equity, The College of William &amp; Mary, Williamsburg, Virginia, USA, August 7-10</td>
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<td>2000</td>
<td>Marketing Contributions to Democratization and Socioeconomic Development, University of Rijeka, Lovran, Croatia, June 22-25</td>
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<td>1999</td>
<td>Macromarketing and Twenty-First Century Challenges, University of Nebraska, Lincoln, Nebraska City, Nebraska, USA, August 12-15</td>
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<td>1998</td>
<td>Redoubling Efforts: Impact, Challenges, and Opportunities, University of Rhode Island, West Greenwich, Rhode Island, USA, August 12-15</td>
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<td>1997</td>
<td>22nd Annual Macromarketing Conference, Norwegian School of Economics and Business Administration, Bergen, Norway, June 14-17</td>
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<td>1996</td>
<td>21st Annual Macromarketing Seminar, “Macromarketing, Marketing History, and Public Policy Track,” held in conjunction with the American Marketing Association Summer Educators’ Conference, San Diego, California, USA, August 3-6</td>
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<td>1995</td>
<td>Understanding Change from a Macromarketing Perspective, University of Richmond, Richmond, Virginia, USA, August 17-20</td>
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<td>1994</td>
<td><em>Global Themes and Cultural Perspectives</em>, University of Colorado, Boulder, Colorado, USA, August 11-14</td>
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<td>1993</td>
<td><em>New Visions in a Time of Transition</em>, University of Rhode Island, West Greenwich, Rhode Island, USA, August 12-15</td>
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<td>1992</td>
<td>17th <em>Annual Macromarketing Seminar</em>, Nijenrode University, Breukelen, Netherlands, May 31-June 4</td>
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<td>1991</td>
<td>16th <em>Annual Macromarketing Conference</em>, Simon Fraser University, Vancouver, Canada, August 11-15</td>
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<td>1990</td>
<td>15th <em>Annual Macromarketing Conference</em>, Rutgers School of Business, Camden and Pennsylvania State University, Great Valley, Malvern, Pennsylvania, USA, August 9-12</td>
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<td>1989</td>
<td>14th <em>Annual Macromarketing Conference</em>, University of Toledo, Toledo, Ohio, USA, August 10-13</td>
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<td>1988</td>
<td>13th <em>Macromarketing Seminar</em>, San Jose State University, San Jose, California, USA, August 11-14</td>
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<td>1987</td>
<td>12th <em>Macromarketing Seminar</em>, Concordia University, Montreal, Quebec, Canada, August 6-9</td>
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<td>1986</td>
<td>11th <em>Macromarketing Seminar</em>, University of Colorado, Boulder, Colorado, USA, August 7-10</td>
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<td>1985</td>
<td>10th <em>Macromarketing Seminar</em>, George Washington University, Airlie, Virginia, USA, August 15-18</td>
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<td>1984</td>
<td>9th <em>Annual Macromarketing Seminar</em>, University of British Columbia, Vancouver, Canada, August 16-19</td>
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<td>1983</td>
<td>8th <em>Annual Macromarketing Seminar</em>, University of Rhode Island, West Greenwich, Rhode Island, USA, August 18-21</td>
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<td>1982</td>
<td>7th <em>Annual Macromarketing Seminar</em>, University of Colorado, Boulder, Colorado, USA, August 5-8.</td>
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<td>1981</td>
<td>6th <em>Annual Macromarketing Seminar</em>, Emory University, Atlanta, Georgia, USA, August 13-16</td>
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<td>1980</td>
<td>5th <em>Annual Macromarketing Seminar</em>, University of Rhode Island, West Greenwich, Rhode Island, USA, August 8-10</td>
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<td>1979</td>
<td><em>Macromarketing, Evolution of Thought</em>, University of Colorado, Boulder, Colorado, USA, August 9-12</td>
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<td>1978</td>
<td><em>Macromarketing, New Steps on the Learning Curve</em>, University of Rhode Island, West Greenwich, Rhode Island, USA, August 13-16</td>
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<td>1977</td>
<td><em>Macro-marketing: Distributive Processes from a Societal Perspective, an Elaboration of Issues</em>, University of Colorado, Boulder, Colorado, USA, August 14-17</td>
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<td>1976</td>
<td><em>Macro-marketing: Distributive Processes from a Societal Perspective</em>, University of Colorado, Boulder, Colorado, USA, August 15-18</td>
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<td>Terrence H. Witkowski</td>
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<td>John D. Mittelstaedt</td>
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<td>Michael Mullen</td>
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<td>Ian F. Wilkinson</td>
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<td>Annamma Joy Christopher A. Ross</td>
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<td>Shelby D. Hunt</td>
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<td>A Fuat Firat Nikhilesh Dholakia</td>
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<td>Dr. Johan Arndt</td>
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Wednesday, June 9

4:00-7:00 p.m.  Conference Registration  Grand Ballroom Lobby
6:00-7:00 p.m.  Opening Reception  Grand Ballroom
Dinner On Own
7:00 p.m.  Hospitality Suite – Cash Bar  Salon F

Thursday, June 10

7:00-7:45 a.m.  All Faiths Prayer Session – Session Chair Mark Peterson
(Optional, but all Welcome)  Hilton Boardroom – War Room

8:30-10:00 a.m.  Opening Plenary Session  Grand Ballroom, Salon C

Aftermath and Evolution: A Macromarketing View of the Great Recession
“The Marketing Field and the Great Depression”
Terrence Witkowski, California State University, Long Beach, USA
“What Role Did Business Schools Play in the Current Financial Crisis?”
Mark Peterson, University of Wyoming, USA
Panelists on the Future for Business Schools:
Sandy Grossbart, University of Nebraska-Lincoln, USA
Cliff Shultz, Loyola University Chicago, USA
Don Rahtz, College of William & Mary, USA
Interactive Discussion Leader:
William L. Wilkie, University of Notre Dame, USA

10:00-10:30 a.m.  Morning Break  Grand Ballroom Lobby

10:30-12:00 noon  Concurrent Sessions

Session 1A  Environment, Nature, & Sustainability  Salon C
Session Chair:  Cliff Shultz

The Meaning of Sustainability
Raymond Benton, Jr., Loyola University Chicago, USA
Ron Dulin, Loyola University Chicago, USA
The Sustainability Argument(s): An Extended Abstract
John D. Mittelstaedt, Clemson University, USA
Robert A. Mittelstaedt, University of Nebraska-Lincoln, USA

Sustainable Energy in Rural Sectors: Understanding Barriers that Lead Users Face in the Diffusion Process in India
Samir Gupta, Monash University, Australia
Jan Brace-Govan, Monash University, Australia

Session 1B Underresearched Stakeholders Session Chair: Aubrey Fowler

Intervention Marketing: An Application of Social Activist Marketing in Opposition to Human Trafficking
Vernon Murray, Marist College, USA
Sherry Dingman, Marist College, USA
Maria Otte, Marist College, USA
Julia Porter, Marist College, USA

Inhibitions and Implications Associated with Celebrity Participation in Social Marketing Programs Focusing on HIV Prevention: An Exploratory Research
Beatriz Casais, University of Porto, Portugal
João F. Proença, University of Porto, Portugal

The Impact of Host Country Policies on the Overseas Chinese Family in Singapore and Malaysia
Kenneth B. Yap, University of Western Australia, Australia

12:00-1:30 p.m. Lunch Grand Ballroom – Salon D
Salute to Shelby Hunt

1:30-3:00 p.m. Concurrent Sessions
Session 2A Food Marketing Systems Session Chair: Tim Burkink

Functional Foods: An Empirical Study on Perceived Health Benefits in Relation to Pre-purchase Intentions
Joanne Labrecque, HEC Montréal, Canada
Sylvain Charlebois, University of Regina, Canada

Participating in Agricultural Export Channels: Perspectives of Farmers from the “Salad Bowl” Region of Central Mexico
Julie V. Stanton, Pennsylvania State University, USA
Tim Burkink, University of Nebraska at Kearney, USA
Identification of the Attributes of an Effective State-Branding Program
Renée Shaw Hughner, Arizona State University, USA
William E. Nganje, Arizona State University, USA
Nicholas E. Lee, Arizona State University, USA

Community Retail Enterprises, Social Capital and Strong and Weak Social Ties
Keri Davies, University of Stirling, Scotland, UK
Eric Calderwood, University of Stirling, Scotland, UK

Session 2B Marketing History Salon B
Session Chair: Leighann Neilson

Competition and Combative Advertising: An Historical Analysis
Fred Beard, University of Oklahoma, USA

Ben Franklin as a Pioneer of Advertising and Promotion Strategies
Abhijit Roy, University of Scranton, USA

The Literature of Canadian Marketing: From Confederation (1867) to World War One
Stanley J. Shapiro, Simon Fraser University, Canada
Robert D. Tamalia, University of Quebec at Montreal, Canada

The White Bronze Company of St. Thomas, Ontario
Leighann C. Neilson, Carleton University, Canada

Session 2C Marketing & Development Salon A
Session Chair: Kenneth Yap

The European Union in Eastern Europe: A Test of Romanian Knowledge versus Self-perception
Sebastian A. Văduva, Emanuel University, Romania
Ioan S. Fotea, Emanuel University, Romania
Timothy J. Wilkinson, Montana State University Billings, USA

Corporate Philanthropy in China
Jin Li, North Dakota State University, USA
Yue Li, Shantou University, China

Marketization and the Focus and Character of Guanxi Ties in China
Jie Gao, University of Nebraska-Lincoln, USA
Sanford Grossbart, University of Nebraska-Lincoln, USA

3:00-3:30 p.m. Afternoon Break Grand Ballroom Lobby
3:30-5:00 p.m.  Concurrent Sessions

Session 3A  Marketing & Public Policy  Salon C
Session Chair:  William Wilkie

Gun Culture USA: A Macromarketing Perspective  
Terrence H. Witkowski, California State University, Long Beach, USA

Pharmaceutical Marketing and Social Contracts in America: Human Rights versus Corporate Rights  
Walter Wymer, University of Lethbridge, Canada

Marketing Information as Proprietary Assets: Trade Secrets and the Economic Espionage Act  
G. Scott Erickson, Ithaca College, USA  
Chris A. Carr, California Polytechnic University at San Luis Obispo, USA

Freedom of Information: Preliminary Empirical Data  
G. Scott Erickson, Ithaca College, USA

Session 3B  Globalization  Salon B
Session Chair:  Ahmet Ekici

Desire, Identity and the Fashion Image: Global Eyes and Local Eyes  
Nena Salobir, University of Western Australia, Australia  
Anthony Pecotich, University of Western Australia, Australia

Sharing in Diaspora: Towards an Autobiographical Perspective  
Pilar Rojas Gaviria, Université libre de Bruxelles (Solvay Brussels School of Economics and Management and Centre Emile Berheim CEB), Belgium

A Cross-Cultural Examination of Consumers’ Use of Country of Origin Information in Purchase Decisions  
Lada V. Kurpis, Gonzaga University, USA  
James G. Helgeson, Gonzaga University, USA  
Ahmet Ekici, Bilkent University, Turkey  
Magne Supphellen, Norwegian School of Economics and Business Administration, Norway

The Modernization of Food Systems and Social Stratification: Opportunity and Inequality in Urban China  
Ann Veeck, Western Michigan University, USA  
Alvin C. Burns, Louisiana State University, USA  
Hongyan Yu, Sun Yat-sen University, China  
Gregory Veeck, Western Michigan University, USA
Session 3C  Special Session on Personal Transportation  Salon A
Session Chair: Ben Wooliscroft

Personal Transportation as a Macromarketing Issue: Introductory Comments
Ben Wooliscroft, University of Otago, New Zealand

A Hero Journeys, But a Commuter Resists: The Long and the Short of Bicycling in the US
Mark Peterson, University of Wyoming, USA

Personal Transport Lessons from South America
José Antonio Rosa, University of Wyoming, USA

What Are We Teaching the Children?
Sanne Poulsen, University of Otago, New Zealand
Ben Wooliscroft, University of Otago, New Zealand

Marketing and Nature: Investigating Personal Transport in National Parks
Rob Mitchell, University of Otago, New Zealand

6:00 p.m.  Dinner  Grand Ballroom -- Salon D
Salute to O. C. Ferrell
Sponsored by The Daniels Fund
“Code of the West” video screening

After Dinner  Journal of Macromarketing Policy Board Meeting,
Hilton Boardroom – War Room
Journal of Macromarketing Hospitality Suite  Salon F

Friday, June 11

8:30-9:15 a.m.  Plenary Session  Salon C
Carbon Sequestration, Ron Surdam, Director, Wyoming State Geological Survey

9:15-10:00 a.m.  Plenary Session  Salon C
Research at the Nexus of Marketing Strategy and Macromarketing, Rajan Varadarajan, Texas A&M University, College Station, Texas, USA

10:00-10:30 a.m.  Morning Break  Grand Ballroom Lobby
10:30-12:00 noon    Concurrent Sessions

Session 4A  Ethics, Equity, & Justice      Salon C
Session Chair: Gene Laczniak

*Searching for a Code of Business Conduct in an Age of Globalization: Super Norms and Macromarketing Implications*
Gene R. Laczniak, Marquette University, USA
Ann-Marie Kennedy, Auckland University of Technology, New Zealand

*Consumer Ethics and Emotions*
Diana Ene, Nottingham University Business School, UK
Andrew Smith, Nottingham University Business School, UK
Heidi Winklhofer, Nottingham University Business School, UK

*Marketing, Social (Ir)Responsibility and ISO 26000*
Andreas W. Falkenberg, University of Agder, Norway

Session 4B  Systems & Networks      Salon B
Session Chair: Alexandra Ganglmair-Wooliscroft

*Relational Contracting and Property Rights: Breaking the Dichotomic View on Relationships and Transactions*
Michael Ehret, Nottingham Trent University, UK
Michaela Haase, Freie Universität Berlin and Institut für Markt-Umwelt-Gesellschaft, Germany

*Ownership Patterns for Durable Goods: A Preliminary Investigation of Two New Zealand Lifestyle Segments*
Alexandra Ganglmair-Wooliscroft, University of Otago, New Zealand

*A Tale of Two Systems: Cornucopias, an Aboriginal Community and the Framing of a Theory of Marketing Systems*
Roger A. Layton, University of New South Wales, Australia

*Social Capital-Related Influences and Contractual Enforcement in Industry Networks*
Jeff Johnson, University of Nebraska-Lincoln, USA
Sanford Grossbart, University of Nebraska-Lincoln, USA

12:00-1:30 p.m.    Lunch

Grand Ballroom -- Salon D
Sponsored by University of Wyoming School of Energy Resources
*Visualizing the Energy Future*, Dave Freudenthal, Governor of the State of Wyoming, with Rob Hurless, Energy and Telecommunications Policy Advisor; Introduction by Mark Northam, Director of UW School of Energy Resources
1:30-3:00 p.m. Concurrent Sessions

Session 5A  Materialism & Consumption  Salon C
Session Chair:  Scott Radford

Willingness to Pay and Socially Conscious Consumerism
Bonnie J.K. Simpson, University of Calgary, Canada
Scott K. Radford, University of Calgary, Canada

Why We Value What We Own: Instrumental vs. Terminal Materialism
Kristin Scott, Minnesota State University, USA
John C. Mowen, Oklahoma State University, USA
Alex R. Zablah, Oklahoma State University, USA

The Personal and Social Influences of Charity Donations
Kenneth B. Yap, University of Western Australia, Australia
Janine Wong, University of Western Australia, Australia

Session 5B  Poverty & Subsistence Societies  Salon B
Session Chair:  José Antonio Rosa

How the Poor Experience Consumption Transformation
Julie A. Ruth, Rutgers University, USA
Suraj Commuri, University at Albany, State University of New York, USA

Alternative Trade Organization and Subjective Quality of Life: The Case of Latin American Coffee Producers
Eric Arnould, University of Wyoming, USA
Stephanie Geiger-Oneto, University of Wyoming, USA

Social Strain as an Antecedent of Innovativeness Among Subsistence Consumers
Stephanie Geiger-Oneto, University of Wyoming, USA
José Antonio Rosa, University of Wyoming, USA
Carlos Andrés Trujillo, Universidad de los Andes, Colombia

3:30 p.m. Trip to Bit-O-Wyo Ranch  Gather in Grand Ballroom Lobby
Bus to the ranch in the Laramie Mountains east of Laramie
Reconciliation Sweat Lodge Ceremony
This unforgettable cultural learning opportunity will be led by UW Trustee James Trosper and representatives of the Eastern Shoshone tribe from the Wind River Indian Reservation. Conference attendees will actually participate in the ceremony as a way to better understand the cultural practices of indigenous people that have enabled the Shoshone to experience hardship without accumulating bitterness. Dress in shorts and tee-shirt – bring a change of clothes for the dinner later (blue jeans would be good). You will be talking about this experience for a long, long time!
Banquet and Entertainment
10:00 p.m.  Arrive back at the Hilton Garden Inn
Hospitality Suite – Cash Bar  Salon F

Saturday, June 12

8:30-9:15 a.m. Plenary Session  Salon C
*The Global Market in Human Beings*, A. Dwayne Ball, University of Nebraska-Lincoln, USA, Julie Pennington, University of Wisconsin-Eau Claire, USA, Ron Hampton, University of Nebraska-Lincoln, USA

9:15-10:00 a.m. Plenary Session  Salon C
*Cultural Innovation*, Doug Holt, Oxford University, UK

10:00-10:30 a.m. Morning Break  Grand Ballroom Lobby

10:30-12:00 noon Concurrent Sessions

Session 6A  Ethics, Equity, & Justice  Salon C
Session Chair:  Terri Rittenburg

*Consumer Targeting: Purpose, Promise, Pitfalls, and Prospects*
Thomas A. Klein, University of Toledo, USA

*Counterfeiting Purchase Behavior: Antecedents of Attitudes and Purchase Intentions*
Mateja Kos Koklic, University of Ljubljana, Slovenia
Claude Obadia, ADVANCIA, Graduate School of Entrepreneurship, France
Irena Vida, University of Ljubljana, Slovenia

*Towards a Hierarchy of Ethical Consumption*
Abby Noone, University of Otago, New Zealand
Ben Wooliscroft, University of Otago, New Zealand

*Deception in Market Exchange: Structure and Processes of Moral Reasoning in a Sales Negotiation Context*
David M. Hunt, University of Wyoming, USA
Scott K. Radford, University of Calgary, Canada

Session 6B  Quality of Life  Salon B
Session Chair:  Don Rahtz

*The Darker Side of Digital Identity: Implications for Social Networks*
Alexander E. Reppel, Royal Holloway, University of London, UK
Isabelle Szmigin, Birmingham Business School, University of Birmingham, UK
Volunteering and Quality of Life of the Older Age Population
Mehdi Taghian, Deakin University, Australia
Clare D’Souza, La Trobe University, Australia

When Consumer Well-Being Meets Small Business Ownership: Transforming Financial Service Systems to Eradicate Disparate Treatment and Discrimination
Sterling A. Bone, Brigham Young University, USA
Jerome D. Williams, University of Texas at Austin, USA
Glenn L. Christensen, Brigham Young University, USA

Consumer Sovereignty in Healthcare: Fact or Fiction?
M. Joseph Sirgy, Virginia Polytechnic Institute & State University, USA
Dong-Jin Lee, Yonsei University, Korea
Grace B. Yu, Yonsei University, Korea

12:00-1:30 p.m. Lunch
Grand Ballroom -- Salon D
Salute to Robert Mittelstaedt

1:30-3:00 p.m. Concurrent Sessions

Session 7A Environment, Nature, & Sustainability Salon C
Session Chair: Marilyn Liebrenz-Himes

The Newer is Better Belief and Sustainability
James W. Gentry, University of Nebraska-Lincoln, USA
Justine M. Rapp, University of Nebraska-Lincoln, USA

Consumer Resistance to Green Innovations: Developing a New Scale and an Underlying Framework
Marius Claudy, Dublin Institute of Technology, Ireland
Aidan O’Driscoll, Dublin Institute of Technology, Ireland
Rosanna Garcia, Northeastern University, USA
Michael R. Mullen, Florida Atlantic University, USA

Consumer’s Understanding of Sustainability in Environmental Advertising
Shannon Cummins, University of Nebraska-Lincoln, USA
Timothy M. Reilly, University of Nebraska-Lincoln, USA
Les Carlson, University of Nebraska-Lincoln, USA
Stephen J. Grove, Clemson University, USA
Michael J. Dorsch, Clemson University, USA

On Why Macromarketing Thought is Critical and Developmental in Disaster Management
Stacey Menzel Baker, University of Wyoming, USA
John D. Mittelstaedt, Clemson University, USA
Session 7B  Macromarketing Education  Salon B
Session Chair:  David Hunt

The Changing Marketing Orientation During the Second Half of the 20th Century
A. Coskun Samli, University of North Florida, USA

Alleviating Poverty: Implications for Macromarketing Education
Abhijit Roy, University of Scranton, USA
Mousumi Roy, Penn State University Worthington Scranton, USA

What If Marketing Principles Was a Macro Course?
Kenneth B. Yap, University of Western Australia, Australia
Terri L. Rittenburg, University of Wyoming, USA

3:00-3:30 p.m.  Afternoon Break  Grand Ballroom Lobby

3:30-4:15 p.m.  Concurrent Sessions

Session 8A  Art, Culture, & Markets  Salon C
Session Chair:  Kerstin Berberich

A Coke in the Afterlife: Exploring Meaning Transfer Between Cultures
Aubrey R. Fowler III, Valdosta State University, USA
Jie Gao, University of Nebraska-Lincoln, USA

Integrating Macromarketing Content in an Undergraduate Consumer Behavior Course Using Feature Films
Laurie A. Meamber, George Mason University, USA
Fiona Sussan, George Mason University, USA

Session 8B  Competition & Markets  Salon B
Session Chair:  William Redmond

Three Meanings of Market Competition
William H. Redmond, Indiana State University, USA

Rebuilding Trust in the Financial Services Brand
Devon Johnson, Northeastern University, USA
Mark Peterson, University of Wyoming, USA

4:30-5:30 p.m.  Tour of new College of Business Building
Gather in Grand Ballroom Lobby

Conference Ends
6:00 p.m.  After-Conference Dinner at Mark Peterson’s Home
1213 Garfield Street  (One block south of Grand Avenue, between 12th &
13th Streets, 307-460-3931)

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Journal of Macromarketing:  http://jmk.sagepub.com/
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The current economic crisis has been termed the worst recession in US economic history since the Great Depression (Mishel and Shierholz 2009). The set of papers in this session present 1) the ways marketing scholars have responded to past economic crisis, and 2) how marketing scholars and business schools were and weren’t involved in the present crisis. Additionally, a panel of senior marketing professors will discuss how matters could/should change in the future for business schools – whether business schools take the lead or not.

**The Marketing Field and the Great Depression**

The first paper in the session shows how marketing scholars responded to the worst economic crisis in U.S. history – the Great Depression. In "The Marketing Field and the Great Depression," Terry Witkowski surveys five journals from the 1930s to illustrate the issues of concern to marketing academics at the time, as well as the approaches they took in dealing with them. The journals include 1) *Harvard Business Review*, 2) *Journal of Retailing*, 3) *The American Marketing Journal* and 4) the *National Marketing Review* (published from 1934 to 1936 these two merged to form JM in 1936), and 5) *Journal of Marketing*. The paper will begin with a brief overview of the economic and political environment in the 1930s and then will recount how marketing editors and authors responded to its challenges in what they published.

The 1930s were a grave period for marketing. Advertising and other marketing expenditures plummeted as business dried up. Gross national magazine advertising billings, for example, dropped from $196.3 million in 1929 to $97.6 million in 1933 (Peterson 1964). Meanwhile, many consumers were forced to greatly lower their material expectations and to scrimp wherever they could (Hill, Hirschman and Bauman 1997). Writers in advertising industry trade publications complained about a “buyer’s strike” and “consumer constipation” and the gloomiest prophets worried about an impending collapse in the consumption ethic they had championed (Marchand 1985, pp. 300-301).
In addition to bad business conditions, the marketing environment was highly charged politically. The Agriculture Adjustment Act of 1933 sought to raise farm prices through production limits, marketing regulations, and other devices (Schlesinger 1958). Also in 1933, Congress passed the National Industrial Recovery Act (NIRA), which was to be implemented by the National Recovery Administration (NRA). In addition to abolishing child labor and establishing minimum wages, maximum hours, and collective bargaining on a national basis, the Act promoted cooperative action among trade groups, exemptions from antitrust laws, and the creation of codes of “fair competition” to be vetted by the NRA. The intention was to raise wages and labor standards, while simultaneously allowing businesses to protect prices and profits. However, the great number of new regulations were difficult to digest and the NRA itself became increasingly dysfunctional. This centerpiece of the New Deal was overturned unanimously by the Supreme Court in May, 1935 (Converse 1959).

At the state level, various legislation hobbled the competitiveness of chain stores. Especially in the food and pharmacy fields, chains were a disruptive institutional force that benefited consumers and introduced management innovations, but sometimes brought abuses and naturally created many enemies among hard-pressed small businesses. About half the states, mostly in the South and West, passed anti-chain tax legislation. Thanks to the lobbying of retail druggists, many states also instituted resale price controls, known at the time as “fair trade,” that put floors under prices (Converse 1959; Hollander and Omura 1989; Palamountain 1955).

An active consumer movement created still another disturbance in the marketing system. Organizations such as Consumers’ Research and Consumers Union gained membership and influence, and many Americans joined consumer buying cooperatives. Women were leading activists and exercised power through groups such as the American Home Economics Association, the National Congress of Parents and Teachers, General Federation of Women’s Clubs, and the National Council of Catholic Women (Schaller 1938). Through articles and books, lectures and courses in schools and colleges, these groups sought to legitimize consumer rights to lower prices, reliable product information, and protection from hazardous products (Converse 1959). In some cases, they supported buyer strikes. In Harlem, African-Americans withdrew patronage from local merchants to pressure them into hiring black store clerks and treating black customers more fairly. The Roosevelt administration made efforts to institutionalize the consumer viewpoint in New Deal agencies, but aside from the Wheeler-Lea Amendment to the Clayton Act (1938), was relatively ineffectual in shepherding consumer protection legislation through Congress (Cohen 2003).

Leading contributors to the marketing literature, such as Wroe Alderson, E. T. Grether, Paul Nystrom, and L. D. H. Weld, debated the impact of these environmental forces on the marketing system. The first four issues of The American Marketing Journal in 1934 were filled with articles on the NRA. The field was also very concerned about marketing’s true cost and efficiency, and its general contribution to society. As a discipline, marketing was considered a science and most writers seemed confident about the future. Ideology ranged from support of the Roosevelt Administration – the Harvard Business Review printed the NRA “blue eagle” emblem on its table of contents page – to obvious condescension toward retail workers and their unions (Mossohn and Greene 1938). Compared to the mix of authors publishing in marketing journals today, a greater percentage of their 1930s forebears came from government and industry. Wroe Alderson, for example, worked for the U.S. Department of Commerce and L. D. H. Weld was Director of Research for McCann-Ericson. Research and writing was more descriptive than theoretical, but journals responded quickly to the events of the times and were definitely macro-oriented in how they took a
broad view of markets, marketing, and society. Ironically, some writers at the time thought an even greater focus on societal issues was necessary. E. D. McGarry (1934) declared that the profession had over-emphasized profit-making (i.e. managerial concerns) while neglecting economic and social implications. Teachers had a responsibility to interpret marketing problems for the benefit of the public:

>This obligation is becoming increasingly important in these bewildering times. Not only is the public becoming more interested in those governmental policies which have to do with the distribution of goods, but more and more private marketing policies are becoming affected with a public interest (p. 80).

**Marketing Scholars and Business Schools in the Run-Up to the Current Recession**

The next paper in the session examines the roles business schools played in the current financial crisis. In “What Role Did Business Schools Play in the Current Financial Crisis?” Mark Peterson not only focuses upon the role of marketing scholars and teachers in business schools, but also on scholars and teachers of the other departments in the business school, such as economics and finance. For marketing scholars, the author gives examination to sins of commission (such as traditional marketing’s implied domination of consumers) to sins of omission (such as offering few if any examples in textbooks from marketing done in the real estate or financial services field). For finance scholars, the author draws attention to sins of commission (such as the creation of financial derivatives described in 2003 by Warren Buffett as “financial weapons of mass destruction”), as well as to sins of omission (silence in bubble economies) by faculties and leaders of business schools.

The examination will include the role of the “academic-industrial complex” (including business schools, textbook publishers, business media, consultants, corporations and yes - business school graduates) in promulgating “quick bucks and big bucks” as the raison d’être of a business person’s professional endeavors. In this way, a societal focus has either been lost or added only as an afterthought in the minds of those we teach.

Many business schools have contributed to this thinking in several ways. In their own marketing to prospective MBA students, many business schools emphasize starting salaries of graduates. Higher starting salaries appear to be used as the justification for pricing many aspects of higher education. As tuitions have risen markedly in the last decade, textbook costs have skyrocketed to the point that Congress has called for investigations into what Senator Charles Schumer calls the “shocking costs of college textbooks” (Granoff 2004). Narrow thinking about issues with social aspects, such as the marketing of higher education and support materials used in learning could create a set of problems that will negatively affect all of us in academe in the future. In other words, government intervention may be coming. But more painful than this might be a major market correction in the price of higher education and its ancillary products and services.

A critical question posed by those who recognized the housing bubble of the last decade as a bubble was this: Where are home prices going up faster than real wages? When this question is posed about the higher education sector, the question becomes “Where are prices for higher education going up faster than real wages?” The answer is startling. According to the National Center for Public Policy and Higher Education, over the past 25 years, average college tuition and fees have risen by 440 percent — more than four times the rate of inflation and almost twice the rate of medical care (Cronin and Horton 2009). Is it possible
that higher education might be the next bubble to burst? Broader thinking is needed. Yet, silo thinking is reinforced by the approach used in the teaching of business school courses.

Has the self-interest upon which markets exist hardened into a myopic self-interest that would even crowd out enlightened self-interest (Doing well by doing good)? While consumer sovereignty has received much attention in the last decades, it can now be seen that consumer sovereignty without responsibilities can have deleterious effects on the world we live in each day (Stiles 2005). In business schools, we teach ethics, but go light on the teaching of societal virtues, such as how honesty in individual market transactions protects us from societal harm. Without a historical perspective, our future graduates will make the same mistake of MBAs at Wall Street banks two years ago who never envisioned a decline in home values and who accordingly built their analytical models using 6 – 8 per cent growth for home prices in perpetuity.

In a crass way, this “quick bucks and big bucks” can be seen in the mortgage industry’s recent meltdown. Here, sales people operating under the guise of “loan officers” completed loan applications typically in 20 minutes over the phone (CNBC 2009). Such practices fueled the rapid growth of sub-prime lending until sub-prime loans accounted for 20 per cent of all new mortgages in 2005 (CNBC 2009).

With zeal, mortgage originators such as those from Quick Loan Funding (“You can’t wait, and we won’t let you!”) pushed “no income/no asset loans” (with “stated income” used instead of actual tax returns used to establish income) that Wall Street firms readily bought and then resold into mortgage-backed securities to cash-laden investors around the world (NBC 2009). With insufficient oversight, and with rating agencies (such as Moody’s, and Standard & Poor’s, and Fitch Ratings) unwilling to ruin the party on the distorted pricing of risk for such loans that were bundled into collateralized debt obligations (CDOs), an entire financial system for the globe became poisoned as many such loans turned “toxic” later on.

With Fed Chairman Alan Greenspan calling for more alternatives to fixed-rate mortgages, even banks such as Wachovia targeted first-time home-buyers on television with products such as “fixed-rate pick-a-payment mortgages” on television to first-time home buyers (NBC 2009). The “pay-option negative amortization adjustable rate mortgages” offered by some financial institutions allowed homeowners to pay whatever they could each month as the monthly balance would be added onto the mortgage amount with accompanying interest. In effect, the homeowner’s mortgage loan actually increased each month. In sum, much of the damage done to the economies of the world’s nations was accomplished in the mortgage industry of the US using a “no questions asked” application of the marketing techniques taught in our classrooms.

The Future for the Institution of the Business School

A set of distinguished panelists will offer their own view of the future for business schools. Sandy Grossbart, the W. W. Marshall Professor of Marketing at the University of Nebraska, will anchor this panel. During his career, Dr. Grossbart has served as Editor of the Journal of Macromarketing and Chairman of the Marketing Department at the University of Nebraska. Joining him will be Cliff Shultz - Professor and Kellstadt Chair of Marketing at Loyola Chicago, and Don Rahtz - Professor of Marketing at The College of William and Mary in Virginia. Both Dr. Shultz and Dr. Rahtz have traveled the world in recent years as
researchers, teachers and consultants. They bring a unique view on the role of business schools in society – particularly in the developing world.

It is the intention of this session to provoke and enable rich discussion among those in attendance, so no third paper presentation is planned. Instead, discussant Bill Wilkie will launch the interactive portion of the session with the audience (afterwards, Wilkie will provide synthesis and overview).

We anticipate themes to emerge, such as 1) the role of marketing scholars in major societal issues today (In the latest issue of JM, Reibstein, Day and Wind (2009) assert that too few marketing scholars are involved in such issues), 2) the need for leading journals to employ affirmative action-like steps to integrate interdisciplinary articles into the pages of these journals, 3) the need for a sharp market correction within the halls of business schools as finance departments resume mere mortal existences in the aftermath of the debacles finance and economics professors have enabled in the financial markets, and 4) the costs for heroic business scholars from all departments and business school leaders (not “administrators”) to attempt systemic change for business schools and for society.

References


The Meaning of Sustainability

Raymond Benton, Jr., Ph.D., Loyola University Chicago, Chicago, IL, USA
Ron Dulin, MBA, Loyola University Chicago, Chicago, IL, USA

The word *sustainability* and phrases using the word (sustainable development, sustainable growth, sustainable marketing, sustainable business practices) are now commonplace in both the academic and popular press. Charles Kidd noted, “in a remarkably short time, [the idea] has evolved from a concept put forward by a few scholars to a widely accepted and influential idea in the continuing debate over the future of the world,” adding, “while . . . widely invoked to justify action or lack of action, there is as yet no consensus on the precise meaning of the term” (Kidd 1992, p. 3). Similarly, Francis Cairncross noted, in his 1991 book *Costing the Earth*, “the appeal of the concept . . . is the fact that the phrase implies so many different things to different people.” He then added, “Every environmentally aware politician is in favor of it, a sure sign that they do not understand what it means” (p. 26). And in 1993 the environmental historian Donald Worster noted, “Sustainability . . . is an idea that has never been really defined,” and until it is “we cannot know what is being promised or sought” (1993, p. 146).

When macromarketers think and write about sustainable business, sustainable marketing or sustainable consumption, do we have a common and satisfactory definition of the term? This is important. A prerequisite for developing policies central to sustainable business, sustainable marketing or sustainable consumption is a common and satisfactory definition of the concept. Rather than presume we do, we decided to ask, “Do we?” That, in short, is our research question: What meaning or meanings do we give to the world sustainability?

Our initial focus will be on six papers published in the *Journal of Macromarketing* that use one form or another of the term *sustainable* or *sustainability*. From a close reading of these articles (Burtness, Ober and Seat 1962; Johnson 2004; Kain 1998) we hope to begin the process of collecting samples of how the word is being used, to determine if and how that usage has shifted over time, and to catalog the various meanings attributed to the term. We make no assumptions about what we will find. We will simply see what emerges.

This presentation represents the initial steps of a larger research project intended to ferret out how the term, sustainability, is being used across multiple disciplines. Eventually we want to more fully explore the marketing literature outside of macromarketing, other business disciplines (finance, accounting, management), the social sciences (anthropology, sociology, political science), and the sciences (ecology, biology) for comparative consideration.

References


Why should we engage in sustainable business practice? What is the problem, what is the evidence, what is the solution? The answers to these questions are important for the future of business, and at the same time depend on how we define the parameters of the questions. Marketers and Macromarketers can only contribute to the conversation if we have a clear understanding of the parameters of the sustainability argument.

What is the argument for sustainability? This paper argues that there are, in fact, at least six arguments for sustainability. Each differs in terms of motivating issues, evidence, and solutions, and each will require very different things of the aggregate marketing system. As McCloskey (1994) points out, arguments matter, both in form and consequence. The purpose of this paper is to distinguish among the arguments for (and against) sustainability, and consider the marketing systems implications of each.

First, there is an environmental argument, based on climate science, which states is that global warming is real, and will have long-term, irreversible consequences for humanity, unless steps are taken to mitigate the effects of greenhouse gases (Hansen, et al. 2006; Intergovernmental Panel on Climate Change 2007). The climate change debate centers on the validity of scientific evidence for and against climate change, and the role humanity plays or doesn’t play in producing greenhouse gases. Because of the complexity of the science, as well as the nature of scientific inquiry, it is difficult for most of us to assess for ourselves the validity and impact of the climate change evidence. When we cannot evaluate the evidence, whom we believe becomes as important, if not more important, than the scientific evidence itself. The result is that much of the debate over climate change is political, rather than scientific.

The energy and population argument says that the combined effects of growing global population and per capita energy usage will rapidly outstrip available energy supplies, unless new technologies emerge or consumption behavior changes (Collier 2007; Ehrlich and Ehrlich 1991; Meadows, Rander and Meadows 2004). The argument is that rising standards of living inevitably lead to increases in per capita energy consumption. Evidence indicates that per capita energy consumption has risen, peaked, and the leveled off in all developed countries. Forecasts of rising standards of living in India and China suggest that similar patterns of energy usage will outstrip known fossil fuel supplies (Nei and Cooper 2008). The debate here centers on forecasts of energy usage, the validity of peak oil, and the moral authority of dictating acceptable energy consumption, especially of others.
The national security argument recognizes that reliance on foreign sources of energy leads to direct and indirect costs associated with securing sufficient reserves to maintain current economic and social quality of life (Ladislaw, et al. 2009). Today the United States spends $700 billion per year on imported sources of energy. In addition, it incurs indirect costs associated with military and national security expenditures, and dead weight costs like airport security, etc. Debate here centers on the costs associated with alternatives to reliance on foreign oil (economic, environmental, social), and the form that alternatives would take.

The competitiveness argument centers on who will gain the pioneer advantages of technological advances in alternative energy and energy efficiency (Gross and Ringbeck 2008; Senge et al. 2008). Where will new technologies be developed, manufactured and sold? What are the spin-off effects of technological innovation, and who will benefit? How will these technologies diffuse, and what kinds of economic clusters will develop because of them?

The good-business-sense argument focuses on the benefits accrued by organizations for reducing their environmental footprint, particularly in the areas of risk mitigation, cost reductions and market advantage (Esty and Winston 2006; Lazlo 2008). Advocates of this argument focus on the corporate and societal benefits of triple-bottom line thinking. Detractors argue that this will happen anyway, and that it is the normal cycle of business.

Finally, a host of intergenerational justice arguments can be made that sustainable production and consumption is right and just behavior (Murphy 2005). Arguments for sustainable marketing practice include balance theory, power-responsibility, the planetary ethic, intergenerational justice, resource stewardship, and the precautionary principle. The challenge here is whether rational behavior is ethical, or economic.

Each argument has its own set of issues, its own epistemology, its own logical conclusions, and its own set of implications for business and marketing systems. Each requires different things of businesses, consumers, and governments. Each makes different assumptions about the roles of political systems, regulation, technology, natural resources and marketing systems. Macromarketing can (and has) contributed to many of these debates, and can play a role in guiding the national conversation on sustainability. To do so, however, it is important for us to distinguish among these arguments, if we are add in a constructive way to the science and practice of sustainable business.

References


Sustainable Energy in Rural Sectors: Understanding Barriers that Lead Users Face in the Diffusion Process in India

Samir Gupta, Monash University, Melbourne, Australia
Jan Brace-Govan, Monash University, Melbourne, Australia

The impact of sustainable energy (e.g. photovoltaic cells) in rural sectors may enhance social responsibility and economic development. Photovoltaic cell technology has vastly improved in the last decade, and many organizations have made inroads with it in the rural sector. However, the diffusion of this technology has yet to attain critical mass in a sustainable way. The aim of this conceptual paper is to understand the barriers in attaining critical mass and suggest propositions that may address barriers. Sustainability means involving members of a social system, meeting their economic needs, protecting the environment, and enhancing value within communities. While diffusion of sustainable energy sources is vital for rural societies, achieving critical mass for such technology is hampered by barriers such as cost, knowledge, and implementation problems. Lead users have been shown to expedite the diffusion process by overcoming such barriers. The paper highlights a number of propositions and identifies a case research method to understand these barriers to improve the diffusion process by lead users. The findings will provide guidance to practitioners.

Introduction

Broadly, macromarketing is defined as the study of marketing systems, and the impact and consequences of marketing systems on societies (Hunt 1981). Hunt (1981) noted that social responsibility and economic development are keys that may encourage rural social systems to develop. Meade and Nason (1991) argued that macromarketing is a study of complex coordination and control processes underpinning growth, evolution, and design of exchange systems. Layton (2007) argued that there is a broad agreement that marketing systems are complex, adaptive, social networks in which both structure and function are important in meeting the needs of the society. While these scholars have highlighted the importance of macromarketing in aggregated social systems, Dolan (2002), Schaefer and Crane (2005) and Kilbourne, McDonagh and Prothero (1997) have articulated the concept of sustainability and consumption from a macromarketing perspective. These authors have provided the foundation of the concepts of macromarketing and have defined sustainability in this literature.

The aim of this paper is to understand the structural and functional barriers that impede the diffusion process of sustainable renewable energy in rural settings. In particular, the aim is to understand the barriers that lead users face, in facilitating the diffusion process of photovoltaic cells in rural sectors. In so doing, the paper develops theory by highlighting a number of working propositions.
The concept of sustainability is gathering pace in academic literature. Research on sustainable development (Prahalad and Rangaswami 2009), strategies in the reduction of global poverty through sustainability marketing (Kirchgeorg and Winn 2006), effective greening of marketing strategies (Polonsky and Rosenberger 2001) and sustainable production of solar electricity in developing countries (Muneer, Asif and Munawwar 2005) have contributed in understanding the strategic importance of sustainable energy from a macromarketing perspective.

Background

Fossil fuel reserves are declining and the energy sector is responsible for the production of and access to, renewable energies that are sustainable. These are especially needed to meet the demands of the rural sector in developing nations like India. Muneer et al. (2005) argue that solar power is one of the most promising renewable energy systems. India is expected to have a high growth rate in energy due to rapid economic development. For example, by the year 2020 the country’s demand for energy is expected to increase by a factor of 2.5 (Muneer et al. 2005). Table 1 shows the renewable energy potential in India.

Table 1: Renewable energy potential in India

<table>
<thead>
<tr>
<th>Energy Source</th>
<th>Estimated potential</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hydropower</td>
<td>84,000 MW</td>
</tr>
<tr>
<td>Small hydro.</td>
<td>10,000 MW</td>
</tr>
<tr>
<td>Ocean thermal power</td>
<td>50,000 MW</td>
</tr>
<tr>
<td>Sea wave power</td>
<td>20,000 MW</td>
</tr>
<tr>
<td>Tidal power</td>
<td>10,000 MW</td>
</tr>
<tr>
<td>Wind power</td>
<td>20,000 MW</td>
</tr>
<tr>
<td>Solar energy</td>
<td>$5 \times 10^{15}$ kWh/pa</td>
</tr>
<tr>
<td>Bioenergy</td>
<td>17,000 MW</td>
</tr>
</tbody>
</table>


India is an energy-deficient country as local generation of electricity is outstripped by the demand (Muneer et al. 2005). As such, the growing gap between demand and supply of energy and the environmental externalities associated with fossil fuel require immediate and substantial increases in electric power generation. Despite government subsidies offered to this sector, renewable energy such as photovoltaic cells has not increased the adoption process in rural India (Sinha 2010). From a macromarketing perspective, government policies
that provide subsidies have had limited acceptance. As the world continues to use electricity generated by fossil fuel, a shift from oil to renewable energy sources would be a strategic way to maintain a balance between environmental management and economic welfare. The geographic location of India puts it in a strong position to adapt solar energy. Solar photovoltaic cells, or PVs, have the potential to narrow the gap in demand for energy and reduce the carbon dioxide (CO₂) emission from fossil fuel.

**Table 2: Status of Carbon emission**

<table>
<thead>
<tr>
<th>Country</th>
<th>Emission of carbon equivalent in Kg/person per year (base 2000)</th>
<th>Factor by which present emission exceed sustainable levels (of 500 Kg./person per year)</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>6718</td>
<td>13.4</td>
</tr>
<tr>
<td>Germany</td>
<td>3292</td>
<td>6.6</td>
</tr>
<tr>
<td>France</td>
<td>2545</td>
<td>5.1</td>
</tr>
<tr>
<td>India</td>
<td>247</td>
<td>0.5</td>
</tr>
</tbody>
</table>

Source: Muneer et al. (2005) sustainable production of solar electricity with particular reference to the Indian economy, Renewable & Sustainable Energy Reviews, 9, 444-473

Due to the rapid development in India, energy is essential to underpin the growth of the country in general and the rural sector in particular. A secure, sufficient, affordable and accessible supply of energy is crucial for the sustainability of modern society (Muneer et al. 2005). For the rural society to prosper, energy is needed for education and the creation of sustainable jobs, thereby arresting the flow of population from rural areas to the overcrowded cities. Not only is the power from fossil fuel expensive for this society but not all rural sectors are connected. Renewable or solar power may provide part of the solution for this situation. The Indian renewable energy program was launched primarily as a response to the perceived rural energy crisis in the 1970s (Shukla 1977). The program was initiated with a target-oriented push approach and primarily sought to develop niche applications, such as in rural areas where the grid power was unavailable. This launch of the renewable energy program assisted in assessing new initiatives that are environmentally friendly (Samli 1998). The author (Samli 1998) states that selecting environmentally friendly products (such as the PV cell) will not endanger society as a whole. Ghosh et al. (2002) claim that in the initial stages of the program, the technology used in the development of the PV cells was not mature and lacked the experienced resources required in the implementation process. The authors (Ghosh et al. 2002) argue that renewable energy was thought to be a panacea to the energy shortages in the India which led to unrealistic expectations of this technology by societies, leading to failures.

Solar power can be harnessed through solar thermal and/or solar photovoltaic cells. While solar thermal cells utilize the heat energy form the sun, PV cell technology enables direct conversion of sunlight into electricity through semi-conductor devices called solar cells (Muneer et al. 2005). PV cells are made up of transparent conducting glass, zirconium dioxide, titanium dioxide (obtained from mineral sands – a natural product) and a catalytic platinum layer. All these products are available naturally and are ecologically friendly. Large
deposits of mineral sands are available in Australia and India. These PV cells are then integrated with other components such as storage batteries and a power plant. Power plants based on PV cells are highly reliable and modular in structure and therefore can be more easily maintained. Furthermore, this energy based on PV cell technology can be provided by stand-alone units far from grid supply for societies to use, or they can also feed excess power back into grids for the benefit of other needy areas. For these reasons, government and power suppliers encourage societies to adopt this technology. Table 3 shows the solar cell efficiency in India by the group that has developed it.

Table 3: Solar cell efficiency in India

<table>
<thead>
<tr>
<th>Technology</th>
<th>Area Sq. Cm.</th>
<th>Efficiency (%)</th>
<th>Group</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single crystal</td>
<td>64.00</td>
<td>19.7</td>
<td>CEL</td>
</tr>
<tr>
<td>Multi Crystal</td>
<td>100.00</td>
<td>16.8</td>
<td>TATA BP</td>
</tr>
<tr>
<td>a-Si Single Junction</td>
<td>1.00</td>
<td>12.0</td>
<td>IACS</td>
</tr>
<tr>
<td>a-Si Multi Junction</td>
<td>1.00</td>
<td>11.5</td>
<td>IACS</td>
</tr>
<tr>
<td>Dye Sensitized</td>
<td>1.00</td>
<td>7.8</td>
<td>Delhi University</td>
</tr>
<tr>
<td>Organic cells</td>
<td>0.50</td>
<td>3.6</td>
<td>IIT - Kanpur</td>
</tr>
</tbody>
</table>


Given the reliability of PV cells, it is surprising that the diffusion of this technology has yet to reach critical mass in the rural sectors. Critical mass “occurs at the point at which enough individuals have adopted an innovation so that the innovation’s further rate of adoption becomes self-sustaining” (Rogers 1995, p. 313). Understanding why PV cell technology has not reached critical mass is the thesis of this conceptual paper. One can argue that there are barriers that restrict the evolution of this technology and thus economic development in rural sectors.

From a strategic perspective, barriers for this type of innovation technology can be lowered by engaging lead users. Lead users are defined as those who understand dynamic markets in advance, which is much broader and different to early adopters who are simply those who take up the technology first. Lead users can therefore act as catalysts to the diffusion process provided structural and functional barriers can be identified and appropriate strategies developed and implemented.
Literature Review

Lead Users

Scholars have studied the success of innovation of scientific instruments by lead users (von Hippel 1976). Von Hippel (1986) found that the innovation process for scientific instruments was user dominated, where users and not the manufacturer of the instrument developed 77% of innovation studied. Von Hippel (1986) suggested that average users have a poor ability to identify novel products. In contrast, lead users are well positioned because they understand and appreciate future value of new ideas. Lead users have real world experience and can identify future innovations and the attributes that they must contain. Thus, manufacturers with a strong need for process innovation which many manufacturing firms will need in two years’ time fits the definition of lead users (Urban and Hippel 1988). Since this initial research into lead users, scholars have expanded the lead user concept to include third party participants in the adoption developing process (Biemans 1991). Recent research into lead users found that there are differences in the roles of product lead users and product experts in new product adoption/diffusion process (Ozer 2009). The study by Luthje and Herstatt (2004) claims that by utilizing the expertise of lead users, societies may reduce the risk of failure usually associated with new product development. Luthje and Herstatt (2004) state that leading innovative firms like 3M and Johnson & Johnson are increasingly working with lead users in reducing risk and paving a smoother adopt/diffusion process. Luthje and Herstatt’s (2004) research show that new product development projects are critical and are complicated by the reluctance of technical personnel and rigid organization structures to accept concepts that are developed by inventors outside the organization. However, this research (Luthje and Herstatt 2004) found that pessimistic professionals usually changed their attitude towards users’ input through the experience of cooperating with lead users. Langerak and Hultink (2008) suggest that the training and rewarding of employees by suppliers and lead users, and flexible organizational structure, speed up the adoption/diffusion of new product development process, whereas simply implementing support systems and stimulating inter-functional coordination decrease development speed (Langerak and Hultink 2008). The preceding arguments suggest the following propositions:

\[ P_{1a}: \]  Lead users may have a greater effect on adoption/diffusion of new product development than technical personnel within the firm.

\[ P_{1b}: \]  Flexible structure within the firm may enhance the activities of the lead users rather than a rigid structure.

Diffusion of Innovation

Diffusion is a process by which an innovation is communicated through certain channels over time (Rogers 1995). In particular, the diffusion process is the spread of a new idea, that is, from its pre-birth stage to its ultimate adoption or commercialization (cf. Katz and Gartner 1988). Research indicates that lead users act as champions throughout this process (Gupta, Cadeaux and Woodside 2005). Radical innovation such as PV cells can be regarded as key drivers to the generation of electricity. These new technologies create new markets or shift existing market structures and lead users are in the forefront in facilitating this technology amongst members of a social system over time. For example, the rural society can supply excess electricity to the grid and create a new market. This process of selling
excess electricity over time may empower rural societies, generate income to satisfy needs locally, protect the environment by restricting the movement of local population to over crowded cities to the environment (cf. Jacobson, A 2007; Biswas, Diesendorf and Bryce 2004). This example of selling electricity back into the grid and the knowledge needed to facilitate the implementation lies outside the manufacturing firms’ routines. Instead, it has been shown that in many cases, people who act as lead users can bring the parties together to implement novel and radical ideas. This is because of their leading-edge position with regard to important market trends, their high level of expertise and far seeing vision of benefits from the innovation (Lettl and Hienert 2008) to the rural sector.

The concept of lead users has gained much attention outside the marketing discipline, particularly in innovation management (Urban and Hippel 1988; Lilien, Morrison, Searles, Sonnack and Hippel 2002; Franke and von Hippel and Schreier 2006). Empirical evidence suggests that lead users play an important role in the development process (including the pre-birth stage) but they also play an important role in the adoption and diffusion process of new innovations (Schreier and Oberhauser 2007). The commercialization process of PV cells is inextricably linked to adoption theory (Peter, Ramaseshan and Nayar 2002). Peter et al. (2002) argue that existing models of the adoption of technology propose that potential adopters develop an interest in a product by obtaining and assimilating knowledge amongst members of the social system – in this case the rural sector. However, the adoption and acceptance of PV cells depend on a variety of socio-technological-and economic factors (Peter et al. 2002). Marketers have traditionally studied diffusion of innovation with the customer as the unit of analysis and the findings reflected characteristics of opinion leaders (Owen, Ntoko, Zhang and Dong 2002). From a macromarketing perspective where goals are set for societal good, successful diffusion is dependent on changes in habit that mass market associates with an innovation (Sheth 1981). For example, laggards’ adoption of automatic teller machines (ATM) did not appear to have a strong resistance but merely lacked confirmation of the innovation (Stevens, Warren and Martin 1989). Frambach (1993) argues that by simply lowering uncertainty to the masses may increase the diffusion process. From a technology and macromarketing perspective, Thomas Edison considered the commercial distribution of electricity before perfecting the incandescent lamp to ensure that the product can reach critical mass (Owen et al. 2002). Examples of this nature suggest that by lowering risk, changing habits, and thinking ahead may attract the mass in a social system rather than merely appealing to the individual customer. In such circumstances where habits need to change and the potential of the technology and its distribution needs to be thought through, lead users can both assist or impede the diffusion process of innovation for the betterment of society rather than the individual customer. The preceding arguments suggest the following propositions:

\[ P_{2a}: \text{Dissemination of knowledge by lead users rather than distribution of knowledge by the manufacturers or key players may lead to attaining critical mass sooner.} \]

\[ P_{2b}: \text{Disseminating knowledge amongst manufacturer/suppliers of PV cells by lead users and initiating changes in social habits may lead to attaining critical mass more rapidly rather than dissemination of information to suppliers or users of the innovation.} \]
Barriers to Entry

Projects to develop markets in innovative power generation that are environmentally sustainable need to overcome significant barriers as well as demonstrate a viable business model (Rieiche and Covarrubias 2000). Furthermore, members of the social system need not only to have their economic needs met but their precious environmental resources protected (Werbach 2007). Harnessing the power generated by PV cells is acknowledged as the most practical economic solution for rural populations (Muntasser, Bara, Quadri, El-Tarabelsi and La-azebi 2000). From ecological perspective, electricity generated using PV cell technology will increase consumption. The two most important variables in environmental decline are population growth and consumption. Durning (1992) states that population growth or the immigration of population from rural to urban locations can be viewed as problems faced by many governments. Consumption, in contrast, is almost universally seen as good – as increasing it is primary goal of national economic policies (Durning 1992). PV Cell technology may increase consumption where rural population will be able to use the electricity to enhance living standards. On the ‘flip’ side of this argument, ecologists claim that the desire to continually increase consumption may not only decrease the quality of life but affect the natural environment (Kilbourne, McDonagh and Prothero 1997). Generating electricity ‘from the sun’ may not upset the ecological balance; rather, it will enhance the living standards of groups in the society. Understanding these complex issues in the market requires a macromarketing approach. Lead users need to understand the needs of society and in particular the rural sector, the suppliers of technology, the technology itself and government policies in order to get societies to accept this technology.

Although, industrialized countries have actively utilized such technologies and gained the attention of policy makers (Gupta and Wright 1997; Muntasser et al. 2000), only limited attention has been focussed on the specific barriers to uptake for developing, rural economies and the potentially huge importance of barriers to uptake in this sector. PV cell innovation has yet to penetrate these significant markets and, instead, pollution from coal fired electricity generation is a hurdle (Muntasser et al. 2000). Despite the considerable experience and capabilities around renewable energy (e.g. PV cells), barriers still remain for the diffusion of this technology in rural sectors. For example, some barriers identified were (a) costs (b) low reliability of technology (c) lack of funding (d) marketing the innovation (Ghosh et al. 2002). Although cost is a major issue for new innovation, the cost of global solar system prices is falling rapidly. In his recent presentation to the Solar Energy Conclave (January 11, 2010) Sunil Gupta (2010) of Morgan Stanley Research claims that the PV cell cost in June 2008 fell from about $3.3/Wp to about $1/Wp, in January 2010. The same study shows that the cost of polysilicon fell from about $380/kg in June 2008 to below $1/kg in Jan 2010.

Crucially, Jones, Clerk-Hill, Comfort and Hillier (2008) argue that knowledge sharing is the key for sustainability, allowing practitioners (manufacturers of PV cells), lead users, and the markets of the renewable energy (PV) to scale up the diffusion process. While Layton (2007) argues that structure and function are important (e.g. dissemination of information by both government and non-government organization to rural sectors) in meeting the needs of the society, lead users can motivate and expedite the adoption diffusion process by overcoming the initial barriers.

In order to scale up the diffusion process and overcome some of the barriers, opportunities for renewable energy like PV cell technology are encouraged to seek monitory
assistance from the United Nations Framework Convention on Climate Change (UNFCCC). Ghosh et al. (2002) argue that diffusion of innovation such as renewable energy contributes to the global sustainability and conforms to national priorities by leading to the development of local capacities and infrastructures. The authors (Ghosh et al. 2002) state that although considerable experience, knowledge and capabilities exist, there still remains a number of barriers particularly in commercialisation of PV cell technology due to unreliability of the product, lack of consumer-desired features, and the sales package. Prahalad and Rangaswami (2009) argue that quest for sustainability is starting to transform the competitiveness of manufacturers and suppliers of PV cells. Prahalad and Rangaswami (2009) claim that companies (manufacturers and suppliers) will be forced to change the way they think about developing products, technologies, processes and business models. We argue that lead users may act as catalysts by working with manufacturers and consumers to reduce the barriers that impede the diffusion process from achieving critical mass. The preceding arguments suggest the following propositions:

- \( P_{3a}: \) Lead users may act as a catalyst and develop business models that suit societies better than the business models of manufacturers or suppliers.

- \( P_{3b}: \) Lead users are in a better position to identify barriers and seek solutions to the diffusion process of sustainable energy than are manufacturers or suppliers.

Proposed Research Method and Setting

A pilot project will adopt an interpretative methodology using a case-study approach (cf. Eisenhardt 1989). This method is especially valuable when detailed and fine-grained understanding is needed and will be essential for evaluating the factors that enable or inhibit lead users from adopting and diffusing the new technology. The researchers will establish a semi-structured interview schedule that allows the participants to elaborate in their own words. Themes and issues that arise from the constant comparative analysis will help to establish a coding book for the research assistant to follow. The research will be conducted in the State of Kerala, India. This site has been selected because the State Government developed a public policy document on renewable energy in 2002 and has commissioned ANERT, a semi-autonomous body for non-conventional sustainable energy in rural India (See figure). This organization has become synonymous with non-conventional energy sources in R&D. The organization has installed PV cell and has project offices in rural settings. Only one organization will be included in the study (cf. Burgelman 1983).

A comparative case study (Yin 1994) of three autonomous government rural organisations (Project Office – see figure) will form the basis for this pilot project. These Project Offices will be selected for their level of involvement in renewable energy sources. Lead users (Project Officers) and third-party participants (e.g. Director - ANERT; R&D scientists), are the focus of the research. The ANERT Director has been contacted by email and has confirmed that the organization is willing to participate.
Conclusion

While this is a pilot project and the barriers to the diffusion process have been established in literature, data collection (through interviews) will provide the researchers with insights into additional barriers that may exist. Identifying the lead users in this environment will also be crucial to the project.

The testable propositions identified in literature in this paper will be either refined or rejected, or new propositions developed. The purpose is to develop much needed theory in this area. The final phase of the project may involve using a Delphi Research method (cf. Cesta and Decker 1978) to determine and measure the attitudes of the customers that may either inhibit or stimulate PV cell commercialization in the rural sector over time.

References


Intervention Marketing: An Application of Social Activist Marketing in Opposition to Human Trafficking

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Intervention marketing is proposed as a subsection of Murray’s (1997) “social activist marketing,” which is a branch of social marketing. Intervention marketing uses both coercive and noncoercive influence strategies to prevent or end a vulnerable population’s voluntary, involuntary, or semi-voluntary participation in a human trafficking distribution channel (i.e. sex and labor exploitation), often within the context of organized crime and government corruption. Intervention marketing seeks to employ communication and influence strategies—based largely upon Frazier and Sheth’s (1985) Attitude-Behavior Model—in an effort to help victims. Accordingly, a 3 x 3 matrix of trafficker versus intervention marketer influence strategies is presented, along with profiles of the related nine segments of human trafficking victims. The long-term goal of intervention marketing should be to incorporate Ozanne and Saatcioglu’s (2008) Participatory Action Research as a tool for empowering victims, and for creating more effective theory and interventions.

Introduction

At a recent conference on human trafficking, a powerfully-built ex-Green Beret with graying hair, stood before a large audience and told the story of his daughter. Years earlier she had been abducted and imprisoned in a brothel. And, after much searching, the soldier and his friends had located the place where she had been held. But, they were too late. Weeping before the audience, the grieving father explained that he had learned that his daughter had escaped, run two blocks into a police officer, sought his help, and was taken back to the brothel. The criminals who ran the place brutally executed the girl, forcing the others to watch the ordeal, as a deterrent for their escaping, too. The story had been made into a popular movie in America—except the Hollywood version had had a happy ending.

At the same conference, one of the speakers explained that in the Philippines, acquisition of a girl or a boy for sex exploitation can operate with much less drama. There, some traffickers have essentially backwards integrated, setting up administered vertical marketing systems, which they operate as distribution channel captains. Instead of abduction, some of the child sex traffickers have a cadre of young women who have agreed to sell one baby per year to them—akin to commodity futures. The infants are then raised, and when they are old enough they are placed into child brothels. At the time of the conference, the going rate for a baby was $30 U.S.
The speaker explained how an organization she is familiar with essentially races the traffickers to the new mothers, to purchase the babies and place them into a rescue shelter. This is clearly a humanitarian thing to do. But, as an aside, from an economic standpoint, one has to wonder if the long-term effect of such free-market redemption doesn’t actually fuel a growing cottage industry. For instance, International Justice Missions (IJM), an abolitionist organization that specializes in prosecuting traffickers, discourages paying ransom for abductees/slaves, the apparent reason being that the Law of Supply suggests that financial redemption would feed the unwholesome industry.

But, redemption efforts aside, Batstone (2007) explained that, in some parts of the world, “It is not uncommon for parents to deliver a child to a recruiter, even when they are fully aware that the child will be exploited sexually.”

**Human Trafficking: A Macro Problem**

The anecdotes above suggest the following: Human trafficking is a pandemic (Batstone 2007, pg. 3) that befalls vulnerable populations (Baker, Gentry and Rittenburg 2005; Ringold 2005) by using “force, fraud, or coercion” (Bales and Soodalter 2009, pg. 83). Each year hundreds of thousands of people are trafficked for sex exploitation, labor—and sometimes both (Pennington, Ball, Hampton and Soulakova 2009). Children are recruited or abducted to fight wars in Africa, or harvest cacao (Batstone 2007). Adults and children alike are targets for internal organ (i.e. kidneys) purchase or theft/murder (Pennington et al. 2009). And, whereas the slavery aspect of trafficking primarily befell Africans in recent history, modern-day slavery is an “equal opportunity” (Bales et al. 2009, pg. 5) phenomenon, victimizing people across ethnicities, nations and social strata.

As Pennington et al. (2009) explained, the cross-national market in human beings is a business—complete with pricing and distribution strategies, etc. And, the same approach holds within nations, as is the case in the United States. For instance (Bales and Soodalter 2009, pg. 117) describe West African hair-braiding slaves in New Jersey, Chinese circus performers in Las Vegas, deaf Mexican street vendors in New York, a church-based, Zambian boys choir in Texas, and more. Similarly, Batstone (2007, pg. 177) suggests that the Russian mafia acts as “puppet master” to the seemingly autonomous sex trafficking rings throughout Europe. In marketing terms, they are the channel captains of an administered vertical marketing system, analogous to the Pilipino example, above. Batstone (2007, pg. 177) suggests that the Russian mafia controls sex trafficking in Europe, by employing what in marketing are called “influence strategies” to forge strong cross-national alliances, and by committing ruthless acts of violence when it feels threatened.

**The Purpose of this Discussion**

Given that human trafficking largely entails a marketing distribution channel (Pennington et al. 2009), and given that the field of marketing developed distribution channel theory (Frazier and Sheth 1985; Achrol, Reve and Stern 1983; Boyle, Dwyer, Robicheaux and Simpson 1992) and social marketing tools and strategies to combat unwholesome marketing efforts by firms (Murray 1997; Kotler et al. 2002), and considering the nuances of intervening in a criminal
channel where the rules of business are unique, it is proposed that social marketing develop theories and strategies—specific to human trafficking, in order to combat it.

Accordingly, the purpose of this discussion is to present “Intervention Marketing” as an aspect of what Murray (1997) calls “social activist marketing,” a branch of social marketing. The domain of intervention marketing within a social activist marketing framework will be presented. And, using Frazier and Sheth’s (1985) “attitude-behavior framework for distribution channel management,” the discussion will present a 3 x 3 matrix (comprised of the victim’s voluntary, involuntary and semi-voluntary introduction and continuance in the trafficking channel) of influence strategies that their framework would suggest that traffickers are likely to use on victims. And, also based upon Frazier and Sheth’s (1985) framework, it will offer counter-influence strategies that intervention marketers might use to help victims after they have entered the trafficking distribution channel. It will also present some of the ethical and economic dilemmas associated with intervention strategies, and some of the related societal impacts. The underlying assumption to this discussion is that the intervention marketer must understand the goals, motives and logistics of human trafficking in order to more effectively combat it. It will also conclude with directions for future research.

Social Marketing and Social Activist Marketing

This discussion proposes intervention marketing as a branch of social activist marketing (Murray 1997), which is a branch of social marketing (Kotler et al. 2009). Kotler, Roberto and Lee (2002, pg. 3) defined social marketing as:

“...the use of marketing principles and techniques to influence a target audience to voluntarily accept, reject, modify, or abandon a behavior for the benefit of individuals, groups, or society as a whole.” (Kotler et. al 2002)

It should be noted that Kotler et al. (2002) describe social marketing’s major challenge as its reliance upon:

“...voluntary compliance rather than upon legal, economic or coercive forms of influence.”

Murray (1997) defined social activist marketing as:

“...that branch of social marketing that fosters social change through the elimination (or reduction) of the supply of, and/or the demand for, a socially (morally or heath-related) and/or economically harmful product.”

Moreover, Murray (1997) described social activist marketing as employing an array of coercive and noncoercive influence strategies among boundary-spanning personnel in a distribution channel, consistent with Boyle et al. (1992), and Frazier and Sheth (1985).
Intervention Marketing: A Component of Social Activist Marketing

Intervention marketing is defined as: that branch of social activist marketing that uses traditional and nontraditional marketing techniques to prevent or end a vulnerable population’s voluntary, involuntary, or semi-voluntary participation in a human trafficking distribution channel, and to facilitate the target’s preparation and reparation for improved quality of life, often undertaken in opposition to the efforts of organized criminals.

Voluntary, Involuntary and Semi-voluntary Channel Participation: Accordingly, where typical social marketing campaigns target audiences who are voluntarily involved in a harmful practice (i.e. not wearing a life preserver when boating), and who can, therefore—voluntarily end it, intervention marketing can be more complex. For instance an impoverished girl in Eastern Europe can, of her own volition, seek out a sex trafficker to find work for her in, say Southern Europe. That is an example of voluntary participation in the trafficking channel, where the intervention marketer might try to persuade the girl to pursue different employment. On the other hand, an American girl who is abducted, sold through a series of “owners,” and winds up in a brothel in Borneo, is not likely to require persuasive intervention messages, since she does not want to be there in the first place. Instead, the intervention marketer’s task might focus on finding and persuasion those with information on her whereabouts (competitive intelligence, marketing intelligence) to provide it, and then persuading a disinterested police force—or one that is on (or not on) the trafficker’s payroll—to raid the brothel.

Still, others may be coerced into slavery by their family members. For instance, consider a Thai girl who is expected to work as a prostitute in Bangkok for several years in order to help feed her aging grandparents. Or, she may borrow money and be forced to work in a brothel, restaurant, etc. for many years—if not her entire life—in order repay the debt. This is known as “debt-bondage” (Pennington et al. 2009). In this discussion, such cases are referred to as “semi-voluntary” participation in the human trafficking channel. Involuntary participation in a human trafficking distribution channel typically entails physical coercion, while semi-voluntary participation typically involves psychological or emotional coercion.

The Need for Intervention Marketing

The scenarios above are uncharted territory for social marketing—if they are indeed social marketing. This discussion proposes that they are. The rationale is as follows:

Kotler et al. (2002) said:

“Perhaps the most challenging aspect of social marketing is that it relies on voluntary compliance, rather than upon legal, economic, or coercive forms of influence.”

At face value this would indicate that intervention marketing must not use coercive influence strategies to attain its goals. However, given that social marketing employs traditional marketing tools and concepts (Kotler 2002, pg. 5). And, given that traditional/commercial marketing distribution channels use coercive influence strategies (Boyle et al. 1992), it is assumed that Kotler et al. (2002) are referring to coercing consumers, rather than channel
participants. Ideally, traditional marketing employs the marketing concept—to satisfy the customer at a profit—where, the consumer is “king” or “queen.” Consumers, therefore, are not to be coerced in a demand economy.

Marketing distribution channels are different, however. Here, coercive influence strategies are used frequently—“warnings,” “threats,” “legalistic references,” and “personal pleas,” (Boyle et al. 1992; Frazier and Sheth 1985; Murray 1993). But these are not the violent types of coercive influence techniques that, say, human traffickers use (Batstone 2007, pg 177).

For instance, a typical commercial channel threat might be for a manufacturer to withdraw a retailer’s volume discount as “punishment” (Frazier and Sheth 1985) for some offense. Similarly, the activist conflict network (Murray 1997, 1998) that ensued when Greenpeace and Earth Island Institute coerced Heinz/Starkist tuna (via a boycott threat) into pressuring U.S. tuna fishermen to adopt dolphin-safe nets were also consistent with normal, distribution channel approaches to the use of coercive influence strategies.

However, Murray (1997) suggested that social activist marketing—a subset of social marketing—typically involves:

"(1) more important and socially divisive issues, (2) conflict between the social marketer and the target, and (3) greater reliance upon coercive influence strategies such as boycotts, buycotts, protests, strikes, etc.”

In the end it is not clear whether everything in Kotler et al.’s. (2002) social marketing, and in Murray’s (1997) social activist marketing, completely jibe. But, as the intervention marketing landscape appears to have more to do with inter-organizational conflict and the use of both coercive and non-coercive influence strategies, the present discussion rests more upon Murray’s (1997) discussion.

Social Marketing, Social Activist Marketing and Intervention Marketing Compared

Whereas social marketing typically focuses on changing consumer behavior (i.e. car seat usage, exercise, blood donations), social activist marketing focuses on changing the behavior of both consumers and suppliers, often in antagonistic settings (i.e. gun ownership, euthanasia, abortion). Intervention marketing differs from typical social marketing and social activist marketing in that target participation in the former cases is typically voluntary. Moreover, intermediaries are usually law-abiding, and seek at least the appearance of ethical behavior, social responsibility and social legitimacy. But, channels warranting intervention make little or no pretense at virtue. This makes intervention marketing more challenging, because the social legitimacy that consumers require of typical, law-abiding firms—and that social activist marketers use to threaten offensive firms—is absent in many intervention marketing settings. Adults and children are treated cruelly as sex and labor slaves with impunity, and as murder victims as a by-product of organ theft. Thus, whereas a typical social marketing effort might be to persuade American consumers to eat more nutritious foods to prevent diabetes and thereby preserve their kidneys, intervention marketers would be more concerned with warning, say Haitian earthquake victims be on guard for illegal kidney traffickers, hoping to take advantage of
the post-earthquake chaos. Or, where social activist marketers oppose the factory farming of animals, intervention marketers would be more concerned with ending the human slavery on those farms (Bales and Soodalter 2009, pg. 44); with the slaves having been trafficked in by organized criminals.

**Intervention Marketing’s Domain**

Consistent with Murray’s (1997) social activist marketing domain, the intervention marketing domain is proposed to consist of macro and micro domains.

- **Macro Domain**: The macro domain categorizes the target as a *harmful supplier* (i.e. a child brothel operator-trafficker) or a *harmful consumer* (i.e. a brothel visitor). And, it describes the problem as either a *social issue* (i.e. human rights) or an *economic issue* (i.e. murder/kidney theft for transplant recipients—due to a shortage of ethically-acquired kidneys).

- **Micro Domain**: The micro domain involves the *target adopter* (i.e. trafficked prostitute-victim), *social change agent* (i.e. intervention marketer), *social change opponent* (i.e. trafficker/mafia), *social cause* (sex and labor exploitation), *costs, benefits and risks of adoption* (i.e. the financial opportunity cost of leaving the brothel, the benefit of no longer feeling ashamed of one’s livelihood, and the risk of trafficker reprisals if she leaves his or her business); the *distribution channel* (the transportation and housing of trafficked girls), and the *social change strategy* (i.e. coercive and non-coercive influence strategies directed toward the trafficker, the trafficked girl, or the brothel customer) (Murray 1997).

**Introduction and Continuance: Focal Areas of the Social Change**

*Strategy within the Micro Domain*

This discussion proposes an addition to the *social change strategy* section of the social activist’s micro domain. Based upon Kotler et al.’s. (2002) description of two of social marketing’s goals being “preventing” and “abandoning,” considering Batstone’s (2007 pg.68) concerns about victim “reintegration” into society, and the discussion of Pennington et al. (2009) of “disposal of the victim,” after she has outlived her usefulness to the channel, it is proposed that intervention marketing focus on three areas: (1) Victim introduction to the trafficking channel, (2) Victim continuance in the channel, and (3) Victim release from the channel. Accordingly, it is proposed that *introduction* be prevented; *continuance* be halted through *interdiction*, and *release* be accompanied by intervention marketing plans of *preparation and reparation*.

1. **Introduction to the Trafficking Channel & Prevention**: This represents the target’s initial participation in the trafficking channel, whether it be voluntary, semi-voluntary, or involuntary. A girl who walks into a known trafficker’s office and agrees up front to be trafficked to an overseas brothel is involved voluntarily. If that same girl is pressured to take that kind of work by her family, then
approaches a trafficker, that is semi-voluntary. And, if she is abducted or sold to traffickers by a relative, then that would be involuntary initial participation (introduction) in or to the human trafficking channel. Here, the intervention marketer’s goal is *prevention*—to dissuade the potential trafficking victim from becoming involved with traffickers in the first place.

2. *Continuance in the Trafficking Channel & Interdiction*: Here, the target is working somewhere in the trafficking distribution channel—beyond the point of introduction. This person works at, say a brothel voluntarily, semi-voluntarily, or involuntarily—regardless of her attitudes, beliefs and behaviors prior to joining the trafficking channel.

3. *Reparation Preparation*. The last thrust has two parts:

   a) helping trafficking victims acquire the shelter, education, and jobs they will need to survive on their own.

   b) helping trafficking victims document their painful experiences. For instance, they may give video-taped testimony, written, audio-taped, etc. where they provide enough information to persuade courts and governments that they were in fact victims. The “Comfort Women” of World War II are a case in point. Women from the Pacific Rim were forced into sexual servitude to the Japanese Army. But, because the Japanese government insisted that the specific, individual plaintiffs could not prove their victimization, it took decades for them to receive reparations payments from the Japanese government. And by then, the eligible recipients were too old to have many spending options, or they had already died.

*Intervention Marketing: Victim Segmentation*

Employing the first two of intervention marketing’s major thrusts (prevention and interdiction), and considering that there are three ways by which a person may enter a human trafficking channel (*voluntarily, involuntarily, or semi-voluntarily*), it is proposed that prevention and interdiction, combined with how the victim approached the channel (i.e. semi-voluntarily), suggests nine states of nature or victim situations/segments that may be useful in understanding human trafficking and developing effective communication strategies to oppose it. Moreover, since human trafficking channels are distribution channels, where traffickers are presumed to use influence strategies on channel participants, it would be useful to determine the attitudes, beliefs, and behaviors held and practiced by trafficking victims, and how those variables might affect the influence strategies that traffickers use on victims. But more importantly, the attitudes, beliefs and behaviors offer deductive insight into the mix of influence strategies that intervention marketers should use with trafficking victims. For, while on the surface it might appear that no one actually wants to, say, work in a brothel, or pick cacao under the African sun for hours on end, the reality may be more complicated—that sometimes, if not often, trafficking victims must be persuaded to leave the channel and return home or elsewhere.
Voluntary Participation: Batstone’s (2007, pg. 164) “Nadia,” the Ukrainian beauty who signed up to be trafficked into Italy to become a restaurant worker, but who finds herself in a different situation—albeit in ignorance—volunteered to participate in the trafficking channel. Similarly, the young Russian woman who sees prostitution as a golden path to a life of success and glamour in the west—and therefore enlists to be trafficked for that purpose, is participating in the channel voluntarily. Or, the African man who agrees up front to be trafficked for his labor, has also entered the distribution channel voluntarily. Their attitudes, beliefs (about job-related attributes), and behavior (and intentions) are all positive and consistent with trafficking channel participation. [+ Attitude, + Beliefs, + Behavior]

Involuntary Participation: In contrast, the girl who is abducted by traffickers, and the boy whose parents sell him at birth to child sex traffickers, are participating in the channel involuntarily. Their attitudes, beliefs and behaviors are all consistently negative. [- Attitude, - Beliefs, - Behavior]

Semi-voluntary Participation: Between the two end points there is a middle ground, semi-voluntary channel participation. For instance, the rural Cambodian girl whose family pressures her into prostitution in the capital city against her desires, is doing it semi-voluntarily. The naïve 14-year old American girl who loves her pimp boyfriend so much that she agrees—under pressure from him and against her desires—to turn tricks, is also participating semi-voluntarily. Her involvement is semi-voluntary for two reasons. First, because of her age, she is presumed—in some societies--to lack the psychological wherewithal to volunteer for such a thing—in the sense of being fully-informed, etc. And, second, she was pressured by a significant other. Similarly, the Romanian girl in a brothel in Italy—whose captor has hooked her on hard drugs against her will, or the child soldier in Uganda who does not want to be there, but who cannot think straight because he has been forced onto addictive drugs, too, are also participating in the trafficking channel on a semi-voluntary basis. Another example would be debt-bondage (Pennington et al. 2009) where channel participants are scammed into accepting transportation and work of some sort in, say, America, in exchange for taking out high-interest loans that they would not be able to repay in multiple lifetimes. Batstone (2007) describes three generations in a Chinese village that had been held in servitude—stemming from a $10 loan. Such victims are stuck for life—and sooner or later figure that out. In each of the above scenarios, the channel participants’ (victims’) attitudes are inconsistent with channel participation. They don’t want to be there, doing that kind of work. But, their beliefs (i.e. family obligation) and behavioral intentions (a commitment to doing the work) are consistent with participation. So, they remain. [- Attitude, + Beliefs, + Behavior]
Prevention: Intervention Against Trafficking Channel Introduction

According to Pennington et al. (2009) human trafficking channels consist of several, linked nodes in a network. In order of occurrence, the nodes are (1) recruitment, (2) transportation, (3) exploitation and (4) disposal. For instance, a girl at a mall in suburban New York might be recruited for a “modeling” job, resulting in her physical abduction (transportation), abuse in a brothel (exploitation), and either her release or her murder, once she has outlived her usefulness to the traffickers. Or, a girl in Oaxaca, Mexico may pay a trafficker to take her into America, where she is promptly robbed at the border, forced into debt-bondage (since she cannot pay her trafficker now), and then coerced into working in a brothel, or working long hours for the rest of her life in a restaurant or in a clothing factory.

Pennington et al. (2009) also suggest their “…analysis of the marketing system for cross-border human trafficking suggests that a well-funded and systematic approach should be taken, attacking the system at its most vulnerable points.”

Given that human trafficking victims approach trafficking channels either voluntarily, involuntarily, or semi-voluntarily, and given the suggestion of Pennington et al. (2009) that marketing find human trafficking’s vulnerable points, it is suggested that intervention marketing incorporate methods to help prevent trafficking channel prospects from actually getting involved, regardless of the entry impetus (i.e. voluntarily). Accordingly, a retrofitted version of HACCP (Hazard Analysis Critical Control Points), referred to as TACIP, is offered as way to achieve this. The goal of the preventive techniques below would be to change the beliefs and attitudes of voluntary and semi-voluntary potentially-trafficked people, and to offer involuntary channel participants self-defense techniques specifically designed in light of human trafficking. For instance Dallas Jessup offers a book, and also offers a free, downloadable video at her website (www.DallasJessup.com) that teaches girls how to physically escape a variety of encounters.

TACIP: An Adaptation of HACCP to Identify Vulnerable Human Trafficking Points

Hazard Analysis Critical Control Points (HACCP) is a technique developed in the food handling industry, to minimize the chances of food-borne illness outbreaks. NASA uses it to prevent astronauts from becoming sick in flight, and recently HACCP has been applied to a variety of fields, including Information Technology and others (Riswadkar 2000).

Essentially, HACCP is a risk reduction tool. And, if we consider participation in a trafficking channel as a hazard—analogous to a disease outbreak, then it may offer intervention marketers a framework to adapt to their setting.

According to Riswadkar (2000), there are seven principles to HACCP: (1) Conduct hazard analysis, (2) Identify critical control points in food preparation, (3) Establish critical limits for each critical control point, (4) Establish procedures for monitoring the critical control points, (5) Establish corrective action protocol for each critical control point, (6) Establish procedures for effective record-keeping, and (7) Establish procedures for an effective verification (audit).
The problem with direct application of HACCP to trafficking, outside of the fact that HACCP is typically employed to protect food, rather than people, is that “control” is the operative word. And, intervention marketers cannot control their environments as much as they can merely “influence” them. For instance, a food scientist in a factory can control temperatures to prevent microorganisms from growing. But, an intervention marketer can rarely control any of the trafficking channel participants.

Accordingly, while the concept of HACCP appears to be useful, in this discussion it is adapted as follows: “TACIP” stands for “Trafficking Analysis Critical Influence Points.” And, it is proposed as having seven steps as follows. See Table 1.

Table 1. Seven Principles of TACIP (Proposed)

- **TACIP Principle 1**: Conduct a trafficking communications hazard analysis: Intervention marketing plans should identify communication hazards and preventive measures to minimize the impact of those hazards. A communication hazard is any overt or subtle message that may cause a vulnerable party to engage in unsafe (i.e. employment) behavior.

  Example: Determine which media young women in a given town use in order to learn about overseas (trafficking) job agencies. TV? Radio? Word-of-Mouth? Do recruiters visit high-school classrooms? Intervention marketers may want to promote awareness campaigns via those same media. For instance, anecdotal evidence suggests that while trafficking is common in Ukraine, there is essentially no mention of it on TV or radio.

- **TACIP Principle 2**: Identify critical influence points: A critical influence point (CIP) is a point, step, or procedure in a potential trafficking victim’s decision-making process (i.e. need recognition, search, evaluation of alternatives, purchase, post-purchase) at which influence can be applied and, as a result, a trafficking hazard can be prevented, eliminated, or reduced to an acceptable level.

  Example: Are supermarket aisles a primary place where young mothers in Eastern Europe throw caution to the wind, and decide to risk being enslaved, in order to buy food, and snacks for their tearful children? If so, then intervention marketers may want to offer free, low-cost snacks to young mothers in supermarkets, along with informational material about trafficking. Or, if young, impoverished, Russian girls with dreams of glamour tend to lose their patience while gazing into designer store windows downtown Moscow, then intervention marketers may want to hand out anti-trafficking fliers in those areas. Or, perhaps it is when they are online—say, at Yahoo!—that girls make the decision to risk it all and sign up to be trafficked abroad. In this case, the intervention marketer who is practicing TACIP may want to run awareness campaigns at appropriate websites. Similarly, trafficking warnings may be posted on job kiosks, or in the classified sections of newspapers. And, of course, such practices are more or less realistic depending on the power of local traffickers (i.e. mafia) to sensor communications.
Table 1. Seven Principles of TACIP (Continued)

- **TACIP Principle 3**: Establish critical limits for each CIP: A critical limit is the maximum or minimum value to which a potential trafficking hazard must be influenced at a critical influence point, to prevent, eliminate, or reduce it to an acceptable level.

  Example: Did enough girls in Kiev visit the intervention marketer’s anti-trafficking awareness website?

- **TACIP Principle 4**: Establish critical influence point (CIP) monitoring requirements: Monitoring activities are necessary to ensure that the trafficking process is being monitored at each critical influence point, including: recruitment, transportation, exploitation and disposal.

  Example: An intervention marketer might create a website that offers girls a chance to win money for, say, miscellaneous travel expenses in exchange for specific information about herself and the would-be trafficker. Then, the intervention marketer would want to be sure to check/monitor the website, telephone, emails, etc. on some sort of regular basis for updated information.

- **TACIP Principle 5**: Establish corrective actions: These are actions to be taken when monitoring indicates a deviation from an established critical limit. The final rule requires the Intervention Marketer’s plan to identify the corrective actions to be taken if a critical limit is not met. Corrective actions are intended to ensure that no potential victim enters a human trafficking channel.

  Example: Too few girls sign up at the intervention marketer’s website. Are they being advised against it by traffickers? Does the website demonstrate cultural intelligence? Ozanne and Saatcioglu’s (2008) participatory action research would be useful in the design of content, to help minimize the need for corrective actions.

- **TACIP Principle 6**: Establish record-keeping procedures: TACIP would require that intervention marketers maintain certain documents, including a written TACIP plan and records, documenting the monitoring of the critical influence points, critical limits, verification activities, and the handling of trafficking intervention deviations.

  Example: The ethics would have to be thought through in advance. But, an intervention marketer might consider creating, say, a fake trafficking agency, that can serve as an information source for anti-trafficking plan efficacy.
TACIP Principle 7: Establish auditing procedures for ensuring that the TACIP system is working as intended. This should include cause and effect economic analysis, the impact of the intervention upon communities and upon the trafficking business, and the ethical and moral dilemmas the intervention marketer encounters. Validation ensures that the intervention marketing plans do what they were designed to do; that is, they are successful in ensuring safe employment, etc. for potential trafficking victims.

Example: Did the intervention increase incidence, because—for instance—each victim freed was immediately replaced by a new victim? Did the intervention marketing campaign result in a greater public awareness of excessive profits, and thereby increase trafficking market entry? Where are the trafficking equilibrium points? And, what types of harmful market corrections (i.e. inter-gang violence, increased slavery abductions) will ensue?

TACIP, then, is offered as a way to prevent human trafficking channel participation by potential victims, whether their interface with the harmful channel is voluntary, involuntary, or semi-voluntary. But, as the issues underlying and driving these three approaches are (1) attitude toward joining the channel and engaging in a certain type of work (i.e. the girl seeking work as a live-in housekeeper), (2) beliefs about the proposed work (i.e. housekeeping only vs. providing sex as well), and (3) behavior and behavioral intention (i.e. the decision to take the housekeeping job or not), it is proposed that intervention strategies requiring communication with potential or current human trafficking victims a) treat trafficking victims as channel members, voluntary or not, and b) incorporate those trafficking channel members’ attitudes, beliefs, and behaviors into any communication strategies that target them. And, as the marketing channels literature has already addressed communication and influence strategies between boundary-spanning personnel in commercial distribution channels, it is suggested that intervention marketing investigate the benefit of using the Frazier and Sheth (1985) attitude-behavior model for marketing distribution channels.

Frazier and Sheth’s (1985) Attitude-Behavior Model

According to Frazier and Sheth (1985) if the channel target has a positive attitude toward the channel program, and accepts it (behavior), then the marketer should use psychological and behavioral reinforcement. If the target is neutral (attitude) and accepts the channel program, then Moderate Rationalization should be used to bring about an attitude change. If the channel partner has a negative attitude toward the proposed channel program, but accepts it, then Radical Rationalization should be used, where the goal is to change attitude.

Similarly, when a channel partner rejects a channel program, while having a positive attitude toward it, then an Inducement Process should be used to change the channel member’s behavior. If the channel member rejects a program but has a neutral attitude toward it, then Moderate Confrontation should be used, to elicit behavioral and attitudinal changes. And, if the
channel partner rejects a channel program and has a negative attitude toward it, then Frazier and Sheth (1985) recommend a *Radical Confrontation Process* to bring about behavioral and attitudinal changes.

Connected with the above is a series of *mediated* (i.e. Company A threatens to harm Company B) and *unmediated* (i.e. Company A warns Company B that consumers will avoid them) *influence strategies* that are too numerous to list here. But, they include, for example:

> “*Information Exchange: An actor uses discussions on general business issues relating to the channel program where information and/or opinions are presented on its inherent desirability* (Raven and Kruglanski 1970).”

An application of *information exchange* to a human trafficking channel would be as follows: A brothel owner may tell a trafficked girl that because of an increase in the supply of trafficked girls, prices have fallen, and he will, therefore, not pay her as much money as before. Perhaps he is using this approach to persuade her to turn more tricks per day.

Another example would be a type of direct, mediated strategy in the form of a “Personal Plea.” According to Frazier and Sheth (1985), here:

> “*The actor stresses to the boundary person that either their friendship or debts he/she is owed require acceptance of the program, implying that its acceptance will improve their personal working relationship, while its rejection will worsen their personal working relationship* (Raven and Kruglanski 1970; Frazier and Sheth 1985)

An application of “personal plea” in human trafficking would be where, for instance, a brothel owner wants a voluntarily-trafficked prostitute to offer some new kind of service, and implies that their friendship will be damaged if she doesn’t go along with it. Or, the brothel owner might insist that her adoption of new services is part of her debt-bondage.

Frazier and Sheth’s (1985) attitude-behavior framework and related influence strategies form the basis for Tables 2 and 3.
Table 2. Victim Segments, Trafficker’s Influence Strategies, and Intervention Marketer’s Counter-Influence Strategies

<table>
<thead>
<tr>
<th>Voluntary (+Att, +Bel, +Beh) Continuance</th>
<th>Semi-voluntary (-Att, +Bel, +Beh) Continuance</th>
<th>Involuntary (-Att, -Bel, -Beh) Continuance</th>
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<tbody>
<tr>
<td><em>Willing Assimilators</em></td>
<td>Disillusioned Contrastors</td>
<td>Tricked and Trapped</td>
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**Top:** Trafficking Victim Segment  
**Middle:** (HT) Trafficker’s Influence Strategies and Goals toward Victim  
**Bottom:** (IM) Intervention Marketer’s intervening influence strategies and goals toward Victim

- **Voluntary Continuance:**  
  - + Attitude  
  - + Beliefs  
  - + Behavior  
  - HT: Reinforcement  
  - Model Attitudes  
  - HT: Radical Confrontation  
  - Change Beliefs & Attitude  
  - Add Attributes to Consider

- **Semi-voluntary Continuance:**  
  - - Attitude  
  - + Beliefs  
  - + Behavior  
  - HT: Radical Confrontation  
  - Change Beliefs & Attitude  
  - Add Attributes to Consider

- **Involuntary Continuance:**  
  - - Attitude  
  - - Beliefs  
  - - Behavior  
  - HT: Radical Confrontation  
  - Change Beliefs & Attitude  
  - Add Attributes to Consider

- **Peaceful Displacers:**  
  - HT: Radical Confrontation  
  - Change Beliefs & Attitude  
  - Add Attributes to Consider

- **Responsible Martyrs:**  
  - HT: Moderate Confrontation  
  - Change Beliefs & Attitude  
  - Add Attributes to Consider

- **Enlightened Apostates:**  
  - HT: Moderate Confrontation  
  - Change Beliefs & Attitude  
  - Add Attributes to Consider

- **Stockholmers:**  
  - HT: Radical Confrontation  
  - Change Beliefs & Attitude  
  - Add Attributes to Consider

- **Karmic Acceptors:**  
  - HT: Radical Confrontation  
  - Change Beliefs & Attitude  
  - Add Attributes to Consider

- **Trapped and Robbed:**  
  - HT: Radical Confrontation  
  - Change Beliefs & Attitude  
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**Table 3. Descriptions of Victim Segments and Relevant Influence Strategies**

**Willing Assimilators:** They voluntarily entered the human trafficking channel and have experienced many of its drawbacks. But, rather than leaving the channel, they have assimilated (Sherif and Hovland 1961) the experiences into their psyche’s, little by little and, therefore, do not see them as being as bad as they otherwise would. They entered with a positive attitude, and continue to have one. Consistent with Frazier and Sheth (1985), the trafficker is expected to use positive behavioral and psychological reinforcement with the trafficked person, in order to keep them happy and productive. The intervention marketer, on the other hand, wants the trafficked person to come to their senses and leave the oppressive situation. So, he offers the victim new information to consider. For instance, “Are you not worried about getting HIV?”

**Disillusioned Contrastors:** Once a Willing Assimilator has experienced enough horrors, he or she is likely to become a Disillusioned Contraster. This is a trafficking victim in a brothel, for instance, who no longer sees the fancy clothes and cars, but rather, the broken and wasted human lives. Because she is now contrasting, she sees her situation and the trafficking channel as being worse than she otherwise might. She does not like the kind of work she is doing anymore. But, she feels trapped by some combination of debt-bondage to the trafficker, embarrassment, and shame about returning home. Or, maybe he or she is hooked on drugs and cannot think clearly. They might also be geographically disoriented—in a place where they do not speak the language, or know where on the map they are located, or whether or not they can trust the police should they escape. Similarly, the victim may fear retaliation if she leaves and is caught, or may fear reprisals against her family if she leaves. The trafficker is technically not physically restraining this person. But, he uses modeling: “You should be more like Nadia, see how she never complains?” Information exchange: “Here is what the police do to someone like you when they catch you in their country without a passport. First, they--” or the issue a warning: “If you run away you will be sorry.” Consistent with Frazier and Sheth (1985), the intervention marketer should use such strategies as Negative Normative to persuade the victim to leave: “Only a horrible person would have other humans doing this kind of work, just so that he can get rich!” Or, the intervention marketer can support the victim’s contrasts, making the trafficker appear to be even worse: “…and did you hear what he did to Neangh when she was too sick to work? Bales and Soodalter (2009, pg. 89) present a government transcript of a phone conversation between two pimps, where one is apparently baffled by the other’s cruelty. He had recently stripped and beaten a teen prostitute—who was weak and covered with sores from being in the final stages of HIV. “Listen,” the pimp defended himself, “if you’re so sick where you can’t walk that’s one thing. But, if you’re still physically able to walk… she should be able to go get that money.” Finally, if the victim is in debt-bondage, the intervention marketer might offer to pay the debt.
Table 3. Descriptions of Victim Segments and Relevant Influence Strategies (Continued)

Tricked and Trapped: This person voluntarily joined the human trafficking channel, and either evolved from Willing Assimilator to Disillusioned Contrastor to feeling Tricked and Trapped, or arrived there directly. For instance, an Albanian girl may be told that she will wait tables across the Adriatic Sea in Italy, only to find herself locked up (with no passport) in a brothel in Milano. She wants out. Her attitude toward the work, her beliefs about the different aspects of the work, and her intention to keep performing the tasks are all negative—all inconsistent with continuing to do the work. But, the traffickers have physically harmed her for even mentioning it. And, they vow to do even worse if she attempts to leave the business. They remind her of her debt-bondage, and that she has no passport. And, if she did manage to escape, they have friends in government who will return her to them. The intervention marketer would need to use economic (i.e. meals) and noneconomic (i.e. friendship) rewards to encourage the frightened victim to confide in him or her. The goal would be for the intervention marketer to facilitate the victim’s escape or rescue. For instance, International Justice Missions (IJM) helps liberate slaves around the world, by using the local judicial systems. But, they must have evidence to present to magistrates, and that evidence often must come from the victims.

Peaceful Displacers: entered the trafficking channel with a negative attitude, but now that they are doing the work they have a positive attitude toward it. This could either be because their expectations were worse than the reality (Engel, Blackwell and Miniard 1993, pg. 571); for instance a girl in Thailand may dread becoming a prostitute—to help feed her aging grandparents—but, discover that she will be placed as an exotic dancer, responsible only for persuading wealthy Japanese businessmen to buy expensive drinks at a karaoke bar. Or, their attitudes are positive because they are engaging in displacement. Where, perhaps she is transferring positive feelings about her family that she is supporting, to the work environment. The—opposite of the man who yells at his wife because he had a hard day at work, but analogous to it. The trafficker will want to change the victim’s attitude to positive, by encouraging her to focus on what he may present as the more pleasant aspects of her life (i.e. better food and clothing than she had at home)—behavioral and psychological reinforcement. The intervention marketer in this case should use radical confrontation with the trafficking victim. For instance, anecdotal evidence suggests that young (teenage) prostitutes in America see themselves as earning large sums of money for themselves, when—more often—the reality is that the pimp takes it all, leaving her with a meager amount to buy, say, lip gloss. Accordingly, the intervention marketer might ask the target “How much money do you have, personally?”
Table 3. Descriptions of Victim Segments and Relevant Influence Strategies (Continued)

**Responsible Martyrs:** didn’t want to do this type of work in the first place, and they still don’t like it. They are only doing it because of a debt, or to feed their family back home. This person is knowingly giving a large portion of her life years away. But, she feels personally obligated to stay in the traffic—say, in a brothel, or working in a sweatshop. She is not being physically restrained. The trafficker will use moderate rationalization on her—using modeling and recommendations, warnings, and information exchange to appease her. She is not a great flight risk. And, to avoid having to incur the monitoring costs of physically restraining her—not to mention that he may want her to spend days at a time as a fake, live-in wife to a sex tourist at his hotel, the trafficker prefers to use gentle persuasion with her. The intervention marketer, on the other hand, may want to give her a wake-up call, using inducements such as meals, clothing, information about her family back home, money to pay her debt-bondage, and references to cultural pluralism (as a type of information exchange) to inform her that there are alternative ways to view social obligations. That, for instance, in many parts of the world—unlike in her part of the world—it would be unheard of for a girl to sell her body as part of a financial obligation to her parents or grandparents. The reality is that a substantial segment of trafficked girls—in some parts of the world—are often young, illiterate, and have little clue as to how the outside world sees things (Simkhada 2008). However, it is also true that many victims are trafficked internally, not internationally, and are literate if not well-educated, as is typically the case for American-born victims (Bales and Soodalter 2009, pg. 163).

**Enlightened Apostates:** may have joined the trafficking channel as Peaceful Displacers or Responsible Martyrs. Or, if they are fast learners, they may have quickly figured out that the trafficker had lured them into a debt-bondage scam, and they feel no sense of shame or guilt about breaking the contract and leaving the trafficking channel. Or, they may have decided that the idea of selling one’s body out of obligation to one’s family (rather than doing it out of a sense of love and self-sacrifice) holds no merit, and they decide to leave the trafficking channel—brothel, restaurant, sweatshop, farm, etc. Assuming the monitoring costs of, say, a Responsible Martyr are lower than are those for an Enlightened Apostate, all other things equal, the trafficker will want to shift the Enlightened Apostate back down to martyrdom. To accomplish this he will use positive normative communication strategies: “A responsible woman takes care of her obligations before she tries to have fun!” Or, they might use negative normative: “Only an irresponsible and selfish boy would not care whether or not his grandparents eat!” Intervention marketers should consider facilitating the Enlightened Apostate’s escape from the trafficking channel. Enlightened Apostates essentially woke up one morning, had an epiphany, and lost their faith in the social norms that had previously held them in psychological bondage to the trafficking distribution channel—i.e. brothel, in New York, a carpet factory in Uzbekistan, a charcoal plant in Brazil.
Stockholmers: are perhaps the most tragic segment of victims. They were abducted or sold by their families into slavery, and over time, came to identify with and like, if not love, their captors. The label comes from Stockholm Syndrome, based on experiments in Sweden several decades ago. Stockholmers are a dream-come-true for traffickers, because they require no monitoring costs to speak of, and will theoretically go out of their way to please the trafficker. The trafficker’s task here is to keep the victim happy via positive reinforcement. The intervention marketer must tread lightly with this segment, as they are apt to report the intervention marketer’s attempts to lure him or her away, to the trafficker—with serious repercussions for the intervention marketer. The intervention marketer will want to use moderate confrontation, as radical confrontation may backfire, and trigger a protection mechanism in favor of the trafficker. Instead, the intervention marketer may want to make promises and use modeling: “I will treat you to lunch at the place where I used to treat Charles—before he went home. Now he owns his own restaurant.”

Karmic Acceptors: entered the trafficking channel against their will as abductees, or without their consent from having been sold into the channel by, say, their parents. They started with a negative attitude, they still hate what they are being forced to do. But, they have learned to accept their predicaments as part of a cosmic scheme. For instance, a Hindu victim may conclude that being in a brothel is his karma—payback for something bad he had done in a past life. Or, an African slave in the 1800’s in Mississippi—having converted to Christianity—might have come to believe in the idea of “Slaves…obey your masters!” according to the Apostle Paul. Traffickers will attempt to persuade Karmic Acceptors that they are doing the right thing, and will attempt to reinforce their beliefs. But, intervention marketers will attempt to change the Karmic Acceptors’ attitudes, to get them to dislike their lot, and not see is as part of a divine plan, but rather as a mind game by the trafficker. Intervention marketers may introduce some version of “Liberation Theology” in this context, citing, for instance Gandhi’s protests against England, Nat Turner’s slave rebellion in America. Or, related to that, the intervention marketer may introduce the victim to the concept of Peter Berger’s “Heretical Imperative.” Essentially, this would be analogous to the cultural pluralism appeal made to Responsible Martyrs. But, from more of a religious angle—that the victim may consider looking at his or her bondage situation from the standpoint of an alternative religious viewpoint.

Trapped and Robbed: victims have been abducted or sold by parents. They never did like the work into which they were forced, nor did they employ any cultural or religious coping mechanisms to deal with being enslaved. The trafficker deals harshly with this group (negative reinforcement) and offers rewards when deemed appropriate. This is a world of going back and forth between using the carrot and the stick for the trafficker. The intervention marketer will want to keep the victim informed on what the free-world is like, and facilitate escape. This segment has been physically trapped, and robbed of their freedom, or perhaps an organ (i.e. kidney).
Summary and Directions for Future Research

Because the opportunity cost of compliance by a human trafficking channel is so high, as one girl can earn a pimp thousands of dollars per day (Pennington et al. 2009), voluntary compliance by a trafficker is unlikely. Intervention marketers must, therefore, rely on threats, punishments, and legalistic references (Frazier and Sheth 1985), that are often mediated by a third party such as the police, the military, or the courts, before they can even hope for success.

Traditional (noncoercive) social marketing messages that explain how program adoption is in the target’s (i.e. trafficker’s) best interests will simply go unheeded, and are often—in the trafficker’s view—simply untrue. As he or she is being asked to give up money, power, status, influence, and ready access to sex, in exchange for things such as humanitarianism, which he probably does not value in the first place.

Still, intervention marketers must try to be diligent, to find out what is motivating the traffickers, and what is motivating those who seek out traffickers. Could a destitute, young woman in Moldova be kept from the breaking point by receiving a few pretty dresses donated via an intervention marketer, in lieu of being trafficked? Is a pimp in Bangkok trying to be a pimp, per se? Or, does he want to feel important? If so, would a moderately prestigious job in a more wholesome business satisfy him? Are the Mafiosi involved in human trafficking because it appeals to them, or because it is so lucrative? Are the mafia organizations trapped in a prisoner’s dilemma with competing groups of organized criminals—such that if one group stops trafficking, the others will take up the slack, grow more powerful, and then eliminate the criminals who were against trafficking? What is the nature of the prisoner’s dilemma that actual, imprisoned slaves experience, when, say, they are warned that their family will be killed if they escape?

However, there is no denying that intervention marketing is fraught with difficulties and risk. In typical social marketing things tend to be more concrete. But, the same does not hold in intervention marketing, where channel participants may be involved voluntarily, semi-voluntarily, or involuntarily. How to liberate them becomes a challenge. Moreover, the reality of, say, the sex exploitation channels, may be an 80/20 rule, where for instance, 80% of the encounters stem from only 20% of the customers. And, where it may be that those 20% are sex addicts, theoretically incapable of controlling their own behavior; in which case Petty and Cacioppo’s (1996) “altruistic marketing” might be employed. Altruistic marketing entails:

“…. (1) conducting basic behavioral research to expand our understanding of disturbing and disturbed consumer behavior and the ways to correct it and/or (2) applying behavioral research to develop effective treatment interventions…” (Petty and Cacioppo 1996).

Another difficulty with the intervention marketing landscape is that the offensive practice (i.e. trafficked prostitution) may be legal, illegal, or semi-legal—where perhaps it is illegal on paper, but unenforced in actuality. Ozanne and Saatcioglu’s (2008) Participatory Action Research would be particularly useful here, where intervention theories and strategies would stem from the joint efforts of a variety of interested parties; for instance including academics, former slaves and traffickers, and law enforcement.
Some of the economic issues involve the societal impact of intervention. Conceivably, interventions that reduce the number of girls in brothels, will cause the supply curve to shift to the left (downward), resulting in a higher equilibrium price, which will, theoretically encourage traffickers to trick and trap more girls, resulting in more public outcry, additional intervention, a higher equilibrium price—and so on, on a sort of “wheel-of-intervention.” Here, there would simply be the mere illusion of progress. But, on the other hand, perhaps interventions that don’t appear to solve the massive problem can serve the purpose of increasing public awareness and sympathy for the victims, and may serve as intervention recruitment tools, more so than as effective interventions in their own right.

Some of the ethical issues are these: Is it wrong for an intervention marketer to, say, rescue a girl in a brothel, if the reality is that the operator will simply abduct a new girl or boy to replace her, at a negligible transaction cost? If she is not rescued, then she will suffer horribly, as a type of scapegoat or forced martyr. But, on the other hand, if she is rescued, then there will be more victims, and more wide-spread pain. Or, would it be ethical to persuade the mafia to limit its trafficking to voluntary participants, and stop employing force, fraud and coercion? Another decision that intervention marketers must make is when and how—and if—it should use sabotage against traffickers. For instance, in Michael Porter’s Five Forces Model, there is the notion of industry rivalry. In normal business, rivalry is manifested via advertising clutter, price wars, etc. The loser forfeits money. But, in the intervention marketing/human trafficking world, rivalry entails violence—manifested by, say, bullets flying across the streets of Tijuana, Mexico in broad daylight. On one hand, causing mafia rivalry might have a desired effect of reducing their numbers, power, and ultimately the number of trafficking victims. But, on the other hand, engaging in strategic moves that might help stimulate inter-gang fighting (or even intra-gang fighting) may bring violence to innocent bystanders—where no one can safely walk the streets.

Another ethical issue is judgment against families who traffic their own children. If a distraught family in Nepal sells one of its children in order to prevent, say, the other five from starving to death, should intervention marketers add to the family’s grief by denigrating their behavior—a version of Sophie’s Choice? There is also the question of exotic data bias. Selling one’s child to traffickers may sound horrific in one culture, while legalized abortions may sound horrific in another. The difficult task of the intervention marketer then, is to be able to step into the target’s shoes and not sympathize, but to empathize with them, in order to come up with interventions that will actually work. The problem with empathizing with traffickers, though, is that it becomes akin to “supping with the devil,” where one is advised to use a very long spoon. As one reviewer for this article commented, several decades ago, a doctoral student investigating truck hijacking was murdered, apparently by organized criminals.

One disturbing fact is that Cordasco and Pitkin’s (1920) discussion of “white slave trade and the immigrants” suggests that the sex trafficking environment and strategies are the same today as they were a century ago—literally—in 1909.

The following excerpts are taken from the U.S. Government report “Importing Women for Immoral Purposes: A Partial Report from the Immigration Commission on the Importation and Harboring of Women for Immoral Purposes; presented by a “Mr. Dillingham” on December 10, 1909.
“To the innocent girls, the woman procurer has only the inducement of work, and usually work of a menial nature, though at a higher pay than that to which the girl has been accustomed at home.”

“A French girl seized in a raid... in Chicago stated... that she was approached when she was but 14 years of age; that her procurer promised her employment in America as a lady’s maid... at wages far beyond any that she could ever hope to get in France; that she came with him to the United States, and upon her arrival in Chicago was sold into a house of ill fame.”

“The control of the man over his girl is explained in part by her real affection for him (he has often been her first lover) by the care which he gives her, by the threats which he makes against her, by even his brutality, and often beyond that there are many things that serve to make her condition helpless and hopeless. An innocent girl often revolts bitterly against the life, and refuses to submit until compulsion is used. Then, for a considerable length of time the man finds it necessary to watch her carefully until at length she is “broken in” – the technical expression. After that, if she tries to escape, he may apply for aid to almost any other pimp in any city in the United States...”

“...In many cases it appears as if the police made little effort to assist the girls... and they doubtless would be called upon if the girl felt that they would be of assistance. Instead of feeling safe with the police, they are usually threatened with the police by their pimps...”

“...Moreover, the alien woman is ignorant of the language of the country, knows nothing beyond a few blocks of the city where she lives, has usually no money, and no knowledge of the rescue homes that might help her.” (Washington Government Printing Office – 1909)

Clearly, human trafficking is an age-old practice. And perusal of the recent literature on trafficking suggests that—for sex trafficking—the employment of force, fraud and coercion remains.

Moreover, while this discussion focused on the dyadic relationship between intervention marketer and trafficking victim, the domain and study of intervention marketing (consistent with the social activist marketing macro and micro domains) must be expanded to address three key segments, (1) traffickers, (2) trafficking victims, and (3) consumers of trafficking victims’ services, and of the goods that they either directly create (i.e. carpets in Nepal), or that they indirectly create, as producers of raw material inputs (i.e. Brazilian charcoal used to heat the metals that wind up in American automobiles (Bales and Soodalter 2009, pg. 137).

In the end, though, at face value, it appears that social marketing and social activist marketing do offer a way for marketers to become involved in the fight against human trafficking. Intervention marketing is offered as an initial step in that direction. And, by incorporating Ozanne and Saatcioglu’s (2008) participatory action research, where victims, law enforcement, former traffickers and other intermediaries help develop theories and strategies, it will stand a better chance of making a societal contribution.
References


Inhibitions and Implications Associated with Celebrity Participation in Social Marketing Programs Focusing on HIV Prevention: An Exploratory Research

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This paper discusses celebrity participation in social marketing focusing on HIV programs. The research identifies the inhibitions of celebrity people and implications that this involvement may have upon their lives. The paper analyzes data from in-depth interviews made with twenty-seven Portuguese celebrities from arts, show business and sports. The results show an absence of prejudice against HIV. Famous people feel motivated to join the cause because of its serious nature and the social stigma attached to AIDS. It can suggest positive discrimination. Celebrities expect a fee for their endorsement to governmental campaigns or commercial social marketing, despite the social role they consider celebrities should have, and the positive image they benefit from by endorsing public health campaigns. The research discusses celebrity expectations and uncertainties and shows results that are helpful for negotiations between institutions and celebrities insofar as it may pave the way for celebrity involvement in social marketing.

Introduction

At the end of 2008, more than thirty-three million people were living with HIV around the world and more than two million were children under fifteen years old (UNAIDS 2009). The total number of people living with HIV was 20% higher than in 2000 but the incidence of people newly infected has been decreasing since 1996 (UNAIDS 2009). Although important progress has been achieved in preventing new infections, and improving access to treatment, what contributes to increase HIV prevalence, AIDS continues to be a major global health priority, namely to fight stigma and discrimination (UNAIDS 2009). The global HIV and AIDS epidemic, including the particular concerning Portuguese epidemiological situation within the European context, requires the involvement of everyone to control infection (UNAIDS 2009). Celebrities are seen in Portugal as important partners in HIV prevention campaigns because of the effectiveness they have given to governmental and nongovernmental AIDS campaigns (Casais 2008).

Celebrities can be important agents in the marketing process, particularly in creating brand equity. Celebrities can therefore benefit the effectiveness of social marketing, with the notoriety they confer to those campaigns. While celebrity endorsements benefit the effectiveness of communication campaigns (Erdogan et al. 2001; Mowen and Brown 1981), both for commercial brands and social ideas, they also boost the celebrity’s own personal image, in a process of value co-creation (Seno and Lukas 2007). Their credibility and attractiveness usually promote the receptors’ social identification (Basil and Brown 1997). Health promotion
campaigns are examples of social marketing programs which have been successful in influencing people’s behavior for the purpose of societal benefit (Morris and Clarkson 2009). Several celebrities have endorsed public health programs, namely AIDS prevention campaigns, including Bono, Jeffrey Sachs and Paul Farmer, who founded the Global Fund on AIDS (Richey and Ponte 2008).

Because of the initially diagnosed social context, HIV infection and AIDS are affected by attitudes and behaviors of stigma and discrimination (Kalichman et al. 2009). These feelings have indeed been reported by volunteers who help people living with HIV or take part in prevention actions (Omoto and Snyder 2002). The present research discusses celebrity participation in social marketing programs focusing on public health, especially on HIV. This paper identifies both inhibitions and implications that this involvement may have upon their lives, professionally as well as personally. As celebrity endorsement can have an important impact fighting AIDS, this research sought to ascertain whether famous people who had been involved in these initiatives bear evidence of such feelings and whether this fact could truly inhibit them from taking part in social marketing campaigns.

A Brief Review of Relevant Literature

HIV/AIDS

The Human Immunodeficiency Virus (HIV) was first diagnosed in 1981, in the United States of America, among homosexual men, leading the medical community to initially call it “GRIDS” - Gay-Related Immune Deficiency Syndrome (Clarke 2006). HIV was later diagnosed among heterosexuals from Haiti, injected drug users and hemophiliacs. Nowadays, HIV is a global epidemic and it is known that the virus does not differentiate transmission between gender, age, race or wealth. HIV is an important cause of disease and death all over the world. For the reason that most people who live with HIV are between 15 and 49 years old, AIDS affects the labor context, economics and social development. Because of that situation, fighting AIDS is one of the most important millennium development goals. At the end of 2008, more than thirty-three million people were living with HIV around the world and more than two million were children under fifteen years old. Africa is the most affected region (UNAIDS 2009). In Portugal has been declared since the beginning of the infection, in 1983, a total number of 33.888 cases (CVEDT 2008). HIV is one of the central priorities of the National Health Plan, concerning programs of AIDS control in the populations where the virus is most prevalent in the country, such as drug users, sex workers, men who have sex with other men, prisoners and migrants, especially within Portugal and African ex-cologne countries. There are also programs for students at schools and campaigns for general population in the mass media (National Coordination for HIV/AIDS Infection 2007).

The social context around the first HIV diagnosis made people who lived with the infection experienced stigma and discrimination (Dias et al. 2006; Herek 1999; Johnny and Mitchell 2006; Kalichman et al.; Klein et al. 2002; Lee et al. 1999; Parker and Aggleton 2003; Taylor 2001; Valdiserri 2002). HIV was associated with metaphors of plague, death, fear, guilt and shame (Ponte 2004) and AIDS was seen as a punishment for homosexuality or deviant behavior (Clarke 2006). Furthermore, the mass media have perpetuated this misconception,
associating HIV vulnerability with homosexuals in particular (Clarke 2006; Lupton et al. 1993; Ponte 2004).

Stigma and discrimination have walked side by side with illnesses in general, from syphilis to cholera or leprosy, for instance (Valdisserri 2002). This is no less true of HIV/AIDS, to the extent that fighting HIV stigma and discrimination, is considered a main priority by the United Nations Organization (2001). People still have misconceptions about HIV transmission, which fuels the fear of being infected and, consequently, the fear of coming into contact with people who live with it (Dias et al. 2006).

Volunteers who participate in HIV prevention services also report feelings of stigma and discrimination towards them from their social networks (Omoto and Snyder 2002). A comparison between volunteers in HIV services and volunteers in intensive care services with cancer patients revealed that the stigma reported by volunteers with similar roles was higher for those who cared for people living with HIV (Snyder et al. 1999). The fact that volunteers involved in HIV prevention are punished by their own good actions may result in inhibition for those taking part in AIDS prevention campaigns, mainly those who have stronger social networks (Snyder et al. 1999), even though society bestows added value on volunteering (Ferreira et al. 2008).

These and other inhibitions may also occur with famous people who endorse AIDS cause, due to the general public’s fear of any contact with the disease. This may be because celebrities such as Rock Hudson or Freddie Mercury were among the first in the world to be diagnosed with HIV. Magic Johnson took on those risks with the public announcement of his being HIV-positive. He was neither the victim of stigma nor did his image lose credibility. On the contrary, his problem served to emphasize that AIDS is something that can happen to anyone who take risks, even being famous people or a hero, as he was considered (Casey et al. 2003).

Marketing and Celebrities

A celebrity brand endorser is “an individual who enjoys public recognition and who uses this recognition on behalf of a consumer good by appearing with it in an advertisement” (McCracken 1989, p. 310). Celebrities association process can be directed towards brands and activate positive attitudes among consumers towards endorsed products (Amos et al. 2008; McCracken 1989; Mowen and Brown 1981). This means that business can become more profitable using celebrity brand endorsement (Erdogan et al. 2001), while brands can also contribute to a celebrity’s increased fame. Seno and Lukas (2007) highlight reciprocity of brand equity between the celebrity image brand and the commercial brand through a co-branding process. According to the authors, that process only happens when the relationship is based on the credibility and attractiveness of both the person and the product. The authors consider five factors in characterizing celebrity product associations: credibility, attractiveness, congruency, multiplicity and activation (Seno and Lukas 2007). Despite the risk of negative reputation sometimes targeting well-known people (Till and Shimp 1998), Agrawal and Kamakura (1995) have concluded that business is greatly favored in terms of financial return and brand equity with celebrity endorsements.
The equity effect of product endorsement by celebrities also occurs in social marketing. Famous people are seen as social models especially by teenagers (Biskup and Pfister 1999; White and O’Brien 1999; Wicks et al. 2007) and are frequently used by social marketeers to promote behavior changes (Basil and Brown 1997) in order to contribute to social welfare. Their activism has been developed since the sixties with the purpose of solving social problems, such as poverty or disease (Huddart 2005; Richey and Ponte 2008). George Harrison, Mick Jagger and Bob Geldof are examples of this activism, as are Bono, Oprah Winfrey, Mia Farrow, George Clooney and Don Cheadle (Huddart 2005; Richey and Ponte 2008; Waal 2008), creating awareness and media agenda. A Portuguese nonprofit organization, Casa do Gil, which helps orphan or in risk children, is an example of the effectiveness of celebrity endorsement in social causes. This organization developed a fundraising program with the participation of several Portuguese celebrities, namely the director of the institution, who were a very well-known Portuguese journalist. The notoriety that Casa do Gil achieved through those endorsements allowed the fast expansion of the organization activities (Proença 2008). Celebrities are also seen in Portugal as important partners in HIV prevention campaigns because of the effectiveness they have given to governmental and nongovernmental campaigns (Casais 2008).

Also in social marketing, endorsed celebrities are called to be social good examples to be followed by people. That good example of life can seems sometimes difficult to control from health institutions that invite famous people to join a cause. Shane Warne, an Australian celebrity who was paid to promote quit-smoking pills appeared smoking publically several times during the contractual period with the laboratory. Although he convinced young people quit smoking, the reliable of the advertisement was lost with that incident (Chapman and Leask 2001). Although good examples of life can be effective, also bad examples from famous people can be educative. The television commercials where Magic Johnson promoted HIV prevention had a great impact on Americans (Basil and Brown 1997). Magic Johnson has been described as someone who gave efficacy to HIV prevention messages because of the new image the infection gained after his statement - a problem that can affect anyone regardless of sexual orientation, race or fame. People’s identification with Magic Johnson, who is HIV-positive, promoted the increase of sexually safe behaviors (Basil and Brown 1997; Brown and Basil 1995; Kalichman and Hunter 1992; Quadagno et al. 1997). Magic Johnson was a real example of someone who took several risks and got infected. This case suggests that celebrities can be an effective resource in promoting public health issues (Casey et al. 2003). The same authors emphasize that the effects of a similar association do not have to be positive and depend on the type of messages, the level of social responsibility and the identification process between the celebrity in question and the public (op. cit., p. 261). The effectiveness of celebrity endorsement advertisements depends on the attitudes toward the endorser (Silvera and Austad 2004).

**Social Marketing**

Social marketing was proposed by Kotler and Zaltman in 1971 when they were researching marketing applications to problems of social change. They defined social marketing as “the design, implementation and control of programs calculated to influence the acceptability of social ideas and involving considerations of product planning, pricing, communication distribution and marketing research” (Kotler and Zaltman 1971, p. 5). Later, Andreasen defined social marketing as “the application of commercial marketing technologies to the analysis,
planning, execution and evaluation of programs designed to influence the voluntary behavior of target audience in order to improve their personal welfare and that of their society” (2003, p. 296). This new definition of social marketing focuses on influencing people’s behavior instead of influencing people’s ideas (Andreasen 1996; Brenkert 2002). The concept of social marketing is traditionally used in non-profit organizations and the public sector, but Andreasen argues for the assumption of social marketing in the commercial sector (2003).

The first social marketing work was done in the sixties and involved public health issues, namely family planning in India, in 1964, which derestricted the number of condoms distributed to people as well as reducing their price (Dholakia 1984). International public health programs introduced marketing techniques, namely by advertising contraceptive methods (Walsh et al. 1993). Influencing life-styles to improve health leads to cost reductions in healthcare and treatments. That is why health professionals and institutions cannot limit themselves to therapies but have to help modify lifestyles and behaviors (Rothschild 1999).

The effectiveness of social marketing in public health is recognized in the literature (Morris and Clarkson 2009) as an important strategy to promote individual changes, such as quit smoking, manage the infections transmission by health workers (Maha et al. 2006), drugs and alcohol consumption prevention (Jones and Rossiter 2002), as well as healthy nutrition and sports practice advertising (Gordon et al. 2006). Social marketing has been also important to tuberculosis treatment adherence (Grier and Bryant, 2005) and leprosies control (Wong 2002). Nowadays, public health is the area in which social marketing is most commonly discussed (Walsh et al. 1993), not only through health promotion practices, but also with the efforts to assure health assessment, by reducing the price of products that have a social benefit. Social Marketing in public health has been successful in AIDS control (Chance and Deshpandré 2009), and in the social world development (Duhaime et al. 1985). Public health campaigns require good message architecture and correct broadcasting through appropriate channels. The media are frequently used for this purpose (Abroms and Maibach 2008).

Methodology

Bearing in mind the effectiveness of celebrity participation in social marketing, such as Magic Johnson’s in HIV prevention campaigns, as well as being aware of the social stigma and discrimination towards HIV and AIDS, this paper aims to identify the motives and inhibitions famous people may have when endorsing this cause, and, at the same time, to discuss the professional as well as personal implications this involvement may have for their lives.

The research takes the form of a qualitative exploratory analysis using personal interviews, one of the most popular instruments of qualitative research (Carson et al. 2001; Miles and Huberman 2004), insofar as this method allows for open data collection (Flick 1999). Twenty-seven confidential and in-depth interviews were conducted between 1 June and 31 December 2008 with well-known Portuguese people from arts, show business and sports, who had experience in social marketing in public health. These twenty-seven celebrities appear frequently in the Portuguese media, namely on television, in VIP magazines and on websites about celebrities. The interviewees are aged mainly between 31 and 50 years old (51.8%). Fifty-nine percent are women and 63% are actors/actresses.
The purpose was to understand the interviewees’ perceptions, motivations and inhibitions, as well as the consequences of endorsing HIV and AIDS prevention actions in their careers and personal lives. In order to achieve that information there was a need to compare those feelings with other public health endorsements. The selection of the interviewees was based on experience in social marketing in public health as well as the celebrities’ accessibility and availability for the research. The interviewed individuals were involved in each of the fifteen categories of health problems identified in Table 1, that shows the diseases most endorsed by celebrities. The interviewees took part in a total of 76 social marketing campaigns.

Table 1. Celebrity Participation in Health-related Social Marketing Campaigns

<table>
<thead>
<tr>
<th>Social Marketing Actions</th>
<th>People Involved</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
</tr>
<tr>
<td>Blood Donation</td>
<td>1</td>
</tr>
<tr>
<td>Breast Cancer</td>
<td>9</td>
</tr>
<tr>
<td>Cardiovascular</td>
<td>6</td>
</tr>
<tr>
<td>Children’s health</td>
<td>2</td>
</tr>
<tr>
<td>Drugs Prevention</td>
<td>2</td>
</tr>
<tr>
<td>HIV Infection</td>
<td>22</td>
</tr>
<tr>
<td>Leukemia/Cancer</td>
<td>12</td>
</tr>
<tr>
<td>Lung Cancer</td>
<td>1</td>
</tr>
<tr>
<td>Non-smoking</td>
<td>5</td>
</tr>
<tr>
<td>Obesity, Diabetes</td>
<td>2</td>
</tr>
<tr>
<td>Osteoporosis</td>
<td>6</td>
</tr>
<tr>
<td>Renal Diseases</td>
<td>1</td>
</tr>
<tr>
<td>Senior Health</td>
<td>2</td>
</tr>
<tr>
<td>Tuberculosis</td>
<td>1</td>
</tr>
<tr>
<td>Uterine Cancer</td>
<td>4</td>
</tr>
<tr>
<td>Total of Actions</td>
<td>76</td>
</tr>
<tr>
<td>Interviewees</td>
<td>27</td>
</tr>
</tbody>
</table>

First of all, an interview guideline was created, as suggested by Carson et al. (2001), but flexibility was allowed in order to obtain further information from the experiences of the interviewees (McCranken 1988). The interviews took approximately one hour each. This allowed for a valuable data collection process, which would not be possible in an enquiry. We proceeded to analyze the content of the interviews, creating answer categories as recommended (Carson et al. 2001) and crossing data through the different control groups of interviewees. The control groups were established according to the following criteria: demographics, such as age, gender and occupation; their own image perception as a celebrity; participation frequency and context; cause preference; social marketing experience focusing on HIV; opinion on celebrity roles and compensations; opinion on social marketing relevance; fear and general inhibitions about endorsing causes; and experience of discrimination in the case of social marketing endorsement focusing on HIV prevention. These control groups were established so that we could understand the differences in attitude among the celebrities interviewed. A number was attributed to each
celebrity with no logical order, so that the famous people interviewed would be assured confidentiality.

Discussion

Celebrity Endorsed Activities

Although this paper aims at discussing HIV endorsements, the celebrities were chosen according to their experience on health-related social marketing participation so that it could be possible to make comparisons. The celebrities interviewed had all been involved in health promotion, even if it took place a long time ago, or even if it were not widely known. Twenty-two celebrities out of twenty-seven (81.4%) recall at least one social marketing endorsement focusing on HIV. Celebrity involvement in this issue is interesting because of the social stigma and discrimination associated with HIV and AIDS (Parker and Aggleton 2003). Celebrity selection was conducted based on health-related social marketing endorsement experience and not necessarily on their participation in social marketing campaigns focusing on HIV.

HIV infection, leukemia and breast cancer are the topics with the most activities endorsed by celebrities, bearing evidence of the personal relationships between famous celebrities and these diseases. Thirteen of the interviewed celebrities mention a special motivation to participate in certain topics because of their personal relationship with these causes – “Cancer first, because I have suffered from it. I am highly motivated because of that.” (interviewee no. 6). Although most celebrities state that their motivation does not vary with changing health themes (59.2%), they recognize that the most serious diseases, such as AIDS and cancer, require special attention: “Cancer can happen to anyone” (interviewee no. 9); “For cancer there is no warning and it has nothing to do with behaviors” (interviewee no. 13); HIV is a behavior-related problem and can be prevented, so I think I can do something about it” (interviewee no. 18).

Among famous people, television personalities are those who present the most diversity in health-related social marketing endorsement, immediately followed by actors. This fact may be linked to the reliable image these professionals usually have in public opinion, but it may also underline the fact that celebrity credibility is one of the most important factors when choosing people for marketing endorsement (Goldsmith et al. 2000; Seno and Lukas 2007).

Relevance of Celebrity Endorsement

Though literature registers an increase in celebrities’ use of marketing (Amos et al. 2008; Erdogan et al. 2001), our interviewees are divided with regard to the frequency celebrities are called to endorse causes. Although most celebrities of this research (85%) believe famous people should endorse social causes because they have a social role to play, four people interviewed do not share this opinion, supporting the idea that this kind of involvement is part of an individual action linked to awareness and is not related to celebrity status. They add that this is the reason why it is not fair to criticize famous people who do not take part in social marketing, even though they recognize that well-known people may help in public health campaigns (Biskup and Pfister 1999; White and O’Brien 1999; Wicks et al. 2007). Moreover, celebrities who endorse a
variety of themes may not be so effective as famous people who are known by endorsing the same cause (Mowen and Brown 1981).

The interviewed celebrities shared the opinion, also discussed in the literature, that famous people who endorsed a given cause are expected to set a social example regarding the behaviors associated with the said cause (Wicks et al. 2007). As a result of this view interviewee no. 1 says, “some celebrities are not in a position to be an example for public health, because of their lifestyle”. This idea reflects the importance that Seno and Lukas (2007) attribute to matching famous people to the object of the marketing program in which they take part. Celebrity endorsement implies risks and one of the most serious is that the famous person may be seen as unreliable by not setting an example (Agrawal and Kamakura 1995; Chapman and Leask 2001; Till and Shimp 1998). Concerned about this situation, interviewee no. 15 criticizes, “If people were compensated, they would be professionally responsible for the social example they give in public health with social marketing endorsement”.

Compensation of Celebrity Endorsement

The interviewees tend to upload that social marketing endorsement should be compensated in cases where endorsements, at the same time they promote social changes, also benefit commercial brands, even if in a subliminal way. Some celebrities also think that they should receive a fee for endorsing social campaigns developed by government institutions. Despite the general opinion on the social role of celebrities, two people ought always to be paid for social marketing participation, and eight celebrities defend a fee when the campaign benefits companies. In fact, the only two interviewees who have been compensated for social marketing campaigns explain that the activity led to specific advantages for certain brands by promoting specific behavior changes, despite the societal benefit. In addition, four of the famous people interviewed show some resistance to endorsing social marketing promoted by the State without a fee. However, Table 2 shows most interviewees have involved in social marketing without a payment. In a total of 76 social marketing campaigns, this research illustrates 96% were not compensated.

Although most interviewees believe that celebrities should not be paid for social marketing endorsement, which is seen as part of their social role, they emphasize sometimes it should not be like that. They support that the pro bono concept should not be exclusive to well-known people. They add that all those taking part in pro bono campaigns should do the work without payment, not only celebrities. However, the interviewees sustain that when a campaign has a budget and contemplates the salaries of those involved, it should also compensate the famous people making the endorsement: “Nobody proposes pro bono work to an advertising agency because it is not accepted. Celebrities began endorsing causes for no fees and now those who want to be compensated are frowned upon” (interviewee no. 18).
Table 2. Pro Bono and Compensated Celebrity Participation in Social Marketing

<table>
<thead>
<tr>
<th>Social Marketing Actions</th>
<th>Pro Bono Involvement</th>
<th></th>
<th>Compensated Involvement</th>
<th></th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>No.</td>
<td>% People</td>
<td>% Actions</td>
<td>No.</td>
<td>% People</td>
</tr>
<tr>
<td>Blood Donation</td>
<td>1</td>
<td>3.7</td>
<td>1.3</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Breast Cancer</td>
<td>9</td>
<td>33.3</td>
<td>11.8</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Cardiovascular</td>
<td>5</td>
<td>18.5</td>
<td>6.6</td>
<td>1</td>
<td>3.7</td>
</tr>
<tr>
<td>Children’s health</td>
<td>2</td>
<td>7.4</td>
<td>2.6</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Drugs Prevention</td>
<td>2</td>
<td>7.4</td>
<td>2.6</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>HIV Infection</td>
<td>22</td>
<td>81.4</td>
<td>28.9</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Leukemia/Cancer</td>
<td>12</td>
<td>44.4</td>
<td>15.8</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Lung Cancer</td>
<td>1</td>
<td>3.7</td>
<td>1.3</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Non-smoking</td>
<td>4</td>
<td>14.8</td>
<td>5.3</td>
<td>1</td>
<td>3.7</td>
</tr>
<tr>
<td>Obesity, Diabetes</td>
<td>1</td>
<td>3.7</td>
<td>1.3</td>
<td>1</td>
<td>3.7</td>
</tr>
<tr>
<td>Osteoporosis</td>
<td>6</td>
<td>22.2</td>
<td>7.9</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Renal Diseases</td>
<td>1</td>
<td>3.7</td>
<td>1.3</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Senior Health</td>
<td>2</td>
<td>7.4</td>
<td>2.6</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Tuberculosis</td>
<td>1</td>
<td>3.7</td>
<td>1.3</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Uterine Cancer</td>
<td>4</td>
<td>14.8</td>
<td>5.3</td>
<td>0</td>
<td>0.0</td>
</tr>
<tr>
<td>Total of Actions</td>
<td>73</td>
<td>-----</td>
<td>96.0</td>
<td>3</td>
<td>-----</td>
</tr>
<tr>
<td>Interviewees</td>
<td>25</td>
<td>92.6</td>
<td>-----</td>
<td>2</td>
<td>7.4</td>
</tr>
</tbody>
</table>

Table 3 shows the interviewees’ opinion on compensation in social marketing. Resistance to endorsing social marketing promoted by the State is explained by the existence of a government budget for health promotion campaigns which includes most payments of participants’ salary, namely directors and crew members. In this case, one would expect that the celebrity’s fees would also be respected or, in exchange, that any tax benefits would be attributed to the celebrity in question.

Table 3. Opinions on Service Fees in Social Marketing Endorsements

<table>
<thead>
<tr>
<th>Opinion on compensation in social marketing endorsements</th>
<th>No. of people</th>
</tr>
</thead>
<tbody>
<tr>
<td>“Celebrities should be paid.”</td>
<td>2</td>
</tr>
<tr>
<td>“Celebrities should not be paid”</td>
<td>13</td>
</tr>
<tr>
<td>“Celebrities should not be paid, unless the action benefits commercial brands”</td>
<td>8</td>
</tr>
<tr>
<td>“Celebrities should not be paid, unless the action benefits commercial brands. If the action is promoted by the government, celebrities should be given tax benefits”</td>
<td>4</td>
</tr>
<tr>
<td>TOTAL</td>
<td>27</td>
</tr>
</tbody>
</table>
Social Marketing Endorsement Contexts

Social marketing endorsements occur as a consequence of an invitation from an institution or as the result of a close relationship between famous people and the organization that is developing the activity. The literature reveals several examples of celebrities motivated to endorse a cause because of a close relationship with it. These include the case of Magic Johnson, with the AIDS prevention campaigns (Basil and Brown 1997; Casey et al. 2003; Clarke 2006), or George Harrison, who helped children in Bangladesh because of a friend from that country, Mick Jagger with the concert on behalf of the earthquake victims in Nicaragua - where his wife was from - (Huddart 2005) and Don Cheadle, with his involvement in the Darfur conflict after his performance in the movie Hotel Rwanda (Waal 2008).

Some contexts allow for social marketing endorsement, while others only raise obstacles. The main contexts reported by interviewees as encouraging them to participate tend to be the seriousness of the cause, the possibility of preventing the disease and the impact on people’s lives. The main impediment is lack of availability, inadequacy of the message, the possibility of economics or politics benefitting from the campaign and the unreliable nature of the institution involved.

Inhibitions of Celebrity Endorsement

Apart from context obstacles, there is also the celebrity’s psychological inhibition in endorsing certain social marketing programs. Most of the celebrities interviewed, who had been asked to participated in health-related social marketing, and especially focusing on AIDS prevention programs, reported inhibitions. This was particularly pertinent if they had to exhibit their body, if there was a need for them to undress publically, when contact with suffering was required or even if they felt that the public would identify them with the disease: "I would not endorse a cause if it obliged me to reveal my body unreasonably” (interviewee no. 5); “I would not enjoy talking about my private life as a behavior example” (interviewee no. 25); “There are issues that make me sad. I do not like endorsing that kind of marketing campaign” (interviewee no. 3).

The social stigma and discrimination around HIV, as well as the fact that some HIV-positive celebrities have taken part in prevention campaigns – following in the footsteps of Magic Johnson (Casey et al. 2003) -, could ultimately affect famous people’s availability to endorse the cause, as a result of brand image management issues. This research shows that most of the interviewees deny this possibility, which is consistent with the high number of individuals interviewed with experience in HIV prevention actions: “I did not have any inhibitions. On the contrary, I consider it necessary to talk about these issues and break away from all the taboos there are in society about this” (interviewee no. 20); “We have to face HIV as a health problem and not with moral judgments about individuals’ choices” (interviewee no 16). According to Mowen and Brown (1981) the endorsement is weak when the endorser joins several products or causes. In this case, as the majority of celebrities interviewed have endorsed numerous health social marketing campaigns, the fear of feeling AIDS stigma may be decreased.
Two celebrities interviewed reported a specific inhibition when participating in social marketing programs focusing on HIV and AIDS. One of them (interviewee no. 3) explains that he/she had personal problems regarding direct contact with suffering. However, this fact is not exclusive to HIV prevention campaigns, since it occurs in other areas of public health. Another celebrity cites fear of being associated with HIV positivity, a fact which could affect endorsement of the cause (interviewee no. 5). The latter point, regarding public misconception was also quoted by another celebrity as cause for apprehension (interviewee no. 26), even though it would not affect his/her participation in HIV prevention campaigns. This person thinks that the public truly believes that celebrities taking part in HIV prevention programs may be HIV-positive. Nevertheless, the possibility of public misconception does not deter this person from taking part in these initiatives.

**Benefits and Implications of Celebrity Endorsement**

The vast majority of the interviewees state that they do not benefit professionally as a consequence of social marketing endorsements, including those of HIV and AIDS prevention campaigns. Although they deny that social marketing could concede professional opportunities, they tend to admit that their personal image may be improved. In any case, they emphasize that this is a natural consequence of taking part in such initiatives and is not their reason for doing so. However, the literature acknowledges that the ambition to achieve public recognition could in itself motivate people to take part in social marketing activities (Ferreira et al. 2008). Table 4 shows the distribution of opinion on life implications, diverging from the research of Omoto and Snyder (2002) in relation to the perceptions about stigma reported by volunteers in HIV/AIDS prevention services.

**Table 4. Opinions on Celebrities’ Life Implications Related to Social Marketing Endorsement**

<table>
<thead>
<tr>
<th>Celebrities’ life implications related to social marketing endorsement</th>
<th>No. of people</th>
</tr>
</thead>
<tbody>
<tr>
<td>Did it promote professional opportunities?</td>
<td>6 21</td>
</tr>
<tr>
<td>Did it improve your personal image among the public?</td>
<td>16 11</td>
</tr>
<tr>
<td>TOTAL</td>
<td>27 27</td>
</tr>
</tbody>
</table>

The five interviewees without experience in HIV prevention actions concluded that their involvement in health campaigns promoted a better image of themselves among the target-public, as shown in Table 5. Out of the twenty-two famous people who have participated in HIV prevention campaigns, eleven also concluded that their public image improved, therefore confirming the theory of value co-creation between the social marketing product and celebrities. The other eleven famous people interviewed who had AIDS prevention experience reported irrelevant associations from the public. These results suggest absence of theme specificity on HIV, compared to other public health diseases, what is not according to the analysis about the risks celebrity take when they endorse stigmatized causes (Casey et al. 2003).
Table 5. Public Image Perceptions of Social Marketing Involvement by Celebrities

<table>
<thead>
<tr>
<th>Interviewees with experience in social marketing focused on HIV prevention</th>
<th>Interviewees without experience in social marketing focused on HIV prevention</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indifferent</td>
<td>11</td>
<td>Indifferent</td>
</tr>
<tr>
<td>Positive</td>
<td>11</td>
<td>Positive</td>
</tr>
<tr>
<td>Negative</td>
<td>2</td>
<td>Negative</td>
</tr>
</tbody>
</table>

The two famous people interviewed who report negative perceptions from specific types of public, who are not necessarily their main fans, also report a positive perception of their image from their target public. These negative associations include, in their opinion, direct connotations with being HIV-positive. However, these feelings do not lead to any inhibition regarding future participation in AIDS prevention campaigns: “People think I may have engaged in risk behaviors because of my lifestyle and associate me with AIDS, but I am not afraid of this and carry on endorsing these activities” (interviewee no. 22); “People follow an actor’s life and they approach me with concerns about the characters I play. I believe the public thought about my health situation when I participated in an AIDS prevention campaign” (interviewee no. 26).

Conclusion

This paper explores the effectiveness that celebrity endorsements may have promoting social changes. Those endorsements contribute to social welfare. Famous people who have endorsed HIV and AIDS campaigns have donated notoriety to this problem as well as they have created awareness for consistent prevention behaviors and non-discrimination attitudes towards people who live with the infection. Being celebrity endorsements so effective, famous people who join social causes, such as AIDS prevention, give a great contribution for a better world. That is why it is important to understand celebrity motivations and inhibitions to join the cause so that managers could better adapt their invitations to famous people endorsements.

Results from twenty-seven interviews with Portuguese celebrities, all of whom had social marketing experience in public health issues, suggest absence of theme specificity as well as absence of prejudice against HIV. The serious nature of the disease as well as the social stigma attached to AIDS is what motivates them to join the cause, such a contribution to a cause they think needs more involvement than other public health issue. This may indicate positive discrimination. The target-public’s feeling of direct connotation with being HIV-positive is only residual among the famous people who have taken part in these campaigns, and does not lead to any inhibition regarding future participations. The interviewees consider that these campaigns do not result in more professional opportunities, but concede that by participating in them they may create a positive image of celebrities. However, despite the social role they think famous people should play, some of the interviewees believe that, in some cases, these services should be
compensated, namely when these initiatives are promoted by companies or by the Government and when other professionals are paid in the same initiative.

**Management and Macromarketing Implications**

As well as in commercial product endorsements, managers should try to maintain celebrity associations to social marketing, especially when the famous person fits the cause, having a coincident lifestyle with the social ideas promoted, or when the celebrity has a close relationship with the theme. Managers should also try to avoid the celebrity join other similar causes, in order to guarantee the reliable of the endorsement to the health problem in question. A large number of endorsements could result in a less effectiveness of each association. It is also important before the invitation to ensure the celebrity has not psychological inhibitions to endorse the cause, as the direct contact with suffering, for instance. This paper sustains the theory that the value co-creation between product and celebrities also occurs in social marketing. Sixteen interviewees concluded their public image has improved with health social marketing endorsements, so famous people get evidence of the positive aspects that joining a cause could give for their public image, even if the cause is HIV and AIDS, a social stigmatized disease.

The information gathered may prove helpful in future negotiations between institutions and celebrities insofar as it may pave the way for celebrity involvement in social marketing programs and, consequently, for the good of global society. On the one hand, institutions may be able to understand celebrity inhibitions and implications related to social marketing endorsement, as well as their expectations and concerns. That knowledge can allow marketers adapt their invitations to celebrity’s expectations, what can increase celebrity endorsements in order to social welfare. On the other hand, celebrities also gather information which may explain their decision to take part in these initiatives or not.

**Further Research and Limitations**

As an exploratory study, this research presents results which are limited to the celebrities interviewed. Although the use of confidential interviewees was considered the best method for this research, insofar as it allowed us to obtain valuable information from famous people regarding this issue, we must also admit that the interviews may have prevented the interviewees from verbalizing certain delicate aspects.

Future research could explore this issue regarding the absence of social negative discrimination towards HIV and AIDS from famous people, as well as the possible existence of positive discrimination on that point. It could prove useful to compare this study’s results with research conducted on a larger group of celebrities, comparing results between famous people with global appeal and regional famous people, for instance. It could also be interesting to make a cross-cultural perspective, studying a similar group of celebrities from other countries. Moreover, regarding Mowen and Brown (1981) theory, future research could study famous people who have not experienced any kind of social marketing focused on public health so that it could be possible to understand if those famous people would have inhibitions to join HIV prevention campaigns.
References


The Impact of Host Country Policies on the Overseas Chinese Family in Singapore and Malaysia

Kenneth Yap, University of Western Australia, Perth, Australia

The purpose of this paper is to provide an account of changes in the family construct of the Singaporean Overseas Chinese resulting from migration, settlement, and public policy. The family institution then changes in response to family policy, so that today it bears little resemblance to the traditional blueprint. Differences between the family institutions of the three major racial groups in Singapore have emerged as a result of discriminatory policy pressures. The Singaporean government has used family planning policies to create the ideal social structure and human resource capital, possibly at the expense of Malays and women with less education. The fate of the Overseas Chinese family institution in Singapore may also differ to its counterpart in Malaysia. In Malaysia, the pro-Malay affirmative action program has contributed to a dramatic reduction in Overseas Chinese fertility, whilst creating unintended consequences that are not easily reversible. Both examples lend credence to the “minority status hypothesis” on family planning. The paper concludes with issues for macromarketing scholars to ponder.

Introduction

Industrialization has triggered demographic transition in many countries and its effect on the family institution is apparent. Family size is rapidly diminishing, populations are ageing, and family units are increasingly isolated. The purpose of this paper is to discuss how the family construct has changed through the immigration and settlement of the Overseas Chinese in Singapore. The context of this paper follows Chinese migrants who immigrated to Singapore between the turn of the 20th century and the Second World War as a result of uncertain socio-economic conditions in rural Southern China. They are collectively referred to as huaqiao or the sojourner migrants (Wang 1991).

The Traditional Chinese Family

The traditional Chinese family is characterized by values derived from the Confucian ideal of preservation of harmony (Kuo 1987; Slote 1998). According to Confucius and Mencius, the reinforcement of the ‘Five Bonds’ are necessary for a harmonious society. These are the authority of the ruler over his subjects, the authority of the father over his son, the authority of the husband over his wife, the authority of the elder brother over his younger brother, and the kinship shared between friends (Zhou, Shi, and Xu 1982). Slote (1998, 39) observes that “the hierarchy is centered on the image of the ultimate benevolent father – omniscient, omnipotent, and protective – and is a derivation of certain stages of psychological development of a child that sees the parent as an all-fulfilling and all-powerful godlike figure”. This patriarchal authority over family dynamics and the cultural values of Chinese society is inextricably linked through the Confucian ethic. Therefore, a large part of traditional Chinese culture is bound to the family.
The traditional Chinese family construct is very complex and scholars such as Baker (1979) provide more elaborate accounts of its structure and dynamics than what the scope of this paper permits. Nonetheless, there are three characteristics that are of interest in this paper: (1) deference to paternalistic authority, (2) patrilineal nuclear family (preference for males), and (3) interdependence on extended family.

In a traditional Chinese family, the son is not to question the authority of his father; nor is the wife to question the authority of her husband. Obedience and solidarity are expected from family members, whilst grievances and dissent have to be restrained. The father is a feared and distant figure whose role is to teach, direct, and discipline. Thus, he is restrained from any displays of affection (Slote 1998). Only the eldest son can succeed the father as the head of the household and is expected to provide care to his parents in their old age. When a daughter marries, she leaves her family to join her husband’s family where her new role is primarily to assist with household chores and bearing children. Baker (1979) observed that women are ‘acquired’ to help families achieve key tasks, such as the enlargement of the family in order to compete better with rival families. In agrarian China, family size matters; hence, the basic unit of a traditional Chinese family often includes the extended family comprising several generations. Large families provide an ample and steady supply of labor to generate wealth for the family.

The traditional Chinese family construct also extended beyond the household to include the entire village. Since Chinese lineage is patrilineal and family landholdings were subdivided among sons, members of a settlement or village often shared one surname and each household was bound together by consanguineal relationships. This kinship among villagers was economically beneficial. Members worked together on capital improvements such as digging wells, making roads, and, since the lineage held the land collectively, building ancestral temples. The extended family construct gave each member a sense of solidarity and identity that distinguished them from other villages. This is the familial context with which the emigrant leaves China.

Migration: The Overseas Chinese

Warlordism, banditry, civil wars, and revolution had further impoverished the rural areas of Fujian and Guangdong provinces in southern China. Meanwhile, new export industries in colonial Southeast Asia required more laborers. The British in the Straits Settlements (current-day Malaysia and Singapore) recruited labor from China to work in the tin mines. Earlier Chinese settlers who had established businesses in growing industries often looked to recruit relatives from their home village as workers. These factors brought the sojourner Chinese migrant to Singapore. The sojourning migrant is characterized by mercenary intentions of pursuing economic gains in the short-term, but ultimately wanting to return to the home country with accumulated riches (Bonacich 1973). Money was remitted back to China to acquire land and other investments back home, thus suggesting that the sojourner made every preparation to retire there. Until then, the sojourner made the journey alone, often leaving this family behind.
The Chinese Family Abroad

The institution of the family changes in the host country because of the allegiances migrants make when they arrive in the host country. If the conditions there are hostile and unwelcoming, migrants often seek others from the same kinship or ‘clan’ to gain strength in numbers. This kinship comprises several broad associations including known relatives who are already established in the host country, earlier settlers who share their surname and/or originate from the same village in China, and fellow villagers (often with the same surname) who embarked on the journey together. Since most Chinese huaqiao were male, they swore a ‘blood brotherhood’ which even included non-relations for the sake of solidarity (Baker 1979).

These mock kinships gradually evolved into more formal institutions, resulting in hundreds of clan associations – commonly referred to as huiguan – which are distinguished mostly by dialect groups first, then by territory of origin or surname (Wickberg 1998). The huiguan provided new migrants with food, clothing, as well as the opportunity to partake in cultural rituals such as religious and ancestor worship. The huiguan’s most important contribution to the migrant’s adaptation to the host country was access to employment. New arrivals were often recruited into the businesses of entrepreneurs who were either relatives or members of the same huiguan. As more clan members were ‘pulled’ into a particular trade, a chain migration pattern started to emerge.

The benefits and obligations of clan membership in host countries stirred the migrant’s consciousness about kinship, possibly expanding the migrant family institution to include a second family of ‘relations’ in the host country. Once the migrant became more well-established, he would then be able to bring his nuclear family over to be reunited in the host country. The sojourn ended when the migrant and his family decide to adopt the host country as their new home.

The Overseas Chinese Family in Singapore

The British welcomed the migration of Chinese who would supply the human resource required for their development plans of Singapore and the rest of the Straits Settlements. Unskilled Chinese ‘coolies’ were recruited to work in the tin mines; while other migrants were sought for their prowess in trade. British official Sir Stamford Raffles, widely regarded as the founder of Singapore, had plans to develop Singapore as a trading port to market various products from the West and opium from India. Raffe’s laissez-faire approach to development also allowed the different dialect groups from China to carve out economic niches for itself (Chiew 1995). Based on Raffe’s urban development plan, residential areas were also segmented by dialect groups, resulting in a spatial concentration of Chinese clans and family groups not dissimilar to villages in their rural homeland (Cheng 1995).

Demographic statistics published in the 1990 Singapore Census of Population recorded the influx of Chinese migrants in Singapore (Kwok 1998). In 1824, the population of Singapore was just over 10,000, 31% of which were ethnic Chinese. At the height of the Chinese huaqiao migration wave in 1931, the population of Singapore grew to over 550,000, 75% of which were ethnic Chinese. The most recent census reports that Chinese is still the largest ethnic group in
Singapore (Leow 2000). As a result, the national identity and ideology are largely influenced by Chinese culture and the Confucian ethic.

The Traditional Chinese Family in Singapore

Chain migration from China leading up to the Second World War altered the demographic profile of Singapore’s population. The Chinese were now the new ethnic majority and most of the male migrants were able to either sponsor the migration of their wives and children or establish new families in their adopted host country. The gender balance was re-established and a greater proportion of the Chinese population is Singapore-born. During the post-war baby boom, which continued until the mid 1960s, nearly 80% of population growth was attributable to a natural increase rather than migration (Cheng 1989). The total fertility rate peaked in 1957, with more than six children per woman (Yap 2003). The Chinese family consisted of a large nuclear family and a network of other families related by kin, clan, or dialect group.

Cultural values are linked to reproduction, childbearing, and the preferred size of a complete family (Beaver 1975; Handwerker 1986). Therefore, anthropologists argue that cultural transformation underlies the demographic transition and changes in fertility observed in many societies. As the Chinese migrant becomes more established and well-adjusted in the company of other migrants from the same clan or dialect group in Singapore, the most familiar type of family structure is recreated. This culture is rooted in an agrarian society where a large family was beneficial. However, the conditions in Singapore are markedly different. Specifically, the traditional Chinese family institution became incompatible with the government’s vision of a modern Singapore.

The Singapore Government and its Influence on the Population

Since its independence from the Malaysian Federation in 1965, Singapore has been governed by a Chinese-dominated People’s Action Party guided by Lee Kuan Yew and his vision of building a modern and industrialized city-state. Most Singaporeans regard Mr. Lee as the patriarch of modern Singapore, under whom many have prospered during the country’s rapid economic development in the last four decades. Singapore’s GDP per capita rose from US$701 in 1968 to US$37,597 in 2008 (Statistics Singapore 2009). The government recognized that, since Singapore lacked natural resources, it needed to rely heavily on human resources to industrialize the economy. The government made significant investments in education and training to upgrade the workforce to higher value-added industries such as shipping, oil refining, manufacturing, and banking. During that period, the literacy rate in Singapore rose from under 60% in the 1960s to 98% in 2008 (Statistics Singapore 2009). Already highly-regarded by businesses from the West for its high standards in education and English, Singapore was also well-poised to benefit from the recent economic growth of China because its Chinese population was proficient in Chinese business culture, as well as being fluent in Mandarin.

Singapore also had to undergo a significant demographic transformation. In the formative years during the 1960s, the government was faced with a high unemployment rate, limited industrial base, scarce land and natural resources, and a growing population. The government’s
broad response to this predicament was to improve the quality of human resources while limiting its quantity. This approach gave rise to anti-natalist and other social engineering policies that may seem discriminatory and invasive to Western observers. However, since one of Confucius’ ‘Five Bonds’ is the ruler’s authority over his subjects, the Confucian ethic appeared to grant some permissibility for the government to intervene in the private affairs of the individual and family. Government intervention brought significant changes to the traditional Chinese family institution in Singapore. Some of these were inadvertent or unanticipated, and irreversible.

**Government Policy on Nuclear Families**

In 1966, following the Singapore government’s tightening of immigration controls, the statutory Singapore Family Planning and Population Board was established to limit population growth. The Board introduced a range of incentives and controls, collectively known as the “Stop at Two” policy, in order to reduce the fertility rate. Several authors have catalogued these measures (e.g. Palen 1986; Quah and Quah 1989; Graham 1995; Teo and Yeoh 1999). They include:

- Income tax relief for the first three children only;
- Paid maternity leave for only the first two children;
- Higher hospital delivery fees for each child after the second;
- Higher priority in public housing for smaller families (75% of the population lived in public housing);
- Higher priority in the choice of primary school for the first three children if their parents underwent voluntary sterilization.

These measures, along with the subsequent liberalization of abortion laws to facilitate abortion on demand, were extremely effective in lowering the fertility rate. The fertility rate dropped from 4.66 children per woman in 1965 to 1.73 children in 1980 (Yap 2003; Cheng 1989). The fertility rate for Chinese women was 1.66 children, substantially lower than counterparts in other ethnic groups. The government, by succeeded in limiting population growth, soon realized that there were other concomitant demographic trends and inadvertent policy effects occurring. In just a decade after instituting anti-natalist measures, the fertility rate dipped below the replacement level. This trend, coupled with a rapid delay in marriages and childbearing, meant that the size of Singapore’s human resource would likely decline in the next generation. This concern prompted a policy reversal by the government in the 1980s.

The government’s worries about a population decline were compounded by an unanticipated fertility pattern. In a public address to the country in 1983, Mr. Lee expressed concern that well-educated women were increasingly unmarried and having fewer children than less-educated women (1.65 children and 3.5 children, respectively). He implied that this trend would be detrimental to the eugenic quality of Singapore (Palen 1986). He ascribed genetics and education as two key determinants of achievement, and was determined to improve the ‘national IQ’ even if it meant selective breeding. The government instituted a controversial population policy to achieve two objectives: to increase fertility of educated women, and to decrease fertility of uneducated women. Consequently, even more incentives and controls were introduced. Palen (1986) lists some of these measures:
• Children of graduate mothers received highest priority in their choice of primary school;
• Higher tax relief for each of the first three children of graduate mothers;
• Childcare subsidies to encourage graduate mothers to rejoin the workforce;
• Cash grant of up to $10,000 for non-graduate mothers who opt for voluntary sterilization after the second child;
• Establishment of the Social Development Unit, a bureau which enables graduate men to meet graduate women for the purpose of increasing marriage rates among graduates.

The government abolished this policy after a public outcry concerning the discrimination of non-graduate mothers. The effect of these measures is still not clear since the disparity in marriage and fertility rates among graduate and non-graduate mothers persists today. Nonetheless, the government’s message was clear. It had a vision of Singapore as an achievement-oriented society and was not afraid to exercise its authority to engineer such a society. This policy was short-lived but it provided the template for a new, more inclusive, pro-natalist family planning policy.

In 1987, the government instituted the New Population Policy to replace the anti-natalist population program (Cheung 1989). The Family Planning and Population Board was replaced by the Population Planning Unit and the Family Life Education Unit. This was designed to reflect a greater emphasis on educating young Singaporeans on the value of family life (Teo and Yeoh 1999). These agencies were charged with the difficult task of raising the fertility rate against the backdrop of increasing modernization, competition, and empowerment of the individual and specifically women (Graham 1995). The anti-natalist campaign of “Stop at Two” was now replaced by the pro-natalist campaign of “Have Three, or More if You Can Afford It”. Many old policy instruments were revised:

• Whereas before smaller families had received higher priority in public housing, now larger families (three children or more) received higher priority;
• Whereas before, income tax relief had been awarded for the first three children, now it was awarded for each child, with additional tax rebates for the third child onwards;
• Whereas before, higher hospital delivery fees had been levied for each subsequent child after the second, now hospital delivery fees were subsidized for each subsequent child after the third;
• Whereas before, abortions were available on demand, now women with fewer than three children seeking abortion were required to undergo counseling.

Policy Implications

To date, these policies have not been able to reverse the trend of declining fertility. This problem is not unique to Singapore. Populations in many industrialized countries are also ageing and unable to replace themselves. However, the Singaporean government has demonstrated that it is prepared to enforce population policies by using bold incentives and disincentives to influence decisions in personal and family spheres. Successive policy changes and the persistence of the ‘carrot-and-stick’ approach in policy implementation even now may have formed a pattern of conditioning for young Singaporeans. Chen and Fawcett (1979) argue that this is the facilitating effect of population policies.
An association is created when the decision to marry or bear children is reinforced, either positively or negatively, by extrinsic benefits or costs, such as monetary entitlements or losses. Theories in economics and sociology suggest that people would eventually consider the benefits and costs of building a family before they respond (Bagozzi and Van Loo 1978). If this is indeed the decision process for some, then it is reasonable to expect that they would defer their decision until all the extrinsic benefits or costs are known. Since family policy incentives and disincentives vary periodically in Singapore, those who seek to maximize utility may postpone starting a family until they get the ‘best deal’ possible. Unlike in agrarian China where fertility was once driven by labor demands and social insurance for the elderly; in Singapore, a smaller nuclear family is a purposeful adaptation to the natural and socioeconomic environment, as well as public policy.

**Government Policy on Extended Families**

The Singaporean government’s efforts to create a national identity and restructure urban development have indirectly altered the concept of the extended Chinese family. In the interest of building a national identity with three sizeable ethnic groups (Chinese, Malay, and Indian), the government’s imperative was to marginalize the institutions that perpetuated cultural segregation. The government began to enforce the use of Mandarin as the *lingua franca* for Chinese of all dialect groups and to discourage the use of dialects. The government also instituted an urban redevelopment plan that dispersed the concentration of clan or dialect group members into new housing areas which are now more ethnically diverse. Community Centers and Residents’ Committees were then established in each housing area to promote greater social interaction between members of different ethnic and dialect groups in the hopes of building a collective identity. For the Chinese, these policies marginalized the role of the *huiguan* as the transmitter of Chinese culture. Cheng (1995) reasons that with these developments, along with an increase in inter-dialect marriage, the Chinese-Singaporean identification with dialect or clan groups has eroded. The contemporary Chinese family institution no longer includes clan or dialect group members and its focus has reverted to the nuclear unit.

**The Contemporary Overseas Chinese Family in Singapore**

**The Nuclear Family**

Latest statistical reports (e.g. Housing & Development Board 2003; Singapore Department of Statistics 2005, 2005; Statistics Singapore 2009) show that, in general, the nuclear Chinese family in Singapore has shrunk in response to the changing environment and public policy. The average nuclear family size is now 3.5, typically one male and one female parent and one or two children. This smaller unit appears to be the result of a number of trends including:

- *The postponement of marriage* – the median age at first marriage has risen from 23 in 1990 to 30 in 2008 (Statistics Singapore 2009), and the proportion of individuals between 35-44 years old who are unmarried has grown (Leow 2000).
- *Changing attitudes towards courtship and marriage, particularly among females* – surveys showed that more females than males find marriage undesirable (Chan 2002), and that most remained single because they have not found the ideal partner (Ministry of
Community Development Youth and Sports and National Family Council 2009). Overall marriage rates have dropped from 10 years ago, but females have a lower marriage rate than males (Statistics Singapore 2009).

- **Shifting priorities between work and marriage** – a survey shows that many remained single because they wanted to focus on their studies or career and achieving material goals (Social Development Unit 2000). Salaries and household incomes have increased, but working hours are also getting longer (Singapore Department of Statistics 2005).

- **Shifting priorities between work and childbearing** – married couples were surveyed and admitted that they currently have fewer children than they would like (Ministry of Community Development Youth and Sports and National Family Council 2009). Those surveyed would have grown up in a household of 6.2 persons just 30 years ago. Today, the fertility rate is 1.28 children per resident female (Statistics Singapore 2009).

- **The elevated status of women** – there are more females with post-secondary qualifications than ever before, specifically tertiary enrollments have increased by 69% in the last 10 years (Singapore Department of Statistics 2009). The female labor force participation has increased from the year 2000 to 2005 and at a higher rate than male participation (Singapore Department of Statistics 2005). Yet, female graduates are the largest segment of singles (Leow 2000). Palen (1986, 8) reports stereotypes that portray female graduates as “more headstrong, self-seeking, and less family oriented than their less-educated counterparts,” as well as, being “too fussy regarding potential spouses.”

**The Extended Family**

Since clan associations and family businesses are less prevalent in the lives of most Singaporeans today, the extended family appears to be restricted to the nuclear family, parents, siblings, and parents-in-law (Wong and Kuo 1979). By that measure, the extended Chinese family is evidently smaller because of lower fertility rates. The number of large households with six or more members has declined from 21% of all households in 1990 to 11% in 2005 (Singapore Department of Statistics 2005).

**The Nuclear Family Institution**

The government feared that the modernization of Singapore brought significant detrimental changes to the nuclear family institution. Thus, in an effort to promote marriage and childbearing, it used the media to educate Singaporeans about the joy of married and family life. In reality, marriage and child-bearing are still largely the norm, and Singaporeans are likely to feel some anxiety or stress if they do not marry and have children (Pereira 2006). However, some aspects of the traditional Chinese nuclear family institution have evolved. Today, arranged marriages are almost obsolete and individuals are now free to find their own partner. Nonetheless, children still show deference toward their parents by seeking their input to legitimize their choice of partners. This process can be problematic with dogmatic parents in a society where the number of inter-ethnic marriages is on the rise (Leow 2000).

Women are no longer objectified as they were before in the traditional Chinese family. Wives and mothers now enjoy higher status in the household. Gender roles are less defined with the increase in education and labor participation among females. This liberation implies that
power, which was traditionally conferred only through childbearing, now comes from a woman’s performance of other roles. In addition, since it is common for married sons to move out of their parents’ home, their wives are no longer in servitude to his family in the way she would have been in the traditional model. To a much lesser extent today, the wife does not have to contend with her mother-in-law and other wives or concubines. Despite polygamy being recognized legally in Singapore, it is less socially acceptable and practiced. A woman is now able to maintain continuing strong links with her own family.

Alternative nuclear family arrangements are also becoming more acceptable among Chinese-Singaporeans. Overall, attitudes are still strongly against homosexual couples, cohabitation, children born out of wedlock, and divorces. However, Singaporeans under the age of thirty are markedly more accepting of cohabitation and divorce than older Singaporeans (Chan 2002). Indeed, divorce rates are higher than they were ten years ago (Leow 2000). While it is true that marriage is still the norm, the institution of marriage can change in response to public policy. For example, a pro-family public housing policy has prompted Singapore couples to register for marriage in order to qualify for public housing, only to have the wedding ceremony much later.

Alternative living arrangements for the nuclear family are also becoming more common. An interesting development is the case of ‘astronaut parents’ and ‘parachute children’ (Pe-Pua et al. 1996). This is a strategy where a Singaporean Chinese family seeks residency in another country suitable for retirement (e.g. Australia). This is a form of reverse-sojourn where the sojourner stays but the rest of the family moves: the wife and children are ‘parachuted’ into the host country while the husband remains in the home country to resume working. Periodically, the ‘astronaut’ husband shuttles back and forth between home country and host country to fulfill the minimum residency requirements. Meanwhile, his family spends most of their time in the host country and makes periodic visits back to the home country. In this arrangement, the wife takes on her husband’s traditional household roles and responsibilities and the children spend very little time with their father.

The Extended Family Institution

For the fear that Westernization would erode traditional Confucian values, the government uses the media to promote greater kinship and interaction among extended family members. Most imagery in these public messages depicts a three-generation family. In reality, kinship and frequent interaction with extended family members are still largely the norm. Recent survey results indicate that the extended Chinese family in Singapore remains close-knit, specifically the relationship between adult children and their parents (Ministry of Community Development Youth and Sports and National Family Council 2009; Pereira 2006; Housing & Development Board 2003). Ninety percent of senior citizens received visits at least once a month from their married children, and 22% received daily visits. The most common reason for this is for childcare support and to have meals together (Housing & Development Board 2003). Two-thirds of senior citizens receive regular cash contributions from their children, perhaps as nominal payments from unmarried children living with them, or from married children to offset the cost of babysitting and preparing meals (Ministry of Community Development Youth and Sports 2005).
Kinship with parents-in-law is also strong. Research indicates that a husband generally has more contact with his wife’s parents than his own (Wong and Kuo 1979). Ironically, this is a departure from the traditional Chinese family practice which circumscribes a daughter’s contact with her family after she is married into her husband’s family. Close geographic proximity makes it easier to maintain regular contact. In fact, the government provides financial grants to married couples who apply for public housing in the vicinity of their parents’ residence. Kinship between siblings and siblings-in-law is less strong. Wong and Kuo (1979) found that the relationships between siblings-in-law are generally considered obligatory, while sibling solidarity among middle-class Singaporeans is somewhat weak.

**Differences in Policy Pressure and Response**

Singapore’s housing, education, and population planning policies were instituted in the interest of building a national identity. Unfortunately, it has produced differential effects for the three major ethnic groups.

**Chinese and Other Racial Cohorts in Singapore**

Figures in Table 1 below show that the Chinese are the largest ethnic group in Singapore, while the Malays make up only 14% of Singapore’s population (unlike in Malaysia where the Malays are the majority). Indeed, the precarious position of the minority Chinese in Malaysia prompted Singapore’s secession from the Federation in 1965. The Singaporean government has since been careful about consolidating the interests of the majority Chinese without marginalizing the Malay and Indian minorities. This was particularly relevant after the 1969 riots between the Malays and Chinese in Malaysia spilled over onto its shores. At that time, the government would have been concerned about the implosion of social order because the Malays had a higher fertility rate than the Chinese resulting in a 7% decrease in the Chinese population and a 4% increase in the Malay population with each generation (Heng and Devan 1995). The anti-natalist policies introduced in 1966 were intended to reduce overall population growth, albeit, in a discriminatory manner.

**Table 1. Comparison of Ethnic Groups in Singapore and Malaysia**

<table>
<thead>
<tr>
<th>Country</th>
<th>Singapore</th>
<th>Malaysia</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethnic Group</td>
<td>Chinese</td>
<td>Malay</td>
</tr>
<tr>
<td><strong>Percentage of population</strong></td>
<td>76.8%</td>
<td>13.9%</td>
</tr>
<tr>
<td><strong>Household income</strong></td>
<td>$5,219</td>
<td>$3,148</td>
</tr>
<tr>
<td><strong>Household size</strong></td>
<td>3.6</td>
<td>4.2</td>
</tr>
<tr>
<td><strong>1960s TFR</strong></td>
<td>4.3</td>
<td>6.3</td>
</tr>
<tr>
<td><strong>1987 TFR</strong></td>
<td>1.5</td>
<td>2.2</td>
</tr>
</tbody>
</table>

1Ethnic segment data are for 2008 and sourced from the CIA World Factbook.
2Household monthly income in local currency; Singapore data are for 2000 and compiled by Lee (2004); Malaysia data are for 1999 and compiled by Chakravarty and Roslan (2005).
3Household size data for Singapore are for 2000 and are sourced from the Singapore Census of Population 2000.
4Singapore Total Fertility Rate data are for 1965 and compiled by Cheung (1989); Malaysia Total Fertility Rate data are for 1967 and compiled by Tey (2002).
5Total Fertility Rate data for 1987 are compiled by Saw (1990).

n.a. – not available
As a group, the Malays in Singapore have historically occupied a lower socioeconomic stratum. Their monthly household income is the lowest of the three ethnic groups (see Table 1), and their representation in tertiary education and professional occupations are less than that of the Chinese and Indians. Thus, the use of financial rewards and sanctions to influence family planning would necessarily mean these policies weighed more heavily on the Malays than on the Chinese or Indians. For example, the $10,000 cash grant for sterilization after the second child was offered only to non-graduate, working-class mothers, a segment that is over-represented by Malays. Increased delivery fees for the third child onwards were applied only to public hospitals, which were more likely to be utilized by Malays than Chinese. Having the largest average household size of all three ethnic groups, the Malays were again penalized when smaller families were given higher priority in public housing allocation. These incentives/disincentives had, in part, contributed to a significant reduction of the Malay fertility rate (from 6.3 in 1965 to 2.2 in 1987), though a high proportion of Malays have always felt that two children were too few for the ideal family size (Wong 1979). This decline in fertility comes with some reluctance because, unlike their counterparts in Malaysia, the Singaporean Malays’ concerns about longer-term prospects for social mobility have likely entered into the calculus of child-bearing (Jones 1990). It should also be noted that, compared to the Malays, family policy pressure was less severe for the Indians primarily because a much larger proportion are tertiary-educated and had access to higher-paid occupations.

The inequity of Singapore’s family policy sent implicit signals about the government’s position on social order. Paul (1993) argues, however, that such a policy has exalted the status of the Chinese and further intensified ethnic segregation. In neighboring Malaysia, the government had also adopted discriminatory policies, but at the expense of the Chinese instead.

**Overseas Chinese Families in Malaysia**

The Malaysian Overseas Chinese migrant is part of the same huaqiao cohort described earlier in the paper. Thus, the evolution of the family and family institution, leading up to Singapore’s independence in 1965, is similar to that of Overseas Chinese in Singapore. Their political situation, however, is quite different. The Malaysian government explicitly protects the interest of the majority Malays at the expense of the Chinese who have historically wielded more economic power. Figures in Table 1 show that in 1967, the Chinese and Malays had similar fertility rates. This alarmed the predominantly-Malay government since the Malays were under-represented in urban centers and industry. By 1987, the Chinese fertility rate was only half of the Malay rate and had fallen just below the replacement level.

The rapid decline in Chinese fertility emerged for two reasons. Firstly, the Chinese prospered proportionately more from Malaysia’s economic growth in the 1960s and early 1970s. This was due to the fact that they were more likely than the Malays to live in urban areas, have higher levels of education, have professional careers, and marry later. Thus, the declining fertility trend among Chinese in Hong Kong and Singapore, arising from economic growth and urbanization, foreshadowed the fertility trend among the Chinese in Malaysia (Jones and Leete 2002). Secondly, but more importantly, the predominantly-Malay government instituted discriminatory economic policies that accelerated the decline of Chinese fertility and create differential demographic effects on the three major ethnic groups.
The New Economic Policy (NEP) implemented in 1971 sought to eliminate income inequality along ethnic lines through an affirmative action program that provided Malays with greater access to education, employment, entrepreneurship, and ownership of assets. The NEP concomitantly reduced the Chinese and Indian communities’ opportunities for local education and employment and effectively increased the cost of educating children. In the absence of the NEP, Govindasamy and DaVanzo (1992) reported that in 1976, Malay women desired fewer children (5.1) than Chinese women (5.4). However, after exposure to the NEP, the mean desired fertility reported in 1988 was higher for the Malays (4.8) than the Chinese (3.75). In 1987, the fertility rate for the Malaysian Chinese (2.2) was still higher than that of their Singaporean counterparts (1.5), but the rates of decline from the 1960s were comparable (see Table 1). From the outset of the 1990s, it was reasonable to presume that the fertility trend of the more successful Singaporean Chinese would be the bellwether for the Malaysian Chinese. After all, both countries had prospects of explosive economic growth and Chinese families were better poised to enjoy the trappings of modern-day urban life.

This was not to be. Despite the persistent efforts of its pro-natalist policymakers, throughout the 1990s Malaysian Chinese fertility increased steadily above replacement levels while Chinese fertility in Singapore dropped even further below replacement levels (Jones and Leete 2002). Although both cohorts share a similar value system concerning family issues, the critical difference is their adaptation to policy pressure. Unlike the Chinese in Singapore, those in Malaysia recognize the link between population size and political power. They sense the urgency from being increasingly ‘crowded out’ by the Malay population which is growing in numbers and privilege. Indeed the Malaysian government’s public assault on the livelihood of Chinese families may compel them to politicize family issues and recognize that private and personal decisions about the family may have wider implications for their ethnic group. Leete (1996) explains that ‘political embattlement’ is a process by which certain ethnic groups would increase their fertility to prevent their political voice from diminishing. By that logic, the experiences of the Malay minority in Singapore and the Chinese minority in Malaysia suggest that there is a complex interplay between political power and population planning in both countries.

**Chinese Families in China**

The Mainland Chinese and Overseas Chinese in Singapore share the same Confucian family traditions. Nonetheless, differences in population planning and social policies have carved two diverging paths for the contemporary family institution. Quah (2005) reports that the 1995-2000 fertility levels for Singapore and China are similar (1.7 and 1.8 respectively) although it should be noted that Singapore’s rapid economic growth and concomitant fertility decline precedes China’s by 15 years. Both countries have experienced the demographic transition that accompanies economic development, however, differences in population planning policies suggest that China’s policy pressure has been far more effective in producing the desired effect. Since 1979, the government in China has enforced the One-Child-Policy (OCP) by imposing financial sanctions for every subsequent child after the first. Whilst Fowler, Gao, and Carlson (2010) discuss how such a policy may have created unintended effects for the family institution in China today, the fact is that the fertility level is now satisfactory (Quah 2005). In contrast, although the government in Singapore had initially instituted an anti-natalist policy, the current pro-natalist policy has been in force for 23 years. It has yet to be successful in raising the fertility
rate above replacement level. Given this trend, it is foreseeable that the Overseas Chinese family in Singapore will become a one-child family akin to that in China today.

Therefore, several implications of a one-child family which Fowler, Gao, and Carlson (2010) raise would also be pertinent to Overseas Chinese families in Singapore in the future. Indeed, some adjustments are already taking place in Singapore. These include cultural norms towards a smaller family unit, the burden of elderly care now being shouldered between fewer children (not unlike the 4-2-1 family problem), and the shift in parent-child power dynamics as family resources are dedicated to one or two offspring instead of many (not unlike China’s ‘little emperors). Yet there are other implications that do not apply simply because the target fertility in China is one child and in Singapore, it has been two or more (even the anti-natalist policy promoted “Stop at Two”). The liberty to have two or more children enabled Singapore to achieve better gender balance and it doesn’t have China’s issues associated with excess men (Zhu, Lu, and Hesketh 2009). Since sibship size is greater in Singapore, the average extended family would also include more siblings and cousins (and in turn, aunties and uncles for the next generation) than that of an OCP child in China.

The difference in family dynamics between Chinese in Singapore and the mainland cannot be solely attributable to population planning policies, such as Fowler’s, Gao’s, and Carlson’s (this issue) argument that the Cultural Revolution has served to subvert family traditions and authority structure. The huaqiao Overseas Chinese in Singapore were spared of the Cultural Revolution and as Chen (2001) conjectured, they may be more traditional than their mainland counterparts. There is some evidence for this. Fowler, Gao, and Carlson reviewed studies which surmise a growing distance between the elderly in China and their children and that children in China are increasingly less filial. In contrast, the elderly in Singapore still remain very close to their children. Admittedly, Singaporean government policy has played no small part. It is cognizant of maintaining traditional family values and has used financial incentives and housing policies cleverly to those ends.

**Conclusion**

A common thread in this paper is the Confucian ethic that underlies a traditional Chinese family, the Overseas Chinese family institution, government and its family planning policy in Singapore. This ideology holds that the welfare of a society comes from the ability to maintain civil order and achieving this warrants a patriarchal authority structure. It is debatable if this approach brought about the desired outcomes for Singapore. Instead, unintended effects were created and altered the concept of the family. This discourse on the Overseas Chinese family covers several areas of interest to macromarketing scholars: welfare, public policy, and unintended effects. Commuri and Gentry (2000) prescribe the concept of family as a pertinent construct in macromarketing (e.g. the role of family in human welfare) and a rich area for future research in marketing.

Naturally, a few research implications emerge for the macromarketing scholar. Firstly, if public policy instruments continue to reduce the calculus of marriage and childbearing decisions to a practical consideration of extrinsic benefits and costs, then it would be worthwhile identifying specific marketing or consumer theories that would be relevant to decisions on
fertility and family structure. Secondly, the Singaporean government’s use of promotional campaigns for their family policies should prompt an investigation into the role of political advertising in modifying cultural norms. Thirdly, the differential effect evident in the family policies of Singapore and Malaysia would warrant research on minority groups as vulnerable consumers of public policy. Finally, marketing implications of the demographic transition are of critical importance but remain unexplored.

Changes in the family institution may be a reflection of the contemporary generation’s search for its identity and culture. Singapore is a modern society where cultural values from East and West converge and often clash. An increasing number of Chinese-Singaporeans are selectively abandoning their traditional beliefs as they become better educated (in the West), more proficient in English than in Chinese, and more cosmopolitan in their outlook (Chiew 1995). As the generation of China-born migrants passes away, family ties with the home village will be lost (e.g. Lim 2002) and less of the Overseas Chinese identity will be bound to China (Choong 1995). The increasing rate of conversions to Christianity means that certain traditional Chinese customs, such as ancestor worship, will be abandoned due to the emphasis on the centrality of the family in life as opposed to God (Nagata 1995). Perhaps some traditional customs rooted in the agrarian society of rural China, such as Chinese New Year celebrations to usher in the crop harvest, might one day be abandoned because they are no longer relevant in the urban environment.

These questions surrounding the abandonment or loss of traditional Chinese culture become more pressing as an increasing number of Overseas Chinese re-migrate to Western countries where they will then be a cultural minority. What then becomes of the Overseas Chinese family institution in the case of re-migration? It is likely that the conflict between Eastern and Western values will deepen and the struggle for self-identity among Overseas Chinese will be more difficult. Wang (1991) asserts that there are cultural norms, such as the preservation of family ties, which the Chinese consider binding on them as Chinese. If the traditional Chinese family institution is altered until it is no longer recognizable or distinguishable, one must wonder whether the Overseas Chinese will still be Chinese.

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Functional Foods: An Empirical Study on Perceived Health Benefits in Relation to Pre-purchase Intentions

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Functional foods, also known controversially as “phoods,” are perceived by many as the food industry’s response to consumers’ increasing desire to make healthier eating choices. The objective of the present study is to determine the influence of the production technology used to make functional foods on the perceived health value of functional foods. Another objective is to measure the differences in intent to buy two functional foods with different health features, which are, in this study, orange juice and apple pie. The study also tests the mediating effect of the risks and benefits of this same relationship from the consumer’s viewpoint. The results show that health benefits perceived and intention to purchase are not so much influenced by what we pose as graduated stages of production technologies as by a perceived dichotomy between natural and artificial foods. The results also show the extensive mediating effect of perceived risks and benefits on the relationship between experimental conditions, perceived health benefits, and intent to purchase. The results also reveal that pre-purchase intentions of functional foods are more noteworthy for orange juice, which has a usefulness valence, than for apple pie, which has a less healthy epicurean valence.

Keywords: Functional foods, consumer behavior, risk perception purchasing intention

Introduction

Recent food crises triggered by diseases such as Bovine Spongiform Encephalopathy, better known as mad cow disease, and the avian influenza pandemic have impacted consumer confidence towards food safety (Berg 2004). This uncertainty has had a significant impact on consumers’ food selection criteria. At the same time, the emergence of new varieties of foods stemming from new technological methods of production, particularly genetically modified (GM) foods, raises questions about the long-term effects of these foods on consumer health.

This change and uncertainty is driven by consumer concern about food variety, safety, and nutritive content, concerns which reflect consumers’ new demands of food producers. Consumers are preoccupied not only by the safety valence of food products, but also by their health valence. It is argued that the balance of risks and benefits linked to the food sector has been substantially modified over the last few years, and that the perceived quality of “healthiness” in a food product has now become the consumer’s main motivation in their food choice (Bech-Larsen and Grunert 2003).
Other factors also contribute to increased health awareness in consumers. Over the past
decade, we have witnessed a nutritionalisation of the food supply. In the last decade, Consumers
seem to be more concerned about nutrition. Pressures created by demographics have also
significantly impacted the way consumers perceive food health benefits. The growing costs of
public health systems and the increasing numbers of elderly people in society underline the
importance of dieting and healthy lifestyles (van Arnum 2004). This segment of the population
has specific dietary needs because they want to enjoy a better quality of life for a longer duration.
(Saunier and Doré 2002). The purchasing power of the baby boom generation is also changing
how consumers perceive food health benefits (Casadesus et al. 2002; Elsner 2002). Moreover,
people are becoming more aware of the growing obesity problem in North America and its roots
in consumers’ diets. In 2001, 67% of Americans were either overweight or suffering from
obesity (CDC 2009).

In the last few years, so-called “functional” food products, also known as “phoods” to
acknowledge the role of pharmaceutical companies, have become more readily available in the
Western hemisphere (Dixon, Hinde and Banwell 2006). Functional foods are the result of
supplementing foodstuffs with nutraceuticals or a bioactive ingredient to deliver health benefits.
As such, they represent one of the food industry’s answers to new consumer concerns in food-
related matters. Functional foods offer the perception that the food industry is removing less
desirable elements in foods (fats, sugars, sodium, etc.) and adding more sought-after ingredients
(Mulry 2002). Heasman and Mellentin (2001) argue that consumers are being enticed to
consider food in a different light, that is, to believe that disease can be ameliorated or prevented
by way of judicious food choices. In other words, these foods come attached with generous
promises: they can allegedly heal the body and prevent disease. However, some scholars suggest
that these health promises have lead to scepticism and mistrust in consumers (Karstens and Belz
2006).

Before 1995, the food industry focused its research primarily towards extracting less
healthy ingredients to create more nutritious products for consumers. With functional foods, the
focus now lies on adding beneficial ingredients to achieve the same results. Dixon, Hinde and
Banwell (2006) argue that “phoods” will never replace conventional food products because
consumers are increasingly asked to make more complex decisions about a rising amount of food
choices. Some research shows that in order to market functional foods efficiently, food
marketers must gauge cross-cultural variance of functional food acceptance (Labrecque, Doyon,
Bellevance and Kolodinsky 2006).

The literature on functional foods is sparse and currently there is no established definition
of functional foods. For the purposes of our research, we use the nuanced, economical definition
of Doyon and Labrecque (2005) as a benchmark:

A functional food is, or appears similar to, a conventional food. It is part of a standard
diet and is consumed on a regular basis, in normal quantities. It has proven health
benefits that reduce the risk of specific chronic diseases or ill states in addition to its basic
nutritional functions.
As mentioned by Saher et al. (2004), the majority of studies on functional foods focus on demonstrating their effects on health rather than on the relationship between functional foods and consumers. Health is at the heart of consumers’ dietary concerns and functional foods represent a manifested technological virtue (Bech-Larsen and Grunert 2003). Bech-Larsen and Grunert (2003) maintain that the health value that consumers attribute to a food item depends upon, in part, the type of transformation to which the food item was subjected. The perception of a food item’s health value is influenced by its nutritional enrichment through technological processes.

The technological connotations inherent to functional foods are addressed in the literature, which provides a methodological foundation for our study. We have utilised these connotations to set clear objectives for our study. The present research therefore takes an interest in the following questions, as suggested by some prevalent themes:

- What is the impact of the production technology used to make functional foods on the health value perceived by and buying intentions of consumers?

- What is the mediating role of the risks and benefits perceived in the relationship existing between the production technology and the perceived health value and buying intentions of consumers?

- Is the observed relationship influenced by the belief that the functional food is healthy or not healthy?

**Methodology**

**Design and data gathering.** To meet the objectives of the study, we opted for an exploratory study with six conditions. The two factors addressed were the added nutrient (lycopene and beta-carotene) and the degree of production technology (low, medium, and high). Lycopene and beta-carotene were both added to two functional foods with different health features, which are, in this study, orange juice and apple pie. The use of this latter factor supposed that the level “low” implied a product which was improved by adding a food that naturally contained a nutrient, the level “medium” implied that the nutrient was added in the laboratory, and the level “high” refers to an ingredient whose genetic code had been modified in order to introduce the gene producing the nutrient. In order to reduce the effect of the order of presentation of the technology levels, the sequence of levels was randomized.

The data collection took place in a supermarket located in the Canadian city of Montreal in 2005. In order to be eligible, participants had to be at least 18 years old and be partly or totally responsible for food purchases in their respective household. Individuals were randomly approached when they entered the supermarket and a total of 187 questionnaires were completed.

**Measurement Scales**

**Dependent variables.** The health value perceived or attributed to the product was measured by means of a likert scale from 1 to 7 (Low to high; not at all healthy to healthy). Finally, the buying intentions towards the foods presented were measured by three items.
**Perceived risks and benefits.** We used several scales because very few studies have measured the evaluation of benefits perceived by the consumer towards functional foods. The first scale was used by Verbeke (2005). The scale was intended for a general evaluation of functional foods, and required adaptation in order to evaluate our products. We also used the four-item scale used by Verbeke (2005), which also measures the perception of consumers on the positive impact that functional foods can have on their health. Finally, we added one of seven factors, namely “Functional Foods as part of a healthy diet,” from the scale of attitudes towards functional foods developed by Urala and Lahteenmaki (2004). The perceived benefits towards functional foods are measured in our questionnaire by 15 items using three different scales.

To address the perceived risks, we used another of the scale factors developed by Urala and Lahteenmaki (2004): “Absence of nutritional risk in Functional Foods.” This factor contains three items and measures the nutritional risk attached to the consumption of functional foods. We also used the item of “process-related risks” created by Bredahl (2001) to measure the perceived risks relating to the technology used to manufacture the food in question.

Finally, we added a last item with an economical element. Because we did not want to indicate the price of our products in our questionnaire, we could not ask the consumer if he or she considered these items to be expensive. We bypassed this problem via the following wording: “This orange juice/apple pie is expensive to produce.”

**Results**

**Manipulation check.** The two items in the manipulation check are found in the fourth question of the first section of the questionnaire. We completed an exploratory factorial analysis in order to determine the number of factors.

**Table 1. Result of Factorial Analysis Applied to Questions in the Manipulation Check**

<table>
<thead>
<tr>
<th>Manipulation check factor (Correlation of 0.88)</th>
<th>Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Wording</td>
<td></td>
</tr>
<tr>
<td>1 = Requires little technology,</td>
<td></td>
</tr>
<tr>
<td>7 = Requires advanced technology</td>
<td>0.936</td>
</tr>
<tr>
<td>1 = Requires simple technology,</td>
<td></td>
</tr>
<tr>
<td>7 = Requires complex technology</td>
<td>0.936</td>
</tr>
</tbody>
</table>

*The variance explained by the factor is 87.6% according to the extraction method « principal components » and the rotation method « Direct oblimin ».

The factor extracted from this latter analysis is clear, and involves the level of technology necessary to produce a particular product. The variance explained by this factor is 87.6%. In order to complete the manipulation check, we must calculate an average of these two items for the factor to carry out the analysis of the variances.
Notice that the ANOVA is significant. Table 3 then depicts the comparison by pairs:

**Table 3. Results of Comparisons by Pairs, Technology Level of Manipulation Check**

<table>
<thead>
<tr>
<th>(I) Type of production technology used</th>
<th>(J) Type of production technology used</th>
<th>Average difference (I-J)</th>
<th>Standard deviation</th>
<th>p-value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Low</td>
<td>Medium</td>
<td>-0.36</td>
<td>0.18</td>
<td>0.043</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>-0.89</td>
<td>0.18</td>
<td>0.000</td>
</tr>
<tr>
<td>Medium</td>
<td>Low</td>
<td>0.36</td>
<td>0.18</td>
<td>0.043</td>
</tr>
<tr>
<td></td>
<td>High</td>
<td>-0.52</td>
<td>0.18</td>
<td>0.004</td>
</tr>
<tr>
<td>High</td>
<td>Low</td>
<td>0.89</td>
<td>0.18</td>
<td>0.000</td>
</tr>
<tr>
<td></td>
<td>Medium</td>
<td>0.52</td>
<td>0.18</td>
<td>0.004</td>
</tr>
</tbody>
</table>

The results presented above show that ANOVA is significant. The study of the comparisons by pairs also illustrates that all combinations of technologies are significant. We therefore consider that the results of the manipulation checks are conclusive and that they validate our experimental design. The results also confirm the hoped-for scale in the factor related to the production technology.

Lastly, we measured the perceived importance of the tested products in a daily well-balanced diet on a scale from 1 to 7. The orange juice obtained an average score of 4.64 (standard deviation of 1.51) while the apple pie was perceived as less healthy with an average score of 2.86 (standard deviation of 1.78). The difference observed between these two averages is very significant (p < 0.001) and the result thus confirms the orange juice as a healthy choice and the apple pie as a less healthy choice, as perceived by the respondents.

**Table 4. Validation of Hypotheses – Perceived Health Value – Juice & Pie**

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Orange juice</th>
<th>Apple pie</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact of production technology (H.1.1.2)</td>
<td>Confirmed</td>
<td>Non-confirmed</td>
</tr>
<tr>
<td>Mediating effect of perceived risks</td>
<td>Confirmed</td>
<td>Non-confirmed</td>
</tr>
<tr>
<td>Mediating effect of perceived nutritional benefits</td>
<td>Confirmed</td>
<td>Confirmed</td>
</tr>
<tr>
<td>Mediating effect of perceived restorative benefits</td>
<td>Confirmed</td>
<td>Non-confirmed</td>
</tr>
</tbody>
</table>

* Significant at $\alpha = 0.05$

** Significant at $\alpha = 0.10$
Table 5. Validation of Hypotheses – Buying Intentions – Juice & Pie

<table>
<thead>
<tr>
<th>Hypotheses</th>
<th>Orange juice</th>
<th>Apple pie</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact of production technology (H.1.1.3)</td>
<td>Confirmed *</td>
<td>Non-confirmed</td>
</tr>
<tr>
<td>Mediating effect of perceived risks</td>
<td>Confirmed *</td>
<td>Non-confirmed</td>
</tr>
<tr>
<td>Mediating effect of perceived nutritional benefits</td>
<td>Confirmed *</td>
<td>Non-confirmed</td>
</tr>
<tr>
<td>Mediating effect of perceived restorative benefits</td>
<td>Confirmed *</td>
<td>Non-confirmed</td>
</tr>
</tbody>
</table>

* Significant at $\alpha = 0.05$
** Significant at $\alpha = 0.10$

Discussion

*Impact of production technology of functional foods on perceived health value and buying intentions.* As stipulated by the research hypotheses, production technology has a significant impact on this study’s dependent variables. It is important to underline the minimal discriminatory power of the added nutrient to the values taken by these same dependent variables. Thus, production technology is a dominant factor in the determination of attitudes towards the product, perceived health value, and buying intentions of consumers.

These results agree with those of Bech-Larsen and Grunert (2003) who claim that, in addition to the health benefits attributed to functional foods, the evaluation of these foods by the consumer is dependent upon the industrial processing methods used. The clear prevalence of the impact of production technology on the added nutrient in our study demonstrates that the consumer ascribes some importance to the technology, regardless of the health benefits promised by the added nutrient.

We believe that the results also corroborate Bech-Larsen and Grunert (2003) when they maintain that the recognized health benefits of functional foods can be supplanted by their non-natural quality as perceived by the consumer. The functional extension of a product can therefore be beneficial, but our results lead us to believe that this type of effect is more largely due to the degree of production technology. We note, however, that Canadian legislation, despite increasing pressure, does not yet force food retailers to indicate the presence of genetically modified foods or the type of production technology.

It is also important to notice in the analysis of our dependent variable averages that the low degree of technology used stands out to a larger extent from the medium and high degrees, while the gap is much less apparent between the medium and high degrees. Furthermore, the methodological choice of the experimentation allowed us to recognize that each respondent would evaluate only one technological degree. We can therefore conclude that the consumers did not perceive three distinctive degrees of technology (low-medium-high) but rather a dissimilarity between natural (low) and non-natural (medium-high).

This dichotomy also explains the smaller gap between the medium and high technologies. The degree of technology bears a health connotation because the technology has an impact on the perceived health value. Moreover, newer technologies are considered more unnatural, and the perceived health value of these is lower. Distinctions among technologies, as we originally imagined, does not seem to go beyond the duality of natural/non-natural products. The
Overall, our results are in accordance with the arguments put forth by several authors (Cardello 2003; Bech-Larsen and Grunert 2003; Brunsø, Fjord and Grunert 2002; Bredahl, 2001). Based on the results of this study, production technology is central to product evaluation. This allowed us to measure the health valence of a food.

As for attitudes towards the added nutrient, we noticed that the results are consistent with our hypotheses. Beta-carotene is a nutrient well-recognized by the population and lycopene has recently garnered the interest of researchers in nutrition. These two antioxidants were the subject of a relatively similar and favourable description in our questionnaire. Their respective health benefits were clearly identified. Therefore it is not surprising that the added nutrient did not have a significant impact on the evaluation of products.

**Moderating effect of perceived risks and benefits on the relationship between production technology, buying intentions, and perceived health value.** As demonstrated in pre-purchase intentions, perceived risks and benefits often have a mediating role between the technology factor and the dependent variables, particularly in the case of the orange juice. Furthermore, we highlight the strong mediating effect of the benefits, both nutritional and restorative, and the perceived risks in the correlation between product technology and dependent variables. This signifies that these same dependent variables are connected to the perceived risks and benefits, but also indicates that the effect of the technology level on the dependent variables becomes null or very low when they are controlled. These variables intervene in the relation and acquire an explanatory power. Our results therefore prove that the perceived risks and benefits are not only linked to the manipulated factors and the dependent variables, but also play a formal mediating role in the relationship between these factors and variables.

Our results also corroborate those obtained by Bredahl (2001) in his work on the determination of attitudes towards products containing genetically modified organisms. While the author had not in fact tested the mediating effects of risks and benefits, he nevertheless demonstrated the correlation between perceived risks and benefits with independent as well as dependent variables. This perception of risks and benefits is recognized as a major factor in the evaluation and development of preferences and consumer behaviour towards a particular product (Dowling 1999; Campbell and Goodstein 2001). Our results concur with this position.

Poulsen (1999) recalls that the benefits of functional foods are perceived in a positive manner only if the functional breakthrough is not known to the consumer. Such a false perception suggests a dissonance between consumer beliefs and the actual nature of many food products. Our results also establish that the content of the perceived benefits largely depends on the degree of production technology used to produce the functional food. The more this technology is considered natural, the higher the perceived benefits.

**Health aspect of the suggested functional food.** As previously demonstrated, the survey received more favourable answers to the questions pertaining to the healthy food (orange juice) than those pertaining to the less healthy food (apple pie). These results show that the consumer
associates functional foods with health foods, and that pre-purchase intentions depend to a greater extent on the appearance of increased nutrition in functional foods than on their epicurean value.

As a result, the hypothesis shows a greater success rate when analyzing attitudes towards the orange juice than to the apple pie. This outcome was expected given that the orange juice corresponds to a greater extent with the general profile of functional foods, which are more focused on health. The argument we proposed is less appropriate in relation to the apple pie which, when considered prior to purchase intentions, enjoys a more evident epicurean valence than the orange juice. The current study did not account for this perception, which explains why the study is less well-suited to examining attitudes towards the apple pie than to the orange juice.

Macromarketing-related Thoughts

Since the costs of developing and licensing new food products are substantial, many firms have heavily invested into a variety of markets. On the contrary, some public policies or even private initiatives can be regarded as reflecting technological precaution, not progress. Many underlying reasons exist as to why some consumers are unenthusiastic about functional foods. Lack of policy clarity related to functional food labelling and regulation is certainly an overpowering argument. Lobbying has forever had an influence on the development agricultural public policies.

The media also has a role to play. The media also influences regulatory agencies in their role as new technology catalyst in the food industry, but the marketplace remains confused at best. With food safety concerns, the perception of risk is a key indicator of whether a product will achieve marketing success. Trust will influence how consumers will perceive risks, including those relating to functional foods. Nevertheless, some research has demonstrated their nutritional values. Some research has empirically revealed that consumers need functional foods for health and sustainable reasons. However, unlike many studies indicating that poor countries would benefit from functional foods, some state that industrialized countries alone would get most of the benefits of these new features in food. Because costs and distribution inefficiencies, the arrival of functional foods on the market may benefit some consumers more than others thus creating some market inequalities.

Lastly, marketing managers need to adapt their conventional standardization entry mode strategy in order to accommodate a multi-mode entry strategy capable of distinguishing functional foods from conventional products through an effective identity traceability system. Still, such a system comes at a significant cost. The evolutionary and cyclical model of technological change shows that practitioners should also consider the market's perception of the technology itself and its relationship with influential actors that would influence the adoption process. Increasingly, policy makers will be exposed to a mounting critical worldview that claims that functional foods are unnatural, which in return will exhort pressure on any emerging dominant design in the food industry. Therefore, a marketing strategy related to functional foods in the food industry should primarily consider the evolutionary and cyclical model of technological change within the constriction of time.
Based on the results presented in this study, the market understands that the food industry offers benefits for many consumers in many regions. As a result, no ideological conflict erupted since many consumers felt that society as a whole would gain from a value-driven emergence. In contrast, a policy void could favour a precautionary approach by consumers since these benefits may no longer be clearly understood and/or agreed to. The food industry should regard this situation as crucial.

Networks to support the marketing of functional foods need to be built when the technology emerges. A network effect at this stage is important as more consumers accept the product. This is achieved through building distribution channels that efficiently carries and support the essence of the technology throughout the supply chain. Ultimately, the food industry may consolidate their marketing position by safeguarding perceived values of functional foods.

Policy makers also have a role in the emergence of functional foods. Specific to the food industry is the component of public health that is intrinsically linked to policies. In the era of fermentation, these policies can either destroy the trust of new technological change, or become leverage for growth. The appearance of functional foods compels policy makers to monitor the health qualities and marketing practices employed by industry.

The scientific communities and research centers are the designers and promoters of unambiguous beliefs, such as functional foods. Unique to the food industry, as consumers increasingly recognize functional foods as the future benchmark in the industry, the research focus transcends from a research agenda motivated by public health concerns to an agenda driven by public policy. The research nucleus goes from societal survival to long-term sustainability; thus, with a longitudinal approach the coexistence between society and functional foods can be appraised.

Finally, functional foods came to market in recent years, and many are still unsure about their nutritional virtues. In order to propagate them, and results in this study suggest, it will be necessary to give more beneficial information to consumers. All have the onus of reaching their objectives and at the same time protect consumers. Many believe consumers should be better informed about the possible benefits of certain scientific or technological advances. Marketing strategies from the food industry are vital, but the level of congruity between the industry, policy makers and scientific community can determine whether or not consumers will be well served by the arrival of functional foods.

Limitations of the Study

Several limitations of the study must be acknowledged when interpreting the results. Of primary concern is the generalizability of the results. The findings presented in this article should be interpreted in light of the population studied and the measures used. The population included customers primarily from one supermarket in an affluent urban district. These characteristics are not reflective of the general population of other social groups in Canada. As such, this study should be replicated with a diverse sample to verify the findings.
The measures and measurement scales used in this study should also be considered when interpreting the results. Since the present study deals with highly topical issues and because past research was scarce, the administration procedures were highly specialized and may not provide the same results under different conditions.

Conclusions and Future Areas of Research

This paper synthesized the results of empirical research related to functional foods and perceived health benefits prior to purchase. The results add to the comparatively limited knowledge about Canadian consumers' perceptions of health benefits related to functional foods and to the literature on the relationship between perceived food attributes and food production technology prior to purchase. Such information is particularly pertinent to the producers, processors, and retailers of functional foods, and to those involved with food and agricultural policy. The findings reveal the importance of perceived health benefits, and of consumer bias related to attributes of functional foods. The results also show that consumers will ignore vast health benefits if the production technology seems frightening. The “phood stigma,” with the unnatural, even alien, misspelling of a usually reassuring word, appears to be very consequential after all.

Significantly, the results of this study suggest that some food producers may benefit more by adding ingredients to create functional foods instead of employing more synthetic techniques such as genetic modification. The comparison between orange juice and apple pie is also important for food producers and policy makers because the comparison shows that the respondents felt less incentive to consume apple pie with added healthy ingredients than they did for orange juice with added nutrient content. Food companies would gain from considering these findings for future marketing strategies.

This study had various strengths, including a novel intervention that addressed a timely topic for which few data are currently available. The sale of functional foods is a complex practice. This exploratory study took a few steps toward understanding how health benefits of functional foods are perceived and how can these perceptions be better understood by food manufacturers and consumers in today’s society. Future research work could focus on other types of food products, different social groups, and alternative responses and emotions related to functional foods. Since measuring perceptions is a complex and challenging task, there are many opportunities available for both qualitative and quantitative perspectives.

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Participating in Agricultural Export Channels: Perspectives of Farmers from the “Salad Bowl” Region of Central Mexico

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Tim Burkink, University of Nebraska at Kearney, Kearney, NE, USA

The study described in this extended abstract concerns the experiences that small farmers in developing countries have in entering national and global markets. Specifically, it explores the efforts that small farmers have expended to reach the market, the success or failure they report to have had, and the rationale for why some of the more commonly proposed “solutions” to the rural poverty problem have not yet been pursued or have been discarded by the farmers. The analysis relies on depth interviews with farmers in the Guanajuato region of central Mexico, an area with diverse product base for export to the U.S. market. The findings suggest that a continued culture-based reliance on the government for guidance, ineffective implementation of the mechanisms themselves (e.g. cooperatives) as well as negative experiences with export brokers have inhibited farmer participation. On the other hand, farmers with advanced formal education and/or some direct experience with U.S. agriculture express a greater openness to new models of market participation, suggesting that individual traits may trump cultural influences.

Introduction

The development literature has gradually turned its attention from an intense focus on improving the production practices of small-scale farmers to one that attempts to facilitate small farmer participation in markets, especially those with more promising returns. This shift was not easy since agricultural producers around the world had long been unaccustomed to (widespread) free market conditions, whether because of geographic isolation, distortionary government policies, or exploitative middlemen. The amount of learning required – of the farmers, the intermediaries and the government – in order to realize a model of unfettered access to rewarding market transactions has been remarkable.

Of course, the effort is on-going. Research has pointed to market institutions such as cooperatives and contract farming, regulation of intermediaries, and an expanded role for the government as potential avenues to small farmer participation in more lucrative markets. Specific examples of how these mechanisms have worked are often given. However, the greatest challenge remains: to generalize these experiences into a norm, one which reaches small farmers everywhere.

In this study, we illustrate an angle of market participation which is not often discussed and yet which has the potential to be more important to the market participation by smaller
farmers than anything else: their own perceptions of the value of specific market transactions and the mechanisms purported to make them possible. Much like the adage that emphasizes that a person cannot be helped if he does not want to be helped, we should ask whether the various mechanisms designed to facilitate market involvement are appealing to the farmers themselves. If they are not, additional research will clearly be needed. In no small way, this perspective has been missing from development policy: the recognition that agricultural markets must function within the greater cultural and social context of the producer-participants and therefore market-oriented development policies should be built using the input of these same producers, i.e. allow society to influence the evolution of the marketing systems in which individuals participate.

Relevant Literature

The academic and non-governmental organization literature on poverty alleviation via agricultural sector initiatives is vast. The World Bank’s World Development Report 2008 revisited the role that agriculture plays in development and took clear note of the market changes (e.g. the supermarket ‘revolution’) that brought even more opportunities for higher-value sales for farmers. Wholesalers, direct contracting and cooperative action have increased in relevance to farmer income. Access to quality, advanced production inputs are still mentioned as important components to a successful participation strategy but now more attention is paid to the tools of marketing including packing sheds, transportation, education, and product standards.

Much of this attention views the small farmer challenge as principally a buyer bias – transaction costs are higher, volumes are lower, etc. The type of market information that would help small farmers understand what buyers want is complex (Tesfom and Lutz 2006). Supply chains are increasingly complicated with ever changing rules and a concentration of buyers (Van Der Meer 2006; Ghezán et al. 2002). For their part, buyers demonstrate an open concern about the prospects of working with smaller farmers (Stanton and Burkink 2008).

A broad swath of the literature considers the role that cooperatives can play in overcoming these perceptions and in helping smaller farmers gain access to what is otherwise denied (e.g. Peterson and Anderson 1996). However, despite the potential gains, cooperatives often fail, in part due to poor organizational patterns, but often because of a lack of trust between members (e.g. Rousseau and Parks 1993; Weidner 1997; Katz and Kahn 1978). When members lack sufficient trust to act together professionally, it raises the question of why the individuals agreed to participate in the cooperative at all. For this and other reasons, it is important to consider the attractiveness, functioning and rationale of market participation strategies from the perspective of the farmers themselves.

Methodology

Mexico offers a setting for this study that includes the wide variety of mechanisms discussed above. Its fruit and vegetable sector is an integral part of its agricultural sector. Its millions of small-scale farmers continue to make up the vast majority of farmers yet they still struggle in poverty conditions (World Bank 2009). Its proximity to the United States opens market opportunities beyond regional and national levels and has yielded massive foreign investment in the agribusiness sector (Gereffi 2003). Wholesalers, brokers, direct contractors
and the Mexican federal and state governments are all involved in creating or facilitating transactions, and individual farmers can relate to the experiences in these markets, whether through direct involvement or vicariously through neighbors. Thus, the wealth of perspectives on market participation mechanisms is considerable.

We use depth interviews as the means for data collection. The goal was to allow, through a grounded theory approach, the farmers to reveal their views on the challenges and opportunities in the market. Interviews were conducted in the Bajío region of Guanajuato state, a region known for its heterogeneity in farmer size, experience, and crop choice (Marañón 2006). Farmers were included as long as they grew fruits or vegetables for market, such that membership in cooperatives (or not), direct experience in the national or export markets, and familiarity with brokers or other middlemen were characteristics that could emerge, rather than being criteria for inclusion.

Preliminary Findings

Analysis of the interview transcripts to date has revealed an array of interesting findings. First, producers rely to no small extent on the state and federal government to locate buyers for them. This can occur via direct one-to-one matching or sponsored trips to government-arranged expos. The farmers still expect paternalismo – belief that the government will take care of things – to help them, despite the opening of markets. Second, many individual producers have no direct experience in markets and are timid about entering. While the monetary return of doing so is generally understood, there is a deeper distrust of the market itself and an expectation that someone will take advantage of the farmer. This underscores the role of a central entity – whether government or a cooperative – in protecting the producer in some way.

Third, even farmers who are part of cooperatives exhibit uncertainty that they have sufficient volume, quality, or responsiveness to gain access to high-price buyers, indicating that the cooperative may or may not be viewed as a real mechanism for market entry. Additional research and public education regarding what is a proper, fully functional cooperative may be needed to allay those fears or otherwise help create an appropriate group. Fourth, and related to the last point, farmers in Mexico appear to demonstrate the broader cultural trait of not trusting one another (see e.g. Morris and Klesner 2008). Without trust, they undermine the goals of the cooperative, often selling their crops outside the cooperative when market conditions appear favorable to do so (see e.g. Girault 1993).

Fifth, our respondents indicated that brokers often come looking for sources of fruits and vegetables in the region, supportive of the more general function of the national and export marketing channels. Farmers are generally willing to discuss possible transactions with these brokers. However, some have had direct experience with the transaction ending poorly, with payment discounted for using the wrong packaging materials or other contrived reasons. With poor communication from the broker and unrealized technical support, the farmers involved expressed a total unwillingness to repeat the experience with the same or another broker. Sixth, and a corollary to the last point, fruit and vegetable farmers in the region demonstrated a reluctance to engage in contract agriculture. Both because it would prevent them from pursuing market prices should they rise above the contracted price and because of the experiences their
neighbors have had with brokers, the farmers view contracts as selling their “souls to the devil”, a strong indication that the mechanism is not appealing.

Finally, certain farmer characteristics such as advanced formal education and previous experience in the U.S. market appear to be associated with a lower perception of the risks from exploring the export market. Among our respondents were some with great confidence in the opportunities available to them in the export market despite their relatively limited experience with it. Their confidence seemed to stem from a more general type of preparedness regarding modern markets such as could be provided by formal education and/or experience abroad.

Discussion

Our analysis is on-going and will likely reveal additional and more refined findings regarding farmer perceptions of market entry opportunities when it is complete. Even at this stage, however, it is apparent that there is a range of concerns on the part of the farmers regarding whether the mechanisms available to them will lead to good outcomes. Cooperative action is a particularly tough sell in a culture with a pervasive problem with trust, but even when farmers surmount their initial concerns, they develop new ones. Intermediaries, as a group, are a known entity to Mexican farmers, yet the role that they play in modern supply chains is not fully understood and may continue to be (perceived as) exploitative. Even the government, with its history of paternalistic policies, is seen as fickle and a farmer’s opportunity to use its services as needlessly dependent on a single bureaucrat.

These perspectives are not generally included in either development or economic theory. Farmers are viewed as willing participants who only need an opportunity made available to be ready and willing to take advantage of it. While education – whether formal or informal, basic or technological – continues to be a central component of most development programs, the specific need in the context of market participation may not be fully understood. Experience is a strong teacher and would require a very targeted program of education to counterbalance.

Finally, it is not our perspective that farmers merely need to be more fully educated on the advantages of the variety of market participation mechanisms available. Their specific concerns, the nature of their transactions, the behavior of intermediaries and cooperative leaders and other evolving considerations should be incorporated into a more comprehensive development program, one in which they participate as designers. At a minimum, this would reduce the perception that small farmers are merely pawns in a market game designed by government and big business.

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Identification of the Attributes of an Effective State-Branding Program

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Limited research exists surrounding the composition and success of individual states’ local branding programs. This research explores the attributes of state-branding programs in order to identify attributes of successful branding programs and to quantify each program’s success. Of the fifty states surveyed, forty-four responses were gathered with three states reporting no program. All states reported using “membership total” as a success metric. Findings reveal several program attributes are associated with higher membership rates: the use of state funding, the inclusion of commodity group members, the provision of marketing assistance, and the use of a single source of funding, all have a significant positive impact on program success.

Introduction

The popularity of state-branded agricultural campaigns has risen sharply, increasing 87 percent over the last 12 years (Patterson 2006). From their early inception in the 1980’s, state branding programs were viewed as a way to provide greater economic returns for a state’s farmers during a period of otherwise depressed prices for many agricultural commodities. Governmental incentives renewed states’ interests in developing new state branding initiatives. An estimated $34 million in the form of block grants from the Emergency Agricultural Assistance Act of 2001 provided direct support to state branding programs across 13 states. More recently, however, funding for many state-branded programs has dwindled considerably. States seeking to continue their state-branded programs have had to look to alternative sources of funding. As Patterson (2006) points out, many “state branding programs were very reliant on the infusion of support provided by the state block grants and have not since found a steady source of support”.

Indeed, some programs are suffering without state funding. Such is the case of the Arizona Grown brand. Originally launched with funding from the state’s legislature in 1997, it was developed by The Arizona Department of Agriculture as a way for consumers, retailers and foodservice operators to identify Arizona food and agricultural products. The Arizona Grown trademark is currently offered free of charge to companies to promote any food or agricultural item that has been grown, raised or processed in Arizona (Arizona Department of Agriculture 2007). Unfortunately, in the face of decreased monetary support, this program, along with others across the nation, is now languishing due to chronic under-funding.
Importance of Re-vitalizing State Brand Campaigns

Revitalization of state branding campaigns and brands is deemed to be important to several constituencies, namely: the state's growers, processors, retailers, and consumers.

Research has indicated that consumers prefer to purchase locally grown foods and are willing to pay a premium for local food in their desire to: gain fresh food products; support and grow the local economy; reduce the environmental impact of industrial food production and large transport distances between producers and consumers, and; gain greater assurance as to food safety and security issues (Howard and Allen 2006; Velasquez, Eastman and Masiunas 2004; Patterson, Olofsson, Richards, and Sass 1999; Adelaja, Brumfield and Lininger 1990). State brands help consumers to delineate what is meant by the term "local" – a term currently left to retailer interpretation.

For members of the produce supply chain, the state brand may offer a way in which to meaningfully differentiate otherwise undifferentiated commodities to wholesalers, retailers, and consumers. Food safety attributes, such as process certification and traceability, are commonly associated with state brand programs. Referred to as "credence attributes", these attributes are especially meaningful to consumers in the current environment of heightened concern surrounding the safety of food (Nganje, Hughner, and Robinson, working paper). Strong state-branding programs are often accompanied by promotional marketing events and advertising which serve to build the state brand identity, aid in brand recognition, and convey various credence attributes (e.g. traceability, food safety and quality control; Caswell and Mojduzka, 1996). Such distinctive value should enable growers and producers to command higher margins, ensure a predictable volume of sales, and safeguard rural lands.

Research Objective

The research presented here is the first phase in a two-phase research project. In this first phase, research was conducted to identify the components of an effective state brand program.

Background

The Rise of State Branding Programs

Policy surrounding the promotion of local agriculture at the state level has its roots in the “New Deal” era. With the Agricultural Adjustments Act of 1933, the federal government imposed production controls in response to the consumption crevasse which opened up in the early part of the 1930s. The efforts to achieve historical pricing parity amongst commodities led to the promotion of set-asides to reduce crop surplus and stabilize farm income.

Supreme Court challenges of the federal government’s right to assert domain over interstate commodity production led to the Agricultural Markets Agreements Act of 1937. This bill attempted to redefine the scope of federalism with respect to agriculture by establishing and maintaining, “…orderly marketing conditions for agriculture in interstate commerce.” As the
government tried to cope with the deflationary price spiral that had devastated the industry, marketing, and not production, became the focal point of agricultural regulation (NALC 2009).

Federal marketing orders, established under the 1937 act, impacted the growth in local food promotion by earmarking assessments on agricultural sales toward commodity promotion and research. State governments paralleled the federal government by either authorizing or directly sponsoring marketing programs for promotion and standardization of local crops. No fewer than 261 state-legislated commodity promotion programs were identified by 1989 (Forker and Ward 1993). Programs such as Washington Apples, Florida Citrus and California Peaches can still be recognized today. However, these generic advertising campaigns slanted toward a single product focus and became producer funded, typically through a checkoff program (Ward, Chang and Thompson 1985).

In the late 1970s, “state-of-origin” brands were an indirect policy output of the Farmer-to-Consumer Direct Marketing Act of 1976. States employed this new mandate as a way to help combat interstate competition and depressed commodity prices, which had remained low during a period of stagflation following the 1973 oil crisis. Michigan, Kansas and Massachusetts introduced the first state branding programs by the end of the decade.

During the 1980s many federal programs were shifted to the state and supported through block grants. This influx of funding prompted more states to establish family brand programs intended to promote and identify all agricultural products produced within their respective state (Halloran and Martin, 1989). "Something Special" from Wisconsin and "Jersey Fresh", introduced in 1983 and 1984 respectively, are two state programs that quickly followed. By the end of the decade, an additional 15 states had similar promotion programs.

During the 1990s, eight more states had added a local brand to help capture consumer demand for local products. The Emergency Agricultural Act of 2001 prompted 21 new state brand labels after the turn of the century. The near doubling of programs was catalyzed by providing states with block grants totaling almost $160 million to promote specialty crops. An additional $45.2 million was offered to states as matching funds (NASDA 2004). As of 2008, 44 states reported having state branding programs for agriculture.

The growth in state-specific branding programs can be seen as an attempt by states to help local producers capitalize on strong home-bias, or preference for “homegrown” goods. Home-bias is defined as the consumer preference for domestic or regionally produced goods and is interpreted as a way for consumer to show support for their local economy or to preserve a certain way of life (Scarpa, Phillippidis and Spalatro, 2005). It has been routinely cited to explain the growth in demand for domestic food products (Scarpa et al. 2005). Further, Orth and Firbasova (2003) cite the strong link between culture and food as the driving factor behind demand for country or regional specific goods. In the U.S., Lopez, Pagoulatos and Gonzalea (2006), used an Armington model to assess the level of home-bias that exists for food and beverage products. Findings of this study indicate a strong home-bias surrounding raw
agriculture products, finished agriculture products, and agriculture products from neighboring countries. The study indicates a nine-fold increase in imported agricultural goods if the U.S. home-bias was removed.

**Locally Grown Movement**

Researchers have learned that consumers’ preference for: increased quality and freshness, nutrition, environmentally-sound growing methods, social connection, and support of local economies – and the perception that LG food provides these attributes and outcomes – has spurred demand for LG food (Carpi and Isengildina-Massa 2009; Darby et al. 2008; Howard and Allen 2006; Velasquez, Eastman and Masiunas 2004; Patterson et al. 1999). Additionally, research has found that, independent of the above associated attributes, consumers value, and are willing to pay more for, closer growing proximity (Darby et al. 2008).

However, in the United States, defining “local” in the face of a globalized agricultural supply chain has been left to the interpretation of the consumer. Currently, there no standard exists as to what constitutes local; some retailers define it as a day's drive (within 400 miles); others within a region (e.g. New England).

**Willingness to Pay for State Brand**

While an amassing body of research is helping to shed light on understanding consumers' purchase motives and willingness to pay for "locally grown" produce, far less has been published in the area of state-branded produce and consumers’ willingness to pay. A review of the literature found only a handful of published studies.

Brooker and Eastwood (1989) estimated willingness to pay for state produce. Their research found that while many survey participants wanted more information provided about origin of produce, most consumers would only pay a very small premium for local produce in Tennessee.

Adelaja, Brumfield, and Lininger (1990) researched the own-price and cross-price elasticities by comparing demand curves for Jersey Fresh state-branded and conventional-branded tomatoes. The research concluded that state-branded tomatoes in New Jersey have a more inelastic demand than conventional-branded tomatoes. State-branded tomatoes are more income elastic but have fewer substitutes.

Govindasamy, Pingali, Italia, and Thatch (1998) conducted a survey to assess consumer response to the Jersey Fresh state marketing program. The results showed that while around 75% of survey respondents were willing-to-pay premium for the state's produce, that premium was 10% or less. Likewise, Kezis, Gwebu, Peavey and Cheng (1998) found 72% of surveyed consumers at a small farmer’s market in Maine were willing to pay an average of 17% more for conventionally grown local produce.
A study performed by Patterson et al. (1999) assessed consumer awareness of and preference for the Arizona Grown state brand. Using binary variables to account for Point-of-Purchase promotional activities, the study found a very limited impact on the sale of state-branded produce. Awareness of the Arizona Grown brand was found to be anemic and it was postulated that limited public funding was the main culprit.

Jekanowski, Williams, and Scheik (2000) surveyed Indiana consumers and estimated which demographic factors affected likelihood of purchase. Time of residency in state, gender, and quality perceptions stood out as the deciding factors for purchasing local produce. Additionally, it was noted that consumers overall had a strong willingness-to-purchase locally grown produce if that option was available. Identifying and promoting state level branding and marketing activities were expected to have a positive effect on gross sales.

In summary, having a strong state brand provides value for growers, processors, and retailers, as well as for consumers. Research has found that consumers are willing to pay higher prices for the added value they receive from purchasing their state's produce. A strong state branding campaign can help to both deliver and to communicate that value.

Next, the identification of the attributes of effective state branding programs and the attributes for which consumers are willing to pay more are presented.

**Data Collection and Methodology**

To assess the effectiveness of state-branded agricultural programs, secondary data was collected from state agricultural websites. From this data, thirteen prominent program attributes were identified and selected for review. All fifty states were surveyed to obtain primary data sets on these attributes. The survey consisted of fifteen questions: thirteen about the selected attributes within each individual program and two questions about the programs’ success metrics and best practices (see Appendix A). The thirteen attributes tested come from five categories; program funding sources (member, state, federal, or a combination of sources), member compilation (retailers, producers, commodity groups, and farmers markets), marketing assistance (financial assistance for packaging and labeling), promotion programs (published list of members, tradeshow participation, and an active marketing campaign) and year program was started (before or after 2000). The fees are annual monetary payments for the use of the state-branding logo. “Member funding” refers to annual monetary fees for the use of the state-branding logo. States did not base these fees on farm size or sales volume; however, some states had different fee structures for growers compared to retailers.

Of the fifty states surveyed, forty-four responses were gathered with three states reporting no program. All states reported using “membership” as a success metric. Membership was defined as the number of individual farmers and associations using the state brand. When associations were present, the number of individual farmers belonging to the association was counted. Membership totals and averages were then calculated based on each program attribute. Membership means were calculated and analyzed using t-tests for each variable to assess the impact of the program attributes on membership (see Table 1). It is believed that the presence of
the identified attributes of state-branding programs will serve to positively influence membership.

Table 1. Program Count, Membership Summary, and Membership Mean*

<table>
<thead>
<tr>
<th>Groups</th>
<th>Number of State Programs</th>
<th>Membership Total</th>
<th>Membership Average</th>
<th>P-value</th>
</tr>
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<tbody>
<tr>
<td>Member funding</td>
<td>12</td>
<td>6,842</td>
<td>570</td>
<td>0.72</td>
</tr>
<tr>
<td>No member funding</td>
<td>29</td>
<td>18,797</td>
<td>648</td>
<td>0.72</td>
</tr>
<tr>
<td>Federal funding</td>
<td>20</td>
<td>6,673</td>
<td>334</td>
<td>0.01*</td>
</tr>
<tr>
<td>No federal funding</td>
<td>21</td>
<td>18,966</td>
<td>903</td>
<td>0.01*</td>
</tr>
<tr>
<td>State funding</td>
<td>33</td>
<td>22,734</td>
<td>689</td>
<td>0.07**</td>
</tr>
<tr>
<td>No state funding</td>
<td>8</td>
<td>2,905</td>
<td>363</td>
<td>0.07**</td>
</tr>
<tr>
<td>More than 1 funding source</td>
<td>23</td>
<td>9,853</td>
<td>428</td>
<td>0.06**</td>
</tr>
<tr>
<td>Less than 1 funding source</td>
<td>18</td>
<td>15,786</td>
<td>877</td>
<td>0.06**</td>
</tr>
<tr>
<td>Retailers</td>
<td>33</td>
<td>21,502</td>
<td>652</td>
<td>0.70</td>
</tr>
<tr>
<td>No retailers</td>
<td>8</td>
<td>4,137</td>
<td>517</td>
<td>0.70</td>
</tr>
<tr>
<td>Commodity</td>
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<td>783</td>
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<tr>
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<td>244</td>
<td>0.00*</td>
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<td>21,267</td>
<td>665</td>
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</tr>
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<td>No farmers markets</td>
<td>9</td>
<td>4,372</td>
<td>486</td>
<td>0.57</td>
</tr>
<tr>
<td>List provided</td>
<td>32</td>
<td>22,179</td>
<td>693</td>
<td>0.16</td>
</tr>
<tr>
<td>No list provided</td>
<td>9</td>
<td>3,460</td>
<td>384</td>
<td>0.16</td>
</tr>
<tr>
<td>Promotion</td>
<td>33</td>
<td>21,693</td>
<td>657</td>
<td>0.34</td>
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<tr>
<td>No promotion</td>
<td>8</td>
<td>3,946</td>
<td>493</td>
<td>0.34</td>
</tr>
<tr>
<td>Marketing assistance</td>
<td>31</td>
<td>21,899</td>
<td>706</td>
<td>0.09**</td>
</tr>
<tr>
<td>No marketing assistance</td>
<td>10</td>
<td>3,740</td>
<td>374</td>
<td>0.09**</td>
</tr>
<tr>
<td>Tradeshows</td>
<td>34</td>
<td>21,638</td>
<td>636</td>
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</tr>
<tr>
<td>No tradeshow</td>
<td>7</td>
<td>4,001</td>
<td>572</td>
<td>0.78</td>
</tr>
<tr>
<td>Started before 2000</td>
<td>23</td>
<td>16,887</td>
<td>734</td>
<td>0.34</td>
</tr>
<tr>
<td>Started after 2000</td>
<td>18</td>
<td>8,752</td>
<td>486</td>
<td>0.34</td>
</tr>
</tbody>
</table>

*significant at the 95 % level of confidence  
*significant at the 90% level of confidence

Results

Funding Methods

The mean membership between programs that charged a membership fee and those that did not is not significantly different. The presence of state funding was statistically significant,
with membership means averaging nearly double for those programs with state funding, than from those programs without. Additionally, the use of multiple funding sources displayed statistically significant results; average membership is nearly double for those programs which use more than one funding source, as compared those that relied upon a single source. Interestingly, however, state branded programs that used federal funding had significantly lower membership means (mean membership = 333 members) than those programs not receiving federal funding (mean membership = 903 members). Additionally, contrary to expectations, the mean membership for those state programs which use more than one funding source are significantly lower than those programs that were funded by a single source. Programs that used either state or member funding, or both, were more productive in attracting and retaining members.

Program Membership Composition

The inclusion of farmer’s markets and retail members did not have a statistically significant effect on membership; however, those programs that included commodity group members had a significantly greater number of members (n commodity groups = 783 vs. n no commodity groups = 243).

Program Marketing and Year Established

Publishing a list of program members, having an active promotion campaign, and participating in tradeshows all showed an increase membership; however the results were statistically insignificant. “Offering marketing assistance” (e.g., matching funds for labeling and packaging) was statistically significant, with more than double the mean membership as compared to state branding programs that did not provide marketing assistance. Lastly, the length of time that a program was in existence did not have an effect on membership.

Discussion

The results above indicate that including a select few attributes may have a positive impact on the success of a state brand program. Program managers need to consider why state-funding is more effective than federal sources of funding; perhaps the restrictions or requirements associated with federal funding makes federal sources less effective attractive. In addition, programs that are successful in attracting commodity groups as members may increase their member enrollment and increase the success of the state-branded program. Importantly, charging membership fees did not negatively impact membership growth. Rather than serving as a deterrent to membership, the revenue generated by a fee structure may enable program managers the ability to provide marketing assistance to members, which also had a positive effect on membership rate.

Conclusion

The objective of the first phase of this study was to create a comprehensive list of the brand management activities of states and compare state brand program attributes. While the
state survey data was comprehensive, only five program attributes showed significant effects on membership totals. Nonetheless, the significant attributes of federal funding, state funding, multiple funding sources, commodity group membership, and marketing assistance provide some interesting implications. In light of the current financial and budgetary crisis faced by states, the inclusion of federal funds may help states with anemic budgets maintain an effective local food campaign. However, the programs that reported using federal funds have average membership totals of one third of those that do not. Since charging membership fees was not shown to have a significant impact on membership totals, it could be considered as a primary way to provide new funding by the 29 programs that do not currently charge their members. An effective use of the revenue generated would be to provide marketing assistance to members in the form of matching funds. These matching funds should be used by members to defray labeling and packaging costs. Additionally, the inclusion of commodity groups into a state branding program has significant positive effects on membership totals. Allowing for the partnership between these larger producer groups and the state helps provide appropriate attention to marketing and brand consistency. A good example of a successful program that includes commodity groups is California’s “CA Grown”. This program includes over 20 signatory commodity group members that provide input, feedback and direction for the program, as well as organize the numerous amount of producers in the state.

Future Research and Recommendations

The lack of sales and revenue data for state programs limits the amount of economic analysis that can be conducted. The use of RF tags or bar-coded POP labels would help create a useful database of program sales activities, thus aiding in the welfare and marketing analysis of each program. Furthermore, more transparency among the states would assist in alleviating the glaring deficiencies of some programs. During the data collection process, many program managers commented on their interest in other states best practices. Possibly a federally sponsored symposium for state program managers would help lift the veil of some of the brand management strategies and best-practices.

References


Appendix

State Survey questions

1) Does your state have a Logo branding program to promote state-grown agriculture?
2) Does the Logo use qualitative wording (i.e. Fresh, Pride)
3) Does your program provide Logo material for free or at cost?
4) Does your program require a licensing agreement be signed for use of Logo?
5) Does your program publish a list (online or print) of members for distribution to consumers?
6) Does your program have an active advertising campaign around the promotion of your Logo?
7) Does your program provide any promotional assistance? (i.e. matching funds, assisted marketing plans)
8) Does your program sponsor any trade show events or provide access to members at AG trade shows?
9) Which of the following are the funding sources for your program:
   a) State revenue: (Y/N)
   b) Federal Revenue: (Y/N)
   c) Members Revenue: (Y/N)
10) What is the range of fees provided by your members? (MIN/MAX)
   a) Is the fee recurring or non-recurring?
11) Does your program membership include the following:
   a) Retail (grocers): (Y/N)
   b) Restaurants: (Y/N)
   c) Commodity Groups: (Y/N)
   d) Farmers/Producers: (Y/N)
   e) Farmer’s Market/Road-side Stand: (Y/N)
12) How many members do you have to date (best approximation.)?
13) What year was your program started?
14) What are the metrics of success for your program?
15) What best practices from your program can you share?
Community Retail Enterprises, Social Capital and Strong and Weak Social Ties

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There has been considerable interest in recent years in the establishment of community retail enterprises; local shops owned and run by the local community often as an alternative to the closure of the last privately-owned shop in the area. This paper looks at the growth in the number of these community retail enterprises in the UK and investigates links both within the enterprise and between the enterprise and its local community over time. As such it aims to help both the members of such retail enterprises and public policy makers who have to decide what might work best in different situations and the problems that they might face at different stages in their development.

Introduction

If modern societies are to try to switch towards supporting more sustainable lifestyles, whether in terms of individual product choices or in terms of overall levels of consumption of the earth’s resources, then distribution systems that support this change are going to become even more important. The pursuit of economic efficiency has led to the development of development of large retail stores which offer a wide range of products from around the world but which can only be reached easily by private transport. Along with a range of other well-documented economic, social and political trends, this has led to the identification of so-called ‘food deserts’ in both urban (Wrigley 2002) and rural locations (Bitto, Morton, Oakland, and Sand 2003).

But, in addition, once a local population comes to rely on car travel for one of their major part of their lives (whether shopping or work) it tends to increase their usage of and dependency on these more distant locations and thus it also increases the likelihood that other services will be lost to local communities (Fulton and Ketilson 1992; Gray, Farrington, Shaw, Martin and Roberts 2001).

It is for this reason that public policy makers have become more interested in the plight of the small shop in recent years. What was once seen as primarily a problem for remote, rural communities is now seen to be affecting prosperous and otherwise successful villages close to urban areas and even local neighbourhoods within larger urban areas. The use of the presence of small shops as an indicator of the health of a community and the advantages of retaining such shops are now part of public policy in, amongst others, Scandinavia (Eckhaugen, Gremmo and Kirby 1980), the United Kingdom (Kirby 1981; Calderwood and Davies 2006), Ireland (Briscoe, McCarthy and Ward 2000), Japan (Kurimoto 2005), Canada (Fulton and Ketilson 1992; Wittington-Ingram 2003) and the United States (Cotterill 1982).
However, the pressures on private or investor-owned small shops are such that even with public sector support they still struggle to survive. A number of commentators have argued that community-run or small co-operative shops might be one possible response to these problems because of their grounding in local communities (Fairbairn 1989; Fulton and Ketilson 1992; Fairbairn 2005). Indeed, the anarchist roots of many of the food co-operatives founded in the U.S. in the 1960s and 1970s would also suggest that this form of retailing is well matched to the issues around sustainability (Danforth 1981; Singerman 1982; Cox 1994).

But if community-run shops are to be a possible solution to the problem of local food provision and overcoming social isolation, particularly in rural areas, then there is a need to better understand the dynamics behind the formation and survival of these shops. In particular, to examine the level of involvement or embeddedness of the shop in the community and whether or not it is important to retain that involvement over time, especially if the shop proves to be successful. There are many different ways in which to approach the issue of the underlying linkages between a CRE and the community that it serves but much of the work around co-operatives has built on the concept of embeddedness as introduced by Polanyi and then modified by Granovetter (Levi and Pellegrin-Rescia 1997; Putnam 2000; Hess 2004).

This paper looks at the nature of this embeddedness of community-run shops within their local communities in the United Kingdom using concepts taken from the field of social capital, including networks but also the notion of ‘structural holes’. In looking at these community-run shops, there is a wide range of terms used in this area, including community retail enterprise, community-owned shops, village shops, community co-op and so on. For the remainder of this paper we will use the terms ‘community retail enterprise’ (CRE) to refer to the legal entity that established or runs the shop and ‘community shop’ for the shops themselves.

A Survey of Existing Community Retail Enterprises

There is no single definition of a community retail enterprise (CRE) in the United Kingdom. The Plunkett Foundation, which is the body which has been most involved in promoting the formation of new CRE in recent years, suggests that its main defining character is that there is community involvement in either the setting up or the running of the shop (www.plunkett.co.uk). Nearly all community shops have a management committee responsible for ensuring that the shop is financially viable and satisfies the objectives of the organization. There usually needs to be some form of annual reporting to the community, either through a formal Annual General Meeting of the members of the CRE, a social event with presentation or a report in the local newspaper or magazine.

What this means in practical terms is that whilst the purpose of forming a CRE is to create a new shop or to take over a failing one there ought to be significant tailoring of the retail offer to the locality. And this tailoring is likely to be over and above any normal marketing effort as the staff of the CRE are not just from the local community but also are acting for that community. This will affect the type of products sold in the shop – and those which are not. For example, whilst not as radical as the food co-ops set up in the 1960s and 1970s in the U.S.A. and U.K. (Cotterill 1982, 1983; Cox 1994), many of the CREs established in the UK in the past ten years have embraced the principles of organic and FairTrade products as well as aiming to sell locally produced foods. On a different level, some local authorities have promoted multi-function or multi-service retail enterprises which might include a cafe, B&B, meeting rooms or...
even petrol sales. This form of CRE was first proposed in rural Ireland (Briscoe, McCarthy, and Ward 2000), was behind a number of CREs in Scotland in the 1980s (Calderwood and Davies 2006) and then promoted in rural England twenty years later (Moseley, Parker, and Wragg 2004; Bovaird 2007).

In Spring 2009 a survey was conducted of CREs in the United Kingdom; questionnaires were sent to 197 CREs throughout the U.K., of which 103 responded. The questionnaire covered a range of operational and organisational features within the CRE, including the form of the organisation (i.e. whether it was a co-operative, Industrial and Provident Society or a formal social enterprise); the types of goods and services provided through or alongside the shop; the use of volunteers or paid staff; and, the scale of the organisation (floorspace and turnover). The questionnaire was followed up with visits to twenty CREs, located throughout England and Scotland, some of which had responded to the survey, some of which had not. These visits were fairly short and informal and were intended partly to allow a check on the validity of some of the data provided and partly to accommodate short interviews with shop managers or committee members where possible.

From looking at earlier work (Cotterill 1982; Calderwood and Davies 2006), it had been expected that there would be a relationship between the size or scale of the CRE and the use of volunteers; the larger the CRE the more it comes to rely on a paid manager and paid staff. Similarly, the longer-established CREs tend to rely more on paid staff; only 14% of the admittedly small number of CREs established before 1990 are still volunteer-only, compared to 37% of those set up after the start of 2005. But there turned out to be much more variation in the operation of the community shop (the nature of the CRE, the sources of funds, products sold and so on) than had been anticipated.

To examine this issue further, cluster analysis was used to categorise the CRE using variables covering the range of food and non-food products sold, the sale of organic, FairTrade and local produce, the provision of a range of local services through the shop, the turnover of the shop, as well as the use of volunteers and paid staff. One outcome of the initial analysis was that it found no particular relationship between the use of volunteers or paid staff and the other operational aspects of the CRE. Accordingly, the data on staff status were discounted from the final analysis. (This work is reported more fully in a forthcoming conference paper; Calderwood and Davies 2010.)

The outcome of the analysis was to distinguish six clusters of CREs, as shown in Figure 1. The primary axes of difference are the scale (turnover of the shop) and the range of goods and services provided through the shop. There is an age element to the clusters because, as was noted above, the older shops tend to be larger and to offer a wider range of products but equally public bodies have also promoted multi-functional outlets as a means of delivering a range of services in isolated communities. On the other hand, there is also a difference between CREs depending on how many local services (including Post Office facilities, prescription deliveries, community noticeboards and so on) they provide or host within the shop. This is another means of differentiating between CREs of equal size or even those selling similar goods.

Beginning at the bottom left in Figure 1, Cluster 4 is seen as a Social Shops category. These shops have very limited product ranges (often with little or no fresh food), limited opening hours, rely wholly on volunteers and have very precarious existences. Shops in Cluster 6 have a
wider product range and generally include some fresh foods and basic non-foods. They act as small convenience shops providing basic day-to-day needs without reducing the need to visit a supermarket. This is the sort of community shop that most commentators seem to be describing when they talk about a village shop in the United Kingdom.

Figure 1. Business Models Ranked by Scale and Range of Goods

We have characterised Clusters 1 and 2 as Community General Shops, providing a sufficient range of food and non-food goods to cover a wider set of needs of many residents. The presence of these CRE helps to reduce the need for residents to travel to supermarkets and their provision of fresh foods may also provide an outlet for local farmers and other food producers. The big difference between the two clusters is the presence of far more local services in Cluster 2 which may also mean that they have stronger links to their local communities.

Cluster 3 is a group of multi-functional CRE, primarily the older Scottish CRE but including some of the larger, more recent CRE in England. They provide a wide range of facilities for their community and as a result rely on paid managers and are more likely to have paid staff; however, it is also clear that this range of facilities has proved difficult for the managers to control, particularly when the CRE recruit their managers from the community itself, either from principle or necessity.

Finally, Cluster 5 includes a small number of CRE which have a limited product range but, unlike Cluster 4, the range might not be wide but it is deep, mainly in fresh foods. For
example, the most distinctive member of this group, Chadlington, operates as a delicatessen and sells its own range of products, some of which are made on the premises and others which it imports from France and Italy. As a consequence these community shops do not just serve their local area but also draw customers from a much wider catchment area.

Looking at the products sold helps us to see how the community shops and CRE relate to their local areas. We need to be careful not to forget that there will be differences in privately-run shops as they also try to better serve their local communities. Even so, however, there was a greater level of variation in terms of the operations than had been expected from looking at previous work in the British market.

In part this may come from considering whether or not they are primarily volunteer-run and managed or whether the shops have paid managers and or paid staff. We can better understand this if we look at the costs of the different forms of organisation. Volunteer-run shops provide significant cost savings over privately-run or managed shops. This advantage may be used to keep prices down or just to allow the shop to continue trading (Cotterill 1983; Centner 1985; Cotterill 1985; Fulton and Ketilson 1992). There are other costs associated with unpaid volunteers however which may push the community towards employing a shop manager. These include amongst others the need to organise a staffing rota, a higher level of unplanned or irregular absences from the shop (younger volunteers may have training or job interviews to attend; retired volunteers may take more holidays or experience higher levels of sickness), less understanding of the method of operation of the shop or even different views of the underlying mission of the shop or the community retail enterprise (cf. Cox 1994).

We could therefore visualise one outcome of Cotterill’s analysis as a form of U-shaped curve denoting cost/organisation trade-offs (Figure 2). This trade-off is shown as moving through stages from a privately-run shop to a CRE (and possibly back to a privately-run shop). At point A, the shop is assumed to be privately-run with sufficient profit to satisfy the needs and desires of the shop owner. If profitability were to fall then it would eventually reach a point (shown here by the dotted line) where it ceases to be viable as a privately-run business. Some shops may cease trading or switch to other lines of business as soon as this point is reached but numerous studies have shown that some will continue trading either in the hope that it can be turned around or because the owner has no other options and possibly even no pension. Alternatively, some may cease trading before the line is reached because the owner wishes to exit but prospective buyers would expect a higher rate of return than is currently possible.
Even below the line however there is an area of relatively low profitability where the shop could still operate if manned wholly by volunteers (B). This could mean a CRE taking over an existing shop or it could also be the point of entry for a wholly new shop in a community. The organisational costs of volunteers are offset by limited opening hours, a limited product range or by the level of goodwill and social capital invested in the operation by members and shoppers. Indeed, the low level of operating costs may mean that a community shop can match or even beat a major supermarket on the price of some goods.

If the shop is successful these costs will begin to grow again however as extra goods and services are added or volunteers begin to experience some level of ‘burn-out’ from the higher than expected levels of involvement in the CRE. We can suggest that by point C the volunteers are likely to be supplemented by a part-time paid manager who will take on many of the more onerous duties and responsibilities. Whilst some CRE enterprises may begin with a paid manager this requires not just a relatively high level of turnover and profit but also a high degree of confidence in the enterprise precisely because of its immediate impact on costs.

If profitability begins to climb even further then the enterprise might reach point D where it retains both a paid manager and paid full-time or part-time staff, as in some of the Scottish community co-operatives. However, this may bring a different set of organisational costs because of the potential separation of the membership from the running of the CRE and disengagement from its original purpose (Cox 1994; Gordon 2001).
It is also possible that having rescued the original shop and shown how it can be made profitable that the CRE will choose to return the shop to the privately-run sector by selling it on to its management or another individual. This too should be seen as a successful outcome so long as the new enterprise is sustainable in the long-run.

As was noted above, this survey was initially undertaken to study the operational aspects of the CRE and community shops. But what also became clear was that there were also significant variations in the links that the CREs had established with other bodies (both public and private), in the number of grants or offers of help that they had obtained, and in the manner in which they interacted with and drew support from their local communities. It also appears that some of these variations are then reflected in the types of CRE that have developed and in the goods and services that they provide locally.

What follows is a tentative effort to consider how to place these differences into an established theoretical framework which may be of use to policymakers and others in the future. In so doing it also becomes possible to identify areas where future research needs to be undertaken.

Social Capital, Networks and Embeddedness

One of the key differences between privately-run shops and community shops is simply in that distinction in the ownership model. A private shop needs to meet the needs and wants of the local market but it also has to make sufficient profit to ensure the continued participation of the trader. A community shop is (normally) run by and for the local community itself and, as was discussed above, the level of profit expected or required may be much lower, particularly if the community is prepared to volunteer its labour for free. This does not remove the community shop from the sphere of economic and human capital but it does introduce the idea that social capital may be an important element in the establishment of a community shop and its eventual success or failure.

From one perspective, economic (as well as other social) behaviour is embedded in social structure in that it exists within the whole structure rather than in the parts but which also implies a degree of freedom of action for any specific actor (Flora, Sharp, Flora and Newlon 1997, p. 624). This leads on to a view that within a collection of actors the expectations for action will affect the economic goals and goal-seeking behaviour of those actors (Portes and Sensenbrenner 1993), through features of social organisation, such as networks, norms and trust, that facilitate coordination and cooperation for mutual benefit.

Some authors, such as Coleman (1988), argue that when individuals interact with one another in multiple roles over a period of time this will lead to an increase in the level of social capital, which in turn improves the position of the whole community. But he goes even further and argues that institutions can be constructed in such a way as to lead to improvements in social capital and hence in community life. Thus, in a similar environment to the CRE today, Hanifan (1916) showed that judicious use of a rural school as a community center could bring a village together in a manner which would improve their collective lot; an approach which would seem to be supported by some of the Irish case studies of multi-functional Irish co-operatives reported by Briscoe, McCarthy and Ward (2000).
On the other side of the equation, recent studies that have looked at social capital as a community-level attribute have provided mixed results. Some have suggested that the introduction of a large corporate retailer, such as Wal-Mart, reduces the number of small, locally-owned mom-and-pop type shops. This increases the likelihood of outshopping from the community (taking money out of the local economy) and reduces the social cohesiveness of the community, leading to less local social capital (Fulton and Ketilson 1992; Rupasingha, Goetz and Freshwater 2006; Goetz 2006; Goetz and Rupasingha 2006).

But more recent work has been unable to find such a link or any robust ‘Wal-Mart effect’ on various measures of social capital. Indeed, these studies even suggest that it is possible that by reducing the amount of time and money required for the consumption of basic items, stores such as Wal-Mart may free local residents to spend more time participating in community life (Carden, Courtemanche and Meiners 2009; Carden and Courtemanche 2009).

Fulton and Ketilson (1992) noted, first, that a CRE may be one effective way to mitigate the effects of the growing market power of larger retailers in a local area by providing goods and services locally. This is achieved not just through reducing the need to travel (with the attendant environmental benefits) but they may also be able to compete in terms of price on many items. Whilst they may not have many advantages of scale, they often use volunteer labour and so are able to keep their costs down, and they may also operate on low profit margins in order to offer a greater level of welfare to its members. In this way the costs and benefits of supplying essential goods are incurred by the same group of people and so the actions of the CRE in not maximising profit are perfectly rational.

Second, they described the provision of retail facilities in rural locations as having many of the elements of a Prisoners’ Dilemma. Individuals in a community decide to shop at a more distant supermarket or large store because it is beneficial for them to do so. However, when a large number of people decide to do this, the result may be that the local shop closes down. Thus, in attempting to increase their individual welfare, the members of a community have actually reduced the overall welfare of the community. The establishment of a CRE leads to collective ownership of a business, and so the members may be more likely to see the effect of their actions when they bypass their local shop or business, and, hence, be more likely to alter their behaviour. As a result of changing their buying habits, it may be possible that a locally owned business can actually prosper by making the community focus in on what is important to its members (cf. Hogeland 2004).

Rightly or wrongly, however, we are not looking to argue here that CREs help to build social capital within their local communities. The current study was not designed to measure the wider range of social links that would be needed to draw such a conclusion, although it did look at the presence or absence of a range of other community facilities such as a Post Office, village hall or medical centre. Anecdotal evidence from the shop visits suggests that some of the CREs have engaged their local communities in a common purpose and that this has spilled over into other activities. But it was also suggested in some of the other shops that the retail strategy and the activities undertaken by management committees were not being driven by the community but by the views of the committee members alone. This was most evident in those CREs which had very small management committees or those which had not held meetings of the CRE membership in more than two years.
In terms of the evidence that was collected for this study, we have concentrated on just one of the three basic areas that were identified by Flora and Flora (1993) as contributing to the construction of social capital. These were: (1) legitimacy of alternatives – or the ability of the group to accept controversy or differences of opinion; (2) mobilization of diverse resources – the willingness to invest both collective and individual resources for the common good, and (3) network qualities – where communities are generally best served by diverse networks. It is this last point on which we wish to elaborate partly because of the belief that networks are a crucial part of social capital (Putnam 2000) and also because it is an area where the survey picked up more detail.

Burt (2000, pp. 11-13) argues that there are two routes into the networks and social capital question. The first describes a network as a means of access to people with specific resources, which he notes has previously circulated as power, prestige, social resources, and more recently, social capital. (Although one of the arguments against social capital relate to the view that as the concept has stressed cooperation and collectivity it has lost the ability to consider power and conflict [Fine 2010, p. 4]). The second describes networks as social capital in their own right. Both elements are needed because the first describes the person reached within a network; the second describes how they are reached.

Within the network approach, Granovetter (1973, 1985) introduced the notion of ‘strong’ and ‘weak’ links between individuals or organisations. Strong links exist between family members, close friends or close business partners and they produce strong, inwardly-focused groups. In Figure 3, these are shown by the solid lines linking group members A1-A5 and B1-B4. These groups provide cohesion among their members and an understanding that ‘calls for help’ will be met with immediate aid or the provision of resources. Group members can therefore be bound together with debts of obligation or even ‘honour’.

But this solidarity and these debts of reciprocity may also become a disadvantage if they promote a feeling of ‘us and them’ in which the views, values and attitudes of insiders are automatically viewed as superior to those expressed by those who reside outside the group.

‘Weak’ links, on the other hand, are contacts or distant acquaintances that have few links to the family or the group. In Figure 3 these weak links are shown by dotted lines; some links within a group may be weak but others join groups together, providing a bridge to forms of knowledge or access to resources that are not available in the immediate group. Thus, for example, when undertaking some sorts of tasks e.g. seeking jobs, the ‘weak’ ties that link a person to distant acquaintances who move in different circles from their own are actually more valuable than the ‘strong’ ties that link that person to relatives and intimate friends whose sociological niche is very like his or her existing circle. Thus, in Figure 3 the link from B3 to C1 is not to another group but to an individual or organisation and this can be seen as tapping into specialist knowledge, whether that be a lawyer or some advocacy group.
Figure 3. Strong and Weak Ties

Burt (2000) used the idea of weak ties to illustrate his own work on ‘structural holes.’ He saw a structural hole as a discontinuity in social structure which separates different areas within that structure. As such, a hole forms a barrier which hinders the passage of information between groups or individuals within society; but it also provide opportunities. Individuals who can create a link or bridge from one side of a structural hole to the other can capture extra value (acting as entrepreneurs) or release extra value for their communities (acting as social lubricants). For him, therefore, there is a danger that the weak tie argument obscures the benefits of structural holes in providing space for change; his concept of a bridge is said to contain both the idea of a hole and the link that crosses the hole.

We are going to continue to use the idea of ‘strong’ and ‘weak’ ties, where weak ties are deemed to be a bridge across some gap within a social network. We will however also consider the nature of ‘structural holes’ as they affect the creation and continued existence of CREs because learning how to bridge such holes is a key issue for many CREs and also for policymakers.

CREs: ‘Weak Links’ ‘Bridging Links’, Networks and Embeddedness

Earlier, we developed a view of the potential development of a CRE over time (Figure 2) and so we can look at how it might be embedded in its local community at each stage. In terms of a CRE, strong ties are often needed to get a community shop established in the first place. Indeed, we could argue that in the face of the expansion of large retailers such as Tesco (the U.K. equivalent of Wal-Mart) and the consequent closure of many village shops, a good base of social capital is absolutely required for the establishment of a community shop. The realisation that the village shop is to close may mobilise local support but it is likely that there already has to be a certain level of community spirit or social capital for this to lead to the successful establishment of a CRE. There are many villages throughout the United Kingdom which have lost their only shop and which did not establish their own alternative. Generally the push will come from within the community but increasingly there are outside bodies (such as the Plunkett Foundation) which will, if alerted in time, provide assistance to get the process underway. Once established, the CRE may help to increase the stock of social capital as suggested by Hanifan (1916) but
there is little evidence that the need to establish a CRE can ‘bootstrap’ the creation of social capital from scratch.

Part of this will relate to strong links between the shop and the community where the shop has to meet the needs of the community and the community is obligated to reciprocate with their time or skills. But part will also relate to the establishment of a ‘family’ identity among the volunteer staff where they can trade time and other obligations in order to make the enterprise work. There is a strong element of social cohesion and of an ‘us and them’ attitude in this situation which produces the energy needed to get the shop up and running.

Unfortunately, the introduction of a paid manager or of paid staff can weaken these strong ties because it suggests that paid and volunteer staff it may well have different motivations and different criteria for success (cf. the role of volunteers in charity shops [Broadbridge and Horne 1994]), as well as weakening the link between the shop and the community. Ironically, therefore, the very mechanisms that can reflect a stronger position for the shop itself may also signal problems within the structure of the CRE.

For a CRE weak ties are most likely to relate to those sources of advice or finance that are not available within the enterprise itself. These could be anything from advice from the Plunkett Foundation, through funding from a local authority (such as a Rural Community Council) to shop equipment from a larger retailer, such as Tesco. But to obtain these benefits the enterprise needs some form of weak link, a bridge, that will connect them to this new resource. Management groups or volunteers with wider ranging social networks or business contacts are more likely to be able to foster these weak ties or to know how to exploit them than groups that overly promote their solidarity or have few existing external links.

“Such linkage generates paradoxes: weak ties, often denounced as generative of alienation...are seen here as indispensable to individual opportunities and to their integration into communities; strong ties, breeding local cohesion, lead to overall fragmentation.” (Granovetter 1973, p. 1378)

Thus, if we think of weak ties as providing opportunities for gaining knowledge not available within the closer members of the community then the lack of such ties may be a major burden. In the survey work the respondents from a number of the CRE were very clear about the role of informal networks and contacts in the success of the committee in raising funds and different forms of help. In addition, informal discussions during some of the visits also suggested the presence of management committees able to exploit to the strong and weak ties possessed by the membership.

For example, in several successful CREs the management committee or board were both well-connected already and probably well-versed in the means by which to seek out further information or to co-opt others to the cause. They were able to furnish the CRE with a range of different skills (from legal and accounting advice through to the installation of plumbing) from within the community itself. And yet they also possessed ‘weak’ links or networks which enabled them to tap into funding from a range of public and private sources and thus provided the CRE with a stronger base from which to grow.
A CRE such as Shareshill, on the other hand, may well show the problems that come when there are strong links within the group which bring it together but few weak links to others outside who could bring a different approach or expertise. Instead, this group has fallen back on the experiences of the previous shop manager who (unfortunately) had already failed to make the shop work. The presence of these strong links may also have made it more difficult for the group to listen to outside advice because it would mean contradicting the views of those within the group, such as the previous owner.

In a separate example, it would appear that external criticism of plans to establish a cafe within one of the CREs led to the opposite outcome than that which had been intended. It will be difficult to make the planned space profitable but it would appear that the committee have become rather inward-looking (focusing on the strong links within the group) and they are not willing to pull in or listen to opinions from other sources.

Figure 4, 5 and 6 are early efforts at attempting to illustrate the sort of strong and weak.

**Figure 4. Volunteer Shops – At the Time of Founding**

links that might be present in different forms of CRE. In a volunteer-run shop, as depicted in Figure 4, the group itself is very strong, brought together by the experience of setting up and running the shop. It can be hypothesised that ‘successful’ start-ups are likely to have more weak links to outside individuals and groups that can offer help, advice, finance and so on. Some of these weak ties may be more critical than others; for example, the Plunkett Foundation is able to serve as a switching house that provides advice in its own right but is also able to help groups establish their own weak links to other, related agencies; these might include contacts with other community shops or best practice groups, links to Rural Community Councils and so on.
The figure also includes links to a range of commercial organisations, such as Tesco, the retail trading arm (CRTG) of the Co-operative Group, which is the United Kingdom’s largest consumer co-operative and the fifth largest supermarket chain, other smaller co-operative societies, and suppliers. In a strict sense these might well be excluded from an analysis of social capital. However, they are included here because of a belief that, at present, they are seldom representative of commercial relationships but rather of efforts to support social structures. This is clearest in terms of the links between CREs and the co-operative societies which are under a duty to co-operate with other co-operatives and also often aim to support the efforts of local communities to provide for their own needs.

Contacts with other large retailers such as Tesco, Sainsbury or Waitrose are normally about in-kind support (e.g. some management time or old shelving) which is seen as part of the company’s social mission. These links do not normally lead to the supply of products or the establishment of links to other sources of finance or information. They are also often viewed with suspicion by the CREs, including those that accept the help, because these are the same retailers that are felt to have created the problems that led to the establishment of the CRE.

Including some of the suppliers, primarily cash-and-carry wholesalers, is probably most contentious. But even here the commercial relationship is often paralleled with advice and product help which might not be offered to comparable commercial operations – provided that the CRE does not compete directly with other customers of that supplier.

What the figure tries to show, however, is that knowledge of where to gain finance, help in-kind or trading advice is incredibly valuable to a CRE, particularly as it goes through its start-up phase. Members of the group who are able to bridge a gap to a source of help, either through their existing contacts or through their skills or search abilities, may make it easier to establish the CRE or bring in alternative views which may change the direction in which the CRE decides to travel. (And this latter point takes us back to the notion that the creation of social capital also requires the acceptance of the legitimacy of alternatives – or the ability of the group to accept controversy or differences of opinion [Flora and Flora 1993].)

In the case of Managed shops (Figure 5), these are longer-established shops which may have a paid manager and even paid staff. There are still strong links within the staff and to the Management Committee but volunteers are either absent or more weakly connected to the running of the enterprise. These shops are likely to be more closely linked to their suppliers and other sponsors, particularly in the case of membership of a strong supply chain such as the Co-operative Retail Trading Group, which lays down strict guidelines on product ranges and operating practices.
This may mean that the ties to the local community and customers are weaker – in sociological terms. In one case, of a shop that had been established only five years earlier, a member of the board responded that even members of the CRE had begun to forget that they owned the shop and that they had begun to view the manager and paid staff of the shop as ‘them’, as opposed to the ‘us’ of the community. In turn, this can foster strong links between manager and staff but remove or weaken the input from the community into the nature and running of the shop.

Finally, established but specialist shops (Cluster 5 in Figure 1) are perhaps the most cohesive groups because of their focus on a particular form of trading but, as a consequence, they have fewer weak links to the local community or other bodies (Figure 6). They may well know where to go to get help and advice but they will only want certain types of help and will be resistant to efforts to change their way of working.

These three figures are very tentative efforts to describe some of the different ways of viewing the links between community shops and their communities and wider support networks. One advantage of the approach however is that it moves us away from thinking about the community shops purely in terms of their size or product offer and into questions around what the membership expects from the enterprise and what resources they can bring to bear on the problem. Whilst it is possible to define preferred end-states, it should be clear that whereas some enterprises will need little outside advice because of their existing links to wider networks of help and advice, others will need a lot of hand-holding because the strength of the group comes from its internal cohesion, not its external links. And, decisions will also need to be taken on whether or not to accept the views of the members or management committee as to the purpose of the enterprise. It is clear from the survey and visits that some enterprises had a vision and that the advice and finance that they have received has worked to facilitate the realisation of that
vision in a fairly short time period. Whether that was the best option remains to be seen; there should perhaps have been more effort to establish and use weak links that would challenge the group-think nurtured by the strong links within the group.

Figure 6. A Specialist CRE

And, the study also helps to clarify the position of the outside bodies that aim to nurture and support CRE. In the United Kingdom, these include local and central governments, regional development agencies, enterprise agencies and bodies such as the Plunkett Foundation. Where they can identify generic structural holes then they can more easily create mechanisms for providing advice or funding which will allow new or existing CREs to establish weak ties that bridge those holes. Many of the CREs set up over the past thirty years have had to utilise their resources and their own weak ties in order to get up and running; and, less well-documented, some of those which were established have failed and many never actually reached the stage of opening a shop. Helping new groups to identify a structural hole and how to bridge it would seem to be a good step towards helping more communities to help themselves.

Conclusions

Analysis of a sample of community retail enterprises in the UK suggests that we can distinguish different behaviours and even forms of organisation depending upon the number and type of links that they manage to establish and maintain within their local community and with other organisations in their sector. Whilst the notion of a volunteer-run community shop might conjure up a radical or even ramshackle form of enterprise the very fact of their embeddedness in their local communities can provide them with a stronger position and more opportunities than many shops from the private sector.

However, with success comes a change in the style of the CRE, a (potential) change in the links between the individual members of the CRE, and changes in the links between the CRE
and its local community. Any disconnection of these links may reduce the importance of the CRE to the community, making it appear just like a privately-run retail enterprise and so making it compete with other retailers – even those at a distance – which will generally weaken it and make it more vulnerable. Understanding the formation and operation of the shops within these clusters may help local authorities and other public bodies to better establish and sustain the right scale and type of CRE within their communities.

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Competition and Combative Advertising: An Historical Analysis

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This historical study contributes to the literature on advertising and competition by examining the extent to which economic theory is reflected in the statements and beliefs of business, marketing, and advertising executives and practitioners regarding when and how to compete in advertising. Primary and secondary sources consist of articles published in historic and contemporary advertising trade journals, such as Printers’ Ink and Advertising Age. The findings reveal that during the first half of the 20th century, statements and beliefs in favor of avoiding competition were common, and they were often consistent with both the informative economic view and the symbiotic competition associated with expanding markets. During the past 50 to 60 years, however, the majority advocating a more combative role for advertising often associated it with the zero-sum competitive situation and described the use of advertising consistent with the persuasive school of economic thought. Other findings are consistent with recent theory and research on combative advertising and both micro- and macroeconomic causes and effects of competition. They also strongly suggest that combative and aggressive comparative advertising may often be employed to an advertiser’s detriment.

Introduction

A survey of 1,800 U.S. corporate executives conducted by the American Advertising Federation in 1999 found that 83% agreed advertising provides a competitive edge, with 29% agreeing strongly. As Doraszelski and Markovich (2007, p. 557) observe, regarding the survey’s findings: “Practitioners, it seems, presume that advertising is capable of giving them a sustainable competitive advantage over their rivals.”

Historians, though, suggest executives and practitioners have not always been so confident about the role advertising plays in competition or how aggressively to compete with it. As early business leaders surveyed the marketing landscape at the turn of the last century, at least three fundamental problems presented themselves. First, they noticed their advertising often increased competitors’ sales as well as their own (Rowsome 1970). Advertisers had discovered the difference between primary and selective demand and the competitive “free-rider effect” (Krishnamurthy 2000).

A second early competitive problem is implied by historian Daniel Pope (1983, p. 202): “Winning public acceptance of advertising demanded that advertising men deal truthfully with potential customers. At the same time, the increasing importance of demand-creating national advertising and the ambivalent attitudes of national advertisers toward competition made proper treatment of competitors a matter of great concern.” Many early advertisers believed advertising should be used constructively rather than “combatively.” Combative advertising identifies
products with consumers without expanding markets (Marshall, as cited in Chen et al. 2009). As Pope (1983, p. 201) concludes, “Support for the idea of competition remained, but it was defined as competition through advertising, not rivalry in advertisements or attempts to undersell.”

A third problem, related to the second one, was the extent to which competitors should be dealt with, or even acknowledged, in advertising. Many early business leaders and advertising practitioners condemned comparative, or what they often called “knocking,” advertising. Prior to the early 1970s, when the U.S. Federal Trade Commission (FTC) began encouraging comparative advertising, industry lore suggests its use was rare. However, a recent historical study found major advertisers fought comparative wars throughout the 20th century (Beard 2009). Beard’s findings help explain and justify advertisers’ negative beliefs regarding excessively combative advertising. He found that the decision to declare war was often made for emotional, rather than rational, reasons and that advertising wars (1) tended to become increasingly hostile, (2) typically caused regret on both sides, and (3) regularly led to an increased potential for misleading advertising.

Three schools of economic thought or views suggest how advertising may affect a firm’s market power: complementary, persuasive, and informative (Bagwell 2001). The latter two offer explanations for why marketing executives and advertising practitioners might choose to engage in a potentially damaging form of business rivalry. The persuasive view—first advanced in the works of Kaldor (1950), Bain (1956), and Comanor and Wilson (1974)—views advertising as a means for achieving power and avoiding competition on the basis of price or quality. It holds advertising creates “spurious” (Chen et al. 2009, p. 2) product differentiation, brand loyalty, and barriers to entry. Conversely, the informative view—originating in the works of Stigler (1961), Telser (1964), and Nelson (1970)—views advertising as a strategy by which advertisers might increase demand by conveying information about price and quality. It further holds that advertising encourages competition and facilitates entry.

Economic theory also suggests decisions regarding advertising and competition might be influenced by the competitive situations advertisers believe they face. For example, and as Yoo and Mandhachitara (2003, p. 312) observe: Zero-sum competition “is a competitive situation that most advertisers assume to be the case and on which they base their budgets. In this type of rivalry, the advertiser’s gain is the competitor’s loss because the size of market remains fixed.” They further note that the rivalry characterizing zero-sum competition occurs most often in mature markets, where growth is static and advertisers believe sales can only be increased by stealing them from competitors. An assumption of this situation is that each competitor’s advertising is inherently combative, increasing its own sales while decreasing those of others.

On the other hand, the positive-sum competition typified by “symbiotic competition” occurs “when products involve emerging technologies in new markets or when the market is not fully matured and has much room for expansion” (Yoo and Mandhachitara 2003, p. 312). This situation assumes competitors benefit from each other’s advertising. Two other competitive situations—the “advertiser’s advantage” and the “competitor’s advantage”—account for other ways in which two competitors’ advertising might affect their own or each other’s sales.
Macroeconomic theory also suggests possible causes and effects of competition in advertising. “Behavioral macroeconomists” (Akerlof 2003) have sought “microfoundations” for macroeconomic theory by incorporating assumptions founded on the behaviors of individual agents. Conversely, researchers have also examined the effects of macroeconomic variables, such as aggregate demand, on the behaviors of individual firms (Fazzari, Ferri, and Greenberg 1998), including price and other forms of competition. For instance, and perhaps most obviously, higher or lower aggregate demand can affect demand for individual monopolistically competitive firms, which then alter price, output, and employment (Fazzari et al. 1998).

The belief advertising will increase sales is a likely explanation for decisions regarding whether to compete with it or how combatively. Whether advertising goals are to inform or persuade, or executives’ and practitioners’ perceptions of competitive situations, might also. Yet such explanations for why business executives and advertising practitioners choose to employ an advertising strategy that might lead to procompetitive (Chen et al. 2009) and, thus, mutually damaging outcomes are absent from the literature. Also absent are explanations for how such beliefs may have influenced use of the most combative form of advertising, comparative advertising. Beard (2009) reports the term was used rarely until the 1970s, and that prior to then, advertisers often referred to comparative as “competitive” advertising. Such explanations would be of both historical and contemporary interest. Trade sources document an increase in the use of comparative advertising during the first decade of the 20th century (e.g., York 2009), as well as a steady increase in the number of complaints over disputed claims linked to them at the National Advertising Division of the Council of Better Business Bureaus every year since 2006 (York and Zmuda 2010). Therefore, the purpose of this historical study is to discover to what extent economic theory is reflected in the statements and beliefs of business, marketing, and advertising executives and practitioners regarding when and how combatively to compete with advertising.

Method and Topical Focus

Advertising histories (Fox 1984; Pope 1983; Rowsome 1970) and the literatures on advertising and competition and comparative advertising were used during this study’s immersion and guided entry phases. As described by Smith (1989, p. 319): “After immersion and consideration of the breadth of data available in a general area of interest, the researcher focuses on a more specific part of the data in a process called guided entry. … In the process of guided entry, the historian further delimits the data to be studied and the process of general question forming begins.”

The purposes of this study and the results of the immersion and guided entry phases led to the following research questions: What reasons did business leaders and marketing and advertising executives and practitioners offer for avoiding or not avoiding competition? Why did they or did they not choose to confront competitors combatively? While the method does not offer the assessments of validity and reliability that quantitative content analysis does, it is consistent with the methods of traditional, humanistic historical research. In other words, it is “a form of empirical inquiry that uses theoretical constructs to attempt to make true statements about the past” (Nord 1989, p. 292).
The collection of a database of professional thought regarding advertising, competition, and comparative advertising dating to the beginning of the 20th century began with a search of the industry’s foremost trade journal, Printers’ Ink. Affectionately nicknamed The Little Schoolmaster by its editors and devoted readers, the journal was published continuously from 1888 to 1972. Many articles published in Printers’ Ink were written by advertising practitioners, marketing executives, and newspapermen, although the staff, including founder George Rowell, also contributed editorials and commentary.

One issue from each of the 60 volumes of Printers’ Ink published between 1900 and 1913 was randomly selected and scanned because an index for this period does not exist. Sources for the remainder of the 20th century through present day were then identified by means of a literature search, with the goal of collecting sources as equivalent as possible to those found in The Little Schoolmaster. This search was aided by the existence of three business periodical indices: the Industrial Arts Index (1913-1957), the Business Periodicals Index (1958-1973), and the ABI/Inform Complete search engine (1971-2009). The Industrial Arts Index is the only business periodical index available for the period it covers; it continued in 1958 as the Business Periodicals Index. The data consist of more than 600 trade journal articles, of which some 140 specifically include advertiser statements regarding competition, how aggressively to respond to it, and why.

Findings

Findings are presented by research question, then chronologically within each of the two main sections, with the presence of dominant themes and sub-themes supported by representative observations and statements of primary and secondary sources in each period. Contradictory findings are also presented whenever they occurred. They are presented without rigid periodization (Hollander et al. 2005) because no rationale existed to impose it at the outset and none emerged inductively.

Avoiding Competition in Advertising

Most early advertisers argued that not only should competition in advertising be avoided, competitors should be ignored. As one wrote, the businessman “cannot rule the weather and the crops, but he can attack the items of neglect of business, extravagance, speculation and incompetence. And, when these black beasts are considered beside the relatively unimportant one of competition, the average business man would better devote his time, energy and advertising space to relentless war upon them, leaving his rivals to their own devices” (Anonymous 1902, p. 36). Another summarized the view concisely: “Talk success in your advertising, ignore competitors and make your offering of vital interest to the people whose trade you seek” (Anonymous 1903, p. 27).

Early advertisers almost overwhelmingly agreed that competitors were helpful. A Printers’ Ink author summarized the views of many in his description of an advertising war between two steamship companies. “It dawned upon both lines that it was work meet for even two advertisers to educate the local public to travel more by water. The patronage was not fixed; it could be increased as the public came to understand the pleasures and the benefits of a trip by
steamer” (Pickett 1910, p. 29). Another advertiser’s comments reflect the same belief: “I never will forget how frightened many of us were when other manufacturers began to exploit the system, because we feared they would get all the business away from us. What really happened was that the advertising which all the other systems did was a great help to us” (Anonymous 1914, p. 49).

In the 1920s, advertisers and industry observers who spoke against competition in advertising expressed near-unanimous confidence in market expansion. This belief was summarized well by the California Railroad Commission: “Modern advertising is creative; it produces demand and brings new business. … The great success in market expansion that has attended the advertising campaigns of co-operative farm groups, such as the raisin, citrus, prune and peach associations, may be accepted as proof. Merely taking trade away from a competitor without developing new business is a quite negligible feature of modern advertising” (as cited in Anonymous 1922, p. 80). Cooperative, or what advertisers of the day often called “educational,” advertising was a frequent topic of discussion in the trade literature of the 1920s. Describing one such campaign, an advertiser argued: “If competitors can thus hurriedly get together and speak their piece so effectively, what excuse is there for holding back the many co-operative, industrial, governmental and public betterment stories?” (Anonymous 1921, p. 62).

Such faith in the value of cooperation among competitors was summarized well in the comments of long-time Printers’ Ink editor C. B. Larrabee (1923, p. 117): “No, it is not possible to guard a sales or advertising plan from the zealous eyes of the competitor. That may seem a devastating statement but it is true, nevertheless. Since it is true the manufacturer must ask himself what is the answer. The answer, fortunately, is simple. It lies in a new attitude toward competition, a new understanding of what competition really means, a realization that competition is more apt to be constructive than destructive.”

At the outset of the Great Depression, there were many signs advertisers were growing more combative. Still, contributors to Printers’ Ink argued in favor of mainly constructive and mostly non-combative advertising. An advertiser explained what happened when he abandoned a combative campaign: “…we threw out all comparison and began to confine ourselves to direct statement of what our material would do. … Competitors have appeared—new as well as old—and they are all doing a satisfactory volume of business. Most of them are advertising. But the market has grown more rapidly than the combined output. A great deal of this is directly attributable to constructive advertising” (McGarry 1931, p. 28). Printers’ Ink columnist “Groucho” (1934, p. 57) similarly condemned combative advertising: “But when several kinds of wire nails are sold in a hardware store, the maker of brand A begins to worry about the sales of brands B and C. … Beware of ‘others’! Don’t take a chance of your hencoop falling by building with ‘ordinary’ nails! … Advertising is all set to leap ahead, if it can get rid of this nonsense. You’ve got to chum with competitors as well as customers to have good times.”

Faith in a constructive role for advertising and its contribution to primary demand held firm throughout the Depression and appeared to grow stronger toward the end. Many such statements included criticisms of overly combative advertisers. As one agency executive wrote, “Too many advertising and merchandising men apparently still cling to the belief that he profits most who serves most efficiently to kick his competitors off the ladder. There are far too few in
this work who realize the ultimate advantage to industrial cooperation, in plugging the whole field of which they are a unit” (Rech 1935, p. 38). Larrabee (1934, p. 59) argued the same point: “As industry enters a period of recovery it is co-operatively important that manufacturers consider any developments which seem to retard the growth of their industries. In many cases it can be pretty clearly proved that highly competitive advertising is a retarding factor and deserves consideration along with all other similar factors.”

Beliefs in favor of ignoring competitors and criticisms of the Depression’s combative advertising continued into the 1940s and 1950s. Praising a client, an agency executive wrote: “He ignores the quantity-value claims of his competitor as beneath his notice. … This is no time for destructive advertising battles. … There is such a thing as constructive competition—the ‘life of the trade’—and advertising should be first to practice it” (Tinsman 1941, p. 64). “Aesop Glim” (Printers’ Ink columnist George Laflin Miller) agreed: “Old Aesop Glim believes that—more often than not—it is sound practice to ignore your competition. Omit all reference to competitive wares when writing about the features of your wares. Tell your own story—exclusively, positively—give your copy sound construction, sequence and conviction—and you’ll get your share of the market” (1945, p. 25). A J. Walter Thompson executive spoke for many when he wrote: “…if you study the record you’ll find that many an advertiser who turned from quality in favor of black, dirty headlines and throat cutting policies came to rue the day” (Stone 1951, p. 130).

The belief that competitors should be ignored almost disappeared from the literature in the second half of the 20th century. When it was mentioned, it was almost always linked to an advertiser’s superior market position. As one agency executive told Advertising Age (1975, p. 3): “We know of no psychological theory that suggests that a leader will benefit from naming a competitor.” A Direct Marketing columnist summarized this view: “Here’s what I’ve discovered about tackling the competition in direct mail. … If you’re the leader by a large margin, forget your competition exists” (Brock 1982, p. 93). A conflicting statement, however, was offered to explain a spate of attack advertising among several business publications. Citing the director of communications for Forbes, the author wrote: “Business Week carries more ads than anyone else, and when you are No. 1, you have to find somewhere to grow” (Emmrich 1982, p. M1).

**Competition in Advertising**

Consistent with the belief during the first decade of the 20th century that competitors should be ignored, not a single source during the same period argued they should be confronted combatively. Beginning with the 1920s, however, the data reveal several competitive contingencies that involved competitive, and often combative, advertising. Some of these episodes occurred in expanding markets. However, by far the majority of advertisers and other industry observers, when they discussed or advocated competing aggressively in advertising, referenced markets characterized by zero-sum competition.

Even as most markets expanded during the first two decades of the 20th century, advertisers still faced the free-rider problem Printers’ Ink dubbed “The Substitution Menace.” After building primary demand, advertisers would discover often-inferior brands substituted for
their—sometimes inadvertently, but often purposely—by retailers. A sample from *Printers’ Ink’s* decades-long war on substitution is shown in Figure 1.

One advertiser blamed advertising for his substitution problem: “Our hope of large future growth, general distribution through national advertising, volume production and lowered manufacturing costs is based on the home market. How are we to reach that market effectively with consumer advertising, when advertising attracts cheap competition which takes our market away from us about as rapidly as we create it?” (Anonymous 1925, p. 113).

**Figure 1. “The Substitution Menace,” 1906**

A majority, however, proposed that advertising was the solution for substitution. As one observer noted: “…the better the product is known, and the more confidence the public has in the manufacturer because it knows his advertising and his goods, the more difficult it is for the competition to break into the field” (Roberts 1920, p. 146). Editor Larrabee (1923, p. 112) agreed: “When you get a new idea broadcast it. In this way you steal a march on your competitors and put it up to them to stamp themselves as imitators.” Kraft Cheese Co. President
John H. Kraft (1927, p. 142) advocated brand-building advertising: “It did not take long for our competitors to follow our lead in bringing out a foil-wrapped 5-pound package resembling ours. … We avoided saying ‘Insist on the Kraft label’ or ‘Beware of Substitutes.’ We felt that the buying public had been surfeited with that sort of tarnished warning until it had lost its force. So we try in our copy to lead the reader into realizing what our name on a package of cheese stands for.”

Along with the expanding national markets and cooperative advertising campaigns of the 1920s, a new role for competitive advertising emerged. Dubbed “The New Competition” by American Tobacco’s George Washington Hill, a businessman summarized the idea: “Competition today takes on broader dimensions to those manufacturers and retailers who look below the surface. It doesn’t do the house furnishing store any good if a family spends more than it needs to at the grocers and less than it ought to at the house furnishing store” (Rose 1924, p. 10). *Printers’ Ink* (1928, p. 118) offered a description four years later: “The wise future pickers in advertising have, for some time, been predicting that the great competitive struggle in advertising is to be shifted; that when an industry is selling to consumer capacity, instead of competition between members of that industry, we shall see the whole industry competing with other industries for a still greater market.”

George Washington Hill, in fact, attributed his highly successful, and controversial, “Reach for a Lucky instead of a sweet” campaign to The New Competition. “Anyone who does not recognize that our campaign merely acknowledges that competition today is industry against industry, quite as much, or more than, within industries, is not up on the trend of modern advertising. Examples of this competition are shown by the radio and the phonograph; the motor bus and the railroads; mechanical refrigeration and the ice-box…” (as cited in Pharo 1928, p. 83).

A steady stream of new and improved products during the early 20th century led some advertisers to conclude that competition, and, in some cases, competitive advertising, were inevitable. An one advertiser observed: “No one will deny the right of the maker of an improved article to call very special attention to the addition which puts his product in a class by itself. Such advertising is really another form of ‘competition’” (Leach 1924, pp. 137-138). Industry leader Joel Benton (1932, p. 53) similarly noted: “When a mechanical advance is made in a product there is no reason why the advertiser should not make the most of it, compared with the old-fashioned way. That’s the kind of competition we want; it gives life to advertising—makes it very helpful to the consumer. … You cannot abolish competitive advertising without abolishing advertising itself; it is the most efficacious kind.”

Others, however, also complained that such combative advertising on behalf of new entries and against existing ones encouraged the unseemly practice they referred to as “unselling.” *Printers’ Ink* (1925, p. 144) summarized this view: “We fall into the habit of quoting these names as standards, each in its field, until some competitor, tired of having a name flung in his face, says with a touch of easy tolerance ‘Steinway might have been the leader once,’ or ‘Victor used to be,’ or ‘Ivory Soap—you’re talking of yesterday.’ And the first gun is fired in the campaign of unselling.” *Printers’ Ink* quoted an advertiser on the same topic 10 years later: “We
believe that good salesmanship constitutes the selling of one’s own product rather than the unselling of another’s, although we may be entirely wrong in this” (1935, p. 81).

Competitive advertising was often linked with improvements in product quality. One advertiser appeared to speak for many when he wrote: “Imitation is inevitable. It is a part of human progress to imitate. … But the manufacturer, the inventor, the advertiser can overcome what he believes to be a handicap of competition by continuously improving his own idea and automatically making others work that much harder” (Heath 1923, p. 146). Such statements appeared in the 1970s and 1980s as well. As Stanley Tannenbaum (1976a, p. 28), a vocal advocate of comparative advertising, wrote: “I hail comparative advertising as our industry’s own brand of consumerism, when properly executed. … Moreover, it serves as an incentive for advertisers to produce better products.” A member of the extremely combative auto industry of the early 1980s argued the same point: “It motivates the advertiser to improve his products or suffer a bad comparison” (as cited in McClain 1983, p. M1).

The data reveal several outbreaks of combative advertising in markets characterized by growing demand. For instance, despite a steady increase in cigarette consumption during the 1920s, R. J. Reynolds, Liggett & Myers, American Tobacco, and P. Lorillard fought an aggressive and damaging war. As described by Sales Management (1929, p. 592): “The scramble for increasing shares of the rich cigarette lode has been attended by great advertising campaigns and a retail price war of exceptional sharpness. … By 1928 all four companies were in the thick of an advertising melee such as has not often been witnessed.” Some linked the hostility to P. Lorillard’s attempt to enter the market with Old Golds and steal sales from brands Camel, Lucky Strike, and Chesterfield, which held nearly 75% of the U.S. market. Consistent with other views from the 1920s, some were critical: “The real explanation of the price cut is rather to be found in that same ill, which today besets so many of our great industries in acute form: excessive competition” (Beecher 1928, p. 114).

A similar episode occurred in the 1970s. As overall wine sales grew, thanks in part to increasing table wine and white wine cocktail consumption, Coca-Cola Co. employed a combative campaign for Taylor California Cellars. Ironically, the campaign included taste tests, perhaps inspired by the “Pepsi Challenge” from a few years earlier. As Business Week (1982) noted, the U.S. wine market at the time was dominated, like the cigarette industry of 40 years earlier, by a few large competitors. The campaign more than doubled sales from 1,500,000 cases in 1979 to 3,800,000 in 1980—an outcome two wine industry observers referred to as “unheard of performance for a new brand” (Shanken and Drum 1981, pp. S-38). However, a few years later another source noted that “The resulting marketing war proved expensive and drove down the profits of everyone competing in the premium jug wine segment—including Coca-Cola which spent lavishly to become the third largest wine marketer in the industry…” (Stroud 1985, p. 17).

In the 1990s, a Pepsi-Lipton Tea Partnership targeted Snapple Beverage Corp. with a combative campaign. As an observer noted: “At stake is one of the fastest-growing segments in the overall sluggish soft-drink market. When all the yearend numbers are tallied, Beverage Marketing predicts, iced tea sales will have grown 80% to a $900 million segment at wholesale” (Magiera 1993, p. 48). About the same time, the major telecommunications companies—AT&T,
MCI, and Sprint—also waged advertising war over expanding markets, including long distance services. As one source explained: “Telecommunications usage is exploding worldwide, via new usage surging for telephone lines carrying voice, data, facsimile, cellular and wireless signals” (Fitzgerald 1993, p. 12). Ultimately, the combatants concluded the war was futile, at least as far as long-distance services were concerned, as efforts to differentiate parity offerings merely created what one source described as “…the spinner,” something of a hybrid of a switcher and a price buyer that changes long-distance carriers as often as every three months” (Koprowski 1995, p. 22).

Although the data reveal some instances in which advertising was used combatively in expanding markets, the majority of advertisers and observers who spoke of advertising and competition referenced situations characterized by zero-sum competition. The first appeared in 1939. A Pepsodent vice president described the zero-sum competition he perceived among toothpastes: “Years ago when there was very little competition in the dentifrice field, Pepsodent’s advertising could be more general. At that time Pepsodent meant ‘toothpaste.’ Now, the advertising must make Pepsodent mean a specific kind of toothpaste with features not possessed by other brands. … Our advertising, therefore, necessarily must be competitive. … Every time one brand of dentifrice shows a gain some other brand shows losses” (as cited in Luckman 1939, p. 15, p. 18).

Other examples appeared in the literature from the 1940s and 1950s. When the World War II rationing of meat, fats, and cheese went into effect, for instance, creating an artificial zero-sum competitive situation, Printers’ Ink (1943, p. 58) reported: “Now the controls of rationing cause competitive selling among brands and types of products to be in order again.” Similarly, as post-World War II consumer spending apparently began to level off, an advertiser observed: “But now that business is back to the normal condition of a buyer’s market, the old cry is heard again: ‘Let’s make our ads more competitive’” (Stone 1951, p. 81).

In the 1950s, a major scandal occurred over fictitious comparative price advertising. Comparative advertising also became a strident issue in the trade press of the 1960s and, especially, the 1970s, after the U.S. Federal Trade Commission persuaded the Big Three TV networks to implement a one-year trial. However, with one exception, advertisers never linked their use of combative or comparative advertising with the competitive situations they believed they faced. The exception was Stanley Tannenbaum. Noting that “consumerism” often “manifests itself as a result of the economic dislocation, when prices rise and incomes go down for a significant proportion of the population,” he pointed to the desirability of comparative advertising: “There are innumerable marketing and advertising techniques to capitalize on this ‘show’ me attitude which has developed among information-hungry consumers…. One of the best ways is to provide information for which consumers are searching and to keep in step with consumerism through the use of comparative advertising” (1976b, p. 1).

However, there were many contributions to the literature linking combative or comparative advertising with zero-sum competition throughout the remainder of the 20th century and into the 21st. As comparative advertising broke out in the beverage, fast-food, and automotive industries in the early 1980s, sources consistently linked it to recession and static demand. Describing a new Burger King comparative advertising initiative, for instance, a source
noted: “Like soft-drink companies, fast-food marketers are dealing with a slow-growth industry, where market share gains are the driving force behind any expansion” (Kreisman and Marshall 1982, p. 1). As an auto executive similarly observed, “Each of the companies is fighting for a bigger share of a smaller pie. The key word is ‘fighting.’ If a customer is not going to buy our car, he’s going to buy someone else’s” (as cited in McClain 1983, p. M1). Indeed, automotive advertising at the time was so combative, the makers of a Toyota TV spot that featured “the blowing up of a generic American station wagon” (Serafin 1985, p. 76) apparently missed what would appear to be a fairly obvious thematic connection to the Japanese attack on Pearl Harbor.

During this period, several sub-themes emerged: a growing prevalence of “me-too” products, a subsequent need for product differentiation, and the perceived failure of brand-building image campaigns. An analyst with an investment banking firm specializing in the fast-food industry summarized these themes: “Both Burger King and No. 3-ranked Wendy’s dutifully tried image-building campaigns recently. … As menus increasingly collide with those of their competitors, it’s more difficult to establish product differentiation via the product itself. You have to establish it through advertising and promotion” (as cited in Winters 1986, p. 3).

In the 1990s, combative advertising was prevalent in several product categories. In almost every instance, sources described intensely competitive markets characterized by zero-sum competition. The view was summed up well by BBDO/LA CEO Steve Hayden: “In a recession year, with everyone in a blackened mood, we’ll see harsher competition because everyone’s struggling for market position” (as cited in Jaben 1992, p. 36). Another observer of the technology industry similarly noted: “Stuck with lookalike products and facing an industry shakeout, personal computer marketers are wont to run comparison advertising, often with nasty jabs at rivals to accentuate any differences in product, price or service” (Johnson 1993, p. 1). In the highly combative auto industry, sources unanimously referred to the zero-sum competition they perceived to exist and consistently argued the need for product differentiation. As one industry observer noted: “Nissan’s out to sell 100,000 Maxima units in model year 1995, an ambitious goal in a no-growth market, outsiders say. To meet it, the carmaker will need to steal share from competitors who are generally perceived to have more credibility in this segment and who offer comparable products” (Garcia 1994, p. 2).

Throughout the remainder of the 1990s and into the 2000s, advertisers and observers consistently linked combative and comparative advertising to recession, parity products, brand differentiation, and the failure of brand-building image campaigns. Describing a return to combative advertising among technology marketers, an Ogilvy & Mather creative director told Advertising Age: “There’s always this sense of softness, like branding is somehow soft…. In hard times, the units get smaller and the ads get shriller” (as cited in Wasserman 2001, p. 8). As another source observed, regarding Miller Brewing’s return to more combative advertising: “Miller’s more aggressive moves also come as beer consumption overall continues to slow in the U.S. … A slowing industry typically means companies tend to try to gain market share at the expense of their biggest competitors” (Schmeltzer 2007, p. 1). Jack Trout, of “Positioning” fame, told Advertising Age: “When hard times hit, the singing, dancing and emotional ads go out the window, and clients say, ‘How do I nail my competitor?’” (as cited in Vranica 2008). And describing a campaign that challenged Walmart on its entertainment technology prices and expertise, Best Buy’s chief marketing officer noted: “If you can’t grow as easily because the
markets are not necessarily going up, you’ve got to play for share, and when people are playing for share, they’re getting more aggressive in their messaging” (as cited in Zmuda 2009).

Although often, but not always, linked with zero-sum competitive situations, combative advertising was frequently associated with a desperate need to slow declining sales or a competitor’s success. For instance, VW’s popularity in the 1960s made the automaker a frequent target. As one competitor explained, “Everybody in the foreign car market is trying to cut Volkswagen down to size. … The reason for this blasé reaction is seen in the fact that two-thirds of the more than 500,000 foreign cars sold in this country last year were Volkswagens” (as cited in Meyers 1966, p. 4). The war against VW produced a unique ad on behalf of a Texas AMC dealer group (see Figure 2). As Advertising Age (1968, p. 14) described it: “Tongue-in-cheek copy (all in German except for one small paragraph) suggests ‘Der Amerikanische Wagen’ has appeal to Germans for the same reasons that some imports appeal to Americans—outstanding engineering, and dependable and economic transportation. The paragraph in English says, ‘If you lived in Germany you would probably be charmed.’”

Throughout the remainder of the century and into the 21st, sources describing combative and comparative campaigns often linked them with sales declines or the success of a competitor. Describing the Burger Wars of the 1980s, two observers noted: “Desperate to resuscitate its growth momentum, Burger King Corp. is hitching its company fortunes to a massive comparative marketing campaign, replete with ‘Pepsi challenge’-style taste-test research, that takes on both industry-leader McDonald’s and Wendy’s International” (Kreisman and Marshall 1982, p. 1). An observer of a fight between rival spaghetti sauces similarly reported: “Lurking behind Ragu Foods’ complaints about Campbell Soup Co.’s comparative ads for Prego spaghetti sauce is a slow but sure drop in Ragu’s market share” (Dagnoli 1989, p. 4). Reporting that Burger King would launch “an aggressive comparative advertising strategy” in 1994, the source pointed out: “BK could use a war. Its share of fast-food sales—6.1% in 1993 according to researcher Technomic—has declined since the mid-’80s. McDonald’s last year held a 15.8% share and has shown little vulnerability to competitive attacks” (Kirk 1994, p. 3).

The same theme was evident in other product categories. Describing Miller Brewing’s decision, once again, to abandon brand-building image campaigns—the “Girl in the Moon” for Miller High Life and “Man Laws” for Miller Lite—in favor of more combative advertising in 2006, a source noted: “Miller Brewing is trying to discover its inner Pepsi as it plans to resume its anti-Bud approach to marketing in the hope of regaining sales and share momentum” (Mullman 2006a, p. 3). As combative advertising also returned to soup advertising in 2008, a source reported that behind Campbell’s decision to attack the Progresso brand was the following: “General Mills’ Progresso Light soups were a big hit in 2007, in part because of a Weight Watchers endorsement that gave the line a zero-point rating (that’s good). … Now, at the beginning of soup season, Campbell is on the attack” (Wong 2008). In 2009, Mead Johnson Nutrition was ordered by a federal court to pay $13.5 million in damages to competitor PBM Products for misleading consumers with a comparative ad campaign. Citing the federal judge in the case, an observer reported: “In his decision, U.S. District Court Judge James Spencer wrote that the outcome of the case was the result of Mead Johnson choosing to run an attack ad campaign due to waning sales” (Parekh 2009).
Conclusions

Two findings support an overall conclusion that economic theory is often reflected in the statements and beliefs of marketing and advertising executives and practitioners regarding why they choose to confront competitors aggressively and combatively. Moreover, both strongly suggest that combative and aggressive comparative advertising may often be employed to an advertiser’s detriment. First, during the first half of the 20th century, majority statements in favor of avoiding competition are consistent with both the informative economic view and the symbiotic competition associated with expanding markets. Advertising was often described as a means for constructively and cooperatively growing markets and conveying information about
the quality and attributes of products. Advertisers often recognized and even expressed satisfaction with the ease of entry available to competitors, as long as their products weren’t notably inferior.

Second, during the past 50 to 60 years, findings show that those who advocated, or at least admitted to, a combative role for advertising often associated it with zero-sum competition. Advertisers described becoming increasingly combative during periods of slow to static economic growth, and at the same time, often described advertising goals and outcomes consistent with the persuasive view. These findings support Bagwell’s (2001) conclusion that advertising is often combative and Yoo and Mandhachitara’s (2003) that most advertisers assume they are facing a zero-sum competitive situation. Moreover, and also consistent with the persuasive view, such advertisers often described advertising as a means for differentiating products and brands, maintaining brand loyalty, and stealing sales and market share.

These two broad findings and other more specific ones are consistent with some of the most recent contributions to the literature on economics and competition. For instance, advertiser beliefs during the first three decades of the 20th century reflect the well-established view that generic advertising is especially effective early in the product life cycle, when consumers lack awareness of a product’s uses and benefits (Bass et al. 2005). A related finding, that the majority of advertisers during the same period advocated responding to the free-rider Substitution Menace problem with constructive advertising emphasizing mainly product quality, is consistent with the findings of a recent study of free-riding in generic advertising. As Bass et al. (2005, p. 565) concluded: “…although there is free-riding, the stronger firm is better off tolerating this free-riding because this does not affect its long-term profitability greatly.” Such a finding is entirely consistent with the widely held industry belief that market leaders should rarely, if ever, attack smaller competitors (Beard 2008). Similarly, beliefs in favor of emphasizing product improvements and competitive advertising’s contributions to product quality also reflect the informative view.

Marketing and advertising executives’ frequent criticisms of aggressive competition and combative advertising are consistent with recent theory and research on combative advertising. Chen et al. (2009) analyzed the effects of combative advertising on market power and concluded that it can, as predicted by the persuasive view, reduce price competition to benefit competing firms. However, they also concluded that—if combative advertising leads to indifferent consumers, rather than partisan ones (e.g., an outcome of the long-distance war of the early 1990s)—it could also lead to procompetitive outcomes where both firms become collectively worse off because the advertising leads to a price war. This outcome certainly explains why sources later in the previous century and during the first decade of this century often expressed regret that they abandoned more constructive brand-building image campaigns and disappointment in the conditions that led to it. It is also consistent with Beard’s (2009) finding that advertisers who engaged in advertising wars often regretted it.

Perhaps most important, another finding is consistent with recent theoretical work on “ruinous competition” and its micro- and macroeconomic effects. Shapiro (2005) argues that while perfect competition can lead to lower prices, it can also cause higher costs, lower wages, job cuts, industry consolidations, and bankruptcies. As she further argues: “It will reduce
aggregate demand, as will the disruption of the industry investment, and instead of stimulating the economy, the competition of the industry could bring on a downturn, with the fall in the wage bill of the industry decreasing the sales of other industries, and the fall in their sales pressing prices down and thus reducing their wages and employment. A ruinous competition could become a ‘ruinous’ deflation” (p. 543). Criticisms of combative advertising during and after the Great Depression and beliefs in favor of a constructive role for advertising suggest advertisers recognized a causal link between demand and profitability for individual firms at the microeconomic level and aggregate demand and employment at the macroeconomic level.

Future historical research on competition in advertising could explore more deeply what marketing and advertising executives and practitioners believed about aggressive comparative advertising, since the findings of this study reveal they often engaged in it, while simultaneously regretting it. When and for what purposes did they believe it would be effective? Moreover, did these beliefs change over time and were they consistent with the empirical findings available in the substantial body of research on comparative advertising? Surveys of both corporate and agency executives generally reveal broad support and beliefs in its effectiveness, especially when defined as explicit comparisons with identified competitors, rather than implied, “brand X,” or general comparisons (Hisrich 1983; Muehling, Stem, and Raven 1989). However, Rogers and Williams (1989, p. 32) concluded the perceptions of the agency creative executives they surveyed were much more favorable than would seem to be justified and “that perceptions of practitioners are largely inconsistent with academic research evidence on comparative advertising.”

**Study Limitations**

The findings and conclusions of this study are, of course, limited in several ways. As noted earlier, although the method is consistent with traditional historical research, it lacks the means for establishing the validity and reliability of, for instance, quantitative content analysis. This study is also limited by its sources. Advertising trade journals—including, especially *Printers’ Ink*—have proven valuable sources for previous important historical works on advertising (e.g., Curti 1967). However, there is no doubt a disparity between what marketing and advertising executives say and what they actually do. This study seems to have revealed at least one example of such a disparity regarding the apparent frequent use of combative advertising during the Great Depression and the universally negative opinions in reference to it. In addition, sources for the final five to six decades are somewhat limited, mainly in that marketing and advertising executives themselves were generally no longer primary sources. Their beliefs and opinions, although still often in their own words, became filtered by the reporters who interviewed them and wrote about them.

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Ben Franklin as a Pioneer of Advertising and Promotion Strategies

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Integrated Marketing Communications (IMC) has been considered a breakthrough concept over the last three decades. Yet, using a historical research method, by critically examining the business practices of one of the founding fathers of the United States of America, we illustrate how Benjamin Franklin, in his own inimitable manner used this technique successfully three centuries ago. Based on historical methods, we outline his approach to IMC. We begin by considering Franklin’s main self-identity as a printer, and then illustrating how he used backward integration techniques in obtaining regular paper supplies and forward integration techniques in running other operations, e.g., retail store, franchising, publishing, advertising and promotion and distribution of his products.

Franklin pioneered franchising when in 1733, he set up one of his journeymen in his own print shop in South Carolina. The agreement was that he would pay one-third of the expenses, and receive one third of the profits in business in return. After the success of this venture, he gave some of his best workers to run their own shops by using similar profit sharing contracts, in which he furnished the seed capital with the goal of the workers purchasing full ownership from him in six years. Most of them achieved this goal, and bettered their circumstances.

Franklin introduced many new advertising techniques as a promoter of his newspaper and articles. While advertisements began appearing in the US media since 1704, Franklin’s contributions involve introducing illustrations in his newspaper, The Pennsylvania Gazette since 1726. He usually inserted cuts of sailing ships into notices of cargo shipments and sailings. He later designed border frames and perfected the use of white space in advertising. For these accomplishments many consider him to be the father of advertising art.

Sales promotion (or short term incentives) has long been known to be one of the most effective promotional tools in marketing. To bolster subscriptions for his newspaper, The Pennsylvania Gazette as well as the Poor Richard’s Almanac, Franklin offered prizes of free subscriptions to those who could answer riddles and games.

Yet another interesting facet of Franklin’s life was how he continually invented, and continually reinvented himself. As a pioneering publicist and public relations expert, he was continually trying to create a new American archetype. A young printer in Philadelphia, he carted rolls of paper through the streets to give the appearance of being industrious. As an old diplomat in France, he wore a fur cap to portray the role of backwoods sage.
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The Literature of Canadian Marketing: From Confederation (1867) to World War One

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This paper is a work in progress, part of a larger project which has as its ultimate goal the compilation of the most pertinent publications related to Canadian marketing from the 17th century to modern times. The focus at this time is on the period from Confederation to WW1. Covering marketing in all its various dimensions proved, for a variety of reasons, more problematic than expected. While there has been a great deal written on the economic and business history of Canada, reports on actual marketing and retailing practices 1867-1914 are not that easy to find. Since historians tend to write books as well as articles, it was necessary to go well beyond the traditional journal literature search. Also, much of interest was found only after reaching beyond business and economics into the literature of social and public history. Then, of course, there is the subjective nature of any editorial undertaking. The materials included in the list reflect our personal choice as to what really mattered. Others might maintain a somewhat different set of articles or chapters in books would have been more truly representative of the history of Canadian marketing. Be that as it may, the references presented below under sixteen different topics are the sources we consider “required reading” for those who would understand Canadian marketing 1867-1914.

Introduction

Over forty years ago one of the authors of this abstract edited a collection of readings entitled “Marketing in America: Settlement to Civil War” (Shapiro and Doody 1968). That publication was originally intended to be the first of a two volume set, to be accompanied by a partner publication covering the period from the Civil War to World War II. For a variety of reasons, but primarily because the two co-editors both went into industry—Al Doody for the rest of his career and Stan Shapiro for only a few years but in Canada where he remained— that companion volume was never published. Now that marketing history is beginning to receive more academic attention, perhaps the time has come for both this companion volume to be prepared and for the 1968 publication to be revised and reissued. However our immediate concern here is on providing insight into the marketing history of Canada.

Close to four decades later, Bill Wilkie invited Shapiro to contribute to a series of Commentaries being written on his seminal piece with Moore on the four stages of Marketing Thought (Wilkie and Moore 2003). In his commentary Shapiro mentioned that, despite all its many strong points, the Wilkie and Moore article was entirely U.S. focused. It thus seemed desirable, indeed even essential, at least to Shapiro that scholars from other countries write up their own national histories, both of marketing practice and of marketing thought (Shapiro 2005).
Once a number of such histories have been written, meaningful comparisons and contrasts could then be made.

Shapiro subsequently approached a series of younger Canadian colleagues urging them to join him in the study of the history of Canadian marketing thought and practice. However, nothing came of these efforts until it was decided that the new *Journal of Historical Research in Marketing* (JHRM) would publish a special issue on Canadian marketing. The submissions to that issue are to go through the traditional, double blind refereeing process. However, the Explorations and Insights section of each issue of JHRM consists entirely of invited material chosen in one way or another, to “add value”, both generally but even more so when a special issue is being published.

Since Shapiro is currently the Explorations and Insights editor of the JHRM, it’s not surprising that the E & I section accompanying that forthcoming special issue on the history of Canadian marketing is to contain two invited pieces, both designed to increase awareness of the already existing literature. The first selection will focus on the history of Canadian marketing practice from initial settlement until the beginning of World War I. The other bibliography will inform readers about the publications by Canadian marketing academics on strictly Canadian aspects of marketing between 1959 and 1984. Looking backward, that quarter century now appears, for a variety of reasons, to have been a Golden Age for such publications but also, because so much of the best material appeared in now hard to access edited books rather than online journals, is now becoming a “lost literature”. Both contributions will be joint efforts but with Shapiro taking the lead in the compilation on the history of marketing practice material and Tamilia being primarily responsible for the “Golden Age” bibliography.

**Canadian Bibliography**

The Canadian marketing practice bibliography that follows covers almost half a century, from Confederation, the date in 1867 when four existing British territories–Nova Scotia, New Brunswick, Lower Canada (Quebec) and Upper Canada (Ontario) merged to form the Dominion of Canada–until the beginning of World War I. The original intention was to focus on a much shorter period, 1896-1911, the fifteen years when Wilfred Laurier was Prime Minister of Canada. This was an exciting time in Canadian history, a period of great economic growth following an economic depression that had lasted more than a decade. However, much of the available marketing literature was written by historians concerned with the sweep of history over decades not years and more inclined, in books as well as journal articles, to position material using Confederation as a starting point. There was indeed some interesting “Age of Laurier” marketing material but not nearly enough to provide depth of coverage on a number of major marketing topics.

Any bibliographical effort is in large part shaped by the guidelines used to determine what kinds of material would even be considered for inclusion. When those guidelines were formulated for this particular bibliographical exercise, the compilers soon agreed that any collection of readings on the history of Canadian marketing in this time period had to be considered within a much broader economic and business history framework. To provide such a context, the relevant chapters of the leading textbooks on Canadian Economic History and the
History of Canadian Business are referenced. These publications on economic and business history set the scene but with a focus on railroad construction, banking and recurring labor-management problems. Unfortunately, these overviews don’t tell us all that much about what we would now generally consider to be “marketing”.

In the late nineteenth century, of course, the various regions of Canada, the Maritimes, Quebec, Ontario, the Prairies and British Columbia, all varied greatly in size, population, length of settlement, degree of industrialization and the like. The literature cited obviously reflects these differences. In contrast, what isn’t referenced, except to the extent that they are covered in the aforementioned economic and business history texts, are the two most widely debated topics in Canadian economic history, the “staples theory” of Canadian economic development and the actual impact of the “National Policy” of protective tariffs on the Canadian economy.

Very marked differences of opinion exist, even to this day, as to the actual contribution of staples such as cod fish, fur and, in the period of most interest to us, wheat to the economic development of Canada. Similarly, the impact of a prolonged period of protective tariffs on the size, the structure and the degree of foreign ownership of Canadian industry also continues to be debated. These are indeed important topics but as marketing scholars we are understandably more interested and have sought out literature on exactly how staples such as wheat were actually marketed during the period in question and how, if at all, the National Policy affected marketing and retailing practice.

Such is the context within which our reading list on Canadian marketing history 1867-1914 is being presented. However, two other editorial decisions also significantly impacted the compilation of the proposed reading list. First, a deliberate decision was made to limit the list at this time to previously published secondary sources. Archival material, however relevant, is not cited at this time. Of course, the selections included do draw upon such sources. Also, the expanded Journal of Historical Research in Marketing (JHRM) piece will cite some literature that introduces readers to potentially fruitful archival sources. Note also that the collection does not provide any references to articles drawn directly from the newspapers, trade press, or magazines of the period. Some might question these decisions but the compilers were primarily concerned with providing a reading list of easily accessible material that would provide a marketing overview of that particular period in the history of Canadian marketing.

The “ease of access” rule also led to there being no direct reference to theses and doctoral dissertations, though some material drawn from these sources, when subsequently published, is cited. Phrased another way, our bibliography is a proposed “select” reading list consisting primarily of journal articles, almost all of which are available “online”, other online material and, to a very significant extent, volumes readily available through Interlibrary Loan. (Historians are far more inclined than marketing academics to write books rather than articles.) Finally, and only after careful consideration and some reluctance, a decision was made that this particular bibliography, given its targeted focus and select nature, need not be annotated.
American Experience

American scholarship on marketing history is far more extensive than in Canada as witness the works of such authors as Porter and Livesay (1971), Chandler (1977), Tedlow (1990; Tedlow and Jones 1993), among others. Whatever the reason, there is a great deal of historical “catching up” to be done. The compilation of a list of readings on the history of Canadian marketing between Confederation and World War I is but a first step in efforts to encourage renewed Canadian interest in the history both of marketing history and marketing thought. Hopefully, it will also encourage similar efforts in other countries.

References


Reference List: Marketing Confederation to World War One, 1867 to 1914

I. Economic History


II. Business History


**III. The History of Canadian Marketing, 1867-1914**

**A) The Growth of the Canadian Market**


**B) The Marketing of Agricultural Products**


**C) The Marketing of Natural Resources**


**D) The Marketing of Manufactured Goods & Services**


**E) The Marketing of Books**


**F) The Marketing of Services**


**G) Peddling, Trading and Retail**


**H) Department Store and Large Scale Retailing**


I) Promotion


J) Mail Order Marketing


**K) Marketing Canada—As A Place to Live or to Visit**


**L) Wholesaling & Transportation**


**M) Consumers & Their Behavior**


**N) Cost of Living & Quality of Life**


**O) Competition & Its Regulation**


**P) The Politics of Distribution—The Matter of Tariffs**


The White Bronze Company of St. Thomas, Ontario

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During the years 1883 to 1900, the White Bronze Company of St. Thomas, Ontario manufactured and sold a large number of white bronze grave monuments throughout Canada. Their product, actually manufactured from pure zinc, was clearly superior to competitors’ products along several dimensions, yet, after what appears to be a fairly short period of time, the company ceased operations. There are, of course, many reasons why a product and indeed a company may fail, and previous researchers have suggested several reasons for the demise of white bronze monuments. Yet, the sheer number of monuments sold and still existing in graveyards across Canada and the United States seems to disprove many of these arguments. Adopting a more holistic approach and analyzing this case through a marketing lens reveals a more complicated picture.

The Monumental Bronze Company

The White Bronze Monument Company of St. Thomas, Ontario was a subsidiary of the Monumental Bronze Company of Bridgeport, Connecticut. The parent company sold a prodigious number of Civil War soldier statues (both Union and Confederate) after the American Civil War and, along with its subsidiaries, enjoyed a similar success with sales of grave markers (Grissom 2009). Although other companies, including Mullins of Salem, Ohio, manufactured zinc statues and architectural moldings, it appears that no other firm branched into the sale of grave markers (Rotundo 1989). The parent company enjoyed a longer life span than its subsidiaries, beginning operations in 1879 and finally closing its doors in 1939. Commenting on the company’s demise, the foremost expert on Monumental Bronze concluded that the company “epitomized small industries in the American economy in its rapid expansion post-Civil War era, its need to adapt to new conditions in the twentieth century, and finally, in its closing during the Great Depression of the 1930s” (Rotundo 1989, 263).

This paper reports on research in progress on the Canadian subsidiary on Monumental Bronze. The research program will endeavour to answer the following research questions:

• RQ1: Why did the Monumental Bronze Company choose St. Thomas, Ontario as the location for its Canadian subsidiary? What factors influenced this choice?

• RQ2: Why did the St. Thomas subsidiary only operate for 17 years? Should it be considered a ‘success’ or ‘failure’? What reasons can we find for its seemingly early closure?
RQ3: Was this company a ‘representative Canadian firm’ in the sense that it epitomized small industry in this time period, as Rotundo (1989) suggests was the case for the parent company in the US?

This research will be of interest to marketing historians since gravestones represent one of the first durable ‘mass customized’ consumer goods; combining personalization with standardized manufacturing techniques (Norris 1988). Indeed, Elliott (2010) has argued that the project of commemorating the American Civil War dead marks a turning point in the monument industry as it shifted from craft to mechanized, mass production techniques. He argues further that this innovation was fostered not by traditional craftsmen but by entrepreneurs and businessmen putting technology, capital and labor together. It will be of interest to macromarketers since the research highlights the cross-border trade in business practice, technology and intellectual property, as well as the role of national economic policy in shaping the conditions of possibility for this industry to exist. Further, the research seeks to make a methodological contribution. The business records for Monumental Bronze Co. of Bridgeport, Connecticut and for the St. Thomas White Bronze Company of St. Thomas, Ontario have not been found and may no longer exist (Rotundo 1989). Instead, the researcher accessed alternative data sources, including some newly accessible via digital technologies, to re-construct the business history, in the process answering the question: can you create an authoritative history of a company whose records no longer exist?

This paper deals primarily with research focused on the first question. The remainder of the paper is organized as follows: previous research is briefly reviewed before a description of how white bronze monuments were manufactured is offered. Data sources for the current research project are then briefly reviewed. Factors influencing the choice of St. Thomas as a location for Monumental Bronze Company’s Canadian subsidiary are then examined, including: market size; access to transportation, capital, managerial and technical skills, and entrepreneurial capability. A discussion of national economic policy leads to the drawing of preliminary conclusions.

Previous Research

Some recent consumer research has dealt with death-ritual consumption (Bonsu and Belk 2003; Zhao and Belk 2008), consumer behavior at the end of life (Kropp 1999; Fan and Zick 2004), as well as how the awareness of death influences materialism, conspicuous consumption and consumer decision making (Arndt et al. 2004). The marketing literature contains research on regulatory issues within the death care industry (Sommer, Nelson and Hoyt 1985; Kopp and Kemp 2007), public policy issues surrounding the vulnerability of the grieving (Andreasen 1984; Gentry et al 1995), along with a series of earlier articles reporting on issues related to the regulation of channels of distribution and monopolistic methods used within the death care industry (Werner and Bechtol 1969; Werner, Bechtol and Duggan 1973; Werner and Knapp 1977, 1982). However, the grave monument industry seems not to have been the subject of much research attention from marketing history and consumer researchers.

A rich body of research and writing, outside of the standard business school outlets, does exist, however. Ariès (1981), for example, traces the evolution of western attitudes toward death,
Gorer (1965) argues that death has replaced sex as the leading taboo subject within the last century, and Francis, Kellaher and Neophytou (2005) have documented the use of cemetery space in terms of what cemeteries mean to the living. Set within this context and of particular interest to this project is previous research on the white bronze monument industry (Trask 1984; Rotundo 1989; Stewart 1989), as well as broader cemetery and monument research within Ontario (McIlwraith 1997; Norris 1988).

The most complete historical account of the use of white bronze for grave monuments is that of Barbara Rotundo (1989). Her research details the history of the Monumental Bronze Company of Bridgeport, Connecticut from its beginning in 1877, through its incorporation in 1879 and the opening of multiple subsidiaries (1881-1909), until its eventual dissolution in 1939. The current research is most concerned with the company’s first subsidiary, the Detroit White Bronze Company (later Detroit Bronze Company), which operated from 1881 to about 1886, and its Canadian branch, the St. Thomas White Bronze Company, in business between 1883 and 1900. Rotundo argues that the Detroit subsidiary set the expansion pattern for the firm, “…officials in Bridgeport looked for men of established standing in the local business and financial communities” to act as officers of subsidiaries “but rarely did they seem to take an active part in producing white bronze monuments” since they “had no experience in the foundry business, unlike the officers in Bridgeport” (Rotundo 1989, p. 270, p. 273). This lack of practical experience prompted head office to send an experienced man to guide production in Detroit, Charles H. Wilson, who was said to have had nine years experience in the business (Rotundo 1989). With respect to the closure of the Detroit facility, Rotundo (1989, p. 272) concludes, “We may never discover why operations ended in Detroit, but the places that picked up the western business are obvious.” She then names, Chicago White Bronze, St. Thomas White Bronze and Western White Bronze in Des Moines and suggests that because Canada “had passed laws enforcing ‘buy Canadian’ late in the nineteenth century, St. Thomas had unquestioned rights to its territory,” essentially, the entire country.

**What is White Bronze?**

‘White Bronze’ is the trade name used to describe monuments and other products (statues, architectural moldings, garden ornaments) made from almost pure (99%) refined zinc. When exposed to the air, zinc develops a protective coating of zinc carbonate which gives it a characteristic bluish grey color (Rotundo 1989). Monumental Bronze argued that the color of their monuments was more pleasing to the eye than were monuments made from dark or antique bronze, and this justified the use of the name ‘white bronze’ (Rotundo 1989). White bronze monuments were manufactured using a method common to the casting of other metal products:

The first step in the manufacturing process, as in any kind of casting, was the model, in this case a wax model. The company employed an artist full-time to make these wax models and offered the service of producing busts and bas reliefs from portraits or photographs… A plaster cast was made of the wax model, and the cast was then used to make a plaster duplicate of the wax model. From this second plaster cast they made the sandcastings that became the monuments. The final plaster cast was cut in pieces so that the white bronze pieces were comparatively small and simple, allowing each casting to have sharp details. The
pieces were fused together… an innovative technique at that time. Rather than soldering the pieces together…workers clamped the pieces together and poured pure, hot zinc into the joints. Since the heat melted the surface of the cast pieces, they were truly fused together and became inseparable (Rotundo 1989, p. 267).

The advantages of zinc as a material for grave monuments include: it does not rust, corrode or change color; moss and lichen do not grow on it; it does not absorb moisture and is therefore unaffected by frost; and, it resists corrosion from acid rain (Scientific American 1885; Trask 1984).

At the time of the founding of the St. Thomas factory, the disadvantages of competing materials were becoming clear to consumers. Croil’s 1861 account of his travels in Dundas County, Ontario (approximately 350 miles from St. Thomas) includes a description of early limestone markers as being “so marred by the severe frosts of oft repeated Canadian winters that no vestige of inscription could be found on them” (p. 312). The cover story of Scientific American on November 14, 1885 discussed the need for a more enduring material for monuments than stone, since it was “well known that stone is unable to withstand climatic effects” (p. 309). The article provided the example of a granite obelisk in Central Park, NY which, although erected only five years previous, was already showing the negative effects of climate. The majority of white bronze grave markers were placed in cemeteries between the mid 1870s and World War I, with peak sales occurring about 1888 and beginning to taper off by 1892 (Rotundo 1989, p. 277). White bronze monuments can still be found today in cemeteries throughout the United States and across Canada, most “looking as fresh as on the day of manufacture” (McIlwraith 1997, p. 230).

Data Sources

As mentioned above, the business records for Monumental Bronze Co. of Bridgeport, Connecticut and for the St. Thomas White Bronze Company of St. Thomas, Ontario are not available as data sources (Rotundo 1989). Other historical records were accessed in order to piece together the companies’ histories: contemporaneous accounts in local newspapers, city and business directories, local histories, promotional materials (e.g., catalogs), and white bronze monuments which still exist. In addition to traditional microform sources, many of these records have now been digitized and made available through sources which are somewhat unusual for business history researchers such as the Ancestry.com searchable genealogy database and WorldVitalRecords.com which includes the previous ‘Paper of Record’ database. Family historians and others interested in recording and preserving local history have also made a wealth of photographic materials available via the Internet. All of these sources have been tapped in order to create the account which follows. In addition, I had access to a rather unique collection of industry journals addressing the concerns of marble and granite monument wholesalers and retailers, such as The Monumental News and Stone, recently assembled and held in the Archives and Research Collections at Carleton University, in Ottawa, Ontario. By combining data from these and other sources, we can begin to answer the research questions.
Why St. Thomas, Ontario?

The White Bronze Company of St. Thomas, Ontario commenced pouring operations on September 17, 1883 (St. Thomas Times, 17 Sept 1883). The decision to locate a subsidiary in Ontario, rather than Quebec or the Maritimes, was, from one perspective, a logical one. Norrie et al. (2002) argue that Ontario, more than Quebec, had excess capital to invest as a result of the profitability of agriculture-based industry. However, the selection of St. Thomas, Ontario seems somewhat illogical in terms of market size.

### Table 1: Population Comparison

<table>
<thead>
<tr>
<th>Year/City</th>
<th>St. Thomas</th>
<th>London</th>
<th>Hamilton</th>
<th>Toronto</th>
</tr>
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<tbody>
<tr>
<td>1871</td>
<td>2,197</td>
<td>15,800</td>
<td>26,700</td>
<td>46,100</td>
</tr>
<tr>
<td>1881</td>
<td>8,370</td>
<td>19,700</td>
<td>36,000</td>
<td>86,400</td>
</tr>
<tr>
<td>1891</td>
<td>32,000</td>
<td>49,000</td>
<td>181,200</td>
<td></td>
</tr>
<tr>
<td>1901</td>
<td>14,588 (1909)</td>
<td>38,000</td>
<td>52,600</td>
<td>208,000</td>
</tr>
</tbody>
</table>

Sources: Ontario GenWeb, White’s St. Thomas City Directory for 1881-82, Paddon et al. (1981).

Throughout the period under consideration, the five largest population centres in Ontario were: Toronto, Hamilton, London, Ottawa and Kingston. In terms of population, as Table 1 highlights, St. Thomas was substantially smaller than its nearest geographic competitors. However, since the company seems to have enjoyed a certain success throughout the 1880s and early 1890s (Scientific American 1885; Orcutt 1886; Stewart 1989), other factors must be taken into account, including: access to transportation; the presence of skilled labour, managerial talent and an entrepreneurial class; along with the financial incentives built into the ‘National Policy.’

### Transportation

St. Thomas was served by three railways. The Great Western opened a route through the town, in 1872, and later that same year, the first train arrived over the Canada Southern track. According to local historians, “The stimulus of the Canada Southern gave St. Thomas an impetus that was to last for many years” (Paddon et al. 1981, p. 6). St. Thomas became a prosperous town which was reflected in the rate of its population growth. In comparison, population growth in Ontario overall increased at a slower rate from 1881 to 1891 than it had from 1871 to 1881, because of outflows to the Canadian West and the United States (Careless 1992). By the time St. Thomas was incorporated as a city, in 1881, a third railway, the Credit Valley, extended its line into St. Thomas. The railways provided the new city with important connections to other Canadian and American cities as well as to Toronto, the largest city in its home province (Paddon et al. 1981). The following year, the Canada Southern leased its facilities to the Michigan Central Railway (M.C.R.)

Before the turn of the century the M.C.R. had so improved its lines and equipment that it was one of the finest railways in America. Its trains were able to attain speeds over 100 miles an hour… The M.C.R. was so efficient that is soon outdistanced all competition in Canada in both passenger and freight service (Paddon et al. 1981, p. 15).
In general, a decline in costs occurred as the railway network expanded, however, in some cases the rate structure offset the benefits (to be discussed below) of the national policy tariffs. In addition, the economic benefits brought by the railways were not exclusive to St. Thomas. London, Ontario, for example, was able to increase its share of the import trade, although it was not a port or border city, because of its railway connections and deals it was able to negotiate for lower freight rates (Cruikshank 1990).

**Skilled Labor**

Stewart (1989) notes that, in 1885, the assets of the St. Thomas operation were listed at $50,000; $20,000 of this represented the value of patterns on hand. Although Rotundo (1989) contends that the subsidiaries were not actually involved in casting the zinc panels required to assemble the white bronze monuments, on the basis of Stewart’s evidence she does concede that St. Thomas might have been an exception. Based on archival evidence including Monumental Bronze’s own in-house newsletter, the *White Bronze Advocate*, Grissom (2009) maintains that the Des Moines and Detroit subsidiaries cast their own monuments. The issue of whether subsidiaries cast the zinc panels, using patterns acquired from the parent firm, or simply assembled monuments from panels shipped from Bridgeport is important because in the former case access to a skilled labor force would be necessary and could influence the choice of expansion locations.

Preliminary research indicates that skilled labour was available in St. Thomas. Ontario had 925 foundries operating in 1851 (Fryer and Humber 1984) and St. Thomas was home to the Red Foundry, operated by C. Norsworthy & Co., in the late 1870s. In addition to manufacturing agricultural implements and hardware, the Red Foundry made “castings of all sizes, from small models up to heavy columns for the modern architecture of the country” (Page 1972, XVI). The same skills that were used to create this type of product could be used to create white bronze monuments.

**Managerial Talent and Entrepreneurial Ability**

In order to assess the level of managerial talent available to the company, biographies of the members of the board of directors were constructed. As Jones has persuasively argued (1998), biography can provide us with insight not only into the motivations of others but also into the people and conditions which influenced them. Stewart (1989) provides the names of the board members from 1883. They were: Henry B. Pollock, President, Manager, and Secretary; The Honorable Charles Oakes Ermatinger, Vice-President; John Baird, Financial Director; and, serving as directors, George E. Casey, M.P.; George W. Moore, of Detroit; Henry Lindop; William VanBuskirk, M.D.; William Scarlett; John H. Eakins; and Cyrus H. Hepinstall. In 1891, the company was sold to a consortium of St. Thomas businessmen, including: George K. Crocker, Robert H. Blackmore, Henry Brown, John C. Lindop, and Henry Lindop. R.H. Blackmore acted as President, but in 1896, released his claim to all company assets and was replaced in the President’s chair by G.K. Crocker. Information on these men was gleaned from business and city directories, local histories, official biographies, and local newspaper accounts. In the interest of brevity, only a few of the biographies will be used for illustrative purposes.
Rotundo’s description (1989) of directors as being chosen for their ‘established business and financial standing’ but not taking an active part in the production aspects of the business, holds true for only a minority of those researched. For example, George E. Casey (1850-1903) was described by one local historian as having failed to live up to his promising early potential. While having represented western Elgin County in the federal legislature for 21 years, according to Brierley (1939), himself a former newspaperman and resident of St Thomas, Casey received his party’s nomination more out of friendship than as a result of his performance. His appointment as a director may have been made for similar reasons.

In contrast, Henry Lindop (1836-1930) was a well-known and successful businessman. A native of St. Thomas, he was initially engaged in the mercantile trade, from 1862 to 1870. Thereafter he operated a door and sash factory, planing mill and lumber business. A builder and contractor, he is reported to have built 300 buildings in the town; at one time owning 75 of them. One of his major building projects was the construction of Alma College, a private girls’ school, at the cost of $45,000, from 1878 to 1881 (equivalent to $987,873 in 2009). A member of city council in 1875-6, he was one of the early adopters of telephone service (in 1890) and by 1894 he employed 15 men in his businesses.

Robert H. Blackmore, was the brother of Joseph J. Blackmore, who operated a successful business in stoves, hardware, tinware, plumbing and pipefitting. R.H. operated a similar business for a number of years, occupying prime retail space in three storefronts on the main street. Both brothers were avid advertisers, taking out daily ads in the local newspaper in the case of J.J., and purchasing multiple ads in local directories, in the case of R.H. Although Rotundo (1989) names J.J. Blackmore as the company manager and salesman, it seems more likely that it was R.H. Blackmore who performed these duties.

With Henry B. Pollock, we have a man who was successful in business both before and after his time as President of St. Thomas White Bronze Monument Company (STWBM Co.). Prior to his involvement with STWBM Co., he ran a dry goods/millinery/hats, caps & furs business with John Baird, who became the Financial Manager of the monument company. They promoted their business aggressively, placing regular advertisements in local newspapers. In 1880, Pollock organized a pleasure trip to Detroit for St. Thomas citizens that was apparently well received as additional coach cars had to be reserved on the train. There are indications that Pollock may have had family living in Detroit. Mention is made by Rotundo (1989) of a Charles Pollock who became a ‘pourer’ at the St. Thomas factory and lived at the same address as Henry. The Detroit city directory includes a Charles Pollock, who worked as a molder at Detroit White Bronze. By 1891, H.B. Pollock is living in Detroit and is a partner in Pollock, Pettibone and Chapman, milliners. Although he doesn’t appear to have returned to St. Thomas, some ties must have remained. His death notice appeared in the St. Thomas Times-Journal in 1906 and when his son-in-law died in 1913, his obituary notice in the St. Thomas Daily Times identified him as the son-in-law of H.B. Pollock.

Pollock was not the only director to have ties to Detroit. George W. Moore, of Detroit, was a director of the STWBM Co., from 1883 until at least 1885. Tracking Moore is somewhat complicated by the fact that there were two George W. Moores, father and son, both lawyers in the family law firm. From the city directories of the period, we find that at least one, and
possibly both, of them was very involved with Detroit businesses, including acting as:
Secretary/Treasurer of Cheney Anvil & Vise Co. and Colliau Furnace Co.; President of
Michigan Gas Light Co. and American Furnace Co.; Secretary of Leland Iron Co.; and Vice-
President and Treasurer of Anchor Manufacturing Co. But most importantly for our purposes,
G.W. Moore acted as Vice President of Detroit Bronze Company, manufacturers of White
Bronze Monuments, in 1885.

Two other men associated with STWBM Co. also had ties to the Detroit subsidiary. John
H. Eakins is listed as a director of STWBM Co., from 1883 until at least 1885. Eakins had
apparently been selling white bronze monuments in the Detroit area as early as 1879, and is
credited with the incorporation of the Detroit subsidiary, but was never an officer of that
city directories from 1877 – 1883, but in 1885 only a residential listing is included. Eakins may
have had family in St. Thomas, since listings of the family name appear in the city directories,
including one for a John A. Eakins. Charles H. Wilson, the man Rotundo suggests was sent from
Bridgeport to Detroit to help establish the subsidiary there, is listed as ‘superintendent’ of the
company in the 1885 Detroit city directory. Although he is not listed in the St. Thomas
directories during the late 1880s, the 1917 directory lists a Charles H Wilson, tinsmith, in the
employ of R. H. Blackmore.

The above biographies need some further fleshing out, but what is apparent is that the St.
Thomas subsidiary had access not only to managerial talent, but also to managers and directors
who worked in allied industries. Further, there were definite linkages between the Detroit and St.
Thomas subsidiaries. Additional proof of the entrepreneurial inclinations of the St. Thomas
group is furnished by a short article in the St. Thomas Times of February 17, 1883, under the
heading ‘Bronze Monument Factory’:

A meeting of those interested in the proposed bronze monument factory was held
in the office of Messrs Coyne & Mann last evening, when the report of Messrs G.
Crocker, John Baird, Henry Lindop and George Wegg, who visited the
manufactory in Detroit, was heard. The meeting seemed to be satisfied with the
result in the City of the Straits, but wish further light as to the durability of the
metal, and whether it will discolor through age. There are other matters upon
which further data is required, and a committee was appointed to make necessary
inquiries and researches.

Apparently, the committee was satisfied with the answers it received – the foundation for
the factory was begun on June 30, 1881 (Rotundo 1989). Wegg, a carriage maker, is the only one
of the original group who did not become involved in a managerial or directorial capacity with
the firm. Evidently, one of the primary reasons for locating in St. Thomas was the interest shown
by local businessmen. This pattern of visiting the United States to study business operations and
then importing ideas back to Canada or obtaining exclusive rights to manufacture and/or
distribute products in Canada has been documented in other areas. Dixon and Muise (2001)
discuss it with respect to a group of Yarmouth, Nova Scotia businessmen interested in
establishing a cotton duck factory. Closer to home, the Massey Co. and the Harris Co. (prior to
the formation of Massey-Harris) made regular trips to the United States to obtain the rights to
manufacture new machinery in Canada (Norrie et al. 2002, p. 227). The Red Foundry, operated by C. Norsworthy & Co., obtained the manufacturing rights to an American fire hydrant; many of the still existing fire hydrants in St. Thomas in the mid 1960s were made by Norsworthy under the Ludlow Hydrant brand (Miller 1967). John C. Lindop, a member of the group of St. Thomas businessmen who purchased the STWBM Co. in 1891, was Norsworthy’s partner in the Red Foundry.

The Role of the ‘National Policy’

The ‘National Policy’ was an economic policy which featured tariff protection for Canadian manufacturers. After the failure of Alexander Mackenzie’s Liberal government to negotiate a reciprocity agreement, or mutual reduction of duties charged on goods exchanged between Canada and the United States, Sir John A. MacDonald’s Liberal-Conservative Party made the idea of tariff protection for Canadian manufacturers a central plank in their election platform. They were returned to power in the 1879 election with a resounding majority. That the policy would benefit the same constituency which contributed heavily to the support of MacDonald’s political party was acknowledged. Over time, the phrase ‘National Policy’ would take on a broader meaning, and come to include national development policies such as the building of the Canadian Pacific Railway and settlement of the western provinces (Brown 1987, 2010; Eden and Molot 1993), but it is the effect of the tariffs which is of most interest here.

After extensive consultation with business, the policy was set in motion with the budget of March 14, 1879. Tariffs on imported goods were not new, but with the implementation of the National Policy, the tariffs on most foreign manufactured goods were increased, while customs duties on necessary raw materials and semi-processed products were reduced. This afforded substantial protection to Canadian manufacturers while reducing their production costs (Brown 2010). The customs duty placed on zinc manufactures (or products) was 25 percent, while zinc in ‘pigs, blocks and sheets’ incurred only a 10 percent duty (Canada 1879; Forster 1990). While zinc was being imported into Canada in 1885, it appears that domestic production of zinc did not begin until 1898 (Quirin 1983); therefore it is logical to think the STWBM Co. would have been importing refined zinc. And while tariff rates on various goods changed over the years, a 15 percent difference between importing zinc panels cast in Bridgeport and importing refined zinc to be cast into panels in St. Thomas could have given the group of St. Thomas entrepreneurs the promise of competitive advantage. This is especially so given the customs duties on marble and granite, white bronze’s chief competitors. The duty on marble blocks was 20 percent, on finished marble products it was 25 percent and on manufactures of granite it stood at 20 percent (Canada 1879). The vast majority of granite and marble markers were imported to Ontario (Hanks 1974).

Preliminary Conclusions

Whether the National Policy had a positive or negative impact on the Canadian manufacturing industry over the long versus the short term, is a matter of some debate among historians, economists and public policy analysts (Bliss 1984; Careless 1992; Eden and Molot 1993; Pomfret 1993). What this paper has tried to explicate are some of the factors that might have induced an American firm to open a Canadian ‘branch plant’ during this time period. In the case of the Monumental Bronze Company, the conditions seem to have been favorable. An
enterprising group of successful businessmen sought out the opportunity and had both the capital and managerial skills, plus access to skilled labour, to make their overture appealing. Like many other industries, the manufacture of white bronze grave monuments seems, initially at least, to have benefitted from the implementation of a national economic policy which effectively raised competitors’ costs.

References


The European Union in Eastern Europe: A Test of Romanian Knowledge versus Self-perception

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This paper examines Romanian ascension into the European Union (EU) and its transition to a market economy. We hypothesize and find that while Romanians consider themselves to be well informed about the EU, they are, in fact, not well informed about the EU. Only 4.84% who considered themselves well informed could correctly answer three simple questions about EU institutions and policies one week prior to European Parliament elections. Implications and suggestions for future research are provided.

Introduction

In the fall of 2009, Romania along with other nations in Eastern Europe, celebrated twenty years since the fall of communism. Most experts agree that the Revolution of 1989 that swept across the region was not necessarily an overwhelming rejection of the ideological or the political system, as much as it was a longing for a market-based economy and the economic prosperity that free markets promised to bring. Although the transition from a centralized economy is not entirely complete, Romania is enjoying a western-like market economy with numerous private firms – national and international – competing for the ever-growing consumer market of the nation (Kotkin 2009).

On January 1st, 2007 Romania was the 26th state to join the European Union (Evenimentul Zilei 2007). This has been the fulfillment of a long awaited dream that many people worked hard to achieve. The County of Bihor, in western Romania, rejoiced along with the rest of the nation when it was admitted into the European Union.

Among many important issues in this process, two in particular have been identified as paramount for the success of integration: adequate knowledge of fundamental European Union institutions (along with their roles and functions) and proper understanding of the process by which new member states can contribute and make their voices heard in this new family, mainly in the European Parliament (McCormick 2007). The concern is that without a proper marketing of the concept of European integration, Romania may remain a parochial backwater on the edges of full, European development.

This paper proceeds in the following order. First, a general discussion of economic and political transition is presented. Romanian perspectives on the EU are then explored. This is followed by background information on the region of the study. Next, the method of research
and survey development is described. Finally, a findings section is presented followed by a discussion of the implications of the findings for economic transition.

**Economic Transition**

Ruth Lane (1991) views economic transition in terms of what she calls “Marketization”, the movement of societies and economies over time, from one in which nonmarket principles organize an economy to that of a society organized through free markets. Such movement can happen gradually, suddenly, or in a haphazard fashion. Savitt (2002) argues that a distinction should be made between economic transition and economic transformation. The former refers to “clearly established goals and known methods,” while the latter describes “the most complex organizational change processes” (Savitt 2002, p.58). Moreover, he believes that transformation is the best way to describe what has happened and what is happening in Central and Eastern Europe. Certainly the fall of communism and the abandonment of central planning can be described as transformational. At the same time, the movement to effective market economies – as opposed to corrupt, mafia-styled governance – has proven to be a gradual process. Savitt states, “Development does not lead to transition and transition does not lead to transformation. They are different, they operate differently, and they will have different results. They are useful in Lane’s (1991) “Marketization” paradigm to the extent they accommodate different levels of the process” (2002, p. 59).

We would characterize the 1989 revolution in Romania and its immediate aftermath as transformational. Central planning ended, the prisons were emptied of political prisoners, and a rough form of democracy was implemented. However, unlike the countries of central Europe, Romania did not have a tradition of free markets, and, as a resulted lagged behind Hungary, Poland and the Czech Republic in its development.

The ascension of Romania into the EU has proven to be a major force of modernization, both in terms of its oversight functions (anti-corruption activities, fiscal and budgetary requirements, training and education in democratic government, etc.) as well as in terms of its financing improvements in the physical infrastructure of the country.

Public participation in EU governance is vital in terms of both political and economic development. John Stuart Mill argued that government is an organic outcome of people’s instincts, habits, and unconscious wants and desires. He stated that conditions must be met in order for the actualization of government to occur. First, the populace over which the government is placed must embrace it, or at a minimum, not oppose its presence. Second, the public must do what is necessary to keep the government maintained. Third, the citizenry must able and willing to do what the state requires in order for the government to fulfill the purposes of the citizenry. A society consisting of individuals who are unwilling to assume these responsibilities necessitates a government armed with "much sterner powers of repression" than another, more amenable populace” (Mill 2009). Therefore, the capacity of the EU to contribute to the development of Romanian society, including its “Marketization”, is largely dependent upon the buy-in of its citizenry. This leads to our research questions: to what extent is the involvement of the EU in political and economic transition in Romania understood by the public.
Romanian Reactions to the European Union

Romania was the first country of the Central-Eastern Europe to have official relations with the European Community. In 1974, a treaty included Romania in the Community's Generalized System of Preference. Since the Romanian Revolution of 1989, European Union (EU) membership has been the main goal of every Romanian Government and practically every political party in Romania. Romania signed its Europe Agreement in 1993 and submitted its official application for membership 1995. It was the third of the post-Cold War Eastern European countries to do so after Hungary and Poland.

Within the framework of integration the EU presence was felt tangibly by Romanian citizens through the changes that were took place in the country as Romania prepared for EU accession by implementing mandated reforms. For example, torn-up roads that had become almost impossible to navigate because of years of neglect, were rebuilt with EU funding. Similarly, road signs, which were absent during the communist era, appeared throughout the country.

Informing accurately the Romanian citizens and building a realistic public perception regarding Romania’s integration to EU - with focuses on the benefits, obligations and opportunities this process brings - represented a priority for Romanian Government in 2006, the year prior to adhesion. The experiences of most recent integrations (2004) showed that the newly integrated countries capitalized differently on the opportunities offered by EU integration. These differences were influenced by many variables, including the level of information and preparation (readiness) of the citizens of countries about to become EU members.

In order to prepare its citizens for EU ascension the Romanian Government, under the close guidance of EU, developed an exhaustive strategy of communicating internally and externally regarding the integration efforts. Promotional campaigns designed for the urban areas and rural areas of Romania, resulted in thousands of billboards, hundreds of thousands of posters, millions of flyers on different subjects related to the EU. Much of the funding for these efforts came from EU funds designated for increasing awareness and knowledge of target populations in candidate countries.

In 2005 (Eurobarometer), the level of knowledge regarding the EU among Romanians was below 37% while among the other new 10 member-states the knowledge level reached 47%. Although the level of knowledge was lower compared to other member-states, Romanian citizens were among the most enthusiastic supporters of EU (Severin 2005; Eurobarometer 62, 2005) and the level of European pride was the highest among Romanian citizens. Despite these encouraging signals, before the adhesion there was an acute lack of information among Romanian citizens regarding the benefits, obligations, opportunities and risks implied by EU integration.

Background

Bihor County, one representative county among the 42 counties that exist in the country of Romania, was chosen as a test for this study, because it has very similar demographics to the entire country (Appendix). Moreover, due to its strategic position as the westernmost county in
the nation, it could serve as a barometer for the entire country of Romania. The country is ranked at number twelve, with 2.8% of the country’s population. Its surface area is 7,544 square km. and has a population of 594,615 inhabitants among whom 48.6% are male and 51.4% are female. As for residency, 299,988 live in towns and 294,627 live in rural areas. The structure of the population is as follows: the population between 0-14 is 16.1%, the age group between 15-64 represents 69.5% and people over 65 represent 14.4% (INSSE 2007).

Oradea is the Capital of Bihor, and the connecting city to Romania’s western neighbor Hungary. Oradea is 250 km from Budapest and 10 km from the Hungarian border, making it a transit point between EU and the Romanian markets situated in the major cities of Cluj-Napoca, Satu Mare, Deva, Bucharest and others.

Oradea has a population of 202,000 inhabitants and beside it there are eight other major towns: Alesd, Beius, Marghita, Nucet, Salonta, Stei, Vascau and Valea lui Mihai. The population of Oradea is: 70% Romanians, 26% Hungarians, and a little over 2.1% other minorities including Germans 0.19%, Jews 0.03%, Slovaks 0.22% and Roma, etc.

The economy of the county is in a transitional process. Industrial production, developed mostly in Oradea, consists of light industries such as: confections, footwear and furrier’s trade, food, energy and construction. The labor force in Bihor County is distributed among industry and construction (28%), agriculture (42%) and services (30%). The unemployment rate as of 2007 was 2.1% and the gross average monthly salary in 2005 was 213.80 EUR and the net average salary was 166.20 EUR. The GDP per capita is well above the national average and it is currently one of the wealthiest counties in Romania (INSSE 2007).

From a political standpoint, Romania is a semi-presidential democratic Republic. A president, elected by popular vote every five years, shares executive functions with a prime minister. The legislature is bicameral: The Senate and Chamber of Deputies. The justice system is independent of other branches of government. The country’s entry into the European Union has had a big impact on Romania’s domestic policy. Romania has instituted various reforms, including judicial reform and measures to combat corruption. A major goal of political changes in Romania is the reform and restructuring of its economy (Ziarul Financiar 2006).

The research objective of this paper is to assess the knowledge and information level of Bihor country citizens in Romania regarding European Union policies and institutions. Based on the previous discussion we know that Romanians have demonstrated enthusiasm about membership in the EU. This suggests that they consider themselves well-informed about EU policies and institutions. At the same time, previous research indicates that Romanians may be less knowledgeable about the EU than the citizens of other countries that have also become member states in recent years (Severin 2005, Eurobarometer 62, 2005). This leads to the following hypotheses.

H1: Romanian consider themselves to be well informed about the EU.

H2: Romanians are not well informed about the EU.
Methods

This study was conducted in the month of November prior to the November 25th, 2007 election date. Noteworthy is the fact that the initial Euro-parliamentarian elections were scheduled for the month of May 2007, but due to an impeachment vote against the President of Romania, Traian Basescu, they were postponed until November 25th, 2007. Furthermore this date coincided with an internal Romanian referendum, which decided whether the electorate should continue to vote along party lines or on an individual basis.

Sample

A questionnaire was administered to 908 residents of Bihor County, which represents a random sample of the total 594,615 registered citizens of Bihor. The language used for this survey was Romanian. Questions were based on those of EuroBarometer, a publication of the EU which assesses knowledge about EU institutions and policies. The questionnaire has a total of 29 questions. An initial question was used to filter out respondents who had not lived in Bihor county during the previous year. The main body of 20 questions was then divided into two parts. The first part assessed the level of general knowledge about the European Union while the second part examined the level of knowledge about European Parliament elections. Eight demographical questions were also included.

Respondents were interviewed, with the average interview taking 20 minutes. Approximately 10% of the subjects approached refused to answer the questionnaire. The sample size was determined in accordance with a confidence level of 95% and a confidence interval of 3.25%. The questionnaire was administered to one person in every fifth household for both rural and urban settings in the County of Bihor. More detailed information about the sample can be found in the Appendix.

Findings

Information about EU Political Issues

Figure 1 displays the responses to the question, “How well informed are you, and how well informed do you consider others in regards to European Union political issues?” Twenty-nine percent of the citizens of Bihor County consider themselves well informed, 54% not informed enough, 13% not informed at all and 3% were unable to answer the question.

When asked specifically how well they thought other citizens of Romania were informed, 17% of respondents stated that they consider others well informed, while 65% not informed enough, 13% not informed at all and 5% were unable to answer the question. Interestingly, respondents considered themselves as more informed than others.
Figure 1. Opinions on the Level of Information Regarding the European Political Issues

EU Knowledge Test

In order to determine respondents’ level of knowledge about the European Union we created three statements and asked respondents to indicate whether the statements were true or false. The statements were, (1) members of the European Parliament are elected by its citizens, (2) every 6 months another state assumes presidency of EU and (3) European Union is comprised of 15 member states.

Figure 2 indicates that 56% of respondents consider that members of the European Parliament are elected by its citizens (this is the correct answer), 12% think they are not and 32% do not know. This finding indicates that 44% do not know that EU citizens elect European Parliament, one week prior to elections. For the second statement (every 6 months another state assumes presidency of EU) 33% of respondents acknowledged that the European Union presidency is assumed by another state every six months (this is the correct answer), 15% do not and 52% do not know. This finding indicates that 67% do not know that EU presidency rotates between states every six months. For the third statement (EU has 15 member states) 25% of respondents think that EU has 15 member states, 37% do not (this is the correct answer) and 37% do not know. This finding indicates that 63% do not know that the European Union does not have only 15 member states, 10 months after joining the EU.
Four types of behaviors were identified. The first step of the analysis was to group the answers for the question, *how well informed do you consider yourself in regards to European political issues*, into two groups (1) well informed and (2) not enough informed, and not at all informed. Similarly, the groups for the EU knowledge test questions are (1) the respondents that have got 100% of the three statements right and (2) the respondents that got less than 100%. Based on this analysis a two-by-two was created with the following categories: pretending, sincere, informed and informed ignorant.
Figure 3 indicates that 24.53% (223 out of 908) of the respondents can be labeled as pretending as they consider themselves very well informed, but did not get 100% correct answers. A majority of 65.13% (591 out of 908) of the respondents are labeled sincere, because they admitted they are not well informed and indeed, they did not get 100% correct answers. There is also a total of 10.34% of respondents that got 100% correct answers, 4.84% (44 out of 908) of them considered themselves well informed (labeled as informed) and the rest of 5.50% (50 out of 908) considered themselves less than well informed. This latter group was labeled as informed ignorant, because they did not know that they were well informed. Thus, over 90% of respondents are not informed about the basic European Union issues. The majority of them are aware of the fact that they are not informed. However, almost one third of the respondents think they are informed, but in reality are not. The findings presented above support the hypotheses: (H1) Romanians consider themselves to be well informed about the EU, and (H2) Romanians are not well informed about the EU.

Analysis of Information Sources

The lack of information regarding the European Union raises the question of how individuals in Romania receive information about EU institutions and policies. We addressed this issue with the question “Which of the following sources do you use when looking for information regarding the European Union, its institutions, its policies?” Figure 4 indicates that 78% of the respondents indicated Television as a source of information, 43% indicated newspapers, 40% radio, 19% the Internet, 16% discussions with friends and family members, 7% brochures and 7% magazines. There was also 6% of the population that admitted they do not look or use any information source about the European Union.

Figure 4. Sources Utilized to Learn More about European Union, Its Institutions and Policies
**The EU and Economic Transition**

The contribution of the EU to Romania’s economic transition transformation cannot be understated. However, the lack of knowledge about the EU demonstrated by Romanian citizens is cause for alarm. Robert Putnam argues persuasively that the key to effective democratic governance and economic progress is the strengthening of horizontal ties in society.

In all societies...dilemmas of collective action hamper attempts to cooperate for mutual benefit, whether in politics or in economics. Third-party enforcement is an inadequate solution to this problem. Voluntary cooperation depends on social capital. Norms of generalized reciprocity and networks of civic engagement encourage social trust and cooperation because they reduce incentives to defect, reduce uncertainty, and provide models for future cooperation. Trust itself is an emergent property of the social system, as much as a personal attribute. Individuals are able to be trusting because of the social norms and networks within which their actions are embedded. (Putnam 1993, p. 177)

Putnam goes on to say that institutions and the social settings that condition their operations change through history. This change does not consist of an inevitable conquest in which unique and efficient equilibrium is achieved, but is rather path dependent. As Putnam states, "where you can get to depends on where you're coming from, and some destinations you simply cannot get to from here" (Putnam 1993, p. 179).

In the case of Romania, damaged as it is by decades of oppressive totalitarian rule, the transitional path has required (and has received) a much need boost through its ascension into the EU. The imposition of EU standards creates an environment in which social capital has the potential to grow. As the post-communist generation comes into positions of power and influence, it is hoped that the dysfunctional norms of the past will give way to Western patterns of business and politics. However, the low level of knowledge about, and interest in the EU, should be of concern to stakeholders in Romania’s development.

**Conclusion**

We began this paper by discussing Romanian ascension into the European Union and its transition to a market economy. We then analyzed Romanian knowledge perceptions regarding EU institutions and policies. We found that only 4.84% who considered themselves well informed could correctly answer three simple questions about the EU a week prior to European Parliament elections.

Future research efforts in this area should focus on finding ways to increase knowledge of the European Union, assess trust in EU institutions (as knowledge about the EU increases) and effectively use media to educate EU citizens. One possibility would be to use the matrix presented in Figure 3 as segments for which customized marketing strategies might be developed. The strategic focus of a marketing campaign would likely different for “pretenders” as opposed to those in “informed ignorant” segment. Such a campaign would be differentiated in terms of both message, and perhaps in terms of media.
The European Union has been the basis of Western European economic security for over 50 years. The ascension of Romania and other east European countries in the EU has provided both political stability and economic opportunity. Like any other democratic polity, the involvement of the citizenry is crucial to the ongoing success of representative institutions.

References


Ziarul Financiar, *UE: mai aveti de lucru la privatizare si restructurarea economiei (European Union: you still have a lot to work on privatization and economical restructuring)*, September 29th, 2006.
Appendix

*Demographic profile of survey respondents*

<table>
<thead>
<tr>
<th>Demographic category</th>
<th>n</th>
<th>%</th>
<th>Population of Bihor county</th>
<th>%</th>
<th>Population of Romania</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gender</td>
<td></td>
<td></td>
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<tr>
<td>Male</td>
<td>441</td>
<td>48.57</td>
<td>288,935</td>
<td>48.57</td>
<td>10,521,189</td>
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<tr>
<td>Female</td>
<td>467</td>
<td>51.43</td>
<td>305,680</td>
<td>51.43</td>
<td>11,063,176</td>
<td>51.26</td>
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<tr>
<td>Age</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>under 18*</td>
<td>0</td>
<td>n/a</td>
<td>121,002</td>
<td>20.35</td>
<td>4,269,469</td>
<td>19.78</td>
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<tr>
<td>18 – 29</td>
<td>214</td>
<td>23.57**</td>
<td>111,805</td>
<td>18.80</td>
<td>4,095,900</td>
<td>18.98</td>
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<tr>
<td>30 – 44</td>
<td>249</td>
<td>27.42**</td>
<td>129,809</td>
<td>21.83</td>
<td>4,751,170</td>
<td>22.01</td>
</tr>
<tr>
<td>45 and over</td>
<td>445</td>
<td>49.01**</td>
<td>232,090</td>
<td>39.03</td>
<td>8,467,826</td>
<td>39.23</td>
</tr>
<tr>
<td>Location</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Urban Oradea</td>
<td>322</td>
<td>35.46</td>
<td>206,080</td>
<td>35.46</td>
<td>7,708,742</td>
<td>35.71</td>
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<tr>
<td>Other urban</td>
<td>147</td>
<td>16.19</td>
<td>93,908</td>
<td>16.19</td>
<td>4,205,196</td>
<td>19.48</td>
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<tr>
<td>Rural</td>
<td>439</td>
<td>48.35</td>
<td>294,718</td>
<td>48.35</td>
<td>9,670,427</td>
<td>44.80</td>
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<tr>
<td>Total</td>
<td>908</td>
<td></td>
<td>594,706</td>
<td></td>
<td>21,584,365</td>
<td></td>
</tr>
</tbody>
</table>

* the age group under 18 was not a part of the sample
** calculated as a percentage of the sample (age 18 and over)
Corporate Philanthropy in China

Jin Li, North Dakota State University, Fargo, ND, USA
Yue Li, Shantou University, Shantou, China

Corporation philanthropy is the practice of corporations donating voluntarily a portion of its resources to a societal cause. Although corporate philanthropy has recently emerged as an important topic to both business and nonprofit sectors in developed economies, little is known about corporate philanthropy in China. This study examines the underlying cultural and business values for business philanthropy and then uses empirical data from 5.12 Wenchuan earthquake in 2008 to examine important factors that affect corporate donation behaviors in China. By looking at corporate giving behaviors of more than 800 firms (both Chinese and foreign firms operating in China) within a one-month period after the earthquake, the study finds some interesting patterns about corporate philanthropy in China: (a) firm size and corporate governance structure affect companies’ donation behavior, and (b) firms seem to face strong social pressure from the public and the media when they make decision about whether, how much, and how quick to donate.

Introduction

Corporate Philanthropy

Often considered as an integral part of corporate social performance, corporate philanthropy can be defined as “the action when a corporation voluntarily donates a portion of its resources to a societal cause” (Ricks and Williams 2005). Since corporate philanthropy plays a significant role in the business’ relationship with the society, it is even placed to the top of the “pyramid of corporate social responsibility” (Carroll 1991).

There are a variety of activities that a company can do to meet its corporate philanthropy program objectives. Genest (2005) summarizes a list of these activities: direct contributions to nonprofit institutions, development of partnership with selected nonprofit institutions or non-governmental entities strategic to their business and social goals, cause-related marketing, equipment/product contributions, employee matching gift programs, scholarship programs, contribution of employee management or technical expertise, and the provision of in-kind services. In an international environment the corporate philanthropy may also include development activities, such as the eradication of a disease, the support of community infrastructure, or the initiation of programs of instruction in an area of technical expertise relevant to the company’s business. General beneficiaries of corporate philanthropy are institutions in education, culture, health care, and civic affairs.
Motives of Corporate Philanthropy

Existing literature suggests three motives of corporate philanthropy for companies, and these motives are summarized by three models—profit maximization model, political/institutional power model, and altruistic model (Sanchez 2000). The first model posits that corporate philanthropy is designed to obtain direct monetary gain, and the second model argues that the firm uses philanthropy to maximize its political return on investment and therefore to maximize its economic return. Therefore, these two models argue that corporate philanthropy could bring strategic benefits to the firm. The last model (altruistic model) posits that philanthropy is motivated by an altruistic motive—a desire to benefit others.

1. The profit maximization model of corporate philanthropy

According to this model, corporate philanthropy is designed to contribute to direct monetary gains, just as are other functions of the firm. Therefore, the theoretical basis of this model is “enlightened self-interest” (Drucker 1984), such that the corporation undertakes philanthropy as long as direct economic benefits can be gained by doing so. In this sense, corporate philanthropy is strategic. One way of increasing the firm’s economic benefit is to expand the firm market through corporate philanthropy. For example, a cause-related marketing project may focus on the development of a community project, and the community improvement is good for the firm because a more developed community will have a higher standard of living and therefore a higher demand of products that firms offer. This line of argument assumes that corporate philanthropy contributes to the increase of profit in the same way as advertising (Navarro 1988; Brown, Helland, and Smith 2006). Corporate philanthropy can expand the firm’s market through greater public exposure and better reputation.

Another way to gain economic benefit is via tax deduction. Philanthropy may increase the firm’s net profit by reducing corporate income taxes. Research has shown the profit-maximizing effects of corporate philanthropy in countries where charitable donations are tax deductible from earnings (Galaskiewicz 1985). However, tax benefits may not be a compelling explanation for corporate philanthropic behavior (Sharfman 1994).

2. The political and institutional power model of corporate philanthropy

This theory also underlines that corporate philanthropic behavior is strategically motivated. The model posits that firms engage in philanthropy to maximize benefits through political rather than economic return on investment. The firm does whatever it takes to protect its wider corporate environment but always with the shareholders’ interests in mind (Neiheisel 1994). According to this theory, the goal of corporate philanthropy is to co-opt, neutralize, or win over problematic actors in the political environment (Burt 1983), and to preserve corporate autonomy by establishing private initiatives as an alternative to the growth or the interference of government. Therefore, firms may practice philanthropy to gain and hold power and legitimacy (Neiheisel 1994) in the political and institutional sense. To realize this, the firm may sponsor high-profile local community events or even national and international events to improve its corporate image. The political and institutional power obtained through philanthropy activities does not only benefit the firm, it also improves the reputation of the top executive(s) of the firm.
Brown, Helland and Smith (2006) found the top management has motivation to engage into philanthropy activities to improve their own reputation and maximize their own interests.

3. The altruistic model of corporate philanthropy

The altruistic model of corporate philanthropy (Sharfman 1994) argues that corporate giving can be based on a non-strategic motive. From this perspective, a firm practices philanthropy because it is the right thing to do for the society. Therefore, the firm practicing altruistic philanthropy is not driven by the profit generated from such practice. These altruistic motives allow individual managers to pursue charitable goals that are independent from corporate interests or performance. However, some research (Neiheisel 1994) doubts the altruistic model alone as a persuasive explanation for corporate philanthropy activities, since it ignores the profit maximization goal and other strategic goals of the firm. Consistent with this argument, Saiia, Carroll, and Buchholtz (2003) found that contemporary corporate philanthropy is undergoing a major shift in the U.S. and throughout the world. It is now strategically driven, designed to be consistent with the corporation’s mission and goals.

While widely practiced by many companies, corporate philanthropy was not supported unanimously in academia. Milton Friedman (1970) criticizes corporate giving as roughly the equivalent of theft, or at least it amounts to “spending someone else’s money” to solve social problems - problems that the corporation did not cause and problems that are normally understood to be in the legislative or political domain. He further argues that corporate managers operate under a moral mandate to “make as much money for the stockholders as they can within the limits of the law and ethical custom.” Therefore he thinks the diversion of corporate resources to community programs breaches the firm’s fiduciary duty.

**Benefits of Corporate Philanthropy on Companies’ Performance**

As strategic philanthropy becomes more prominent in corporate philanthropy, the literature has focused on the relation between corporate philanthropy and company’s performance, especially financial performance. Strategic philanthropy argues that corporate philanthropy should contribute to the firm’s bottom line, and it treats charitable giving as a business opportunity and judges its value by the profit it generates rather than the social benefits it creates (Drucker, 1984). A number of studies have tested for the relationship between financial performance and corporate philanthropy. The results, however, are not consistent and conclusive (Neiheisel, 1994; Balabanis, Phillips, and Lyall 1998).

Compared to the inconclusive results about the relationship between corporate philanthropy and firm’s financial performance, evidences of the relationship between corporate philanthropy and marketing have been pervasive. As a form of indirect marketing (e.g., Useem 1988), corporate philanthropy behavior has shown positively related to a firm’s marketing efforts (Navarro 1988; File & Prince 1998). Research has suggested that a firm’s socially responsible behavior can positively affect consumers’ attitudes toward the firm and therefore affect their product evaluations (Brown & Dacin 1997) and purchase intentions (Netemeyer el al. 2001; Sen & Bhattachary 2001). Perceived corporate social responsibility of the firm can even affect its customers’ donations to firm-supported nonprofit organizations (Lichtenstein, Drumwright, and Braig 2004).
Corporate Philanthropy in China

Reforms initiated in 1978 to transform China’s centrally planned economy into a market economy have led to fundamental changes in Chinese society. To examine corporate philanthropy in China, we need to understand China’s unique cultural and business values.

Cultural Values in China

There are three streams of thought which could impact business ethical values in China: Confucianism, Maoism, and the market ethic introduced during the economic reform period since 1978.

As a complex system of moral, social, political, and philosophical thought, Confucianism is recognized as the dominant influence on values in China, and it differs substantially from Western philosophical approaches to ethics. It is not a utilitarian philosophy: material profit is viewed as often in direct conflict with “the dictates of virtue” (de Bary, Chan, & Watson 1960). Confucius was, for his time, an “innovator in his basic concept that good government was fundamentally a matter of ethics” (Fairbank & Reischauer 1978). Confucianism consists of principles for appropriate behavior so as to retain harmonious interaction among people.

The core of Confucian ethics is constituted of three elements – ren, yi, and li that define what is morally acceptable in human society (Ip 2009). Ren (humaneness) is a capacity of compassion or benevolence for fellow humans. Yi (righteousness) is basically a sense of moral rightness, a capacity to discern appropriateness and the right direction in acts, relationships, and other human matters. Li (ritual) represents the many etiquettes, norms, and protocols in both personal and institutional lives (Ip 2009). Together, these three elements form a moral core that spawns and sanctions an intricate web of behavior-guiding moral virtues that effectively serve as a normative system governing the ethics of an individual’s personal and social lives. Therefore, Confucian ethics require that the firm should treat its major stakeholders – shareholders, employees, customers, suppliers, communities, and government, as well as the environment with compassion and rightness (Ip 2009).

Confucian philosophy had been the dominant philosophical thought in China for more than 1,000 years. This changed when the Communist Party took over China in 1949. One of the most important motivations of Mao’s revolution was to overturn the traditional Confucian hierarchy of relationships. Particularly during the Cultural Revolution (1966-1976), the traditional Confucian loyalties were disdained to the extent that people were expected to attack their superiors and turn in their friends and family members to authorities for a politically incorrect thought and behavior. The communist authorities have tried hard to replace the old feudalistic tradition with the new socialist culture. Being perceived as the crown jewel of feudalism, Confucianism had been systematically demonized, suppressed, and purged (Ip 2009). When we look at the business activities during that period of time (1949-1978), the firm was treated as a pure production unit under the plan of central or local governments. Since it lacked resources to maneuver and the government controlled everything, there was no issue of corporate social responsibility.
The economic reform since 1978 largely changed the economic as well as cultural landscape of Chinese society. The reform was started in December 1978 by Deng Xiaoping, the pragmatic paramount leader of the party and it is ongoing until today. The goal of the economic reform was to generate sufficient surplus value to finance the modernization of the mainland Chinese economy. Economic reforms, since started, have helped lift millions of people out of poverty and made China one of the most important manufacturing centers in the world. Together with the economic reform is the opening up policy. Under the guidance of this policy China opened its door to outside world. China was opening up more and more its markets to foreign investments, and at the same time its people started to be exposed to Western cultures, religions, and values. Westernization was an important tenet in 1980’s till the crash down of Tiananmen Square Protest. Since then, although China still maintains its reform and the opening up policy economically, it has stepped back culturally for the fear of so called “Complete Westernization.” Thanks to the endorsements by many top government officials as well as the eagerness of people’s curiosity of the origin of their culture, Confucianism recently finds a comeback arguably as a key instrument to counteract the westernization movement and it seems to have regained popularity in society.

Nevertheless, the influence of the reform and opening up policy works together with traditional China culture in shaping a new market ethic in China. Under the proclamation of “to get rich is glorious”, the new market ethic views profit as the primary goal for the firm. This new market ethic contrasts starkly with both Confucian and Maoist values, and it has become increasingly prevalent in China. Following this new ethics, many firms act in a less ethical and socially responsible way. Examples of such behaviors are corruption of state-owned firms, polarization between wealth and poverty, capital flight, environmental crises, and irresponsible laying-off. Some concludes that the new ethics has seriously deteriorated traditional Confucian notions of commercial ethics, which were long-established in “old China.” (Harvey 1999) Research attributes recent deterioration in business ethics to market pressure for profits and growth in private enterprises (Chan, Cheng, and Szeto 2002).

Corporate Philanthropy in China

Liberated from welfare functions and allowed to get down to the simple business of showing a profit, many businesses have thrived in an almost completely unregulated environment (Young 2002). Many firms have been highly polluting, have offered rock-bottom wages and minimal health and safety standards to migrant workers, have bribed government officials to obtain special favors, have monopolized the market for excessive profits, and even have offered customers faked or counterfeited products. These firms are not ethical or responsible to their primary stakeholders, let alone conducting corporate philanthropy activities.

This picture, however, is changing dramatically. Return of Confucian culture, exposure to business ethics, and pressure of public opinions have pushed more and more businesses and business leaders to focus more on corporate social responsibility. Corporate philanthropy has become one of the priorities. A survey of Chinese millionaires by Hurun Report (2009), a monthly business magazine in China, found corporate philanthropy was ranked the third best way of taking social responsibility, after tax paying and environment protection. Forty two percent of the millionaires in the survey reported having conducted direct philanthropy projects
and only 7% of respondents have never done any philanthropy. Since Hurun Report first produced the “Hurun Philanthropy List” in 2004, its annual list has shown an increasing percentage of China’s top riches who donate to social causes. The total amount of donations is also growing (Hurun Report 2009).

Based on the discussion of the culture value and business values in modern China, now we turn to an empirical study of corporate philanthropy in China. In this study, we examine corporate philanthropy in China using Chinese companies’ donation data in the 5.12 Wenchuan earthquake.

Empirical Study

Research Questions

The earthquake happened in Wenchuan, China on May 12, 2008. Official figures state that 69,227 people were confirmed dead, 374,176 injured, and 18,222 listed as missing. The earthquake left about 4.8 million people homeless. Soon after the earthquake, firms and the public donated cash and non-cash rescue materials to the area. By May 14, the Ministry of Civil Affairs stated that 40 billion yuan (approximately US$6 billion) had been donated, much of which were from Chinese firms.

A natural disaster creates a typical crisis situation for corporations as well as governments and citizens. However, corporate philanthropy researchers have paid comparatively little attention to recovery processes in natural disasters. In this study, we examine how corporations operating in China responded during the first month following the earthquake. Particularly, we examine how these companies used corporate donation to fulfill their social responsibility, and how different firm characteristics affect their donation amount and response time.

Specially, this study investigates the following four questions about corporate philanthropy in China.

Q1: How Does Company Size Affect Corporate Philanthropy?

As for what determines the level of giving, it is traditionally thought that firm size, which can be a proxy for visibility, influences the amount in absolute amount that a company donates (Adams and Hardwick 1998; Brammer and Millington 2004). Studies have shown firm size to be a major factor in corporate giving (Burlingame and Frishkoff 1996). McElroy and Siegfried (1985), using three functional forms to estimate the relationship between pretax net income and philanthropic contributions, found that the elasticity of contributions to net income approached unity in each form. That is, a percentage increase in net income was generally accompanied by the same percentage increase in contributions. Although one study of banks found a negative relationship between organizational size (as measured by amount of assets) and level of contributions to small businesses (Kedia and Kuntz 1981), more recent studies have found that the size of the business (as measured by the number of employees) is positively related to the level of charitable giving in small businesses as well (Thompson and Hood 1993; Thompson, Smith, and Hood 1993). In this study, we examine whether this result holds in the China context.
Q2: How Does Corporate Governance Affect Corporate Philanthropy?

Agency theory (Fama 1980; Fama and Jensen 1983; Jensen and Meckling 1976) explains the repercussions of goal divergence between principals (in the case of corporate philanthropy, shareholders) and agents (in this case, executives in charge of philanthropic decisions). The premise underlying agency theory is that firms exist to maximize the wealth of owners; therefore, other stakeholders (including charity recipients) are important only to the extent they are instrumental in maximizing shareholder wealth. Agency theory warns about potential opportunism on the part of corporate executives who might neglect their duties as agents of stockholders by spending stockholder dollars for self-interested reasons. As corporate giving has not been definitively shown to increase shareholder wealth, the agency theory view of corporate philanthropy assumes that CEOs may give corporate funds to local, well-publicized causes to advance their personal agendas, for example, to achieve greater prestige or approval from social elites (Galaskiewicz 1985). Haley (1991) explains corporate contributions as social currency for CEOs; corporate gifts are attributed to the CEO largesse, and function as discretionary incomes.

In this study, we examine how governance models affect corporate donation behaviors. Particularly, we look at how publicly-held companies differ from their privately-held counterparts in donation amount and response time.

Q3: How Do State-Owned Enterprises (SOE) Conduct Corporate Philanthropy?

Since state-owned enterprises are part of China’s political system, it is interesting to examine their behavior when involving corporate philanthropy. Often viewed as economic or business branches of governments, SOEs in China have unique governance structure. One of the most important features of SOEs is that most or even all of board directors and top executives are government or party officials. Consistent with Useem’s (1984) classification of charitable contributions as a form of political activity, donations made by these officials can serve as public relations gestures to help to cultivate a positive, socially responsible image in the eyes of the consuming and judging public as well as controlling governments and higher-level governments. The public exposure of the firm’s philanthropy does not only benefit the firm, it also improves the reputation of the top executive(s) of the firm.

Q4: How Does Public Scrutiny Affect Corporate Philanthropy?

Gan (2006) argues that a firm can be impacted by public scrutiny in several ways. The public may form interest groups to take legal or economic actions against the firm; the government may impose regulations on the industry in which the firm operates and thereby inflict compliance costs on the firm; and the media may report on the firm’s operations and behavior, occasionally in negative ways. Under conditions of high public scrutiny, the firm sometimes has to conduct some corporate philanthropy activities, whether the firm likes it or not. In this sense, strategic corporate giving can be both beneficial to shareholders, since it improves the corporation’s standing, as well as public regarding, since the corporation is doing good in response to the pressures of the public. In addition, the pressure of doing corporate philanthropy can stem from competitive pressures and tithing. Of particular interest to this study are Cowton’s (1987) and Navarro’s (1988) findings, which indicate that firms compare their donations with others.
Data Analysis

Based on the list of corporate donation listed on www.sina.com.cn, the largest news website in China, there were 822 companies donating at least 100,000 RMB (close to US$15,000). This study only includes these 822 companies and ignores all other smaller donors. These companies are distributed in many different industry categories (Table 1).

Table 1. Industry Distribution of Companies in the Study

<table>
<thead>
<tr>
<th>NAICS</th>
<th>Industry Description</th>
<th>Number of Companies</th>
</tr>
</thead>
<tbody>
<tr>
<td>11</td>
<td>Agriculture, Forestry, Fishing and Hunting</td>
<td>13</td>
</tr>
<tr>
<td>21</td>
<td>Mining</td>
<td>23</td>
</tr>
<tr>
<td>22</td>
<td>Utilities</td>
<td>15</td>
</tr>
<tr>
<td>23</td>
<td>Construction</td>
<td>10</td>
</tr>
<tr>
<td>31,33</td>
<td>Manufacturing</td>
<td>308</td>
</tr>
<tr>
<td>32</td>
<td>Pharmaceutical</td>
<td>43</td>
</tr>
<tr>
<td>42</td>
<td>Wholesale Trade</td>
<td>10</td>
</tr>
<tr>
<td>44,45</td>
<td>Retail Trade</td>
<td>13</td>
</tr>
<tr>
<td>48,49</td>
<td>Transportation and Warehousing</td>
<td>26</td>
</tr>
<tr>
<td>51</td>
<td>Information</td>
<td>52</td>
</tr>
<tr>
<td>52</td>
<td>Finance and Insurance</td>
<td>64</td>
</tr>
<tr>
<td>53</td>
<td>Real Estate and Rental and Leasing</td>
<td>89</td>
</tr>
<tr>
<td>54</td>
<td>Professional, Scientific, and Technical Services</td>
<td>6</td>
</tr>
<tr>
<td>56</td>
<td>Administrative and Support and Waste Management and Remediation Services</td>
<td>1</td>
</tr>
<tr>
<td>71</td>
<td>Arts, Entertainment, and Recreation</td>
<td>1</td>
</tr>
<tr>
<td>72</td>
<td>Accommodation and Food Services</td>
<td>7</td>
</tr>
<tr>
<td>81</td>
<td>Other Services (except Public Administration)</td>
<td>8</td>
</tr>
</tbody>
</table>

We use linear regressions to analyze the data in this study. The dependent and independent variable used in this study are described as follows.

Dependent variables: The three dependent variables used in this study are donation amount, donation rate, and response time. Donation amount is the amount of donation that a company gave within a month after the happening of the earthquake. The original donation amounts are in Chinese RMB and the numbers are natural log transformed. Donation rate is the ratio of donation amount to the company’s annual sales in the year of 2007. Response time measures how many days after the earthquake the company made the first donation. Donation amount and response time are obtained from www.sina.com.cn, and annual sales in 2007 were obtained either through the company’s annual report (if it is a public-held company) or through the company’s website (if it is a private company). The original annual sales amounts are in Chinese RMB and the numbers are natural log transformed.
Independent variables: We examine the impact of three factors on the aforementioned dependent variables. The first factor is the ownership of the company, i.e., whether it is a state-owned company, a foreign company operating in China, or a non-state Chinese company. We use two dummy variables to capture this factor: “state-owned enterprise” and “foreign company” for the first two types of companies and the base for non-state Chinese companies. The second factor is whether a company is a publically-held company or a privately-held one. We use one dummy “public” to represent this factor. The last factor is the size of the company, which is measured by its annual sales in 2007.

Results, Discussion, and Conclusion

Three linear regressions are run to examine the influence of the three factors on companies’ donation behavior. The results of the regressions are reported in Table 2. We report the results of the regressions as well as some qualitative analysis in the order of research questions listed above.

Table 2. Regression Coefficients for Three Models

<table>
<thead>
<tr>
<th>Independent Variables</th>
<th>Dependent Variables</th>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>Donation Amount</td>
<td>Donation Rate</td>
<td>Response Time</td>
</tr>
<tr>
<td>Intercept</td>
<td>3.428***</td>
<td>0.039***</td>
<td>5.117***</td>
</tr>
<tr>
<td>State-Owned Enterprise</td>
<td>0.041</td>
<td>0.004*</td>
<td>-0.378</td>
</tr>
<tr>
<td>Foreign Company</td>
<td>-0.474**</td>
<td>0.005*</td>
<td>-0.297</td>
</tr>
<tr>
<td>Public Company</td>
<td>0.410***</td>
<td>0.002</td>
<td>-0.425**</td>
</tr>
<tr>
<td>Annual Sales</td>
<td>0.305***</td>
<td>-0.002***</td>
<td>-0.051**</td>
</tr>
</tbody>
</table>

Model Significance:

R Squared 0.273 0.124 0.072
Adjusted R Squared 0.260 0.109 0.056
F-statistic 21.840 8.253 4.520
p-value 0.000 0.000 0.001

*P<0.1, **P<0.05, ***P<0.01

Results and Discussion

Company size and corporate philanthropy: This study shows that large companies donated more money to the disaster. This is not a surprise because it is consistent with what is traditionally thought. However, when we look at how generous they are (measured by donation rate), the philanthropy performance of large companies is not so impressive. Large companies also tend to respond slowly to the disaster. This may be due to the complex decision structure within the company.

Corporate governance and corporate philanthropy: This study shows that publically-held companies donated more money to the disaster than did the privately-held ones. This is
impressive because the company size is controlled. A possible explanation is that public companies may have some special account for such kind of philanthropy causes. In case some disaster happens, they have more resources to use than do their private counterparts. However, public companies responded less quickly than private ones, which may be explained again by the complexity of decision-making in a public company.

**State-owned enterprises (SOE) and corporate philanthropy:** The state-owned enterprises in this study did not perform very differently from other companies on their donation amount and response time. However, they are more generous in terms of donation rate. Since these companies are part of China’s political or governmental system, they have to fulfill more social responsibility than do other companies. On the other hand, non-state-owned companies and foreign companies are more profit-driven and therefore they have more financial and market pressure. This finding is consistent with Chan et al.’s (2002) observation that a greater number of Chinese business executives who are employed in non-state, privately owned enterprises and joint ventures tend to be less ethical and more quanxi-oriented, as they submit to the pressure for profits and growth in private enterprises, thus leading to the deterioration in business ethics. In addition, based on Brown, Helland and Smith’s (2006) argument that the top management has motivation to engage into philanthropy activities to improve their own reputation and maximize their own benefits, another reasonable explanation of our finding is that the top management in SOEs has stronger motivation to improve their own reputation.

**Public scrutiny and corporate philanthropy:** Some qualitative observations in this study show that corporate philanthropy in China is always under public scrutiny, especially online public opinions and mass media coverage. Immediately after the earthquake, online BBSs in major Chinese news websites were full of applauses of large amounts of company donations and criticisms to relatively small amount donations or slow responses from big companies. People also compared the philanthropy performance of similar companies online. Websites ranked donations and updated these rankings on a daily basis. Many companies had to respond to such kind of public pressure and scrutiny. They either donated multiple times or apologized for late response. McDonald’s, KFC, and Motorola have been among the companies pilloried via mobile-phone text messages and in the blogosphere for allegedly donating too little money toward earthquake relief, even though the companies have publicly announced hefty contributions. McDonald’s, which even saw protesters briefly milling outside restaurants in Jiangsu and Sichuan, two populated Chinese provinces, announced it was upping its contribution to a total of $1.7 million. Nokia issued four separate press releases detailing its total contribution of $7.6 million, plus a donation of 5,000 mobile phones (Roberts 2008). In addition, another form of public scrutiny was mass media coverage. National and local channels hosted donation shows where companies made on-the-spot donations during the shows. Some companies had to compete with others, especially those from the same industry. In some sense, donating had become a politically correct choice for companies.

**Conclusion and Future Research**

In summary, the findings in this study highlight four interesting patterns of corporate philanthropy in China. First, company size has shown as an important factor in affecting the firm’s philanthropy behavior. Larger companies tend to donate more money to the disaster. This is understandable because larger companies have more resources to use. But this does not mean they are more generous than smaller companies if we look at the ratio of their donations to
the annual sales. Larger companies also tend to respond more slowly than smaller ones to the disaster. Second, corporate governance structure also affects business philanthropy behaviors in China. Our study shows that public companies are more socially responsible, in the sense that they donated more money to the disaster than did the private companies, although they responded less quickly than private ones. Third, we find that state-owned companies are more generous than their foreign or non-state-owned counterparts in terms of donation rate. These SOEs, however, did not perform significantly differently from the other two types of companies in their donation amount and response time. Lastly, the study shows that when the disaster happens, businesses donation behaviors are under public scrutiny, especially from online public opinions and mass media coverage. Some companies have to make a “politically correct” choice when it comes to donations.

This paper contributes to the literature in three meaningful ways. First, it introduces an important, interesting, but somehow understudied area in corporate social responsibility research – corporate philanthropy in China. Since China is experiencing the largest ever economic and social transformation in the history of human beings, an understanding of the role of corporate philanthropy during this transformation process is extremely important. Second, the study makes an initiative attempt to understand the cultural and business values that underlie corporate philanthropy activities in China. As a country where traditional cultures interweave with western cultures and that has experienced astonishing social transformations in the past century, China provides a perfect venue to examine the evolution of corporate philanthropy. Lastly, the study finds some interesting patterns of corporate philanthropy in China.

Despite its contributions, this study also has some limitations that suggest future research directions. The event examined in the current study is a very special one. It was substantially disastrous that many companies had to act no matter whether they had a systematic or strategic plan for corporate philanthropy. An examination of their philanthropy activities on a regular basis could provide us a broader view of this issue. Since business in China has experienced unprecedented development in the past 30 years, another line of research is to use developmental or historical data to examine the evolution of corporate philanthropy in China. As Sharffman (1994) demonstrated, the developmental approach to investigating corporate philanthropy is powerful and can reveal greater insights than case-based or cross-sectional investigations, and thus can be a fruitful research direction for future research on corporate philanthropy in China. Another limitation of this study is that we could not observe the decision process of these donating businesses. Future research surveying the donation decision process and motivations should be a promising project. Finally, we may want to measure firms’ financial performance and change of their customers’ perception of the firms after corporate philanthropy activities in the China context.

References


Marketization and the Focus and Character of Guanxi Ties in China

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Sanford Grossbart, University of Nebraska, Lincoln, NE, USA

This paper discusses the conceptual basis for a study on the interaction between marketization and guanxi in China. Scholars generally refer to guanxi in varied and vague ways, neglect how guanxi is used for marketing purposes, and ignore possible differences in guanxi during marketization. In contrast, this paper explains why and how marketization may affect the marketing uses of guanxi, the types of persons involved, and the nature of their guanxi ties. As background, it reviews marketization policy and marketplace conditions in three stages of marketization. It describes the general nature of guanxi and how marketization may interact with guanxi’s voluntary, pluralistic, and adaptive qualities. It also explains the functional foci, relational foci, and character of guanxi ties. Then, it summarizes propositions on how the purposes and character of guanxi ties differ in the three marketization stages. Finally, it discusses conceptual, research, and public policy implications of these considerations.

Introduction

China has enacted marketization policy in stages. The current, third stage began in 1992. The prior stages were between 1978 and 1983 and 1984 and 1991 (cf. Chen, Wu, and Xie 2000; Liou 1998; Yu 2005). However, marketization has not been equally implemented in all regions and parts of the economy. For example, marketization is less of a factor in non-coastal than in coastal areas (Bao et al. 2002; Demurger et al. 2002; Goodman 1989; Fan, Kanbur, and Zhang 2009; Liou 1998). Moreover, the state retains considerable control or ownership in some industries, e.g., petroleum, construction, banking and insurance, transportation, and telecommunications (Chen 2009; Chen, Wu, and Xie 2000; Wang 2004).

Scholars recognize that guanxi plays a role in marketization in China (cf. Bain 1997; Child and Tse 2001; Dunfee and Warren 2001; Lo and Otis 2003; Millington, Eberhardt, and Wilkinson 2006; Nee 1996; Park and Luo 2001; Peng and Qizhou 2005; Tsui and Farh 1997; Xin and Pearce 1996). Yet, research on guanxi and marketization typically refers to guanxi in vague and varied ways, stresses economic or general business aspects of marketization, and gives little attention to marketing. In contrast, this paper discusses particular aspects of guanxi and how managers may use guanxi for different marketing purposes. It offers a conceptual framework to explain why and how marketization is likely to affect and be affected by the functional foci, the relational foci, and the character of guanxi ties. The functional foci concern managers’ use of guanxi to try to facilitate marketing outcomes (marketing efficiency, access to public and private information sources, marketing effectiveness, and access to marketing expertise and personnel). The relational foci refer to managers’ use of guanxi to try to facilitate relationships with persons in state agencies, suppliers, B2B buyers, and persons in other strategic relationships. The
character of guanxi ties concerns the relative asymmetry, number of guanxi bases, strength, and expressive versus instrumental nature of guanxi ties. More specifically, the paper offers propositions about how the functional foci, relational foci, and character of guanxi ties differ in different marketization stages. Insights about these matters are useful in several ways. They may shed light on how guanxi may operate as marketization is more fully implemented in less affected areas and industries in China. They may help guide public policy. They also may shed light on how cultural tendencies are adapted and integrated into marketing practices in societies in transition.

The paper begins with an overview of marketization policy and marketplace conditions in three marketization stages. Next, it discusses guanxi’s general nature and marketization’s impact on guanxi’s voluntary, pluralistic, and adaptive qualities. It also describes the functional foci, relational foci, and character of guanxi ties. Then, it summarizes propositions on how the purposes and character of guanxi ties differ in the three marketization stages. Finally, it reviews conceptual, research, and public policy implications of these considerations.

Marketization in China

The marketization process occurs over time and involves changes in public policy (on the macro-level), marketplaces (on a meso-level), and firms’ marketing practices (on a micro-level; see Figure 1). Some key facets of marketization-oriented public policy are the removal of state subsidies, deregulation, organizational restructuring, decentralization, and privatization. Implementation of such policies may shift the relative importance of public- and private-sectors in an economy and weaken and eventually replace a centrally planned system and command/authority mechanisms with a market-oriented system and market-based mechanisms (Carman and Dominguez 2001; Chen, Wu, and Xie 2000). These effects may change the characters of marketplaces in specific industries (e.g., coal or financial services) and sectors of the economy (e.g., retailing or agriculture). Changes in marketplaces may also result from and affect the marketization of firms’ marketing methods. Firms may use market-driven practices in response to new opportunities, actual or expected initiatives of other firms, and newly imposed responsibilities on managers and owners to focus on marketing activities and be accountable for performance (Chen 1995; Rawski 1995; Steinfeld 2004; Storey 1983; Watson 1994). Due to space limitations, it is not possible to provide a detailed discussion of the salient features of public policy and marketplaces in China’s three stages of marketization. However, they are summarized in Tables 1 and 2.

As the marketization process in China unfolds, marketplaces are changing, regulations are not always clear, and managers face new opportunities and threats. Like managers in other transition nations, they may face a host of marketing issues that reflect the specific details of their firms’ situations. Still, in general terms, many of these issues concern marketing efficiency, access to public and private information sources, marketing effectiveness, and access to marketing expertise and personnel. In addition, they concern relationships with persons in state agencies, suppliers, B2B buyers, and persons in other strategic relationships. Evidence suggests that how managers handle such issues, and the character and outcomes of marketization, vary across and within societies (cf. Carman and Dominguez 2001) due, in part, to historical, cultural, and institutional factors. Guanxi is such a factor. Different cultures stress harmony in
Chinese cultural tendencies

Guanxi’s voluntary, pluralistic, & adaptive qualities

Marketization of government policy (macro-level)
- Removal of state subsidies
- Deregulation
- Organizational restructuring
- Decentralization
- Privatization, etc.

Marketization of marketplace conditions (meso-level)
- Shift toward market-oriented system & mechanisms
- Competition
- New opportunities
- New threats, etc.

Guanxi’s focus & character in the marketization of marketing practices (micro-level/ firm)

Functional focus of guanxi
- Marketing efficiency (P1)
- Access to marketing information (P2)
- Marketing effectiveness (P3)
- Access to marketing expertise & personnel (P4)

Character of guanxi ties
- Relative asymmetry (P9)
- Relative number of bases (P10)
- Relative strength (P11)
- Relative expressive/instrumental nature (P12)

Relational focus of guanxi
- Relationships with persons in state agencies (P5)
- Relationships with suppliers (P6)
- Relationships with buyers (P7)
- Other strategic relationships (P8)

Relationships with persons in state agencies (P5)
- Relationships with suppliers (P6)
- Relationships with buyers (P7)
- Other strategic relationships (P8)
Table 1. Salient Features of Public Policy in the Three Marketization Stages

<table>
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<tr>
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<tbody>
<tr>
<td>• Decentralization of commune system and agricultural decision making</td>
<td>• Both central planning and market mechanisms (dual track system) for prices, distribution, and allocation of resources in agriculture and (gradually in) industrial sectors</td>
<td>• Wide range of reforms initially focused on southern China</td>
</tr>
<tr>
<td>• Stimulation of production and private sector activities in agriculture and rural areas</td>
<td>• Expanded authority and responsibility of state owned enterprise managers</td>
<td>• End of dual track system, officially acceptance of market-oriented system, decontrol of state authorities in marketplace, and promotion of market price mechanisms</td>
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<td>• State negotiated contracts with farmers to lease land and sell given amounts of output to government; farmers could sell excess output to the market</td>
<td>• Introduction of contracts between employers and employees</td>
<td>• Widespread decontrol of retail prices and coal</td>
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<td>• Increased agricultural procurement prices paid by the state</td>
<td>• State permitted restructuring of state owned enterprises via sales of shares to employees, provincial and local governments, and private firms</td>
<td>• Restructuring and downsizing of state owned corporate sector; reorganizing state owned enterprises into limited liability corporations</td>
</tr>
<tr>
<td>• Small local businesses allowed to sell output beyond production quotas to the market</td>
<td>• Many state owned enterprises allowed to sell output in excess of production quotas at market prices</td>
<td>• Changes in legal infrastructure, stock markets, and tax, banking, patent protection, and social security systems</td>
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<tr>
<td>• Non-farm (industrial) state enterprises given expanded decision-making autonomy and allowed to keep profits that exceeded planned earnings</td>
<td>• State encouragement of establishment of private firms</td>
<td>• Local government officials given increased authority over bankruptcy, mergers and acquisitions, sales, and auctions of state owned enterprises</td>
</tr>
<tr>
<td>• State ownership and control still dominant in most raw materials, financial services, and other sectors</td>
<td>• Sales between state owned enterprises and private firms at market prices permitted</td>
<td>• New wholesale markets, e.g., for garments, clothing, meat, and sugar</td>
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<td>• New trading centers, e.g., in grain, steel, and petroleum</td>
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<td>• Development of professional services, e.g., accountants, consultants, and other types of agencies</td>
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<td></td>
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<td>• China becomes WTO member</td>
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Table 2. Salient Features of Marketplaces in the Three Marketization Stages

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<td>• Increased farm output and productivity allowed farmers to devote time to small non-agricultural businesses</td>
<td>• Increased private sector production</td>
<td>• Potential increase in firms’ opportunities to sell and buy in the marketplace</td>
</tr>
<tr>
<td>• Increased employment and output in locally run factories</td>
<td>• Alleviation of excess demand</td>
<td>• Potential increase in producers’ bargaining power in dealing with the state</td>
</tr>
<tr>
<td>• Large increase in narrow range of demand and mismatch of supply and demand</td>
<td>• Sales of goods and services generally increased, but state owned enterprises’ share of sales sharply declined</td>
<td>• Potential decrease in firms’ dependence on state agencies</td>
</tr>
<tr>
<td>• State control of market information</td>
<td>• Emergence of many private Chinese and foreign owned start-up firms</td>
<td>• Potential increase in firms’ access to public and private sources of market information and marketing expertise from private agencies (accountants, consultants, etc.)</td>
</tr>
<tr>
<td>• Uncertainty about consumer wants and lack of market information</td>
<td>• Pressure on state owned enterprises to sell output at market prices and respond to the marketplace due to increased competition from private sector</td>
<td>• Potential increase in firms’ access to public and private sources of market information and marketing expertise from private agencies (accountants, consultants, etc.)</td>
</tr>
<tr>
<td>• Slow development of technology</td>
<td>• Increase in joint ventures and cooperative arrangements between state owned enterprises and private firms</td>
<td>• Potential increase in distribution efficiencies, due to developing wholesale and trade center infrastructure</td>
</tr>
<tr>
<td>• Limited market competition</td>
<td>• Enhanced role for banking system in channeling household savings to state owned enterprises</td>
<td>• More opportunities for firms to build horizontal and vertical ties with other firms</td>
</tr>
<tr>
<td></td>
<td>• State one of few providers of market information</td>
<td>• Increase in managers’ authority and responsibility to make marketing decisions</td>
</tr>
<tr>
<td></td>
<td>• Firms make more requests to state authorities for materials and withhold data on their production capacity and productivity</td>
<td>• Chinese firms face increased uncertainties, risks, and competitive threats in domestic and foreign markets</td>
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<tr>
<td></td>
<td>• Competition weak but greater than in first stage</td>
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interpersonal relationships in varying ways and degrees. It is well-known that such an emphasis, particularly as it relates to guanxi, is a critical facet of Chinese culture.

The General Nature of Guanxi

Guanxi practices date back nearly 2500 years. In Confucian ideology, guanxi involved a complex set of relationships between parents and children, rulers and subjects, husbands and wives, elders and younger brothers, and friends (Lo and Otis 2003). Rituals enforced and sustained guanxi; they were seen as material signs of proper social relations. In the family, a person earned his or her reputation by proper performance of ritual. Confucian texts give rules for these relationships, each of which is defined by fixed social roles. Reciprocity, respect for hierarchy, and the ritual materialization of sentiment play important roles. The system dictated certain rigidity in relationships rather than fostering voluntary interaction. It also recognized primordial ties but largely ignored connections beyond face to face relationships. In the Maoist era, the Communist Party created a break with the Confucian past. Ties among extended kin were displaced and, in some ways, delegitimized. As a result, Confucian guanxi was deinstitutionalized. But guanxi survived in some respects, as individuals dealt with organizational life. Ironically, socialist authority relied on informal guanxi practices. For example, managers chose workers based on guanxi ties that were built via favors involving scarce goods and services. Confucian guanxi was preordained by family hierarchy and defined with formal and explicit duties and rights. In the Maoist era, the bases of guanxi relationships shifted from actual, preexisting familiar bonds to ties outside of family and kinship, and personal guanxi was built by individuals.

Western scholars generally agree that guanxi involves a special relationship between two persons and describe it in terms of reciprocal and mutually dependent interpersonal ties. Yet, they refer to it in varied ways and stress varied facets of a guanxi relationship, e.g. exchange, power, diverse resources, mutual dependence, reciprocity, and commitment over time. For example, Pye (1982) suggests that persons in a guanxi relationship exchange favors. Osland (1990) notes that guanxi involves a person who needs something and a person who can somehow provide it. Gold (1985) argues that access to valued goods and resources gives a person power over another person in a guanxi relationship. Yang (1989) notes that guanxi may involve physical, intangible, cultural, and moral resources and assembly of moral and cultural imperatives, such as obligation and reciprocity, to achieve diffuse social and calculated instrumental ends. Favor and gift-giving is a facet of guanxi that is often lacking in other relationships. Individuals exchange favors and invest in gifts with the expectation of future returns, to maintain a guanxi tie. The favors and gifts are loans that create unspecified obligations and not mere acts of generosity.

Other scholars stress that individuals with a guanxi tie are committed to each other for the long term and that their relationship involves hidden norms of reciprocity and relational congruence that are mostly characterized by equity and exchange (Ang and Leong 2000; Kipnis 2002; Luo 1997, 2000). They also explain that guanxi ties arise through informal social bonds and involve expectations and obligations that facilitate future exchanges (cf. Ambler, Styles, and Wang 1999; Davies et al. 1995; De Keijzer 1992; Leung, Lai, and Wong 2005; Lovett, Lee and Rajo 1999). In this regard, they note that Chinese cultural norms suggest that individuals attach
great weight to the anticipated reactions of others to return favors in deciding their own behaviors (Bond and Hwang 1994; Yang 1981). For instance, Yang (1994) notes that guanxi relationships are based implicitly on mutual interest and benefit. Once guanxi is built between two people, each can ask a favor of the other and expect the debt to be repaid at some future time.

Such ideas do not equate guanxi and friendship. Unlike friendship (Price and Arnould 1999), guanxi may be sought for instrumental versus intrinsic relational reasons and it may not involve openness and sharing of personal problems. As noted later, there are bases for guanxi besides friendship and friendship does not insure that guanxi will exist (Alston 1989). Guanxi is also broader in scope than business friendship. Unlike business friendship (Alston 1989; Grayson 2007), guanxi may not be built by interactions in a business context. Guanxi may sometimes promote business friendships, but business ties that involve guanxi may not involve friendship.

**Marketization and the Voluntary, Pluralistic, and Adaptive Qualities of Guanxi**

Scholars in other areas argue that marketization fosters new needs and uses for guanxi (cf. Lo and Otis 2003; Millington, Eberhardt, and Wilkinson 2006; Yang 2002), e.g. to find employment (Bian 1997), recruit and organize labor (Smart 1998), and attract overseas investment for enterprises in local areas (Wu 1997). More generally, they suggest that marketization transforms guanxi from an institutionalized ideology of Confucianism and Maoist rules into a widely-used cultural metaphor for building new ties with others, including strangers. As in the past, guanxi operates as accepted norm for social interaction. It still integrates the material and expressive, emphasizes reciprocity over single interactions, and stresses achieving face by gaining the moral superiority of a favor giver (versus a selfish and socially indebted receiver). Yet, guanxi is being modularized, which allows it to be voluntary, pluralistic, and adaptive in many ways.

These qualities allow individuals to have zones of guanxi ties that differ in dependability and intimacy, e.g., a core of family, a reliable set of friends, and an effective set of distant relations and acquaintances (Lo and Otis 2003). A focal individual may have an egocentric network of other persons with whom s/he has guanxi ties. These other persons’ egocentric guanxi networks and sets of relationships (Aufrecht and Bun 1995) may give the focal individual indirect access to benefits that would not otherwise be available. Guanxi ties are dyadic or interpersonal, do not have a group connotation, and do not automatically translate to inter-group or inter-organizational links (Fock and Woo 1998). As a result, guanxi differs from social capital, which involves the ability to gain benefits due to actual or perceived membership in a larger social entity (Portes 1998). Yet, in some cases, guanxi ties may provide indirect access to benefits that relate to social capital (Warren, Dunfee, and Naihe 2004).

Guanxi’s voluntary, pluralistic, and adaptive qualities also allow relationships to be adjusted. Thus, individuals may limit their involvement in given ties at various times to avoid guanxi obligations (which is more feasible in urban versus village settings [Smart 1998]). They may also form new relationships, end former relationships, and alter the density of their zones of relationships. Arguably, such qualities make guanxi flexible and keep it trustworthy. Flexibility allows guanxi to not result in a large networked reconstruction of Confucian Feudalism. Trust
helps prevent the existence of only opportunistic individuals in purely exploitive and disposable relationships (Lo and Otis 2003; Millington, Eberhardt, and Wilkinson 2006; Yang 2002). Moreover, individuals may use guanxi in new ways and broader contexts than in the past.

As a result, guanxi’s functional foci (its purposes), guanxi’s relational foci (the types of persons involved), and the character of their guanxi ties may change during marketization. It seems useful to consider these matters from a marketing perspective. Yet, research on use of guanxi in marketization generally stresses economic or general business matters, glosses over marketing-related issues, and ignores differences in guanxi as marketization unfolds. Arguably, a partial exception is work on Chinese managers’ use of interpersonal relationships and guanxi to deal with marketization’s challenges, get marketplace advantages, and enhance their firms’ market performances (Child and Tse 2001; Gu, Hung, and Tse 2008).

Functional Foci of Guanxi Ties

The functional foci of guanxi ties concern its use in trying to facilitate marketing outcomes that relate to efficiency, information sources, effectiveness, expertise, and personnel.

Marketing Efficiency

Marketing efficiency refers to better ways of conducting existing marketing activities by reducing and reallocating efforts to achieve cost savings and better productivity (e.g. by changing routes for shipments, reassigning sales personnel among territories, and reallocating marketing budgets among market segments; cf. Carman and Dominguez 2001).

Access to Public and Private Information Sources

Managers may obtain marketing information from internal and external sources (Sinkula 1994). Internal sources offer information that is congenital (from the firm’s founders), experiential (from trial and error), experiential or experimental (e.g. from trying to develop innovations or improve processes), or from critical reflection. Information from external sources may come from searching (e.g. from the state or market research), borrowing (e.g. from consultants), grafting (e.g. acquiring other firms that have market information), and collaborating (e.g. joint ventures; Dixon 1992; Huber 1991).

Marketing Effectiveness

Marketing effectiveness refers to conducting marketing in new ways, e.g. via marketing innovations such as new products and services, new modes of distribution, and new marketing communication methods (cf. Carman and Dominguez 2001). The idea that guanxi may affect marketing effectiveness is indirectly supported by evidence that it enhances a firm’s brand performance, channel capability, and ability to adapt to market changes and sustain advantages during industry changes (Gu, Hung and Tse 2008).
Access to Marketing Expertise and Personnel

The challenges and opportunities of marketization are apt to increase managers’ needs to hire marketing consultants and marketing personnel. Finding and evaluating such talent may pose problems for managers who lack marketing and marketplace experience and knowledge. Their guanxi ties may help them in these matters.

Relational Foci of Guanxi Ties

The relational foci of guanxi ties refer to its use trying to facilitate relationships with persons in state agencies, suppliers, B2B buyers, and persons in other strategic relationships.

Relationships with Persons in State Agencies

Managers are likely to be concerned with relationships with persons in state agencies during marketization, as was true in the Maoist period. All marketization reforms are not instituted or implemented at once. The state still controls some essential resources and information and intervenes in some business matters. Managers may also be uncertain about regulatory policies and the comprehensiveness of legal frameworks.

Relationships with Suppliers

Relationships with suppliers are critical to overall marketing performances because, among other things, they help managers obtain and maintain the flow of materials, components, and other items that firms assemble and resell.

Relationships with B2B Buyers

Managers may use guanxi to facilitate relationships with B2B buyers. These buyers’ firms may resell the products that they buy to other distributors or final customers, incorporate them into items that they produce, or use them in their own business operations. Guanxi differs from relationship marketing, which scholars generally describe as a one-sided effort by marketers aimed at encouraging an exchange process with selected targets in the market (Fock and Woo 1998). Guanxi practices involve exchanges of favors that forge and maintain bonds between partners (Alston 1989). Moreover, unlike typical relationship marketing, guanxi may be grounded in non-business ties.

Other Strategic Relationships

Firms in other strategic relationships may be in similar or complementary lines of business, e.g., networks of suppliers, manufacturers, dealers, retailers, industry groups, and buying groups. They may be in trade associations, lobbying entities, and local and regional development groups. They may share expertise, research and development costs, and facilities. The may form vertically integrated supply and distribution systems. Developing, sustaining, and insuring the efficacy of these and other strategic relationships may involve substantial effort and
risk. Managers’ may use guanxi to try to foster trust and feelings of obligation and to avoid opportunism among those involved.

Character of Guanxi Ties

The character of guanxi ties concerns the relative asymmetry, number of guanxi bases, strength, and expressive versus instrumental nature of guanxi ties.

Relative Asymmetry of Guanxi Ties

Guanxi relationships involve an exchange of favors. The relative asymmetry of guanxi ties refers to the activeness or passiveness of the persons involved. In a more asymmetric relationship, the person who needs favors is more active in pursuing the connection than the other person (who does not have a pressing need). In a more symmetric relationship, both persons actively pursue and use the relationship to achieve their goals.

Relative Number of Guanxi Bases

The relative number of bases for guanxi ties concerns the extent to which guanxi is grounded on different foundations. Among others, these so-called guanxi bases include individuals’ roles (e.g. family, helper, and business types of guanxi), kinship or fictive kinship (e.g. shared surname, origin in the same province), or shared experiences (e.g. common educational background or business interests; Fan 2002; Kiong and Kee 1998). More generally, they also may be based on common affiliations and memberships (e.g. in sports clubs and trade associations) and similarity of positions (e.g. dealers in channels of distribution). In the Maoist era, previous existing guanxi bases such as kinship and close friendship were adapted to new contexts and extended to guanxi relationships with government officials and other persons in state enterprises. Likewise, the changing conditions due to marketization make it necessary for individuals who are unable to access different kinds of benefits and resources to build guanxi relationships with those who have the necessary power and abilities. To do so, it is important to build relationships based on a more diverse set of factors (bases) than the commonalities used in the past. The resulting expansion of guanxi bases that accompanies marketization and modernization generates an array of possible commonalities in personal, commercial, business friendships, fictive kinship, shared experiences, memberships, and positions. These commonalities may apply to persons in persons in state agencies and other firms. Guanxi bases facilitate but do not insure the development or continuation of guanxi. For instance, suppose two persons have not seen each other since they were schoolmates years ago. Despite their relationship and common experiences in school, their guanxi may not carry over to the present.

Relative Strength of Guanxi Ties

The relative strength of guanxi ties may also differ. Generally, persons with stronger ties are more socially involved with one another than individuals with weaker ties. Persons with stronger ties interact more often and are less separated in space and time than persons with weaker ties. Evidence also suggests that persons with stronger ties have more overlap in their personal communication networks than those with weaker ties. Strong ties have advantages, but
weak ties may be needed for an individual to access information and benefits that are not readily available in his/ her primary social network. Moreover, weak ties may be critical for an individual’s integration into modern society (Granovetter 1983).

**Relative Expressive/ Instrumental Nature of Guanxi Ties**

Guanxi relationships may involve expressive, instrumental, and mixed ties (Hwang 1987). An expressive tie is valued for the relationship itself; in contrast, an instrumental tie is valued for the purpose(s) it serves in helping to achieve material goals. Expressive ties often exist in relatively permanent and stable relationships that are built on feelings and emotions, e.g. in family relationships. In contrast, instrumental ties are more strategically oriented to achieving material goals. Both parties in a mixed tie may keep an expressive component in the relations, but maintain a degree of relational distance and not express their true feelings or act toward one another in an unrestrained manner. In reality, expressive and instrumental distinctions are matters of degree. For example, there may be expressive ties based on affection and instrumental ties based on reciprocity in family and helper guanxi. Likewise, guanxi in business dealings may have expressive aspects, but it is apt to be more instrumental than expressive if it is primarily used to solve business versus personal issues (Fan 2002; Hwang 1987). Guanxi ties for marketing and other business purposes are apt to be mixed. Our concern is with the relative extent to which the ties are expressive or instrumental. There is a distinction between the relative strength and relative expressive/ instrumental nature of guanxi ties, e.g. relatively strong guanxi ties may be relatively expressive or relatively instrumental.

**Overview of Propositions**

The propositions concern differences in the functional foci, relational foci, and character of managers’ guanxi ties in the three marketization stages. The conceptual framework for the propositions (see Figure 1) includes the expectations that (1) Chinese cultural tendencies and guanxi’s voluntary, pluralistic, and adaptive qualities operate during marketization, (2) government policy and marketplace conditions create challenges and opportunities that affect adaptations in guanxi, (3) guanxi’s functional foci influence its relational foci, and (4) guanxi’s functional and relational foci shape the character of guanxi ties. Due to space limitations, it is necessary to summarize the propositions, rather than offer a full discussion of each one.

**Functional Foci of Guanxi Ties**

Our reasoning suggests that managers’ use of guanxi to try to facilitate marketing efficiency decreases across successive marketization stages (P1), whereas their use of guanxi to try to facilitate marketing effectiveness (P3) and access potential marketing expertise and personnel (P4) increases across successive stages. In contrast, they suggest that managers’ use of guanxi to try to access public and private information sources is lower in stage one than in either of the later stages (P2a), higher in stage two than in either of the other stages (P2b), and higher in the third stage than in the first stage of marketization (P2c).
Relational Foci of Guanxi Ties

The propositions indicate that managers’ use of guanxi to try to facilitate relationships with persons in state agencies (P5) and with suppliers (P6) decreases across successive marketization stages, whereas their use of guanxi to try to facilitate relationships with B2B buyers (P7) and persons in other strategic relationships (P8) increases across successive stages.

Character of Guanxi Ties

Finally, our logic suggests that the relative asymmetry (P9) and strength (P11) of managers’ guanxi ties decreases, whereas the number of bases for (P10) and the instrumental nature of (P12) their guanxi ties increases across successive stages of marketization.

Discussion

These propositions should be tested in areas of China and industries that differ in extent of marketization, using cross-sectional, longitudinal, and case studies and quantitative and qualitative methods. The conceptual model also may be extended by taking the characteristics of specific geographic areas, parts of the economy, industries, and firms into account. For example, although we expect the propositions to apply, the timing of shifts from stronger to weaker guanxi ties may differ in different economic sectors and parts of the nation. The sizes of predicted differences also may be impacted by industry factors, e.g. the nature of the business, technology, turbulence, and internationalization. Moreover, the details of functional foci and relational foci may vary for firms in an industry that react to marketization in different ways due to differences in their competencies, needs, and problems. As a result, their managers may focus on different facets of effectiveness, efficiency, strategic relationships, and seek different ties in the marketplace.

In addition, it may be useful to study possible antecedents of guanxi, e.g. dependence, adaptation, trust, favor, uncertainty, and opportunism. It may also be valuable to explore how institutions and networks co-evolve due to guanxi and the antecedents and consequences of terminating guanxi. Moreover, guanxi’s other potential positive effects (e.g. relationship quality and interdependence, commitment, and marketing performance) and negative effects (e.g. ethical violations, deception, exclusion, opportunism, personal indebtedness, and undue materialism, costs, demands, and obligations) should also be studied.

Meanwhile, this paper seeks to offer insights about guanxi’s role in China’s marketization process and to examine marketing-related issues that are neglected in prior research. It underscores the often overlooked notions that marketization is not a purely economic matter and that marketing plays a role in the marketization process. It also highlights how cultural tendencies may adapt to marketplace conditions and managers’ marketing activities in a society in transition. These ideas are consistent with the view that guanxi’s significance is not apt to decline in the transition process (Yang 2002). Instead, the functional foci, relational foci, and character of guanxi ties are likely to impact marketplace competition and the marketization process.
The propositions also have public policy implications. For example, state officials may wish to offer platforms that create opportunities for managers to establish guanxi, e.g. business and professional associations, trade groups, entrepreneur organizations, business councils, workshops, education programs, events, and online groups. These platforms may be adapted to differences in marketization stages by targeting them to different audiences of managers (and, when appropriate, persons in state agencies). For instance, in earlier marketization stages, it may be beneficial to gear platforms for persons who share commonalities in their positions, backgrounds, regions, industries, business interests, business acquaintances and friends, and professional and social affiliations (e.g. memberships). In comparison, it may be advisable to target audiences that are more diverse in composition in later marketization stages.

These factors also may be relevant if officials sponsor platforms that relate to the functional or relational foci. That is, it may be wise to sponsor multiple platforms for, say, marketing efficiency in a region and industry in stage 1 (due to the importance of audience commonalities) and, by comparison, fewer platforms for marketing efficiency in a region and industry in a later marketization stage. To avoid the undue costs of sponsoring many platforms for many types of functional and relational foci, officials may wish to concentrate their efforts on managers’ most likely tendencies. If so, the propositions suggest that managers are most apt to focus on guanxi for marketing efficiency in stage 1, for access to public and private information sources in stage 2, and for marketing effectiveness and access to personnel and expertise in stage 3. They also suggest that managers are most apt to focus on guanxi for relationships with persons in state agencies and with suppliers in stage 1 and on relationships with B2B buyers and persons in other strategic relationships in stage 3.

References


Gun Culture USA: A Macromarketing Perspective

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Many different gun cultures are found globally, but when measured by ownership rates, incidence of gun violence, and other social indicators, the U.S. is exceptional. Guns have played an important role in American history and have been well-represented in its popular culture and visual arts. Gun marketing was negligible until the second half of the 19th century when more modern forms advertising, promotion, and distribution were introduced. Today, manufacturers market firearms much like any other consumer good. Distribution channels for new and used guns, on the other hand, rely upon laxly regulated networks of dealers and periodic markets. The fierce tenacity of U.S. gun culture can be explained, in part, by history and tradition, by indoctrination of the young, and by marketing efforts. This paper addresses two other modes of cultural transmission: identity politics and the inherent sensory appeal of firearms.

Introduction

A gun culture is what people think, feel, and do in regard to firearms. It consists of a set of beliefs and activities that accompany the buying, selling, owning, and using of firearms. The values and practices of a gun culture can be shared by groups at different levels of aggregation. All nation-states have gun cultures to some degree. Even when ownership by civilians is banned, people know about firearms and some are surely kept illegally. Smaller geographic, demographic, and psychographic units within countries may also be said to have their own distinctive gun cultures. One might argue that “gun subculture” is the more appropriate expression, leaving the term “culture” to refer to an entire way of life of a people, but the concept of culture has long accommodated multiple definitions (Kroeber 1952). Historian Richard Hofstadter (1970) may have been the first to use the phrase in his article, “America as a Gun Culture.” In other countries the idiomatic meaning of a gun culture ranges from sporty hunting and target shooting (UK) to criminal use of guns (Australia). Herein, we consider the national gun culture of the United States.

Ownership estimates are one way of assessing gun cultures and comparing them cross-nationally. According to Small Arms Survey 2007, an ongoing research project at the Graduate Institute of International Studies in Geneva (Small Arms Survey 2007), at least 875 million civilian, law enforcement, and military firearms exist worldwide. Americans own 270 of the estimated 650 million guns in civilian hands, and each year purchase an additional 4.5 million new guns, over half of the 8 million manufactured. With just five percent of the world’s population, Americans own 41.5% of all firearms in civilian hands. On a per-capita basis, the U.S. had 90 guns per 100 people, followed by Yemen (61), Finland (56), Switzerland (46), Iraq (39), Serbia (38), and France, Canada, Sweden, Austria and Germany (about 30). Nigeria – a large but less affluent country with a reputation for gun violence – had just one gun per 100
people. By these and other international measures, such as comparatively high shooting and homicide rates, rather lax restrictions on sales and personal possession, and the political influence wielded by gun owner associations, the American gun culture is an exceptional social phenomenon.

Much of the research on U.S. gun culture has served the overlapping interests of military and technology historians (e.g. Rose 2006) and antique firearms dealers and collectors (e.g. Brown 1980; Neumann 1967; Peterson 1956). This literature provides good information on the technical development of different types of guns in America, and how and by whom they were used, but rather limited discussions of marketing and distribution. Historical research on guns has attracted controversy. In 2001, Emory University historian Michael A. Bellesiles won the Bancroft Prize for *Arming America: The Origins of a National Gun Culture* (2000). The book showed that in the colonial and federal periods guns were ineffective, expensive, and not as common or as highly regarded as remembered by later generations. However, Bellesiles concocted some of his data and a later re-examination of his sources and other probate records found guns to be more widely distributed than he claimed (Lindgren 2001; Lindgren and Heather 2002). A professional ethics committee at Emory sternly criticized Bellesiles and he resigned his professorship. His Bancroft Prize was rescinded in 2002. As of January 30, 2010, his book had received 162 customer reviews on Amazon.com, 127 of which awarded just one star. We do not know how many of these angry critics had actually read the book, but their animus may have been driven by the political implications of Bellesiles’ research for it suggested a less important role for guns in early America and, hence, less Constitutional significance.

A much different body of work has been produced by public health, criminology, and other concerned researchers who investigate contemporary marketing practices that appear relevant to the issues of gun violence and how to prevent it (Bradford, Gundlach, and Wilkie 2005; Cook, Mollincon, and Cole 1995; Diaz 1999; Saylor, Vittes, and Sorenson 2004; Vernick and Teret 2000). Bloodshed caused by firearms is a serious problem in the U.S. More than 360,000 violent crimes involving guns were recorded in 2007 and of these 11,512 were homicides (Wintemude 2009). Research evidence suggests a probable connection between gun marketing practices, especially questionable distribution channels, and the level of gun violence. Too many dangerous firearms are getting into the wrong hands whose misuse creates terrible medical, economic, and social costs. However, these research findings seem to be having relatively little influence on public policy. The American people appear willing to tolerate their self-inflicted carnage. Perhaps a much more fundamental and challenging research question should be asked: Why is American gun culture so tenacious? This line of investigation implies that cultural change will be the key to reducing gun violence.

The purpose of this paper is to analyze U.S. gun culture and investigate the extent to which marketing has been involved in its development and perpetuation. The first section gives a brief account of guns in American history, their position within popular culture, and the evolution of firearms marketing. Subsequent sections examine firearms marketing today and the channels of distribution by which new and used guns reach consumers. The final section investigates political, social, and sensory processes that may explain the maintenance and transmission of this exceptional gun culture. The intent of this research is to be balanced and dispassionate about guns and U.S. gun culture. The topic is important, often fascinating, and
clearly relevant to macromarketing concerns and theory. The research is not intended to cater to the interests of either the gun industry, various segments of gun owners, or public health and law enforcement officials. However, to the extent that knowledge of gun culture USA is shared among numerous interest groups, communication among them should be facilitated.

Guns and Their Marketing in American History

Firearms have played an important role in American history. Matchlock muskets accompanied the first European colonists and these weapons, along with the flintlocks that superseded them in the latter half of the 17th century, were used for hunting and in conflicts with indigenous peoples, the French, and eventually the British during the Revolutionary War (Brown 1980; Neumann 1967; Peterson 1956). Native Americans were particularly attracted to having guns of their own (Bellesiles 2000; Rose 2008). Among the European colonists, gun ownership was common. An analysis of several sets of probate records from different colonies recorded between 1638 and 1790, showed that 50-73% of male estates, and 6-38% of female estates included firearms (Lindgren and Heather 2002). One of the authors’ data bases (from 1774) had more estates containing guns (54%), than Bibles (25%). Lindgren and Heather also used hierarchical loglinear modeling to show that gun ownership was more common “where the decedent was male, Southern, rural, slave-owning, or above the lowest social class—or where the inventories were more detailed” (p. 1777). Probate documents may have over-represented wealthier colonists who had the wherewithal to buy guns and property to defend. Ownership rates might be lower if the less affluent classes were included in representative proportions. On the other hand, we also do not know if all firearms were actually counted and some taken by sons and other kinsmen may have gone unrecorded. Undoubtedly, the founding fathers were well-acquainted with the firearms’ technology of their day when they enshrined a right to bear arms in the Constitution’s Second Amendment. Hamilton and Jefferson both liked taking walks with guns and dogs (Brookhiser 2006).

An early manifestation of American gun culture was the formation of local militia units. Militias and the popular possession of firearms were seen as antidotes to oppressive standing armies and militarism. This political doctrine had roots in radical English Whiggery (Hofstadter 1970). Militiamen fought in the Revolutionary War, and sometimes distinguished themselves in battle, but were generally less dependable than soldiers in the Continental Army. The militia tradition carried on into the 19th century when state companies were common. Again, their readiness was sometimes questionable and critics deplored the drunkenness that accompanied their meetings. George Cone Beckwith (1847), a Christian peace activist, strongly condemned militias in his book, The Peace Manual,

“The demoralizing influence of our own militia drills has long been notorious to a proverb. It has been a source of general corruption to the community, and formed habits of idleness, dissipation, and profligacy. It has done a great deal to flood our land with intemperance; and musterfields have generally been scenes or occasions for gambling, licentiousness, and almost every vice” (p. 177).

Beckwith may not have been unbiased – and Americans of his day imbibed alcohol to excess on any number of public occasions besides militia training exercises (Rorabaugh 1979) – but by the
beginning of the Civil War even the best of militias had only parade ground experience (Catton 1960). According to the gun literature (Flayderman 2007), and judging from the ample number of surviving examples on today’s collectors’ market, American dealers in militia muskets, swords, and related military accoutrements did a considerable amount of trade. Much of this materiel was imported from England and Europe.

Feudal bans on poaching by the common man were unenforceable in colonial North America and by the early 1800s a growing population on the move was killing untold numbers of wild birds and mammals for food, sport, and animal control. On the island of Manhattan, sportsmen in the 1820s were still hunting marshland snipe where 23rd Street and Seventh Avenue now intersect, but these birds and other species were quickly being eliminated as urbanization inexorably moved uptown (Outdoor Life 1976). Commercial hunting was especially damaging to natural ecologies. Daniel Boone and likeminded men drove local populations of large mammals to extinction for the sake of their skins, meat, and fat (Morgan 2007). Nimrods decimated game in the Appalachians, crossed the Cumberland Gap to Kentucky and the Ohio country in search of more, and then continued still farther west reaching the Rocky Mountains before 1820. On the east coast, huge punt guns decimated wildfowl populations until their use was banned in 1860. John James Audubon (1785-1851) probably shot 1000s of wild birds and animals during his travels from the eastern seaboard to Kentucky, Louisiana, and Florida. He wired his kill in naturalistic poses and from them painted dramatic watercolors that eventually became his monumental work, Birds of America, comprised of 435 life-sized, hand-colored engravings published in a series of sections and sold by subscription between 1827 and 1838 (Chancellor 1978).

Competitive target shooting also became a popular pastime as documented in George Caleb Bingham’s 1850 painting, “Shooting for the Beef” (see Figure 1). Bingham and other American genre artists in the 1840s and 1850s, such as Charles Deas, William Ranney, and Arthur F. Tait, catered to the tastes of Northeastern art patrons by depicting well-armed westerners living manly and exciting frontier lives (Johns 1991). Other forms of popular culture also celebrated the gun. James Fenimore Cooper’s books – The Pioneers, The Last of the Mohicans, and The Prairie (published between 1823 and 1828) – told of the exploits of frontiersman Natty Bumppo and his rifle, Killdeer, while a Tennessee hunter, raconteur, and Congressman named Davy Crockett briefly became a superstar in the 1830s for the Whig party (Rose 2008). Finely made pistols were used well into the 19th century by gentlemen dueling over matters of personal honor. Such ritualized gun violence was especially prevalent in the South. However, anti-dueling associations, joined by influential clergymen such as Eliphalet Nott and Lyman Beecher (1809), preached against the practice and eventually succeeded in having it banned and prosecuted under laws of assault and manslaughter.
For about 200 years after the Jamestown settlement, most guns used in America were imported from Europe. Colonial gunsmiths repaired weapons, re-cycled and re-stocked locks and barrels, and sometimes built good fowling pieces and elegant Kentucky rifles from scratch, but the craft was limited and paled in comparison to the sophisticated gun making in England and France. The creation of the federal armories at Springfield, Massachusetts (first production in 1795), and Harpers Ferry, Virginia (first production in 1802) was a milestone for the American firearms industry because these new manufacturing centers developed prototypes and set standards. Through subcontracting, the armories helped private American gunsmiths to increase scale and improve technology (Rose 2006). Springfield in particular benefited from a deep reservoir of local New England artisan talent. Eli Whitney (1765-1825), who invented the cotton gin in 1793 and in so doing inadvertently empowered the slave system for another 70 years, also advanced the manufacturing concept of interchangeable parts when his New Haven factory tooled up for a 1798 federal contract for 10,000 muskets (Cooper et al. 1980). Simeon North of Middletown, Connecticut, was the main government contractor for U.S. martial pistols in the early 1800s. He invented new milling machines and pioneered division of labor in his gun factory. America became the world leader in applying machinery and operational systemization to the manufacture of firearms. New England rivers supplied much of the power for the pulleys and wheels that turned its machine tools.

By the 1840s, when percussion cap ignition technology was rapidly replacing flintlocks, American gun manufacturers were selling innovative and increasing well-made weapons. Buyers included state and federal governments, but also civilians who became the primary market for handguns of various types. Manufacturing was becoming more industrial in scale. Samuel Colt (1814-1862), the inventor of a line of very popular revolvers, established production facilities in Hartford in 1847 and in London in 1853 to serve the English market (Houze 2006; Wilson 1985). He then built an even larger Hartford factory called the South Meadow Armory.
It was furnished with a belt-driven machine tools and was arguably the most technologically advanced factory in the U.S., if not the world (Houze 2006). Firearms technology evolved rapidly in the middle decades of the 1800s and, by the end of the Civil War, faster loading and firing cartridge revolvers and breech-loading, repeating rifles were quickly replacing percussion pistols and muzzle-loading, single-shot muskets.

Through much of the 19th century manufacturers primarily used networks of dealers to distribute new guns to the civilian market. Ethan Allen (1806-1871) of Massachusetts, who invented and made numerous types of single shot pistols and pepperbox revolvers, enlisted hundreds of agents in local New England towns and in large cities such as New York, Philadelphia, Boston, Baltimore, Richmond, Pittsburgh, Cincinnati, and Milwaukee (Mouillesseaux 1973). Dealer names were sometimes stamped on guns in lieu of Allen’s, an early form of retail branding. One dealer, J.G. Bolen of New York, advertised his Allen-made pepperboxes in both English and in Spanish (Mouillesseaux 1973). Ethan Allen pepperboxes dominated the consumer gun market in the 1840s, and became associated with the 49ers and the California gold rush, but the company lost market share in the 1850s to Colt’s superior designs. After Allen died in 1871, his partners (and sons-in-law) renamed the company Forehand and Wadsworth. They introduced new lines of inexpensive revolvers and stayed in business until the 1890s. They were among the first companies to use trade names – such as “Terror,” “Bull Dog,” and “Swamp Angel” – on different calibers and models. A competitor, Hopkins and Allen, marketed similar revolvers as the “Blue Jacket,” “Mountain Eagle,” and “Ranger,” while Iver Johnson named its guns “Eclipse,” “Favorite,” “Tycoon,” and “Encore.” Flayderman (2007) estimates that some 25 different gun manufacturers used over 300 such trade names in the late 19th century. Some of the more cheaply made examples were called “Suicide Specials,” foreshadowing the 20th century term, “Saturday Night Special.” As guns became products for mass consumption homicide rates began to rise (Bellesiles 2001).

In the colonial era, individual gunsmiths and other tradesmen who also worked with guns would occasionally print notices in newspapers (Dow 1967; Gottesman 1970). These resembled classified newspaper ads today. One example, from the Boston Newsletter, May 11, 1742, briefly stated:


Newspaper formats did not change appreciably until after the Civil War when display ads became more common (Presbrey1929). Other advertising media were somewhat more modern and more pictorial. Figure 2 shows two broadsides (flyers) from the 1850s advertising Colt revolvers. Colt, who in 1832 at the age of 18 billed himself “Dr. S. Coult” and peddled nitrous oxide at the Portland, Maine, City Hall (Haven and Belden 1940), was an incessant promoter of his revolvers and an early international marketer. He displayed his arms in 1851 at London’s “Great Exhibition of the Works of Art & Industry of All Nations” and in 1855 at the Paris Exposition Universalle. Colt also did business with Hungary, Italy, Prussia, and Russia. If the client were an important person, Colt would present cased sets of revolvers. He became a well-known figure and “It would not be an exaggeration to say that by 1860 Samuel Colt was the
personification of an American in many parts of the world” (Houze 2006, p. 183). Like many of his countrymen, Colt was litigious and filed numerous lawsuits to protect his patents from infringements. He usually won.

Figure 2: Colt Advertisement (ca1850 left, ca1858 right)

After the Civil War advances in chromolithography made possible inexpensive and attractive promotional ephemera (Last 2005). The Winchester Repeating Arms Company, for example, provided calendars, posters, and counter displays to its dealers. One Winchester specialty was the cartridge board, a picture-framed display of different caliber ammunition that its rifles could accommodate (Figure 3). Firearms manufacturers also issued catalogs, as did sporting goods suppliers in towns and cities, such as Saginaw, Michigan, and Pittsburgh, Pennsylvania (Figure 4). Montgomery Ward and Sears Roebuck sold shotguns, rifles, and handguns in their nationally distributed catalogs. Magazines, such as Forest and Stream (founded in 1873) and Field and Stream (1895) were closely tied to the gun industry and would prominently feature ads for guns, ammunition, and supplies.

Source: Williams (no date)
Figure 3. 1895 and 1913 Winchester Calendars and 1897 Winchester Cartridge Board

Guns were mentioned frequently in popular fiction and were portrayed on the covers of dime novels. The famous Colt .45 Single Action Army revolver, the so-called “Peacemaker,” became associated with a roster of celebrity Americans that included Buffalo Bill Cody, Theodore Roosevelt, John Wesley Harding, Judge Roy Bean, Wild Bill Hickok, Wyatt Earp, Pat Garrett, and Billy the Kid (Wilson 1978). Oliver Winchester’s lever action rifles also became an icon of the taming of the West. Buffalo Bill’s touring Wild West shows featured guns blazing and sharpshooter Annie Oakley became his star performer. Firearms were shown in promotional handbills for the show and in still photos of Cody who earned his sobriquet as a young bison hunter in the late 1860s. Cody employed other trick shooters including “Calamity Jane” (Martha Jane Cannary-Burke), a rough looking frontierswoman and sometimes prostitute whom he reportedly fired for drunkenness.

By the early 1900s firearms technology had reached a high level of development and revolvers, automatic pistols, rifles, shotguns, and submachine guns (see Figure 5) took on forms still recognizable today. New media ensured that the tradition of celebrating firearms would continue. Guns were star props in the burgeoning motion picture industry – they were shown blasting away in “The Great Train Robbery” made in 1903 – and were to be exploited by several film genres including westerns, law and order, and war. Iconic images from the 1920s and 1930s include gangsters with Tommy guns and Clyde Barrow and Bonnie Parker brandishing weapons. One famous photo shows Parker holding a revolver while smoking a cigar, her left foot on the front bumper of a 1932 Ford V-8 (Figure 6). Films have been named after specific guns. In the classic *Winchester ’73* (1950) the prized, namesake rifle was itself a character coveted by several men including an obsessed James Stewart who initially had won it in a target competition. Winchesters have been called “the gun that won the West,” but the public’s impression of firearms prowess may owe more to fictionalized accounts than to the real history of the period.
Figure 5. Thompson Submachine Gun Ad circa 1923

Here’s the Gun that Bandits Fear Most!

—the Thompson Anti-Bandit Gun

It’s the safest gun for policeman, sheriff or guard to handle—
—Any man in your force can shoot a pistol and a Thompson better!
—It’s the gun that safeguards the innocent bystanders—
—it’s the only gun so stout in city streets—
—because its bullets do not fly wild—in extraordinary accuracy is controlled—its slugs are hits!

When you shoot, you can get your man with a single shot! The tremendous shock of the.45 caliber bullet knocks him down—and he stays down! And you have 20 or 50 of these power-ful, overseas ships instantly available, when required.

That’s why bandits surrender to the man with the Thompson Gun—they know “There’s no penalty against a Thompson!”

Thompson Guns are in use by: Police Forces of New York, Chicago, Philadelphia, Boston, Washington, Detroit, Baltimore, Toronto, San Francisco, Denver, and many other cities in the United States Marine; the United States Navy; the United States Treasury, Department; the United States Forest Service; the National Guard of New York, Kentucky, Illinois, Kansas, Wisconsin, Connecticut, and North Dakota; State Constabularies of Pennsylvania, West Virginia, Connecticut, Massachusetts and Michigan; the Texas Rangers; Northwest Mounted Police of Manitoba and Saskatchewan; the British Forces, Forces and Central American Republics. Many Domestic and Foreign Companies, and Industrial Plants throughout the country. Sold only on the side of Law and Order.

E. E. RICHARDSON, Maumee, Ohio
Distributor for the States of Ohio, Michigan, Indiana, Iowa, Wisconsin and Minnesota
Keeping guns as souvenirs and family mementos probably dates back to the Revolutionary War period if not earlier. During the Gilded Age of the late 19th century some rich Americans began accumulating fine examples of European arms and armor. The collecting of old American firearms received a boost around the turn of the 20th century when Francis Bannerman of New York started issuing his large, illustrated catalogs of militaria from the Civil and Spanish American Wars and from earlier periods (Persico 1974). However, antique guns were accorded scant prestige compared to other early American collecting interests, such as paintings, furniture, and silver, and did not become a serious hobby until after World War II. Prices started to rise appreciably in the 1950s and, despite some plateaus, have kept their upward momentum for over 50 years (Flayderman 2007). Major art museums, such as the Metropolitan Museum of Art and Art Institute of Chicago, have galleries of early European and Oriental

Source: Wikipedia Commons

Figure 6. Bonnie Parker in 1933
weapons and numerous history, battlefield, and military museums, such as the Smithsonian Institution, Colonial Williamsburg, Gettysburg National Military Park, West Point, and the U.S. Naval Academy, have sizeable assemblages of American firearms.

**U.S. Firearms Marketing Today**

The U.S. firearms industry is not insignificant, but still relatively small, consisting of 210 companies employing just 10,744 people, with total value of shipments a bit over $2.6 billion in 2007 (U.S. Census Bureau 2009). Many of these firms are small operations, most are privately held, and some have ended up under foreign ownership. Table 1 shows domestic U.S. gun manufacturing in 2007, the most recent year for which data is available (ATF 2009), and Table 2 shows the top 10 domestic semi-automatic pistol manufacturers. Domestic manufacturing is now dispersed across the nation including locations in Florida, Arizona, and Utah. Foreign producers know the U.S. is the world’s greatest market for civilian firearms and have targeted it accordingly. During the 1990s between one-third and one-half of the guns sold were imports (Diaz 1999).

<table>
<thead>
<tr>
<th>Type</th>
<th># Produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pistols</td>
<td>1,216,479</td>
</tr>
<tr>
<td>Revolvers</td>
<td>391,334</td>
</tr>
<tr>
<td>Rifles</td>
<td>1,476,004</td>
</tr>
<tr>
<td>Shotguns</td>
<td>643,722</td>
</tr>
<tr>
<td>Misc. firearms</td>
<td>131,284</td>
</tr>
</tbody>
</table>

Source: ATF (2009)

**Table 2. Top Ten Domestic Manufactures of Semi-Automatic Pistols, 2007**

<table>
<thead>
<tr>
<th>Rank/Company</th>
<th>Location(s)</th>
<th># Produced</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Smith &amp; Wesson Corp.</td>
<td>Springfield, MA; Houlton, ME</td>
<td>302,623</td>
</tr>
<tr>
<td>2. Sturm, Ruger &amp; Company, Inc.</td>
<td>Prescott, AZ; Newport, NH</td>
<td>142,017</td>
</tr>
<tr>
<td>3. Sig Sauer, Inc.</td>
<td>Exeter, NH</td>
<td>111,653</td>
</tr>
<tr>
<td>4. Kel Tec CNC Industries, Inc.</td>
<td>Cocoa, FL</td>
<td>103,893</td>
</tr>
<tr>
<td>5. Beretta USA Corp.</td>
<td>Accokeek, MD</td>
<td>87,631</td>
</tr>
<tr>
<td>6. Beemiller, Inc.</td>
<td>Mansfield, OH</td>
<td>78,090</td>
</tr>
<tr>
<td>7. Glock, Inc.</td>
<td>Smyrna, GA</td>
<td>61,703</td>
</tr>
<tr>
<td>9. Cobra Enterprises of Utah, Inc.</td>
<td>Salt Lake City, UT</td>
<td>36,396</td>
</tr>
<tr>
<td>10. Saelio, Inc.</td>
<td>Worcester, MA</td>
<td>26,166</td>
</tr>
</tbody>
</table>

Source: ATF (2009)
Marketing by the American gun industry provides a textbook example of how product manufacturers can manage different elements of their marketing mix. In the area of product development, for example, companies have satisfied consumer demand for increased lethality by designing clips with greater capacities and ammunition with more deadly ballistics. Products have been designed for specific target markets including new types of sniper rifles for civilian buyers in need of long-range accuracy, and numerous assault rifles and pistols in either AR (civilian M-16) or AK (Kalishnikov) formats for those consumers who prefer overwhelming firepower (Blumenthal 2008; Diaz 1999; Wintemute 2009). Gun companies also have targeted women and children. Smith and Wesson, for example, re-launched its LadySmith® trademark in the 1980s. The original model, first sold in 1902 and dubbed Ladysmith, was a .22 caliber revolver (Flayderman 2007). The later incarnation became a more powerful .38 caliber revolver. In 1992 New England Firearms introduced its “Lady Ultra” model and Lorcin sold guns with pink grips (Blair and Hyatt 1995). According to industry sources, women are also a valuable market because they can interest their children in firearms (Diaz 1999). Still another segment consists of reproduction enthusiasts. The most famous companies – Colt, Smith & Wesson, Winchester – sell new copies of guns from the past, indicating a market driven by historical associations. Unlike much more expensive antique originals, the re-issued guns can be shot without fear of damaging the investment. Re-enactors, who need their own black powder Revolutionary or Civil War guns for public demonstrations and in staged battles, constitute a part of this segment.

According to Producer Price Index data compiled by the Bureau of Labor Statistics, prices of small arms increased faster than prices of all finished consumer goods (excluding food and energy) throughout most of the period 1948 to 1998 (ATF 2000). Relative prices leveled off in the late 1990s perhaps because of cost control via sourcing offshore. Imported weapons constitute a high percentage of all new gun sales (Diaz 1999), just as they did in the colonial period, and the U.S. was a net importer throughout the period (ATF 2000). Little is known definitively about pricing at the consumer level (ATF 2000). Discounting new guns from manufacturers’ suggested retail prices does not appear to be common although there may be room for negotiating terms when purchasing from small dealers. For used guns, where condition and rarity become important attributes, dealers and their customers consult the price guidelines given in a number of thick handbooks (Fjestad 2009; Shideler 2009). Prices for guns re-sold at auction depend upon the amount of bidder competition at any given sale, as well as additional charges such as buyers’ premiums, state sales taxes and registration fees, and shipping.

Firearms advertising is not especially widespread and generally limited to specialty media and the Internet. According to Saylor, Vittes, and Sorenson (2004), 29 gun magazines with a combined circulation of 4,266,466 accepted advertising in 2001. The two largest were American Rifleman (1,366,073) and Guns and Ammo (607, 971). The authors found that 63 manufacturers spent an estimated $1,195,680 on firearms advertising, $28.16 per firearm produced, in a single month in 2002. Men are the primary audience for firearms ads, but companies also aim for underserved niches such as women, children, ethnic minorities, and recent legal immigrants. Despite the claims of the gun advocates, whose numbers are often repeated without much scrutiny by the news media, the most reliable survey evidence suggests that women have not been easily persuaded to own guns independently and perhaps just 12% of...
them do so. Female gun owners tend to be older, widowed, rural, and more likely to hunt and have spouses who also hunt (Smith and Smith 1995).

Gun advertising has used a number of different appeals including self-preservation and fear of stranger rape (Diaz 1999). However, gun advertising did not emphasize fear appeals in the one month of 2002 analyzed by Saylor, Vittes, and Sorenson (2004). Instead, their sample stressed technological attributes and product positioning within particular lifestyles such as hunting and shooting sports and military or Western aspirations. Hirschman (2003) showed how firearms ads connect to the core American value of rugged individualism through appeals to liberty, patriotism, and antigovernment sentiments, and a implicit grounding in white male dominance. Gun salesmanship can also be product focused. The Winchester Repeating Arms Company has posted videos online that were taken in the company booth at the January, 2010, SHOT Show, held at the Sands Expo Center in Las Vegas. Spokesman Glenn Hatt – not unexpectedly dressed in Western attire – discusses the salient features (finish, ballistics) of a number of new models of Winchester rifles and shotguns sold primarily to hunters and shooters (Winchester Arms 2010). Perhaps because these promotions are targeted to the trade as well as to consumers, the rhetoric is matter-of-fact rather than emotional and atmospheric.

The gun press consists of two broad categories: trade magazines aimed at dealers and consumer publications aimed at gun owners and potential consumers (see, e.g. http://gunsandammomag.com/ or www.gunsmagazine.com/). Diaz (1999) argues that ties between the gun media and firearms industry are especially strong. Publishers sit on the boards of trade associations and share deep ideological bonds with the industry. Magazines such as Guns & Ammo write enthusiastic reviews of new firearms not unlike those in Car & Driver introducing new automobiles. Gun media also work closely with the NRA and other like-minded groups in promoting primary demand for the industry. Meanwhile, a busy cottage industry churns out numerous pro-gun books including titles such as Stayin' Alive: Armed and Female in an Unsafe World by Paxton Quigley (2005) and The Concealed Handgun Manual: How to Choose, Carry, and Shoot a Gun in Self Defense by Chris Bird (2007). A comparatively small number of books are critical of U.S. gun culture and they usually take flak from the gun crowd. Whereas Diaz’s book was positively reviewed in Business Week, the New York Times, and the New England Journal of Medicine, 30 out of 43 Amazon.com customer reviews gave it just one star as of January 30, 2010. In contrast, Quigley received 10 five star and three four star ratings (out of a 16 total) and Bird’s book received 42 five star and 10 four star reviews (out of 59 total).

Gun Distribution in the U.S.

Gun distribution is a particularly thorny marketing and public policy problem because so many new and used guns find their way into the hands of criminal gangs and disturbed people intent on causing death and destruction to themselves and to others. In 2005, 30,694 people died from gunshot wounds in the U.S.: 17,002 were suicides, 12,352 were homicides, and 1354 were accidental, police-related, or of undetermined intent. Gun violence costs $2 billion a year for medical treatment and as much as $100 billion when all social and economic costs are calculated (Wintemude 2008). Gun advocates believe these numbers should be kept in perspective.
Analyzing data from 1990 to 1994, Kopel (2000) found an average of 15.7 deaths for every 100,000 firearms compared to 30.3 deaths for every 100,000 automobiles.

The most serious distribution problem is firearms diversion or the movement of guns from legal to illegal markets through an illegal method or for an illegal purpose. A relatively small group of federally licensed dealers probably are responsible for the lion’s share of the diversions: it has been estimated that one percent of dealers account for 45% of guns used in crimes in the U.S. (Bradford, Gundlach, and Wilkie 2005). Diversions are also an international problem. Guns flowing south across the border have been implicated in Mexico’s epidemic of drug-related killings, although the exact number has been a subject of debate. According to pro-gun Fox News (La Jeunesse and Lott 2009), only 17% of guns recovered at Mexican crime scenes come from the U.S., whereas an analysis by the Annenberg Public Policy Center finds the true number to be about 36% (FactCheck.Org 2009).

Gun commerce is regulated by a number of federal laws (see Bradford, Gundlach, and Wilkie 2005). The Gun Control Act of 1968 requires those engaged in the business of selling guns to obtain federal licenses and follow specified procedures, but the law does not cover transactions between private parties who do not claim to sell guns as a business (ATF 2000; Wintemude 2007). Guns made before 1898 are considered antiques and are exempt from the Act, as are newly made replicas of antique guns. State and municipal laws affecting gun sales, purchasing, and ownership prerogatives, such as the carrying of concealed weapons, vary widely across the U.S. and have been the subject of much litigation. In the 1990s requirements for a federal firearms license became stricter and fees increased resulting in a decline from 284,117 dealers in 1992 to 103,845 in 2000 (ATF 2000).

Distribution channels for guns are multi-tiered in that manufacturers sell to numerous licensed dealers who in turn sell to the public. Sales venues include established gun shops and shooting ranges and periodic gun shows and gun auctions. Some dealers peddle guns even more informally and operate out of their homes, car trunks, or some other non-commercial premise. Despite having licenses to sell directly to the public, manufacturers generally prefer distribution through dealer networks and retail stores (Bradford, Gundlach, and Wilkie 2005). Some rifles and shotguns are sold by Wal-Mart and other sporting goods chains, but large, mass market retailers have shied away from handgun sales (Diaz 1999). These channels constitute the primary market, but there is also a vigorous secondary market of previously owned guns. Cook, Molliconi, and Cole (1995) estimate that as many used gun transactions take place each year as there are new gun sales.

Gun shows play a problematic role in gun commerce. Over 4000 are held annually across the U.S. and account for 4-9% of all gun sales (Wintemude 2009). Many licensed dealers display their wares at them, but federal law also permits sales by those who claim to be only an occasional seller and collector (Wintemude 2007). Wintemude’s field research at 28 gun shows in California, Arizona, Nevada, Texas, and Florida indicated that anywhere from 25-50% of all vendors are unlicensed. They are not required to ask for buyer identification and cannot initiate a background check. Thousands of firearms might be on display at any one show and assault rifles figure prominently in the assemblage. Wintemude (2007, 2009) also found a gun show marketplace populated primarily by white males (90%), most over age 50. Videos by
Blumenthal (2009) and other journalists provide corroborating visual evidence of these impressions of gun show wares and participants.

No data exists on the number and gross sales of gun auctions, although several hundred probably take place annually. According to this author’s experience attending dozens of gun auctions since 1982, as well as tracking sales absentee by catalog or online, many of the firearms sold are for collectors and are either antique (pre-1898) or from the first half of the 20th century (i.e. WWI and WWII eras). Many lots are reproductions of the most desirable early Colts. Compared to gun shows, the most modern and lethal handguns constitute a smaller percentage of auction sales and controversial assault rifles are usually not sold. However, auction houses sometimes sell high end military machine guns from the WWII period or earlier. These purchases require that buyers hold a special federal Class III license. A genuine 1928 Thompson Submachine Gun like the ones used by John Dillinger and other 1930s gangsters (see Figure 7) would set back a collector around $15,000-20,000 (Amoskeag 2009). Older white males constitute the largest part of the audience at these venues. Not once in 28 years has the author seen an African American. Some women attend and, in Southern California, Asian Americans are occasionally present, but gun auctions are mainly events for white guys.

Figure 7. Actor Johnny Depp as John Dillinger in Public Enemies (2009)

Maintenance and Transmission of Gun Culture USA

What explains the tenacity of U.S. gun culture and how is it able to maintain and replicate itself over time? Clearly, the long and noteworthy history of guns in America imparts cultural
momentum through long-established customs and shared meanings, but in and of itself this past does not provide a sufficient account of the present. Other countries with a frontier tradition, such as Australia and Canada, have been far more able to control gun ownership and gun violence. Another important explanatory factor is the indoctrination of the young. Gun culture beliefs and rituals are passed down through processes of socialization. For example, children in the U.S. watch television and films that glorify firearms, play gun violent video and computer games, and sometimes have mock battles with realistic toy replicas. Some Americans still teach hunting and shooting skills to their offspring, although in an urbanized and crowded nation, the numbers who grow up participating in blood sports appear to be in slow decline. Yet, the youth of other countries also have been exposed to many of these same agents of acculturation, but they do not grow up favoring a U.S. style gun culture. Gun marketing and distribution are also probable factors in the transmission of U.S. gun culture since they work to ensure the population wants to and can remain well-armed. The question then becomes why firearms marketing systems are not as regulated in America as in other developed countries. Why is the relatively laissez faire gun marketing and distribution of the U.S. culturally sanctioned?

Clearly, American gun culture is a challenging phenomenon to properly analyze. Building a comprehensive explanatory model is beyond the scope of this paper. Instead, the remainder of this section will add to the above considerations by exploring two different theoretical perspectives – identity politics and visual and sensory culture – and the insight they give into how the exceptional American gun culture of the U.S. is maintained and transmitted.

**Maintenance and Transmission via Identity Politics**

In the U.S., opinions about the nation’s gun culture vary from one end of the political spectrum to the other. To conservatives, libertarians, and even some centrist Democrats, the right to keep and bear arms is considered pretty fundamental and well worth preserving whatever costs may accrue from gun violence. In contrast, medical and public health, law enforcement and criminal justice, and other interest groups believe the consequences of gun violence require stronger regulation over the distribution of arms and ammunition (Diaz 1999). This second coalition lacks the numbers, financing, and zeal of gun rights groups such as the National Rifle Association (NRA) and the Gun Owners of America. As illustrated by the polarized Amazon.com customer reviews, the intensity of feelings about guns ultimately gives the gun lobby its political influence. Few major politicians in the U.S. ever advocate gun control along the lines of Britain, continental Europe, Japan or Australia.

Taken to excess, gun enthusiasm can backfire. The militia movement of the 1990s epitomized paranoid, right-wing, gun fetishism and suffered public condemnation when one of its sympathizers, Timothy McVeigh, bombed the Oklahoma City Federal Building in 1995 claiming 168 lives. The more extreme manifestations of U.S. gun culture may have been given new life as a way of expressing opposition to President Barack Obama. Spurred in part by unsubstantiated fears among aficionados of what the Obama administration might possibly do to re-regulate firearms, U.S. gun sales increased about nine percent in 2008 over 2007 levels (The Economist 2008) and by 2009 shortages of ammunition were being reported (Neary 2009). Because this sales trend appears to have begun before Obama was the nominee, other causal factors may have been in play. In early 2010, the “open carry” movement – gun advocates who
insist on exercising their right to pack unconcealed handguns (legal in 43 states) – attracted media attention by showing up in force at Bay Area Starbucks (see Figure 8). Unlike many other retailers, who fear this crowd may drive away other customers, Starbucks does not prohibit the practice. Indeed, open carry is seen as so extreme that even the NRA has not championed it (O’Connell and Jargon 2010).

Figure 8. Doonesbury, March 22, 2010

The intensity of pro-gun sentiment in the U.S. can be explained by identity politics. Guns are and have long been products mainly for men, especially white men. In the South where the gun culture has been strongest, guns have been a white prerogative and a symbol of white male status (Hofstadter 1970). Yet, the social and economic status of men in American society has become problematic. Women now outnumber men in college enrollments and continue to make inroads into male-dominated professions. During the first two years following the onset of the recession in late 2007, three quarters of those losing jobs were males whose unemployment rate reached 11.2% compared to 8.6% for women (Economist 2010). Over the longer run, the median income of American males, which was $35,503 in 1974, was only $34,414 in 2008 (in 2008 dollars via CPI adjustments). The comparable figures for American women were $13,061 and $21,320 respectively. Thus, whereas men’s income had dropped 3.1% in real terms in 34 years, women’s had grown 63.2%. Mean income for men did rise from $41,106 in 1974 to in $48,678 in 2008, an 18.4% increase, but mean income for women grew 71.9%, from $17,220 to $29,609 (all data from U.S. Census Bureau 2010). The growing disparity between median and mean income figures indicates greater inequality, which itself may be a cause of gun ownership. Some men may buy firearms to protect their assets and others may indulge as a form of compensation for inequality. The famous Colt .45 Single Action Army has been called, among other monikers, the “equalizer” (Flayderman 2007).

The American gun lobby apparently has been successful in channeling any male resentments about declining social position into anti-governmental politics. Interestingly, the leaders of the NRA and other gun advocacy groups have been more strident in their opinions than their members (Dionne 2009; Weil and Hemenway 1993), whereas the general American public appears supportive of sensible gun laws. In a poll conducted for the Brady Campaign to Prevent Gun Violence November 5-9, 2008 (immediately after the 2008 presidential election),
67% of respondents wanted the new administration to take action in its first years and 83% favored criminal background checks for all gun sales (PSB 2008). The poll also found that 79% of all voters and 74% of gun owners agreed that the NRA was not a factor in the election. Because the U.S. suffers from high rates of gun violence, Americans have good reason to fear for their personal safety.

**Maintenance and Transmission via Visual and Sensory Culture**

Firearms may repel some Americans, but for many they can hold strong sensory interest. Not unlike shifting the gears of an automobile, working the action of a revolver or rifle and hearing the click of the parts can be a pleasurable experience. Discharging a pistol at a shooting range can provide both a literal and a psychological kick. Some guns are very well-designed industrial artifacts and possess a degree of inherent metallic tactility not unlike fine golf clubs or the controls of a sports car. Some firearms are highly desirable objects over which collectors compete. Freudian analysts might characterize this gun lust as object fetishism, but whatever the term applied these object properties would seem to enhance cultural transmission.

The pop art in Figures 9 and 10 illustrate some of these feelings. In the 1980s, Andy Warhol (1928-1987) created a series of gun images. The one portrayed in Figure 6 depicts the gun Valerie Solanas used in 1968 to shoot and seriously wound the artist. Warhol maintained that he was simply reproducing iconic images – like Campbell’s Soup cans or Marilyn Monroe – but the size of the revolver and the different colors suggest deeper layers of meaning. Roy Lichtenstein (1923-1997), portrayed guns in his works including the powerful, in your face “Pistol” (1964) and “The Fastest Gun” (19xx). “Pistol” (technically a revolver) was originally issued as a print in a limited edition of 20. In September, 2008, one copy sold at Sotheby’s for $254,500 (Sotheby’s 2008). Representations of guns can be visually appealing. Visual culture theorists emphasize “intertextuality” or how an image self-consciously refers to or “quotes” previous texts or images. It is assumed that the viewer is familiar with the cultural product being referenced (Sturken and Cartwright 2002).

In addition to the guns themselves, other aspects of U.S. gun culture attract visual interest. News reporting in newspapers and on television constantly emphasize the most criminal and lurid aspects of guns and shooting deaths. Entertainment media amplify these images through violent, sometimes extremely violent, popular entertainment, ranging from graphic novels to television and film to video games. Michael Moore’s Academy Award winning documentary, *Bowling for Columbine* (2002), may have sensationalized firearms at the same time it purportedly was investigating the U.S. culture of gun violence. Long term primary demand for guns may be stimulated by these dramatic appearances on film, video, and other mass media.
Figure 9. Andy Warhol, *Gun* (1981-82)

Source: Poster from Andy Warhol Museum, Pittsburgh

Figure 10. Roy Lichtenstein, *Pistol* (1964)
Serious and objective reporting of American gun culture has conveyed additional depictions. Hofstadter’s (1970) article in *American Heritage* contained an entire page of fascinating and historic gun images. The research conducted by the Violence Prevention Research Program at University of California, Davis (Wintemute 2009) has documented a variety of gun show ephemera for sale that, regardless of humorous intent, conveys misogynist (“I Just Got A Gun For My Wife; It’s The Best Trade I Ever Made”) and pro-violence (“When in Doubt, Empty the Magazine”) sentiments. Left-leaning Max Blumenthal (2008) has also compiled video documentation of some of the far-fetched and paranoid beliefs spouted at gun shows. These are factual and disturbing accounts collected by quite credible researchers and journalists. Nevertheless, although extremists make easy (and usually deserved) targets of critical scrutiny, they do not characterize much more than a fringe element of the broader American gun culture.

**Conclusions**

U.S. gun culture is a signal phenomenon. It draws strength from a long heritage and is passed on through the socialization of children. Firearms marketing, as pronounced today as it ever has been, also contributes to primary demand. No single factor explains the tenacity of this culture, but in addition to history, socialization, and marketing, identity politics play a prominent role and, as suggested by visual culture theory, the sensory aspects of firearms facilitate the transmission of pro-gun sentiments. Further empirical investigations into these connections would seem a promising avenue for macromarketing research.

Policy makers and public health professionals who despair over gun violence and the seeming political upper hand of the gun lobby should find some hope in the knowledge that deeply embedded cultural practices can change in the U.S. American tobacco consumption dates back to the early colonial era. By the 1960s, cigarette sales were enormous and about 42% of the population smoked. Cigarettes were heavily advertised on television and in print and widely distributed through retail stores and vending machines. Smoking was permissible in a wide range of places and among some sets was practically de rigueur. Popular culture assigned cigarettes and smoking strong sexual overtones and an aura of coolness and rebelliousness. Yet, a growing body of research convinced Americans about the health risks of smoking. Eventually, juries in product liability cases turned against the tobacco companies and lawmakers at federal, state, and municipal levels raised taxes, regulated cigarette advertising and distribution, and restricted the places where one could smoke. Over a 40 year period, smoking rates in the U.S. declined substantially to about 20.8% in 2006 (Rock et al. 2007). Thus, “tobacco culture USA” was greatly diminished on most measures.

**References**


I examine the effects of pharmaceutical industry marketing on American society. I argue that our current public policy and the pharmaceutical industry’s marketing-centric practices violate social contracts between government and citizens, between health care providers and citizens, and between the pharmaceutical industry and citizens. I argue that government policy on the pharmaceutical industry and the pharmaceutical industry’s emphasis on marketing are harmful to American society from an economic perspective and from a public health perspective.

Introduction

Corporations are created by a society to serve that society (Estes 1996). They are socially created institutions designed to serve society's interests (Corporations and Free Speech 1998). Corporations provide important services for society. They serve an important function. However, corporate interests must be held subservient to the interests of a citizenry of a society. Corporations are allowed to exist, first and foremost, to serve the public interest (Estes 2004).

Corporations, then, are required to be socially responsible. Kenneth Dayton, former Dayton Hudson Corporation chairman, stated, “We are not in business to make maximum profit for our shareholders. We are in business for only one reason: to serve society. Profit is our reward for doing it well. If business does not serve society, society will not long tolerate our profits or even our existence” (Smith 1981, p. 123).

According to Cruz (2005), a fundamental component of social responsibility is the social contract. Business exists at the pleasure of society; its behavior and operations must fall within the guidelines set by society. Like government, the business sector has a social contract (i.e., an implicit set of rights and obligations) with society. The specifics of the contract may change as societal conditions change, but the social contract persists over time. This social contract is the vehicle through which business behavior is brought into conformity with society's objectives.

Social Contracts

Social contracts comprise the implicit rights and obligations among societal members. We will briefly describe social contracts as they relate to the pharmaceutical industry and American society.
**Citizens and the Pharmaceutical Industry**

The pharmaceutical industry enjoys many rights in the U.S. There are numerous general corporate rights shared by all corporations (enforcement of contracts; freedom from force, fraud, and theft; and so forth). The pharmaceutical industry enjoys special privileges such as patent protection for new drugs, protection from international competition in the U.S. market, freedom from governmental control common in most of the world (e.g. price controls, a ban on advertising).

The pharmaceutical industry has implicit obligations to U.S. society. Americans expect the industry to develop new drugs to cure diseases and improve public health. Americans expect the pharmaceutical industry to produce drugs that are both safe and effective. Americans expect it to provide accurate information to improve public health.

**Citizens and Physicians**

American physicians enjoy a high socio-economic status unsurpassed among physicians elsewhere in the world. Americans expect their physicians to be highly trained, highly skilled, and current on the latest medical science. Above all, Americans expect their physicians to give patients’ well being the highest priority. Physicians have an obligation to make decisions in the best interests of patients at all times. In addition, as the health experts in society, physicians are expected to take an advocacy role on behalf of public health. The American Medical Association’s own written social contract states, in Article 8, that physicians are to “advocate for social, economic, educational, and political changes that ameliorate suffering and contribute to human well-being” (AMA 2001).

**Citizens and Government**

U.S. citizens have created a system of representative government to protect individual rights, maintain order, provide for public safety and defense, and look after its well being. The preamble of the U.S. Constitution lists as one of the reasons for the creation of America was to promote the general welfare of its people. Citizens submit to the authority of their sovereign government for safety, security, social justice, and public services. Citizens elect governmental leaders to represent their collective best interests.

With respect to health care, Americans expect their government to ensure that measures are in place so that the system operates in citizens’ best interests. Government is expected to ensure that public health is promoted and protected. Americans expect their government to ensure that the social contracts between citizens and the pharmaceutical industry and between citizens and physicians are enforced and the public’s well being is protected.
Pharmaceutical Marketing

Pharmaceutical marketing activities are ubiquitous in the United States. Three primary targets for pharmaceutical marketing tactics are: (1) consumers, (2) physicians, and (3) government. The U.S. pharmaceutical industry spends about 24.4 percent of sales on marketing versus 13.4 percent for research and development (Science News 2008). Global spending for prescription drugs in 2006 exceeded $643 billion. The U.S. market accounts for almost half of the global market (Pharmaceutical Industry 2009).

Pharmaceutical Consumer Marketing

The pharmaceutical industry delivers its marketing messages to U.S. consumers using e-mail, magazine ads, direct mail, branded websites, banner ads, radio advertising, and television advertising. (New Zealand and the U.S. are alone among industrialized nations in allowing direct-to-consumer advertising of prescription drugs.) Direct-to-consumer (DTC) pharmaceutical advertising increased from $55 million in 1991 to $3.2 billion in 2003 (Hensky 2004). The industry is predicted to spend $2.2 billion on online ads in 2011 (eMarketer 2007).

Pharmaceutical Physician Marketing

The industry’s primary target is physicians who write prescriptions (Angell 2004; Greider 2003) and who are responsible for 80 percent of all health care expenditures (Hahn 1995). There is one pharmaceutical drug salesperson (detailer) for every 4.5 office-based doctors (Rotz, Worzel, and McKinnon 2005). The pharmaceutical industry spent $4.7 billion detailing to the 490,000 office-based doctors in the U.S. (Abramson 2004). It spends vast sums targeting physicians, beginning the marketing relationship when they are medical students. This includes free meals, gifts, samples, consulting agreements, sponsorship of continue medical education, advertisements in medical journals and so on (Abramson 2004; Angell 2004).

Pharmaceutical Political Marketing

The goal of drug industry governmental marketing activities is aimed at protecting its marketing activities that are directed toward physicians and consumers, protecting it against competition, and protecting it against regulation. The drug industry spent $262 million on political influence in the 1999-2000 election cycle: $177 million on lobbying, $65 million on issue ads and $20 million on campaign contributions. The pharmaceutical industry has more lobbyist than any other industry–625 (more than one for each member of Congress). More than half the lobbyists are former members of Congress or individuals who worked in Congress or related government positions (Public Citizen 2005). The amount spent on lobbying has increased from $67.5 million in 1998 to $189.1 million in 2007 (Ismail 2008).
Pharmaceutical Marketing and Social Contracts

In this section, we examine the effects of Pharmaceutical marketing activities on the U.S. system of social contracts.

Citizens and the Pharmaceutical Industry

From 1982 to 2002, healthcare cost per person in the U.S., adjusted for inflation, quadrupled (Levit, Smith, Cowan, et al. 2002). From 1999 to 2009, the portion of health insurance premiums funded by employers increased 131 percent, from $4,247 to $9,860. Worker contributions to health insurance premiums increased 128 percent, from $1,543 to $3,515 (Kaiser Family Foundation 2009). Of the two-thirds of American workers who have employer supported health insurance, 80 percent offer prescription drug coverage (AHRQ 2004).

Prescription drug sales in North America were about $248 billion in 2004 (IMS 2005). In 2008, Americans paid, on average, about $7,290 per individual for their health care, a per capita amount more than twice that of other industrialized nations, with the U.S. being the only industrialized nation not offering universal health care (Bartlett 2009; Heffler, Smith, Keehan, et al. 2004; Reinhardt, Hussey, and Anderson 2004). Prescription drugs cost about 70 percent more in the U.S. than in other industrialized nations (Sanders 2009).

Many Americans are aware that healthcare in the U.S. is the costliest in the world. However, they also believe they receive the best healthcare in the world (Kennedy 2004). That is not the case, however. In a comparative study of 13 industrialized nations, the health of Americans is close to the worst on most measures and, overall, ranked second to last. Life style issues (smoking, drinking, and consumption of red meat) were taken into account, but were found not to contribute to the U.S.’s low ranking (Starfield 2000). (The U.S. ranked in the top half on these variables.) In another extensive comparison of American’s health with that of citizens in other industrialized nations researchers found that 18 industrialized nations have a greater life expectancy than Americans (OECD 2001). In yet another study, Americans’ health ranked 22 of 23 industrialized nations (WHO 2003). In overall achievement, U.S. healthcare system ranks 15 in the world. Taking into account the expense of the U.S. healthcare system drops the U.S. ranking from 15 to 37 in the world. On a measure of how the U.S. healthcare system improves its citizens’ overall health, the U.S. ranks 72 (Anderson and Hussey 2001). In 2008, the U.S. was rated the worst among 19 leading industrialized nations in a study on preventable deaths due to treatable conditions. Researchers believe that if access to health care was increased in the U.S., over 100,000 deaths could be prevented annually (Dunham 2008).

Americans’ social contract with the pharmaceutical industry allows for high prices under the belief; created by its public relations campaigns, and the rhetoric of industry representatives and friendly politicians; that high prescription drug prices are justified because of the enormous cost of developing new breakthrough drugs (Lueck 2003). While the industry’s U.S. prices are the world’s highest, its investment in research is meager in comparison with its marketing and administration budgets (Angell 2004). The industry has only developed a small number of
important new drugs in recent years. The vast majority of innovative drug research is publically
funded, and being conducted at universities, small biotech companies, and the National Institute
of Health (NIH). Most of the pharmaceutical industry’s new drugs are really newer versions of
older drugs (e.g., extended release version) or are branded copies of other pharmaceutical
companies’ blockbuster drugs, known as “me too” drugs (Public Citizen 2001, 2002). From
1998 to 2002, the FDA approved 415 new drugs. Of the 415 new drugs, only 133 were
classified as new molecular entities (NME). Of the 133 NME, only 58 were classified by the
FDA as priority review drugs (contain new active ingredients likely to be an improvement over
existing drugs). Therefore, in the five year period 58 of 415 new drugs were potentially

Americans expect the pharmaceutical industry’s drugs to be safe and effective. Abramson (2004)
provides examples of multiple case studies of drugs the industry marketed that were unsafe and ineffective. For example, Vioxx caused heart attacks; Premarin caused breast
cancers. The number of deaths from Vioxx is estimated to be between 88,000 and 139,000
(Sardi 2006).

The industry has heavily promoted expensive brand drugs that are no more effective and,
sometimes, less effective than existing and much less expensive alternatives. For example, in
one study, a common diuretic (generic, $37/year) was as good as or better than Norvasc (5th best
selling drug in the world, $715/year) for treating high blood pressure (Altman 2002, Winslow
and Hensley 2002).

It is difficult to be confronted with the evidence and not conclude that the pharmaceutical
industry has violated its social contract with U.S. citizens. Next we shall examine the effect of
pharmaceutical marketing activities on the social contract between U.S. citizens and their
physicians.

Citizens and Physicians

Americans expect their health care professionals to always make clinical decisions in the
best interests of patients (Nolan 1998). Americans expect their doctors to maintain currency on
medical research and training. Physicians are expected to counsel patients on how to live
healthier lifestyles in order to prevent disease and illness (Bell et al. 2002; Zemencuk et al.
1998).

Pharmaceutical marketing activity is most heavily directed at physicians, who write
prescriptions (Marco 2004). Since most new drugs being marketed are copycat versions of
existing drugs offering no benefit over alternatives, the industry brands these “me too” drugs and
promotes them heavily to build brand preference. Ironically, new break-through drugs require
very little marketing. (How much marketing would a cure for cancer require?) (Angell 2004).
Intensive, expensive, brand marketing is only required to sell drugs when there are multiple
undifferentiated alternatives. This is not to claim that drug marketing has no value. Many
physicians rely on information supplied by drug companies. Many physicians’ diagnostic and
drug choice decisions are influenced by industry-supplied information (Rhodes and Capozzi 2003).

Pharmaceutical marketing permeates and influences the medical education, from medical school to continuing medical education conferences throughout a physician’s career (Abramson 2004; Lancet 2000). Many of today’s physicians no longer determine whether or not a patient may need a prescription. Instead, the physician is determining which drug to prescribe (Angell 2004). Prescription drug marketing helps physicians make this decision. Physicians attend medical conferences which have become more like drug company trade shows than academic conferences. The industry sponsors a substantial portion of medical conferences. It hires consulting firms to construct a conference that is most effective at building brand awareness and brand preference among attending physicians (Ross, Lurie, and Wolfe 2000). Renowned medical experts, opinion leaders, who are featured conference speakers, are often paid consultants of drug companies (Abramson 2004; Angell 2004; Relman and Angell 2002). Clinical trials which are published in medical journals, which accept paid advertising, are often funded by drug companies. Drug companies control the design of drug trials and restrict access to data in order to ensure favorable results (Stolberg and Gerth 2000). Ingratiating drug company sales representative (detailers) remind physicians of the promoted branded drug with frequent visits, bringing gifts and free samples (Angell 2004; Pelletier 2002).

Physicians are generally too busy to read medical journals. Instead, they rely on drug company representatives (detailers) for drug information (Gönül et al. 2001). The industry spends billions of dollars annually to give physicians free samples. The industry often steeply discounts hospital prices of heavily marketed brands. Free samples, initial discounted prices, coupons, reinforced by DTC advertising, help all concerned to become familiar with branded drugs companies hope to market to blockbuster status (i.e. $1 billion in annual sales). Drug companies purchase physician prescribing data from chain drug stores, enabling drug companies to target physicians with precision and then track results (Abramson 2004; Angell 2004).

Although most physicians say they are not influenced by industry marketing, the evidence suggests that drug company marketing is effective (Abramson 2004; Jureidini and Mansfield 2001). Physicians continue to show a lack of knowledge about drug prices (Newsday 2003) and their prescriptions for a sponsor’s branded drugs increase after attending conferences sponsored by industry, after detailer visits, and after DTC campaigns (Kalantri 2004).

As a result of pharmaceutical marketing activity directed at physicians, patients have doctors who prescribe drugs instead of working with them on behavioral changes (healthier eating, weight maintenance, and exercise) even when behavioral changes: (1) would lead to much more effective treatment than the prescribed drug, (2) would also prevent an array of other diseases, and (3) would avoid side effects and possible risks of the prescribed drug. Industry marketing is effective in influencing physicians to prescribe the latest and most expensive drug even when a much cheaper, and possibly more effective, drug is available (older drugs also have the advantage of added safety because of their longevity in use) (Abramson 2004; Angell 2004).
Citizens and Government

U.S. citizens expect their government to protect them. They expect the U.S. government to safeguard and champion public health and welfare. They expect the U.S. government to regulate and oversee activities of the health care system in general and drug companies in particular. Instead of advocating for public health and welfare, however, the U.S. government has become an industry advocate, looking after the industry’s interests (Oberlander 2002).

There is some evidence to suggest that consumers believe the government prevents drug companies from disseminating incorrect information (Wymer 2007, 2010). This is a misplaced belief. The government has shifted FDA resources to speed up approval of new drugs. Although, the FDA is charged with reviewing advertisements for accuracy and balance, this responsibility is severely understaffed. In 2001 the FDA had 30 employees to review 34,000 advertisements (Adams 2002, Parisian 2001). The Bush administration appointed a former industry attorney to be the FDA chief council (Kranish 2002b). When the FDA did find an ad to be misleading, it would issue a warning letter to the drug company. Now those letters must be approved by the FDA council prior to being issued, effectively delaying any warning letter until the ad campaign is completed (Abramson 2004).

The pharmaceutical industry is now providing funding to the FDA, the National Institute of Health (NIH), and public universities. Conflicts of interests, financial ties, and a revolving door for former government officials into lucrative industry positions are the norm. Industry-friendly leadership was appointed by the former Bush administration to lead the FDA (Kranish 2002a). The FDA has 18 standing advisory committees in which members often have financial ties to the pharmaceutical industry (Cauchon 2000).

A good example of the U.S. government’s violation of its social contract with Americans in order to help industry was the Bush administration’s 2003 Medicare prescription drug bill (Abramson 2004). While promoting the law as a benefit to elderly Americans, the Bush administration refused to allow Congress to have the administration’s estimates of the cost of the new program, but had Medicare’s chief give a cost estimate of $534 billion, when, in fact the actual cost will be approximately $1.2 trillion (Connolly and Allen 2005). The law pays drug companies over $1 trillion from 2006-2015 at retail prices, prevents Medicare from negotiating lower prices from Pharma, and prevents Americans from buying lower priced drugs from foreign retailers. Ironically, the out-of-pocket expense to seniors for their prescriptions drugs increased from $1,912 in 2005 to $2,810 in 2010 (PRIME Institute 2010). After almost one year into the Obama administration, little has changed on this issue (Kirkpatrick 2009).

The industry was also successful in defeating an amendment to the Medicare bill which would have required drug testing to include a comparison with currently prescribed drugs (Stolberg and Harris 2003). Currently, drug companies are just required to test their drugs against a placebo. This answers the question of whether the proposed new drug is more effective than nothing. However, requiring a proposed new drug to be tested against currently available
drugs would answer the question of whether or not the new drug will be any more effective than drugs already on the market (Angell 2004).

The issue of drug imports was an industry concern while the Medicare bill was being moved through Congress. During this time, Americans were purchasing increasing amounts of drugs from Canadian retailers ($350-$650 million), where the same drugs cost about 70 percent less. (The Canadian government negotiates lower prices.) The pharmaceutical trade association hired a public relations firm which conducted focused groups and found that Americans were in favor of buying from foreign sources at lower prices. However, it also found that the one issue American seniors were more concerned about than lower prices was drug safety (Hensley 2003). Almost overnight, Pharma put forth a public relations effort to bring the safety of drug imports into question (FDA News 2003). The FDA soon supported industry’s effort, suddenly expressing concerns about the safety of drug imports. Shortly afterwards, the U.S. government banned foreign drug sales, stating safety as a concern, even though no evidence was produced to show that allowing Americans to buy drugs from countries having price controls would pose a safety risk. Ironically, the industry has been moving its production operations overseas to reduce labor costs. The biggest importer of foreign drugs is now American drug companies (Abramson 2004).

Little has changed under the Obama Administration. When Barack Obama was a Senator he supported drug imports. Now his administration opposes drug imports. Before the Congressional debate of health care reform began, the Obama Administration met in private with industry representatives and agreed that if the industry agreed not to oppose health reform measures, the government would agree not to negotiate prices. This agreement will cost the government about $20 billion and consumers about $80 billion over the next decade (Fram 2009). Now that the bill has become law (renamed health insurance reform instead of healthcare reform), it appears that drug companies’ revenues will increase tens of billions of dollars as a result of the new law. The new law requires 32 million uninsured Americans to buy private insurance. It adds about 10 million poor Americans to the Medicaid roles. It increases the proportion of prescription drug coverage paid by the government. It prevents the government from negotiating for lower drug prices. It prevents the importation of less expenses drugs (Abelson 2010).

**Discussion and Conclusion**

We have argued that pharmaceutical industry marketing activities have been involved in violating social contracts in American society. Reforms have been offered by some public health advocates to remedy the ill effects of industry marketing (Angell 2004). And while reforms will be added piecemeal over time to respond to periodic spikes in public displeasure, the effects of drug industry marketing are symptoms of a greater social ill. Americans have a government that protects corporate rights at the expense of the rights of its citizens. While protecting American drug companies by manipulating federal agencies (NIH, FDA), by extending patents, by preventing Americans from buying their drugs for 70 percent less from Canadian retailers, and by transferring huge sums of tax revenues to multinational drug companies, 16 percent of U.S.
citizens (46.3 million Americans) go without health insurance, the highest number ever (CBPP 2009). An Institute of Medicine (2004) reported that 18,000 Americans die unnecessarily each year as a result of having no health insurance. A more recent Harvard study reported 45,000 annual deaths in the U.S. are linked to a lack of health insurance (Cecere 2009).

America stand alone among the world’s industrialized nations by not having universal health care (Coverage Matters 2004). This is surprising considering most Americans want universal health care. An ABC News/Washington Post poll found that Americans, by a 2 to 1 margin (62 to 32 percent) prefer universal health care over the current employer-based system (Langer 2003). Do American citizens have a right to health care? Restoring the social contracts described in this paper, while restricting pharmaceutical marketing and reducing the drug industry’s power, would save American tax payers $500 billion annually and improve public health (Abramson 2004). The additional cost of providing health care for millions of uninsured Americans is approximately $50 billion (Hadley and Holahan 2003).

The prescription drug macromarketing system is indicative of a systemic problem in many post-modern societies. Policy makers make decisions as though they believe that the best way to promote the general welfare is to protect the interests of the corporate enterprise system. Policy makers act as though the economic health of society is derived from corporate power and profitability (Reich 2009).

This assertion was demonstrated when the U.S. government, after only a few days deliberation, gave the very financial giants that were largely responsible for the recent collapse $2.98 trillion (Thiruvengadam 2009). As a result of the largesse poured upon the financial titans; their financial positions have been shored up; they have acquired their weaker competitors, becoming even larger; they have returned to unregulated, highly leveraged, speculative trading of derivatives; harvesting massive profits; and paying out massive bonuses. Meanwhile, little has been done to prevent home foreclosures or job losses (Krugman 2009a). Over a year later Americans have experienced massive job losses and home foreclosures, while the Obama Administration response was to host a “jobs summit” on December 3, 2009 (Cillizza, 2009).

As is readily discernable from currents events such as Great Recession or the analysis of the pharmaceutical industry’s marketing activities, the system is not working to promote the general welfare, but instead appears to be working to promote private interests. Government policies are enriching the have-mores, while the have-nots get even less. Government policies are benefitting the wealthiest Americans and the largest corporations while failing to respond to the needs of the majority (Krugman 2009b). Perhaps the social theories that are framing policy makers’ understanding of social reality are no longer applicable. If this is the case, decisions based on those social theories will not be helpful (Means 1964). If this is the case, then society’s macromarketing systems will not promote the general welfare. Social theories that accurately portray social reality would then be required, if this is the case.
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Marketing Information as Proprietary Assets: Trade Secrets and the Economic Espionage Act

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This paper reviews a number of trends related to trade secret protection as well as some data concerning how firms use the mechanism in the current competitive environment. We look specifically at how the growing importance of knowledge assets related to marketing have influenced changes in public policy, and vice versa.

The Economic Espionage Act better defines trade secrets at the federal level and lays out specifics as to how to better manage them. We look at evidence of EEA prosecutions to establish the validity of trends in trade secret use and other insights that might be drawn. Based on the data, it appears that firms are indeed looking to protect different types of knowledge such as databases, particularly related to customers, and strategic plans. And, of course, it also appears that competitors are interested in relieving them of such knowledge.

Introduction

Marketing has always had a connection to intellectual property issues as the discipline deals with new products (patents), branding (trademarks), and commercial communication (copyright). But in such circumstances, it is only one of a number of disciplines charged with creating, administering, and protecting the intellectual property of the firm.

But as participants, marketers do have an interest in the nature of an intellectual property protection system under which they operate. As we shall see, however, marketing and intellectual assets are not just a public policy issue but a subject of wider, macromarketing concern. This paper will focus on changes in law and practice regarding proprietary data, information, and knowledge—changes that have been strongly influenced by current practice in marketing. Indeed, as we shall see, it is marketing applications driving when and how trade secret law is employed. The system has changed dramatically over the past decade, not only in the nature of the system managed by the government but a through an increasingly complex system of feedback and adaptation between marketing and public policy. The data suggest that marketing applications make up the lion’s share of cases prosecuted under the latest trade secret law, the Economic Espionage Act (EEA), an indication of the increasing depth of the relationship between public policy and our discipline.

Our discussion will center on trade secrets. Trade secrets have always been an important option in the intellectual property (IP) arsenal, but a number of recent trends have led to a more prominent role for it in many firms. More and more proprietary knowledge and information does not fall into the narrow requirements of patents or other more traditional intellectual property
areas. As a result, organizations need to consider other means to protect such valuable knowledge assets. Effective use of trade secrets can be a useful alternative. This is especially true as information beyond patentable product or process specifications gains importance. Current practice demonstrates that marketing information, in particular, is an increasingly critical source of competitive advantage for firms, and trade secrets are a particularly useful choice for protection.

Contributing to the broadening role of trade secrets are a number of factors. The rapid growth in information technology (IT) applications, particularly enterprise systems such as enterprise resource planning (ERP), supply chain management (SCM), and customer relationship management (CRM) platforms, has sharply increased the amount of data and information flowing throughout organizations. Relatedly, networks of firms are also growing in importance, as the tight coordination allowed by IT improvements spurs organizations to tie in tightly with suppliers, vendors, and other partners. Huge amounts of information, data, and knowledge routinely flow between network partners on a daily basis. As we’ll see, these knowledge assets can often be a source of competitive advantage but, again, don’t fit the typical intellectual property classifications.

Fortunately for many organizations, the advent of the EEA in 1997 opened up an additional avenue for protection of these new data assets. The EEA more firmly established trade secrets as a piece of IP and broadened the nature of knowledge, data, or information that can qualify as a trade secret. After a discussion of some of the theory of intellectual capital and knowledge asset protection, we’ll pass to an in-depth look at what has happened with the EEA over the last ten years or so. In particular, we’ll review cases prosecuted under the EEA to date, the nature of the knowledge assets concerned, and the implications for IP strategy in general and trade secret strategy in particular as we move forward. The results will inform marketers about current public policy as well as how policymakers are responding to the changing marketing environment and, recursively, further changing that environment itself.

Background

A useful conceptual platform for analyzing the status and impact of the EEA is through the field of knowledge management (KM) and its close cousin, intellectual capital (IC). Also a burgeoning force during the past twenty years, KM provides a theoretical base for discussing not only all types of knowledge assets but how to develop and protect them. It also makes clear the growing importance of non-traditional knowledge assets, those often not covered in IP discussions.

KM and IC are flip sides of the same coin, essentially the identification and measurement of knowledge assets (IC) vs. technologies and techniques for managing those same assets (KM). Both fields grew substantially during the decade of the 1990’s as leading scholars recognized the importance of intangible knowledge within the organization (Drucker 1991; Stewart 1997). Specific to IC, both scholars and practitioners created methodologies to better capture the value of these assets in a way traditional financial reporting could not. Skandia’s Navigator, for instance, was used to create and publish the first corporate intellectual capital report (Edvinsson and Malone 1997) while the well-known Balanced Scorecard was another outgrowth of interest.
in getting a better handle on the nature and value of IC (Kaplan and Norton 1992). The purpose of carefully measuring these assets, of course, was to better manage them, which was where KM’s information technology (IT) installations and more qualitative tools came in.

Before we get to those, let’s flesh out some further aspects of IC theory. In part based on Navigator, the field tended to a definition of IC that included three parts: human capital (HC), structural capital (SC), and relational capital (RC) (Bontis 1998, Davenport and Prusak 1997). Other versions do exist, see Andreou, Green and Stankosky (2007), for example, for a more extended view of types of IC. But the generally accepted categories of human, structural, and relational capital are useful for our purposes.

Human capital is the most intuitive area and is a term thrown around almost casually within and without the field. In general, it refers to the knowledge possessed by individual employees related to their job, be it the CEO or the stockboy, and it can be added to through education, experience, or other means. Structural capital has more to do with institutional knowledge, encompassing infrastructure (e.g. Wal-Mart’s IT-driven supply chain and the knowledge within the organization about what’s in it and how to use it), corporate culture, or other characteristics of the entity that seem to permeate it and groups of employees. Finally, relational capital defines knowledge about relationships with those outside the core firm: suppliers, vendors, research or operations partners, regulators, customers, and others. Although all areas can hold critical proprietary knowledge assets, we will focus especially on relational capital in this chapter as it holds the most dramatic examples of how matters have changed in terms of protecting knowledge as trade secrets. Relational capital is also the primary area where marketing-oriented knowledge will be found as relationships with customers and values like brand equity characterize the concept.

Other theoretical or practical advances that can be important to understand in these disciplines include the distinction between tacit and explicit knowledge, as well as means to better manage knowledge once their nature is better understood. The tacit/explicit divide predates the whole concept of KM by years but has predictably been incorporated into the field as it has a number of important implications handling knowledge assets (Polanyi 1967). Tacit knowledge is defined as highly personal knowledge that may be difficult or even impossible to explain or transfer to another. Explicit knowledge, on the other hand, is not only more sharable but even codifiable in many cases, able to be captured within an objective database (Nonaka and Takeuchi 1995).

The difference between the two is important as there are enormous implications for both developing and protecting the different kinds of knowledge assets (Boisot 1995; Choi and Lee 2003). Explicit knowledge, as noted, can be captured and perhaps codified, including by the massive KM IT applications installed by many of the top consulting firms over the past fifteen years. There are still important managerial considerations such as motivation and reward, but the idea is that knowledge can be harvested from individuals and turned into an organizational asset that can then be widely shared. Explicit knowledge is, however, often difficult to protect as it is digital, easy to remove or transfer, and typically available to many more individuals both within and without the core firm (Rothberg and Erickson 2005).
Tacit knowledge, on the other hand, can be extremely hard to harvest from the individual holding it. While IT installations such as expert systems can be used to help manage such intellectual capital (identifying who has knowledge while not necessarily including the knowledge in the database), other, more personal techniques are often required. Thus, everything from old-fashioned apprenticeships to communities of practice to storytelling can be applied to facilitate knowledge transfer. Indeed, one of the compelling advantages of storytelling is its ability to sometimes procure knowledge that individuals may not even realize they hold, let alone be able to express. From a protection point of view, tacit can be both easier and harder to keep proprietary. There is less risk of leakage from the IT system or from weak links throughout the corporate network. But there is increased risk of the individual employee holding the tacit knowledge leaving, not only transferring the knowledge but leaving the original firm without it (Rothberg and Erickson 2005).

Another important trend in the research further breaks down the characteristics of the knowledge and/or situation so as to determine opportunities or threats to better managing it. Beyond the tacit/explicit distinction, researchers have also identified variables such as the complexity of the underlying knowledge and its appropriability or specificity (how closely it is tied into specific usages in the originating company) (Zander and Kogut 1995).

All of this background emphasizes the point that although practice has seen fits and starts in terms of adoption of KM systems and techniques, the scholarly literature has persistently represented an implicit assumption that more knowledge development and sharing is always for the better. Collect more knowledge from your people, more from your network partners, and then spread it to as many people throughout the network as possible. All of the variables entering into KM, however, suggest that a more strategic approach, dependent on circumstances, makes more sense. Not all knowledge is harvestable, not all knowledge makes sense to leverage through distribution. Sometimes, it just isn’t worth the effort because it isn’t helpful.

Going even further, at the same time we saw the growth of interest in KM/IC over the past twenty years, a similar pattern has emerged in the field of competitive intelligence (CI). Although not often considered together, there is a clear connection between proprietary knowledge asset development (KM/IC) and efforts by competitors to relieve a firm of those assets (CI) (Rothberg and Erickson 2005; Liebeskind 1996). Given the risks of distributing knowledge too widely in an environment brimming with CI activity (in some industries), a case can again be made that KM effort may again be better managed in a more measured and strategic manner. Too much collection and sharing can leave knowledge more vulnerable to loss to a competitor practicing aggressive CI. Not all knowledge is the same, not all industries are the same, and not all KM development and protection strategies will be the same.

**Conceptual Foundations**

With this background, we can begin our examination of what types of knowledge assets are important to firms today and how matters have changed in terms of managing those assets and protecting them. Again, there are different situations. There are firms for whom there are well-defined knowledge assets, of the standard intellectual property type: explicit, structured, and protectable with a patent or other IP device. On the other hand, there are firms for whom
there are more loosely defined knowledge assets: tacit, hard to get a handle on, tough to even explain, let alone defend with traditional mechanisms. And, of course, there are situations with knowledge of little practical value, not worth the time to manage or defend. Defining all the circumstances and strategic alternatives is a huge undertaking, but initial efforts suggest that the situational alternatives, at least, can be structured enough to provide decision makers with better guidance (Rothberg and Erickson 2005).

In this paper, we look at the specific circumstances that may call for a more nuanced approach to knowledge development and knowledge protection. Specifically, by examining the prosecutions under the Economic Espionage Act (EEA) by the Justice Department, we can determine the types of knowledge most desired by interlopers while also identifying those perhaps best protected by trade secrets rather than more structured IP mechanisms.

As the preceding discussion should make clear, the distinctions in the types of knowledge suggested by IC theory range far beyond typical technical product or process details (patentable knowledge) or other copyrightable or trademarked material. IC assets can include many aspects of knowledge beyond traditional IP. These are increasingly important in today’s world in which strategic or tactical knowledge may be more critical than technical details. In particular, there are circumstances when more muted protection devices make more sense.

Just in the past year, for example, a case appeared in the media as Starwood sued Hilton on April 16, 2009 for illegally obtaining documents containing “Starwood’s most competitively sensitive information” (Audi and Lattman 2009). Two former Starwood executives were accused of taking thousands of documents to Hilton when they moved there. The information specifically concerned a new hotel concept “zen den” that Starwood looked to launch and that Hilton allegedly copied in its planned Denizen brand.

Similarly, in the recent past, there have been a number of other examples concerning matters like product strategies and customer information. The collapse of the Amaranth hedge fund in 2006, for example, has been attributed not just to Amaranth’s taking huge positions betting on increases in the price of natural gas but also the ability of other traders to discern the trading strategy and take opposing positions (Davis 2006). The presumably proprietary portfolio strategy ceased to be hidden and resulted in competitive disaster. Or consider the case of White Cloud bathroom tissue. Procter & Gamble inadvertently let the trademark lapse in 1994 and close supply chain partner Wal-Mart was able to snap up the rights and start selling the tissue itself. In doing so, the retailer was able to employ “consumer market research” P&G had shared with it, using P&G’s own proprietary data against it with a now competing brand (Ellison, Zimmerman and Forelle 2005). Note that neither case involved any allegations of theft. In fact, although P&G was unhappy with its retail partner, it obviously continues to do business with Wal-Mart and has forged ever closer connections over the past decade.

The anecdotal evidence suggests several things. Initially, those knowledge assets we discussed in the previous section can, indeed, be important to the success of a firm. When one mentions intellectual capital, observers often think of human capital. And when human capital comes up, the assumption is often that it is personal educational improvement or job skills obtained through experience. HC, and by extension IC, is often perceived as being about
operations and processes. In fact, the field is far wider than that. In particular, the human capital of executives planning strategy, the relational capital that comes from in-depth customer knowledge and/or brand reputation, and other such IC is a much different animal. Intellectual capital and knowledge management systems reach deeply into the firm, at all levels and including all functions. But there is evidence that marketing knowledge is becoming increasingly critical.

Further, the IC of a firm is, indeed, of interest to competitors. This interest can take several forms. As opposed to traditional IP, where getting behind a patent yields insights into product design or production processes, purposeful competitive intelligence and other efforts to uncover knowledge assets span a far greater range. On one hand, very specific data or information may be of interest, including consumer market research, prospect lists, and other such assets. On the other hand, strategy can be uncovered from all sorts of insights and seemingly unrelated pieces of quantitative and qualitative data, information, or knowledge. There appears to be growth in the perceived value of this broad range of knowledge assets, by both originating firms and competitors, and growth of interest in better developing and better protecting the same.

One last observation of interest is that anecdotal evidence comes not just from firms that manufacture goods but also from service providers, mirroring the well-known growth in the service sector of the economy at the expense of traditional manufacturing. And, again, that raises the prospect that typical IP tools may need to be supplemented.

**Economic Espionage Act (EEA)**

The Economic Espionage Act came into force in the US in 1997 without a lot of publicity. In a number of ways, however, it was an important piece of legislation in the field of intellectual property. While trade secrets have always been a part of the IP arsenal for protecting knowledge assets, the nature of the tool was always a bit fuzzy and its effectiveness often questioned. The EEA, however, fortified trade secrets and extended their reach (Carr, Morton and Furniss 2000). It also established, at the federal level, the standards for trade secrets. Previously, trade secrets tended to defined by individual states. The pertinent sections of the Act include:

The term ‘trade secret’ means all forms and types of financial, business, scientific, technological, economic or engineering information, including patterns, plans, compilations, program devices, formulae, designs, prototypes, methods, techniques, processes, procedures, programs or codes, whether tangible or intangible, and whether or how stored, compiled or memorized physically, electronically, graphically, photographically, or in writing, if:

- the owner thereof has taken reasonable measures to keep such information secret
- the information derives independent economic value, actual or potential, from not being generally known to, and not being generally ascertainable through proper means, by the public (18 United States Code §1839 (Supp. IV 1998)
The first thing to notice is in the specificity and breadth of the trade secret definition. Clearly, a number of things that we have been discussing that fall into the intellectual capital categories can obviously be considered trade secrets. Business and financial information, for example, is now covered under the EEA but was not a part of the Uniform Trade Secrets Act preceding it (and that most states adopted as their defining language) (Carr, Erickson and Rothberg 2004). Basically, anything related to your business that you gain benefit from by keeping confidential can be considered a trade secret. So strategic plans, databases, consumer marketing research, and so forth can be designated trade secrets with some degree of confidence.

On the other hand, one other thing the EEA does is place an obligation on the trade secret holder to take explicit steps to protect that secret. In many ways, this is simply a continuation of basic good practices, such as stamping sensitive material as “confidential”, shredding, or requiring nondisclosure agreements from outsiders. It can, however, go further. The case can be made that explicitly designating something as a trade secret and subject to special confidentiality treatment would help make the case that the secrecy obligation has been met. Further, anyone with “license” to the information or knowledge has the same secrecy obligation, so if a firm is sharing knowledge assets throughout a network of collaborators, it needs to ensure these partners also take appropriate steps to preserve confidentiality. Interestingly, the act of identifying knowledge as intellectual capital can help with this—demonstrating that the originating firm has given thought to what is important and what is not while also systematizing identification, collection, codification, and distribution. Network members with access to the KM system can be reviewed and certified that appropriate confidentiality processes are being followed (Erickson, Rothberg and Carr 2003).

One further concern is how the courts interpret the statute. There is some evidence that the courts’ expectation of the secrecy obligation may be quite high. In one notable case, Apple sought to prosecute a “John Doe” who released a presentation containing details of a new product introduction. Apple had apparently done a lot of things right as the PowerPoint slides were clearly stamped confidential, among other things, and the company is famously insular, especially concerning new products. It was fairly clear the information had been stolen and distributed to some Apple fan sites that blogged about the details of the upcoming product launch. The California Court of Appeals, however, basically ruled that Apple must have been sloppy in its protection since the information got out (O’Grady 2006). Loss of confidential information was treated as evidence that the protection system was weak. In order to make use of the EEA, firms really need to be sharp about how they manage their proprietary knowledge assets.

One last aspect of the EEA which leads us naturally into a discussion of the data in the next section is the involvement of the federal government in enforcing trade secrets. With this statute, the Department of Justice (DOJ), including the FBI, can get involved in collecting evidence of trade secret theft and prosecuting the case. As the EEA was largely motivated by fears of economic espionage by foreign governments, this is not surprising. But FBI sting operations relating to trade secret theft is a new and interesting direction in IP management.

As a result, we now have over ten years of data on the types of cases that have been prosecuted by the DOJ under the EEA. It’s of interest to look over the data and discern the trends
in type of firm and type of data. We presented anecdotal examples earlier concerning the nature of intellectual capital. With this database, we can more confidently confirm some of the trends in trade secret application and its relation to types of IC.

**Data and Discussion**

Previous research has uncovered some patterns in the data, including affected industry (Searle 2008), and we’ll cover some of this shortly. As the main basis for our discussion, however, consider Table 1 which tracks EEA prosecutions to date as listed on the Department of Justice’s cybercrime website. We identified the EEA cases, gathered further information when necessary concerning the details of the cases, and organized them according to the type of data, information, or knowledge at the heart of the matter.

**Table 1. EEA Prosecutions (DOJ 2009)**

<table>
<thead>
<tr>
<th>Targeted Firm (Victim)</th>
<th>Type of Knowledge Asset</th>
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<tr>
<td><strong>Product Knowledge</strong></td>
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<tr>
<td>ICS &amp; Deloitte</td>
<td>SAP implementation methodology</td>
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<tr>
<td>Acuson</td>
<td>Ultrasound machine blueprints</td>
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<tr>
<td>Corning</td>
<td>Network switch plans</td>
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<tr>
<td>Cleveland Clinic</td>
<td>Genetic materials, cell line reagents and constructs</td>
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<tr>
<td>Microsoft</td>
<td>Certification exams and answers</td>
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<tr>
<td>Wendt</td>
<td>Engineering drawings and data</td>
</tr>
<tr>
<td>DirecTV</td>
<td>Access card information</td>
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<tr>
<td>C&amp;D Semiconductor Services</td>
<td>Drawings, schematics</td>
</tr>
<tr>
<td>Marvell Semiconductor</td>
<td>Switches and transceiver products</td>
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<tr>
<td><strong>Product Knowledge (Source Code)</strong></td>
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<tr>
<td>Zirmed.com</td>
<td>Computer source code</td>
</tr>
<tr>
<td>Lucent, et. al.</td>
<td>Hardware and software of Pathstar access server</td>
</tr>
<tr>
<td>System Management Arts</td>
<td>Computer source code</td>
</tr>
<tr>
<td>Jasmine Networks &amp; Silicon Wave</td>
<td>Computer source code for designing chip features and for wireless networking specifications</td>
</tr>
<tr>
<td>Microsoft</td>
<td>Computer source code for Windows NT 4.0 and Windows 2000</td>
</tr>
<tr>
<td><strong>New Product Knowledge</strong></td>
<td></td>
</tr>
<tr>
<td>Gillette</td>
<td>New shaving system</td>
</tr>
<tr>
<td>Cisco</td>
<td>Product ideas, descriptions, requirements, specifications, design procedures and limitations for voice-over and optical networking software</td>
</tr>
</tbody>
</table>
Searle’s work showed that 54% of cases were still in manufacturing and that 41% were likely patentable with another 20% potentially coverable by other IP mechanisms (copyright in most cases). In some ways, that goes against the main thrust of this chapter that changing emphases in circumstances (growth in the service sector, growth in interest in protecting more nebulous intellectual capital that probably isn’t patentable). But a number of industries exist in which firms may prefer not to patent as technology either moves too fast (patent will cover outdated technology by the time it is issued) or a patent may require too much disclosure of a technology. With enough details, competitors can often engineer around a patented technology. Even so, and with an understanding that IP is sometimes a viable option, a closer look at the data in Table 1 suggests that a new view of trade secrets is still appropriate.
Initially, these data show that even in the manufacturing sectors, the knowledge assets in question are often not production or technical information concerning the product. Rather, it’s often product features, usage information, or applications. This is especially true of the software, apparent in a number of the groupings, particularly the “Source Code” category. Software is classified as a manufactured product but the operational processes are trivial, it’s the nature of the underlying software and its applications that is important. A substantial amount of the examples also describe data or databases which are squarely within the IC descriptions discussed earlier in this chapter.

The software examples bring up another point in relation to patentability. While software is patentable, it’s also illustrative of the type of IP that creators may choose not to use. Patents can provide strong protection but they also require opening up the details of the invention while taking some time for issuance. Software, in particular, is a product that creators may choose to keep secret instead, especially since it’s also a fast-moving field in which the patented version of the process is likely obsolete or at least dated by the time a patent is issued 18+ months after application. Such patentable but unlikely to be patented knowledge assets are some of the strongest candidates for treatment as a trade secret instead.

The table is self-explanatory but several other points should be made. Again reinforcing the point that a lot of knowledge is no longer about good manufacturing, only three of the cases are clearly in that area. Product knowledge or details about the product’s technology is another often patented area, and obviously a substantial amount of cases fall into that area (the first three categories in the table). But many of these are not really the technological details, but, as noted, are more about features, customer usage (the DirecTV access card, Microsoft certification exam), or other factors.

On the other hand, there are a surprising number of cases that focus only on customer information (the relational capital from earlier in the chapter), with three clear cases and two other likely candidates in the “Unclear” category. There are also a number of cases related to strategies and planning in the Sales, Pricing and Alliance categories. Finally, all the computer source code examples are indicative of a broad trend that includes knowledge assets that are shared throughout networks—the source code needs to be shared with partners developing complementary software or adapting the software to specific applications. Additional examples such as the SAP case, the biotech cases (Harvard, Cleveland), and the Intel and Cisco cases would also fall into this category. As noted early in the paper, the prominent trends in the field concern new types of knowledge assets routinely shared throughout e-networks of collaborators. A lot of the cases in this table illustrate that trend.

These data are just a snapshot of what sorts of knowledge are valuable to firms and of interest to their competitors. Given their appearance on the EEA list, they are indicative of the types of knowledge assets firms are looking to protect with trade secrets rather than alternative IP mechanisms. As such, they are instructive of trends in the valuation and protection of such knowledge assets. Although not definitive, this exercise suggests that trends in intellectual capital and knowledge management practice are real and that the use of trade secrets as an important part of the IP arsenal is an important response to those trends.
Conclusion

Trade secrets have always been an important part of the IP toolbox. With the advent of interest in knowledge management and intellectual capital, however, trade secrets seem poised to take a more important role. KM systems manage a broader range of knowledge assets, and many of these are not protectable with other IP choices. Moreover, competitive intelligence activity has also been ratcheting up over the past two decades, making protection concerns even more critical. Routine sharing of information, data, and knowledge throughout networks of companies also contributes to this trend. Firms are interested in developing and protecting different types of proprietary knowledge assets than has been the case in the past.

The Economic Espionage Act also enters into this environment. By more broadly defining what is protectable with trade secrets and establishing what must be done to keep them protected, it has firm ed up the role of the trade secret. It has also provided us with relevant data to assess the accuracy of this view of IP trends. Generally, the prosecutions under EEA appear to show that a different kind of knowledge asset is, indeed, being developed and protected with trade secrets. For those looking to trade secrets as part of their IP strategy, both the in-depth examples and the broader evidence provide guidance as to how to better employ the tool.

And to bring the discussion back to macromarketing, the evidence on prosecutions strongly suggests that marketing issues are at the core of the EEA and contemporary trade secret law. As the importance of softer knowledge assets such as customer databases or nonpatentable product details has grown, so has the importance of trade secret protection. Similarly, as modern enterprise and customer relationship systems have exponentially increased the sharing of knowledge between network partners, the importance of trade secret protection has expanded. Changes in the nature of marketing have influenced public policy which in turn now better protects marketing activity if marketers are willing to employ it.

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Freedom of Information: Preliminary Empirical Data

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This paper reports on a larger research program designed to establish current practice regarding the US Freedom of Information Act. 2008 annual reports of the 15 US federal departments are gathered, collated, and reviewed. In context, these results provide insights into how FOIA requests are processed while also establishing a benchmark for future analysis. In particular, attitudes toward personal privacy and corporate confidential business information are reviewed.

Introduction

The US Freedom of Information Act (FOIA), since its inception in the 1960’s, has waxed and waned in its application and impact. Although usually thought to be of interest chiefly to journalists and/or open government organizations, its usage has changed dramatically. Now often employed for discovery in court proceedings and by for-profit organizations for competitive intelligence purposes, the FOIA is seen by many as a business tool rather than an open governance mechanism. Even more recently, as various levels of government have amassed ever more data on individuals, FOIA has begun to be employed as a means of obtaining consumer data. As is the case with other databases, combination can be used to build formidable consumer profiles and, in some cases, cut through anonymity. Anonymous data in one database may have enough identifying details to tie into known profiles in another database.

To some extent, this tradeoff between openness and privacy has been recognized since the FOIA was first adopted, with exemptions specifically tied to individual and organizational privacy or secrecy. The emphasis at any particular point in time, however, has varied according to both the law’s structure and its application. As we’ll discuss, Congress has tended to push for more openness (less privacy) over the years while a number of the major court decisions regarding FOIA have pushed back toward more privacy (less openness). Further, different administrations (FOIA covers only the executive branch) have had different philosophies. Most recently, the Obama administration has promised dramatic changes in open government by liberalizing freedom of information (FOI) processing attitudes. Finally, the actual processing of FOIA requests can vary markedly by the department or agency in question. While the Department of Justice may have an overall philosophy on backing up department/agency decisions on FOIA, whether it even gets that far really depends on individual decisions—if a specific agency just routinely grants requests because its easier than dealing with appeals, the matter would never get to DOJ or the courts. Similarly, if a specific agency routinely rejects applications, it will find itself with appeals, proceedings, and other processes that need to be addressed.
What this means is that FOIA in application is a mixed bag that varies considerably over
time or by executive department. From a macromarketing perspective, this is a public policy
issue that relates to the changing environment posed by new information and communication
technologies (ICT). As related in recent macromarketing research, consumers are now better
able to communicate with marketing organizations, allowing participation in offering
development (Fyrat and Vicdan 2008). Value creation comes from an ever closer relationship in
which production is intertwined with consumption (Zwick and Dholakia 2008). Such a close
relationship, however, doesn’t happen without deep databases containing consumer data, often
turned over willingly. The same issues apply to organizations which routinely interact even
more closely with network partners, creating data stores with matter that they will often seek to
keep secret.

But the ICT’s that allow such close relationships and sharing of information also create
conditions in which both individuals and organizations can lose control over their private data.
As alluded to earlier, information from different databases can be combined, with seemingly
anonymous individuals and organizations becoming readily identifiable. Further, a database
creator promising privacy or non-disclosure may not be able to live up to that promise. One
precedent is in bankruptcy proceedings where a proprietary database may be viewed as an asset
to be turned over to creditors or sold to the highest bidder (who then does not need to live up to
the predecessor’s policies) (Kelly and Erickson 2004). A second concern is the subject of this
paper, what happens when private or proprietary data in a government database is surrendered to
a third party via an FOI request? In a new environment, wherein different levels of government
hold increasing amounts of private or proprietary data easily shared and combined through
ICT’s, how much of a concern are FOI requests?

The Freedom of Information Act

One of the first acts of the Obama administration was to release a memo changing FOIA
policy, directing executive departments and agencies to review requests with a presumption
toward release. The memo explicitly repudiated a Bush administration policy driven by a 2001
DOJ memo from then Attorney General Ashcroft establishing a presumption toward denial.
There’s an expectation that this change of attitude at the top of the executive branch will
dramatically affect how FOI requests are handled at the federal level. And, of course, that sort of
change will impact the privacy and secrecy issues laid out in the introductory section.

The US Freedom of Information Act was enacted in 1966 with the aim of opening up
government to more public scrutiny (Apfelroth 2006; Uhl 2003; Halstuk and Davis 2002; Perritt
1998; Perritt 1995). Besides the federal act covering the executive branch, there have also been
related freedom of information laws (FOIL) enacted in all fifty states, the District of Columbia,
and many, many lower levels of government. The FOIA directs executive agencies to publish
records of interest as a matter course as well as fulfill requests for disclosure of other,
nonpublished records. Only existing records are covered (agencies do not need to create
documents to fulfill requests) and requests can be initiated by any individual or organization.
While originally not subject to justification or explanation, some recent court decisions have
placed a burden on requesters in certain situations, as we’ll discuss. But, generally, the requester
does not have to provide a reason why he/she wants the records.
Agencies process FOIA requests and can fully grant the request, partially grant (releasing some records, denying some), or fully deny. If denied in full or in part, the agency must justify it for some administrative reason (e.g. no such record) or based on an exemption. These exemptions were established in the original Act, and a number have to do with privacy or sensitive information. We’ll lay out all of these shortly, in the data portion of the paper.

The main point of the legislation was to provide access to records not released by the agencies, with a new presumption toward release and more open government. This emphasis has changed in both directions over the decades in response to further legislation, court decisions, and other factors. Initially, the Reporters’ Committee Supreme Court decision (Halstock and Davis 2002; Cate, Fields and McBane 1994) established that agencies should not release any records that might violate personal privacy unless they had to do with the “central purpose” of the entity’s mandate. This decision freed agencies from having to deal with requests having to do with tangential activities. The Electronic FOIA Amendments of 1996 pushed back in the other direction (Halstuk and Davis 2002). The legislation explicitly noted that records included all forms of data, including digital, whether central purpose or tangential, and that records should be provided in whatever form requesters desired. It also reasserted that openness was to be the priority whenever openness and privacy came into conflict. Indeed, Patrick Leahy (1998, p. 340) noted “FOIA is no longer limited to a ‘core purpose’ of making agency records and information available to the public only in cases where such material would shed light on the activities and operations of government.”

In more recent years, the emphasis went back in the other direction, at least until Barack Obama’s inauguration. In the wake of 9/11, another exemption on the basis of critical infrastructure was added to the law, more national security exemptions were used in denying requests, and the Ashcroft memo established a presumption toward denial throughout the executive as well as the promise of aggressive DOJ support in the event of an appeal of a denial (Uhl 2003). Further, a 2004 Supreme Court decision, National Archives and Records Administration v. Favish, concerned a request for death scene and autopsy photos after Vince Foster’s suicide. The decision firmly established survivor privacy rights and noted “the family’s privacy interests outweighed the public interest in disclosure” (Halstuk 2005, p. 363). Extending the impact of the decision, the court suggested application of a “sufficient reason” test requiring requesters to demonstrate a public interest being served by disclosure. Although too early to fully gauge its effect, this decision could be extremely important as it begins to shift the burden of proof from the agencies (prove why is shouldn’t be disclosed) to requester (prove why it should be disclosed). And, now, of course, with the change in administrations, the potential exists for a substantial shift back in the other direction.

Data Privacy and Security

With the advent of ever more ubiquitous information and communications technologies, the ICT’s discussed earlier in this paper, privacy concerns vis a vis the government and the private data of consumers and businesses have increased considerably. Modern enterprise is driven by the sharing of data, information, and knowledge across extensive e-networks through enterprise systems and customer relationship management systems (Rothberg and Erickson 2005). From a marketing perspective, this includes extensive consumer data and extensive data
from business partners throughout the Value Chain. IT savvy firms have effective processes to determine how to apply and share such data (Weill and Ross 2009).

Not surprisingly, there are numerous firms not so savvy that don’t necessarily know who has access to their data. With the level of data sharing that occurs, consumer information and other proprietary business data and knowledge are routinely transmitted to business partners or business customers. Even though the best firms have systems in place to ensure collaborator compliance with data privacy and security procedures, control can be lost. And, again, careless firms can have real issues with data security and control.

Where the government and FOIA enter the picture is from the standpoint of various levels of government taking an increasing role as a collector of data. This can be personal data, whether collected or purchased (including for marketing purposes) or business data which is commonly collected for information (e.g. census) and regulatory purposes (e.g. Food & Drug Administration). Government data can be used by itself or to supplement other data in combination. The issues are most clearly seen through an example.

In 2006, the Connecticut Supreme Court found in favor of an FOI applicant in the case of Department of Information Technology of Greenwich v. Freedom of Information Commission (Bloom 2006). The decision required the town of Greenwich to turn over records from three databases: voter registration records, a geographic information system (GIS) database, and a recreation management database. The requester was an independent consultant looking to use the records for commercial purposes, including posting some of the data on the internet. Combination of the databases would allow specific identification of individuals and addresses combined with some lifestyle data. The databases could also be combined with separate governmental, commercial, or private records. Greenwich objected to the FOI request for the GIS database, specifically citing both privacy concerns and information technology security concerns. The court ordered the city to release all requested records.

The problem is found in the uncertainty of it all. FOI attitude and practice can vary at every level of government and across levels. Government is supposed to collect and distribute data as a course of business (Leahy 1998; Perritt 1995) and, of course, the FOIA is intended to take that even further, opening up government to citizen review. But contemporary information technology has raised new privacy and security concerns (Gomez-Velez 2005). The rapid change in the potential of information systems to build and analyze databases has led to policy lagging behind, in several ways.

Initially, the concepts of privacy and confidential business information are both somewhat fuzzy. Although many believe a right to privacy is somewhere guaranteed in the Constitution, it is, in fact, a concept established in case law over the past century (Dalal 2006). Even there, the right to privacy has typically described protection against government, not against individuals or corporations (Brenner and Clark 2006). More recent statutes concerning privacy in the internet era have followed this general conception and have been limited to specific applications such as electronic communications, healthcare records, financial data, video rental data, cable subscriber data, and records regarding children (Solove 2005; Levary, et al. 2005; Eden 2005).
Similarly, confidential business information (CBI), essentially the proprietary, private knowledge assets of an organization, is also defined through case law. If a firm could suffer competitive harm from disclosure, it is considered CBI (Kilgore 2004), and the more recent Economic Espionage Act confirms this general definition by clarifying the definition of trade secret according to the requirements of business value and attempts to keep secret (Carr, Erickson and Rothberg 2004).

Both these definitions leave some room for interpretation, however, and in the case of FOIA, the interpretation is made by the agencies and whatever individuals within an agency make such decisions. As we’ve alluded to and will expand shortly, there are privacy and CBI exemptions in the federal law and elsewhere, but what constitutes exemptible records? Who decides? The procedures can be unclear and decisions can be made at a relatively low level. We’ve also already noted the differences in attitude between different administrations at the federal level and the pushback between legislative actions and court decisions. CBI’s, in particular, have been studied in more detail and some results show forum shopping for agreeable agencies (O’Reilly 1982) and established reputations at particular agencies for accessing specific competitive information (Rice 2000). Procedures vary widely (Kilgore 2004). Further, there are different standards for what happens with requests, including whether withdrawal of the records is allowed and/or whether the submitter is notified of the release. There are also a gaggle of policies over who is charged with making exemption decisions (Guy and Oberlin 2009).

So what is one to make of FOIA from a marketing point-of-view? On one hand, the availability of useful consumer databases and potentially illuminating competitor information is attractive. On the other hand, and from a more macro perspective, what about the implications for data stewardship? When consumers and/or business partners have entrusted an organization with their private or confidential data, what are the responsibilities of that organization in safeguarding such records, including with respect to the bigger system that includes government filings or government sales?

**Study**

In order to answer such questions, we need data. This study is a first step in a project to develop data that will inform both government policy and individual data sharing decisions by organizations. As noted, FOIA attitudes and practice are all over the board. But until we get a handle on the range and variety of such practices, it will be hard to make recommendations to those impacted by them. It will also be hard to note and assess any changes that accrue to the turnover in administrations and attitudes. Consequently, we are building a database of FOIA practice from recent years to establish a proper benchmark.

This particular study includes data from FOIA 2008 annual reports at the 15 federal departments. These departments are:

- Agriculture (DOA)
- Commerce (DOC)
- Defense (DOD)
- Education (DOEd)
These reports do not include dozens of independent agencies that produce their own annual reports. In addition, the FOIA includes only the executive branch of government and so does not require participation or reports from Congress or the judiciary. Each of these department reports includes similar data, principally on number of FOI requests and their outcome. We report three basic groups of data across four tables. Initially, the disposition of requests is included in Table 1. Both the raw number of requests and the percentage are included. As is readily apparent, the magnitude of the number of requests varies dramatically across departments, so percentages alone ignore important data. Number of requests varies from Energy (1,714) and Commerce (1,885) to Veterans Administration (98,455) and Homeland Security (109,028).

In terms of processing, FOI requests are either granted in full, partially granted (some of the requested information released, some not), or denied in full. If denied, it must be on the basis of one or more of the exemptions established under the FOIA statute or due to a specific administrative difficulty. As expected, the rate of grants varies widely by department. Health & Human Services (70.3%) and Agriculture (63.9%) fully grant the vast majority of requests while State (10.9%) and Homeland Security (11.4%) grant very few. Full denials also vary widely from Agriculture (19.3%) and Education (25.2%) to Justice (55.6%) to Housing & Urban Development (64.8%).

These ranges, of course, are of interest, giving an initial idea of the tendency of different agencies to release records or not. One other really interesting piece of data here is the breakdown between denials based on administrative factors or based on exemptions. Given the nature of the data behind the numbers, one can note that when an administrative issue exists, it results in a full denial. When an exemption is applied, it may be to all or part of the record and more than one exemption can be used to justify a denial. But the fascinating part of the table is the comparison of the percentage of full denials by administrative justification universally dwarfs the percentage of full denials by exemption. Even when partial denials are added to the exemption total, the administrative option is often the higher percentage. An initial suspicion would be that department personnel pursue the more straightforward administrative paths to denial to the more subjective exemptions which are probably more likely to be appealed. Alternatively, it may also be as simple as requesters are generally sloppy with applications which are then administratively dismissed.
Table 1. FOIA Request Disposal, by Department

<table>
<thead>
<tr>
<th>Department</th>
<th>Total</th>
<th>Full Grant</th>
<th>Partial Grant</th>
<th>Full Denial: Exemption</th>
<th>Full Denial: Other</th>
<th>Total Full Denials</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>12650</td>
<td>8078 (63.9)</td>
<td>2127 (16.8)</td>
<td>588 (4.6)</td>
<td>1857 (14.7)</td>
<td>(19.3)</td>
</tr>
<tr>
<td>Commerce</td>
<td>1885</td>
<td>654 (34.7)</td>
<td>338 (17.9)</td>
<td>110 (5.8)</td>
<td>783 (41.5)</td>
<td>(47.3)</td>
</tr>
<tr>
<td>Defence</td>
<td>71699</td>
<td>28451 (39.7)</td>
<td>14901 (20.8)</td>
<td>2554 (3.6)</td>
<td>25793 (36.0)</td>
<td>(39.6)</td>
</tr>
<tr>
<td>Education</td>
<td>2236</td>
<td>644 (28.8)</td>
<td>1029 (46.0)</td>
<td>61 (2.7)</td>
<td>502 (22.5)</td>
<td>(25.2)</td>
</tr>
<tr>
<td>Energy</td>
<td>1714</td>
<td>724 (42.2)</td>
<td>295 (17.2)</td>
<td>44 (2.6)</td>
<td>651 (38.0)</td>
<td>(40.6)</td>
</tr>
<tr>
<td>Health &amp; Human Ser</td>
<td>66583</td>
<td>46818 (70.3)</td>
<td>776 (1.2)</td>
<td>1824 (2.7)</td>
<td>17165 (25.8)</td>
<td>(28.5)</td>
</tr>
<tr>
<td>Homeland Security</td>
<td>109028</td>
<td>12405 (11.4)</td>
<td>55963 (51.3)</td>
<td>1190 (1.1)</td>
<td>39510 (36.2)</td>
<td>(37.3)</td>
</tr>
<tr>
<td>Housing &amp; Urban Dev</td>
<td>3066</td>
<td>764 (24.9)</td>
<td>316 (10.3)</td>
<td>67 (2.2)</td>
<td>1919 (62.6)</td>
<td>(64.8)</td>
</tr>
<tr>
<td>Interior</td>
<td>4750</td>
<td>2383 (50.2)</td>
<td>1012 (21.3)</td>
<td>111 (2.3)</td>
<td>1244 (26.2)</td>
<td>(28.5)</td>
</tr>
<tr>
<td>Justice</td>
<td>61272</td>
<td>20743 (33.9)</td>
<td>6497 (10.6)</td>
<td>1819 (3.0)</td>
<td>32213 (52.6)</td>
<td>(55.6)</td>
</tr>
<tr>
<td>Labor</td>
<td>20970</td>
<td>4706 (22.4)</td>
<td>7750 (37.0)</td>
<td>2048 (9.8)</td>
<td>6466 (30.8)</td>
<td>(40.6)</td>
</tr>
<tr>
<td>State</td>
<td>5577</td>
<td>606 (10.9)</td>
<td>903 (16.2)</td>
<td>722 (12.9)</td>
<td>3346 (60.0)</td>
<td>(72.9)</td>
</tr>
<tr>
<td>Treasury</td>
<td>10402</td>
<td>3938 (37.9)</td>
<td>2613 (25.1)</td>
<td>100 (1.0)</td>
<td>3751 (36.1)</td>
<td>(37.1)</td>
</tr>
<tr>
<td>Transportation</td>
<td>21352</td>
<td>9053 (42.4)</td>
<td>2864 (13.4)</td>
<td>363 (1.7)</td>
<td>9072 (42.5)</td>
<td>(44.2)</td>
</tr>
<tr>
<td>Veterans Affairs</td>
<td>98455</td>
<td>51601 (52.4)</td>
<td>3332 (3.4)</td>
<td>9357 (9.5)</td>
<td>34165 (34.7)</td>
<td>(44.2)</td>
</tr>
</tbody>
</table>

The more specific breakdown in terms of type of administrative denial or exemption employed are also interesting. Table 2 includes data by department on administrative disposals, again in raw numbers and percentages. The same 15 departments are included. Administrative denials can be issued on the basis of:

- No records
- Referred to another agency
- Request withdrawn
- Fee-related reason
- Not reasonably described
- Improper FOIA request
- Not agency record
- Duplicate request
- Other

### Table 2. Administrative Disposals, by Department

<table>
<thead>
<tr>
<th>Department</th>
<th>No Rec</th>
<th>All Ref</th>
<th>Req With</th>
<th>No Fee</th>
<th>Not Res</th>
<th>Imp</th>
<th>No Rec</th>
<th>Dup</th>
<th>Other</th>
</tr>
</thead>
<tbody>
<tr>
<td>Agriculture</td>
<td>907 (48.8)</td>
<td>157 (8.5)</td>
<td>408 (22.0)</td>
<td>60 (3.2)</td>
<td>123 (6.6)</td>
<td>41 (2.2)</td>
<td>80 (4.3)</td>
<td>61 (3.3)</td>
<td>20 (1.1)</td>
</tr>
<tr>
<td>Commerce</td>
<td>275 (35.1)</td>
<td>54 (6.9)</td>
<td>88 (11.2)</td>
<td>115 (14.7)</td>
<td>15 (1.9)</td>
<td>68 (8.7)</td>
<td>105 (13.4)</td>
<td>14 (1.8)</td>
<td>49 (6.3)</td>
</tr>
<tr>
<td>Defence</td>
<td>7245 (28.1)</td>
<td>8574 (33.2)</td>
<td>2796 (10.8)</td>
<td>978 (3.8)</td>
<td>904 (3.5)</td>
<td>2413 (9.4)</td>
<td>944 (3.7)</td>
<td>1108 (4.3)</td>
<td>831 (3.2)</td>
</tr>
<tr>
<td>Education</td>
<td>179 (35.7)</td>
<td>0</td>
<td>137 (10.8)</td>
<td>54 (2.4)</td>
<td>12 (11.2)</td>
<td>56 (7.0)</td>
<td>35 (7.0)</td>
<td>29 (5.8)</td>
<td>0</td>
</tr>
<tr>
<td>Energy</td>
<td>207 (31.8)</td>
<td>243 (37.3)</td>
<td>125 (19.2)</td>
<td>13 (2.0)</td>
<td>2 (0.3)</td>
<td>13 (2.0)</td>
<td>27 (4.14)</td>
<td>20 (3.1)</td>
<td>1 (0.2)</td>
</tr>
<tr>
<td>Health &amp; Human Ser</td>
<td>4737 (27.6)</td>
<td>1349 (7.9)</td>
<td>7697 (44.8)</td>
<td>292 (1.7)</td>
<td>133 (0.8)</td>
<td>934 (5.4)</td>
<td>36 (0.2)</td>
<td>414 (2.4)</td>
<td>1573 (9.2)</td>
</tr>
<tr>
<td>Homeland Security</td>
<td>8616 (21.8)</td>
<td>4581 (11.6)</td>
<td>1808 (4.6)</td>
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One of the clear messages in this batch of data is that requesters often ask for records that simply don’t exist. The no record denial and referred to another agency denial both suggest requesters are asking for information that isn’t available at that department. One could also speculate that withdrawn requests, especially given their huge number in some departments probably also have to do with inappropriate/impossible requests that are pulled after some communication from the department involved. As with all these data, the administrative
disposals need more analysis, but the initial conclusion is that many, many of the requests are either not from seasoned applicants or are fishing expeditions just to see if something might be available. As suggested earlier, filers may just be sloppy.

The exemptions, on the other hand, are more substantive as they have to do with content. As noted several times in this paper, nine exemptions were established in the original 1966 FOIA. A tenth was added after the 9/11 attacks, for critical infrastructure but is not reported in the documents we accessed. The reported exemptions are:

1. Classified national defense and foreign relations information
2. Internal agency rules and practices
3. Information that is prohibited from disclosure by another federal law
4. Trade secrets and other confidential business information
5. Inter-agency and intra-agency communications that are protected by legal privileges
6. Information involving matters of personal privacy
7. Records or information compiled for law enforcement purposes, to the extent that production of those records
   A. Could reasonably be expected to interfere with enforcement proceedings
   B. Would deprive a person of a right to a fair trial or an impartial adjudication
   C. Could reasonably be expected to constitute an unwarranted invasion of personal privacy
   D. Could reasonably be expected to disclose the identity of a confidential source
   E. Would disclose techniques and procedures for law enforcement investigations or prosecutions, or would disclose guidelines for law enforcement investigations or prosecutions
   F. Could reasonably be expected to endanger the life or physical safety of any individual
8. Information relating to the supervision of financial institutions
9. Geological information on wells

We have organized these exemptions into Tables 3 & 4 with the first 6 exemptions plus #8 and #9 in the first table, and all of the #7 exemptions in the second table. Within these tables, the privacy exemptions (#6 and #7C) and the confidential business information (#4) are highlighted. As can be easily seen, these are often the largest categories, by far, for the individual departments. There are exceptions that could be analyzed in more depth, but practice in 2008 included some attention paid to both privacy and CBI. But the level of attention also varies dramatically across departments. As expected, privacy is a concern in some places but not in others, CBI is a concern in some places but not in others. The reasons why are a prime question for further research.
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Table 4. Exemption 7 Disposals, by Department

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Future Research and Conclusions

As noted at the beginning of this paper, the data reported here comprise an initial compilation from a major project. The point is to assess the nature of FOIA practice while also establishing a benchmark so as to evaluate change over time, especially with the explicit change in attitude at the top of the administration. The project will eventually include all federal departments and agencies in order to get a full view of FOIA practice. Further, it would be useful to break out some individual agencies at departments, where appropriate, as some either a) dominate the number of FOI requests within a given department and/or b) are of more interest from a privacy or CBI point of view.
The full database will also include four years of data (2004-2008) so as to smooth out any biasing effects of individual years. The point is to establish a full database at a moment in time, not only for immediate analysis but also for comparison as matters change over time. As a matter of comparison, it would also be instructive to include state FOI annual reports and even international records, where available (recall that forum shopping is a routine practice).

This is an initial study, but it establishes wide variation in grants, full denials, and the reasons behind it all. Denials on the basis of both administrative issues and exemptions are used often, and it will interesting to see if the patterns change during the Obama administration. The patterns and reasons behind them will only reveal themselves with fuller analysis, but it provides us with some concrete data that will allow us to start to ask the right questions in terms of how agencies behave and how businesses should respond.

References


Desire, Identity and the Fashion Image: Global Eyes and Local Eyes

Nena Salobir, University of Western Australia, Perth, Australia
Anthony Pecotich, University of Western Australia, Perth, Australia

We present exploratory research on how young fashion-interested women of differing ethnocultural backgrounds experience desire and/or identify with global fashion images. In examining how particular images ‘speak’ to certain individuals, we are motivated by the complexities suggested by a ‘global’ institution of fashion production and marketing. Similarities and differences among a diverse group of Caucasian Australian, Asian Australian, and overseas Chinese women are presented, and evidence of globalising, localising and ‘glocalising’ forces explored. A phenomenological approach was taken in this study of complex social phenomena, which incorporated Australian and Chinese editions of ‘Harper’s Bazaar’ and ‘Vogue’. Projective methods were utilized in order to achieve intimate understanding of the desires and identities conceived by participants. In the analyses and discussion provided, the complex interstices between fashion world (fashion producers and cultural gatekeepers) and world of fashion (fashion consumers and their social and cultural influences) emerge. In the face of the fashion image, desire and identity are shown to manifest in complex ‘structures of common difference’.

Introduction

"It is only shallow people who do not judge by appearances. The true mystery of the world is the visible, not the invisible." (Wilde 1891)

One force dominating the modern landscape with an immense scale of visual production is the ‘global fashion system’ (Kawamura 2005; Moeran 2008). Women around the world are exposed to an unceasing torrent of images and fashion innovations that are designed to arrest their desires and identities. Whether these representations take the form of advertising campaigns, fashion shoots, runway coverage, promotional product images, or paparazzi photographs cranked out of the celebrity publicity machine, the visions on offer by fashion institutions play an influential role in the lives of many young women. It is with these culturally charged communications (McCracken 1986, 1988; McCracken and Roth 1989) that they engage and disengage, sorting through images as they make sense of who they are and what they want to be.

That the consumer goods behind this hive of activity are flaunted as objects of desire and made to symbolize desirable identities is hardly a new development: consider Zukin and Maguire’s (2004, p. 176) assertion that mass consumption, from its beginnings, was likely achieved through “manipulating consumers’ desires to be well-dressed, good looking, and beloved; to surround themselves with visions of beauty; and to surrender common sense and sobriety to individual dreams of self-enhancement”. Indeed, consumers’ habitual connection with or withdrawal from fashion images makes for a strong argument that they are consumables in their own right; bundles of unique properties vying for attention in their respective markets. The continued reception of these images shapes as well as reflects a
multiplicity of cultural perceptions, values and ideals that revolve and evolve in consumer societies. In this study we consider the complex interplay between global fashion’s powerful commercial institutions, today’s unprecedented output of media and marketing images globally, and the individuals who consume fashion images from within unique social and cultural contexts. In our exploration of the ways in which images are negotiated with and deliver meaning in a globally connected consumer society, we hope that a contribution may be made to ongoing research on global cultural flows and the associated globalising, localising and/or glocalising trends that may result, particularly among youth cultures (Butcher & Thomas 2006; Kjeldgaard & Askegaard 2006).

The profound role played by the consumption of fashion in society is one that has been acknowledged by marketing scholars seeking to address a vital yet long neglected field of study (Belk 1988; McCracken 1986; Ratneshwar & Mick 2005; Solomon 1983). It is also expounded in writings across many disciplines, including anthropology (Miller 1995), psychology (Dittmar 2008; Kasser & Kanner 2004), sociology (Bocock 1993; Zukin and Maguire 2004), cultural studies (Lury 1996; Beng-Huat 2000), and social geography (Mansvelt 2005). ‘Global fashion’ is produced for, marketed and distributed around the world, characteristically by multinational fashion conglomerates of Euro-American origin. These ‘global’ fashion players work within the seasonal institutionalised fashion production cycle and concomitantly deploy their marketing and public relations communications globally. Aside from their proliferation in Western economies, global fashion images today constitute a visual spectacle throughout Asia and many other regions earmarked for commercial success (Moeran 2008, p. 59). The international circulation of fashion images is also to be beheld in the pages of local editions of global fashion magazines. Much of the appeal behind these internationalization efforts has emanated from young Asian women who are recognised as being increasingly powerful in economic and social terms, and culturally more available to the whims of ‘Western’ fashion. It is the purpose of this study to explore how a diverse group of female individuals experience desire and/or identify with global fashion images. Specifically, fashion-interested women who are ethnically and/or culturally identifiable as Asian (primarily ethnic Chinese), Caucasian, or a combination of both were examined in this study.

Overview of Study Background

Marketing is multidisciplinary and researchers have approached their investigations from scholarly perspectives emanating from a range of disciplines. This has signalled a broad movement towards the study of complex socio-cultural phenomena as pertains to a crucial mechanism of human life: how meaning is created and sustained and altered in this world (Geertz 1973). Postulating on the dyadic relationship between production and consumption, the fashion theorist Blumer (1969, p. 280) argued that fashion designers and professional fashion buyers occupy a “world of intense stimulation” and “fervent reading of fashion publications” and come to settle on what is fashion. This environment seems closely aligned with the experience of today’s fashion consumer. It is crucial for the marketing discipline to recognize that not only do consumers play an active role in their engagement with images, but increasingly, she has the resources to seek out and even create her own images of desire and identity utilizing new information technologies. If it is not already the case, savvy consumers will soon be playing prominent roles in cultural and symbolic gatekeeping and production. Coming closer to understanding how consumers interact with the visual spectacle they are surrounded by is thus an area ripe for investigation. This topic is vital to our understanding not only of consumer behavior but society.
By exploring the ways in which young women yearn for and identify with images found in global fashion magazines, we locate our study at the bustling cultural crossroads of institution, consumer and society. It is from within a web of relationships and interrelationships that an individual’s desires and identities are sparked in a world of images. Indeed, the institutionalized global fashion system chosen for investigation can be considered just one global cultural industry of which there are many. Having now hinted at the complex circuitry involved in this enquiry, in this section the aim is to briefly provide a deeper understanding of the central concepts, that is to say desire, identity and the image. It will also incorporate scholarly perspectives addressing the broader contexts we are dealing with: consumption and fashion in the context of global cultural production.

**Fashion**

In the fashion theory literature, the concepts of socially and culturally mediated desire and identity, central to the present research topic, have also underpinned much investigation by marketing scholars (e.g., Bartels 1976; Kaiser and Ketchum 2005; McCracken 1986; McCracken and Roth 1989; Nystrom 1932; Wasson 1968, 1975). Many of the themes and arguments appear to echo sentiments made by scholars grappling with how goods of high symbolic value are consumed in society. Fashion has been described by Kawamura (2005, p. 75) as both “manufactured cultural symbol” and “the result of individual aspirations and necessities as they are formed by the social system with which the individual comes into contact”. Thus, fashion is both institutionally created and culturally diffused. Miller, McIntyre and Mantrala (1993, p. 142) attempt to clarify the complex way in which this occurs by stating that “Over time, the meaning of the item, and even which items are deemed socially symbolic, often changes. The fashion process is internally dynamic and therefore results in a series of interdependent symbolic statements made through time by individuals within a social system”.

Despite controversy, novelty and a desire for change have been postulated as the driving force behind the “fashion cycle” from early investigations of the topic (Nystrom 1932; Wasson 1968, 1975; Zukin and Maguire 2004). The conception of a fashion cycle has been employed variously as a means to judge new product acceptance and to describe the regulated proliferation of new styles by a sophisticated fashion production apparatus in the West (Davis 1994). This notion of a “fashion cycle” may appear overly prescriptive today, given the insurmountable choice of new formulations available every season (and even mid-season). Davis (1994) argues that rather than having evolved on from a “fashion cycle”, we now have a cycle which has become “infinitely more complex, variegate, and unpredictable”.

In attempting to develop theoretical explanations for the diffusion of particular fashion scholars have conceptualised along class, collective and democratic lines (Blumer 1969; Kawamura 2005; Veblen 1925). In contemporary sociology, fashion is still treated as an instrument of social distinction, enforcing class status boundaries in seemingly democratic societies (Bourdieu 1984). Kawamura (2005) somewhat reconciles these tensions, in positing that both class mobility and a regard for change and novelty in society are precursory to the fashion system. It may well be that the theoretical tensions we see here have simply reflected the social, economic, and cultural realities of scholars’ time of pondering. Whatever version of the mechanism of fashion is adopted, it seems that notions of desire and identity remain at the heart of its consumption. Furthermore, a number of themes are consistently present: fashion as a negotiation of conflicting drives (to fit in and be yourself), fashion as a drive for...
change and novelty, and the communicative powers of fashion (Barthes 1985; Davis 1994; Finkelstein 1996; McCracken 1986; McCracken and Roth 1989; Richins 1999).

**Desire**

Desire involves an intense, emotional experience that, when made manifest in a pull toward certain desired objects, is difficult to resist (Belk et al. 2003, p. 341). In a cross-cultural context, Belk et al. (2003) find that desire is precipitated by closely intertwined personal and cultural forces. In this argument, the potential of a particular object to be desired does not emanate from the object itself. Rather, “The consumer, individually and jointly, has a role in constructing the object of desire, within a social context. What makes consumer desire attach to a particular object is not so much the object’s particular characteristics as the consumer’s own hopes for an altered state of being involving altered set of social relationships” (Belk et al. 2003, p. 348). Berger, (1972, pp. 146-148) similarly expounds “… the truthfulness of publicity is judged not by the real fulfilment of its promises, but by the relevance of those to the spectator-buyer…the gap between what publicity actually offers and the future it promises, corresponds with the gap between what the spectator-buyer feels himself to be and what he would like to be.” Further, Belk et al. (2003, p. 341) attempt to clarify the process by suggesting that desire is “the emotional attraction to some object” whereas hope is “the felt possibility of or likelihood of achieving a desire”. It is interesting that these formulations in consumer behaviour parallel the more formal statement of “expectancy X value” theory in psychology as first formulated by Lewin (1935, 1938) and Tolman (1932) wherein “valence” is equivalent to desire, and “expectation” to hope. It is therefore clear that while being socially derived these variables may drive the aspirations for fashion and we may consider that: “Aspirations to achieve desired states drive directly or indirectly, all of human behaviour” (deMello and MacInnis 2005, p. 44). We may add in a similar vein that they also sustain whole economies, and as such, may be considered an area of importance to macromarketers.

**Identity**

Research into human identity has a long history and has been approached from many different points of view, making integration difficult (e.g., Blank and Schmidt 2003; Cerulo 1997; Chapman and Facey 2004; Ellemers et al. 2002; Gecas 1982; Geisler 2005; Gieryn 2000; Howard 2000; LeVine and Campbell 1972; Monroe et al. 2000; Polletta and Jasper 2001; Spencer 2005; Yinger 1985). 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. Further, even from the earliest time human identity was considered to consist of three components: the biological, the individual and the social (Monroe et al. 2000). Whatever the variations of the theories, identities develop from cognitive processes designed to help us understand a complex environment by the development of necessary categories for swift information processing and survival. 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 et al. 2000, p. 421). More formally, emphasizing the emotional element, Tajfel (1978, p. 63) defines 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 culture, nationality, race, and ethnicity.

Identity in modern societies is said to be decided more, and prescribed less. Whether or not this brings with it an ‘instability’ because of a general shift away from “community, class, religion, family or nationality”, it seems reasonable to suggest that such a transition has taken place in the context of industrialization, with its associated opportunity for exploring who we are through the use of consumer goods (Zukin and Maguire 2004). Belk (1988) establishes the key role that identity plays in consumption: “It seems an inescapable fact of modern life that we learn define and remind ourselves of who we are by our possessions” (Belk 1988, p. 6). The relationship between fashion clothing and identity is espoused thus: “Clothing does indeed communicate, but not in the manner of speech or writing; what it communicates has mostly to do with the self. Chiefly our social identity…” Davis (1994, pp. 84-85) presents the idea that “symbolically inscribed social identity” is the bridge that connects “the person’s subjective vestmental tendencies and the culture that defines and frames them”. Desire and identity are closely intertwined because people seek to create an identity they wish by purchasing appropriate fashion products (Bocock 1993).

It must also be recognised that many fashion images are concerned with is the communication of beauty. Wagner (1999, pp. 137-139) addresses aesthetic value as a much forgotten gestalt in thought about consumer value as a particular individual contemplates himself and all that he possesses, hoping to see the person he wishes to be.

The global nature of fashion and consumption brings with it further challenges and implications. How does a global cultural industry influence across societies? While images are relied on by multinationals in their internationalization efforts for their communicative power, they may be subject to different cultural notions of beauty and aesthetic value. Often there is recognition of a “universal” quality to global cultural production in terms of its reception, but there are also trends toward “bricolage, hybridity, and creolization” (Hansen 2004). The issue concerns the stickiness or persistence of the local cultural or ethnic identity in the face of a global cultural industry, which may fuse national cultures or overlay them with a new ‘cosmopolitan’ culture (Munshi 2001). For example, Zhou and Belk (2004) identify a Chinese reading of Western/global advertising suggesting that Western beauty in advertising is more suitable for selling premium products and is more global-looking. Though the suggestion that societies in which global players operate may be economically and socially very different is far from new, it is only more recently that sociological perspectives on consumption have been extended to Asian settings (Chua 2000a, 2000b). In terms of consumption theory and the newly developing fashion theory being “extended” to the East, this is problematic indeed. Wong and Ahuvia (1998), for example, propose ‘an Asian style of luxury consumption’ focusing on tendencies to the see the self as independent (in the West) or interdependent (in the East) and Wagner (1999) proposes that beauty itself may be culturally defined.

In light of the complex issues we have explored in this section, it is the purpose of this study to qualitatively explore how young women of varying cultural and ethnic backgrounds consume global fashion images: first, by investigating women’s experience of desire and/or identification in their interaction with global fashion images; second, by considering the similarities and differences among these women, and any cultural nuances arising from them; and third, by examining any evidence of globalising, localising and/or glocalising forces at play.
Method

A phenomenological research design utilizing projective techniques has been identified as suitable for this exploratory study, which seeks to explore identity and desire among young female consumers in the course of their interaction with culturally and symbolically rich images. As a methodology, phenomenology is used in consumer research when seeking to investigate the complexity of consumers’ lifeworlds. These are said to be “the world in which we, as human beings among fellow human beings, experience culture and society, take a stand with regard to their objects, are influenced by them and act on them” (Goulding 2005). This qualitative study places a premium on how consumers experience desire and identity among fashion images, which may be symbolically and culturally changed with meaning for the individuals in question.

The phenomena under investigation in this study are complex and may be considered by participants as assumed cultural knowledge, too personal to share, or indeed, completely enigmatic. The research methods used reflect the importance placed on enabling participants to freely express feelings of desire or identification in the face of a large set of global fashion images; it is the meanings participants ascribe to particular images that is of central importance to this study. Belk et al. (2003), facing similar predicaments in their study on consumer desire, utilize a range of projective techniques in order to yield rich data capturing respondents’ intimate imaginings of desire. These included having their respondents create collages, fairy tales and “metaphoric sensory portraits” (Belk et al. 2003, p. 332).

Emanating from the psychoanalytic tradition, projective techniques were first used in marketing by Mason Haire (1950), and are considered useful in cases where participants’ ideas and thoughts may not be easily expressed, or are subliminal in nature (Cavana et al. 2001). Broadly speaking, projective techniques require the respondent to complete a task with reference to a carefully crafted stimulus that necessitates their own “injection of meaning” into the situation (Branthwaite and Lunn 1985). These techniques are many and varied, both in terms of those used for psychological and psychoanalytical purposes (most notably the Rorschach inkblots, and the Thematic Apperception Test) as well as those used in market research and the social sciences more broadly. Projective techniques possess “high degrees of freedom” and the data are said to emerge from the right brain (Rook 2006). As such, projective techniques “tend to encourage emotional, fanciful and visual expressions that materialize in consumer dreams … [and] tend to elicit data that are more symbolic, metaphorical and aesthetic” (Rook 2006, p. 146). Furthermore, because most thought is said to be image-based, it is best tapped by research techniques that allow for “images, metaphors and emotions in which thought is embedded” to come to the surface. Projective techniques are also noted for their ability to open up the “primary motivations that arise from individuals’ basic urges and instincts” (Rook 2006, pp.146-147).

Sampling

Consistent with phenomenological approaches to research, participants were selected based on their lived experience of the phenomena in question (Goulding 2005). The sample consisted of twenty five (25) female participants, of which twenty-three took part in the main study utilizing the same two issues of Vogue China (July 2009) and Harper’s Bazaar Australia (August 2009). Sampling was also purposive, in that a varying group of young overseas Chinese and Caucasian women were sought. Two women, one Australian-born Vietnamese and one Australian-born Sri Lankan Malaysian, took part in separate pilot studies
that utilized different fashion magazines. Participants were sought whose life experiences blurred traditional distinctions of East and West, reflecting the contemporary global marketplace. Nevertheless, the sampling conducted allows us to explore any cultural nuances that may become apparent.

The number of Asians and the number of Caucasians were approximately equal, although Asians and Eurasians differed dramatically in terms of their histories. Participants in the main study ranged from 20 and 29 years of age. They were selected on the basis of fashion interest as well as cultural background, being of Caucasian (9 females), Eurasian (4 females) or Asian (10 females), primarily Chinese (9 females), ethnicity. All participants were currently located in a major city in Australia and were university students or graduates. Overseas-born Chinese came from Malaysia, Singapore and China. Full details of the participants are available from the authors on request.

**Procedure**

Data were collected in the form of participant collages (25; 23 in main study) and transcripts from projective exercises (100; 96 in main study). Each participant carried out an image selection exercise, and subsequently a face-to-face interview was conducted that made use of projective questioning. The intention of the selection process was to ensure the images were meaningful to the person concerned. Scott (2006) has argued that advertising images are all too often viewed in isolation, rather than allowing an image to ‘live’ in its own particular way. Indeed, the consumer experiences this “system” not by staring intently at one image but rather “we are always looking at the relation between things and ourselves … our vision is continually moving …” (Berger 1972, p. 9).

Participants were engaged in the study independently of one another, in a one-on-one setting with the administrator. Each participant was provided with a copy of both *Vogue China* (July 2009 issue) and *Harper’s Bazaar Australia* (August 2009 issue). Participants were instructed to leaf through the magazines as they normally would, and cut out any image based on either a strong desire or feeling of identification with the image. A detailed overview of the more than 2000 images included in the magazines can be obtained from the authors. Participants were advised that there was no time limit, and that they could select as many or as few images as they felt appropriate. The participant’s chosen images were pasted onto a large sheet of paper by the interviewer. The front covers of the magazines were obscured in order to make the identity of the magazines less overt. From the resulting collage, the participant was instructed to select their favorite four images; that is, the ones she felt she desired or identified with the most. The four chosen images then formed the focus of the projective part of the interview. One projective question was used for each of the images chosen, chosen from six standard questions. Participants were asked to give a rich description of how they imagined the image being transformed in one of the following ways: (1) If it was brought to life as an animal; (2) If it was a scene, character or prop in a film; (3) If it was transformed into a restaurant; (4) If it was transformed into music; (5) If it was transformed into a taste or flavor; (6) If it was a real person, with a real life story. The questions were matched to images based on suitability in the interviewer’s view. For example, the restaurant question was not used if the image was of an eating-place. Where necessary, participants were probed to yield richer responses.

In establishing the projective questioning protocol, Branthwaite and Lunn’s (1985) overview of projective exercises proved useful (Branthwaite & Lunn 1985). Their analogy
and metaphor, personification and construction techniques informed the selection of projective questions in this study. First, the use of analogy and metaphor in projective techniques encourages the respondent to express what they conceive as being the “inner properties” of the stimulus object. An example of a direct analogy question would be: “Can you describe this handbag as if it were a restaurant? What would the food and ambience be like?” whereas symbolic analogy questions require the respondent to make sensory associations, for example “What kind of music would this pair of shoes be?” or “Can you imagine the taste or flavour of this outfit?” (Branthwaite & Lunn 1985, pp. 111-112). Second, personification techniques similarly allow the meaning garnered from the image to be explained in terms of a “novel frame of reference” (Branthwaite & Lunn 1985, p. 112). An example might be “Imagine this lipstick was brought to life as an animal. Can you explain how it would look and behave?” or “If this outfit was a person, can you tell me a bit about her life story?” Third, construction tasks require the respondent to tell a story in response to the stimulus: “Imagine this woman is a central character in a movie. Can you tell me about her life story?” or “Tell me about the kind of woman who wears this outfit. What is her personality like?”

Participants were also asked to provide details about their age, place of birth, ethnicity, languages spoken, and time spent living in Australia. At the conclusion of the session participants were engaged in an informal discussion about what culture(s) they feel affiliated with, and their likes and dislikes about the perceived culture(s). They were asked what they would do if Australia and/or other home countries ceased to exist, as well as how easy or difficult they would anticipate moving to another country to be. Participants were also asked to provide a personal definition of “home” and to give a rough indication of how local or global they feel in terms of identity, and, where appropriate, how “Asian” or “Western” in mentality they believe they are. Finally, participants chose their own pseudonyms for use in the study. The interviews were voice recorded and transcribed, and collages were scanned with the selected images documented. The data collection and analysis process was aided by the use of the Nvivo 8 (Nvivo Qualitative Data Analysis Software 2008) software program.

Analyses and Discussion

In the analyses and discussion that follow, we find that the links between desire, identity and the image being pursued are far from tenuous. The qualitative data obtained was rich, with intimate accounts of the meanings elicited from images by the young female participants being revealed. The analyses and discussion demonstrate the strength of phenomenological and projective methods to enhance our understanding of consumer phenomena. In the course of projective questioning, participants’ responses encompassed such wide-ranging themes as love, freedom, wealth, happiness, power, pleasure, success, materialism, beauty, hope, fame, belonging, passion, seduction, envy, dysfunction, family, religion, men, women, society, art and artifice.

The findings are presented in four sections. First, key similarities and differences evident in the data are shown, with an emphasis placed on providing perspective on the rich and variable meanings consumers have produced in the face of images capable of stirring their desires and sense(s) of self. Thus, the focus is on the interface between the fashion image and the individual, whose garnered meaning has given rise to consumer desire and identification. Second and third sections consider cultural nuances, and global, local and ‘glocalising’ trends respectively. Finally, a brief discussion on “structures of common difference” is presented. An extension of the traditional global/local cultural circuit through
which desires and identities are sparked, this entails the consumer’s active reconciliation of
the individual and social, the local and the global, and potentially even of East and West: the
way in which individuals make sense of themselves and conceive of their desired selves and
socio-cultural identities.

Fashion: The Visible and Invisible

We begin by considering the highly symbolic forms that are fashion products. It is
argued that, whether realizing it or not, the consumer is drawn to certain goods whose
symbolism they resonate with and whose meanings they hope to take on (Richins 1999, p. 91). By way of example, three images of high heel shoes (see Appendix 1) selected by
participants on the basis of feelings of desire and/or identification involved the
personification technique of describing the chosen object as if it ‘came to life as an animal’. These women, speaking about their desired objects (and visions of what they want to be)
demonstrate that variable meanings and outlooks in the way of powerful, metaphorical
descriptions have been gleaned from three object-images of categorical similarity: high heel
shoes. In all three, we find that a sense of empowerment prevails: In the first a gestalt-like
view of beauty, strength and speed to behold; in the second, a less overtly dominant way of
achieving female power is implied, in which girliness becomes an asset, compounding the
woman’s sense of empowerment; and in the third, a sense of freedom, passion, and
empowerment prevails. The manner in which each of these images was selected and
accompanied by the creation of meaning was likely influenced by distinct “enculturation
experiences and social interactions” (Solomon 1983; in Richins 1999, p.91). For the purposes
of this first section of the analyses, however, these differences could be likened to different
brush strokes in the same painting: one in which fashion objects rich in symbolic value can
be received with passion and emotionality.

Negotiating Ambivalence

The incidence of participants negotiating ambivalence through their choice of images
is exemplified in the descriptions resulting from the film character question. In such cases,
the participant appears to account for their choice as a desired permutation of female
expression: who she is and her place in the world.

One participant, Sam*, described a necklace (see Appendix 2) in terms of a film
character whom she feels "has a very unique personality, she's very humorous, and she's very
independent ... you're expected to be feminine and girly and everything ... she has elements of
those, but she has something more - she's not afraid to be seen or heard. I guess in Asian
countries men appreciate girls who are the stereotypical kind of girls ... this girl's different ...
the stars are like the depiction of standing out, the pearls are just very stereotypically female".
Thus, there are conflicting desires being communicated through fashion and its images. Such
images, though not at this stage an “ensemble of consumption objects”, do go some way to
addressing “the diverse and possibly incongruous aspects of the total self” (Belk 1988, p.
140). Here we may recall the negotiation of ambiguity regarding how one wants to be, or be
seen. This is consistent with Davis (1994, p. 23) who drawing on Mead’s (1934, 1982) work
suggests that “identity ambivalences” are central to (Western) fashion’s very existence: these
are said to “tear at the identities we mean to convey to others”.

Furthermore, in such cases we see exemplified the notion that cultural symbolic
meaning can be negotiated both by fashion designer or image maker and consumer. It would
appear that fashion's communicative ability is not formulaic or code-like; rather fashions are ‘lived’ out in a consumer society and are ‘open to interpretation’. In this way, fashion may discriminate against those who lack the proper ‘receiving equipment’ and understanding of the nuances of dress. However, this is not to suggest that the consumer does not fantasize about being surrounded by those who are ‘fully equipped’; the quest for shared understanding of one’s stylistic maneuvering may be a lonely pursuit. That is, the social relations implicated in fashion may not be negotiated with directly, but fantasized about by the individual in a way not dissimilar to that of “the looking glass self”. Communicated to the participants then is the illusion of a collective way of being in line with the individual’s desire and sense of self. These images communicate and solidify for the participant the dream of being one’s own self, and fitting in. This, once again, consolidates the ideal of symbol and desire (visible and invisible) as a powerful yet unconventional means of communication.

**Love, Attention, Beauty**

The ascription of love, attention and beauty are appeals made to consumers with marked frequency. These themes are similarly encapsulated in responses made to the film character question (see Appendix 3 for corresponding images). In one example, provided by Lucinda*, it is as an artist's muse that beauty and attention are experienced. The incidental romance and intellectual journey implied similarly point to a view of the fashion image as authentic. In another example, participant Iris* is concerned with the magic of transformation and being ‘real’ in a setting that mightn’t ordinarily be seen that way. Here the participant seems to be drawn to a certain lifestyle or social milieu, yet wishes to reconcile the vision of glamour with the value of genuineness. The images, as attributed by participants to vastly different social contexts (that is, artisans in rural France and New York high society) have an allure which have successfully sparked the desired identities of the young women in question. We find, once again, evidence of the mysterious ability of images to galvanize for the viewer unique aspects of desire and/or (desired) identity.

**Money and Acceptance**

Similarly, a recurring theme among participants was to relate fashion images to a particular vision of society to do with a moneyed lifestyle (see Appendix 4 for corresponding images). Despite the apparent value placed on money in the responses, there are interesting caveats to note. In one response made by Vanessa*, it is a foreign and fantastical setting that is used to verify the authenticity of the moneyed lifestyle and the corresponding attention showered on the subject. In another response made by Sok*, there does seem to be some ambivalence regarding the desire for money and a life of leisure, and not being seen to be “bratty”. The ascription of a moneyed lifestyle has been bestowed out of the subjects’ control, from their parents. Being rich is incidental to being desired by men in the first example, and being the “type that, if you didn’t know her you wouldn’t think she’s rich”. Nevertheless, these examples show the way in which financial position may be communicated to the interested individual upon viewing particular fashion images. However, accounting somewhat for the scholarly tensions in this area of thought, such class-based views of fashion are not held universally. There was, for example, a perspective provided by Tiffany* which espoused accessibility over exclusivity. Asked to describe an image from a champagne advertisement as if it were transformed into music, she replies: "Maybe that band, like Bond, that plays instruments, string instruments ... It represents crossing borders - it's not out of reach for everyone, but it's special. It crosses borders between mainstream and classical."
The realms of desire, identity, and the fashion image are shown to play a central role in terms of how the young female participant evaluates her current life and her desired life. The invisible – one’s desires and sense of identity – are stimulated by the visible – the images and aesthetic qualities of fashion. Fashion is alluded to amongst values, experiences and characteristics, serving to highlight the way in which fashion permeates the consciousness. Indeed, the personal and cultural forces that together give rise to consumer desire and identity remain communicable through the richly symbolic fashion image. This echoes the finding presented by Belk et al. (2003) that desire in the context of consumption arises from interwoven personal and cultural concerns.

Cultural Nuances

Analysis of the data indicated a heightened emphasis on family obligation and maintaining face among the Chinese participants. This included overseas Chinese and Eurasians, as well as Australian-born Chinese who had expressed strong identification with their Chinese culture. In terms of how the more Western participants view their (desired) selves, the 'independent' self is in evidence. Here, parents are highlighted as important and valued as they have provided a route to the individual’s goals and ideals: in this case, the granting of the freedom to pursue one’s own desires. Thus, although people from Eastern and Western cultures have a dual sense of self - an inner private self and an outer public self - Western cultures place more emphasis on the individual self while the interdependent self-construal is dominant in Southeast Asian countries, stemming from the central role of social relationships to the individual (Markus and Kitayama 1991). This idea has led the argument that in Asian cultures, material items may come to be used more for purposes of social conformity rather than individual agency. Perhaps less prescriptive than such an assertion would suggest, the research conducted did uncover certain nuances consistent with this notion.

This emphasis on individual agency in 'Western cultures' is, for example, reflected in the number of data exhibits expressing complexity, introspection and individualized thought among participants with a noted Western cultural affiliation. This perhaps reflects the desire of these participants to express the more discovered aspects of who they are, as individuals.

This appears in contrast to another cultural tendency that stood out to the researchers: the greater incidence of jewelry being selected by Asian participants (both among overseas as well as Australian-born Chinese), particularly among those who had identified family as being of heightened importance to them. For example, we are given a view of the degree of importance and admiration held for diamond rings by three participants. Among these participants, a sense of security is imparted by the product-symbol. This security relates to friendship and protection as well as success and stability. Security is also to be gained from ownership of beauty, exclusivity and social approval. Thus, although consumers play active rather than passive roles in their use of fashion, they are still likely to be influenced by the “strong collective currents” that surround them (Davis 1994, p. 17).

Global, Local, Glocal

The participants in this study frequently alluded to global cultural products and local social experiences, as well as global movements that sought to best express these desires and identities. That is, oftentimes desires and/or identities had a firm global or local reference point; though for others there was an exploration of movements around the world. It was
frequently observed that participants drew on global cultural ‘reference points’ in order to express themselves. There was a compelling tendency among a number of Australian participants to express their (desired) identities in terms of the ‘Hollywood bad girl’ caricature. Whether this is indicative of the cultural influence of the ‘global’ film industry in terms of peddling beauty and excitement, or as Karina* casually joked, "a fascination with the gruesome", remains an interesting line of inquiry.

Also revealing is Tiffany's* lack of global cultural references to draw upon when answering the same question of an ethnically Chinese model (see image in Appendix 5). Despite herself selecting the image, this Australian-born Chinese participant struggles to make sense of it in terms of her global cultural knowledge. Chinese women often chose images of women who shared the same ethnicity as them, even when a strong affiliation with Chinese culture was absent. This is understandable given the way in which ethnicity is exhibited in one’s appearance.

Participants often selected images that reminded them of childhood or past memories and which had a strong sense of place for them. Pearl's* description of the model as being where she was born, and the sense that it is an enduring home for her, is notable (see image in Appendix 6). The informant did also account for her choice of the landscape, which reminded her of her own childhood: "I think she's sort of got a childhood innocence ... feeling really free and having no fear of anything, like when you're really young ... no worries in the world... She wouldn't really care about what other people think, about the expectations of society... She'd live in the south [of Western Australia]. I can imagine that's where she was born, that's her home and that's where she feels at home." (Pearl, 23, Caucasian, born and raised in Australia)

What is revealing about this example is that it is not culture per se which makes this image such a powerful one for the participant. Rather, feelings of nostalgia seem to be sparking the creation of meaning in this instance. As Pearl explains in her interview: "Things like living an outdoor lifestyle, so like barbecues and like, going to the beach and holidaying in the outdoors, that's what I'd equate with what being Australian is ... It's hard to say because Australian culture is being developed. There's no stereotypical Australian culture really but probably the thing I dislike is the lack of worldliness... having said that if something did happen to Australia I would miss the countryside, the lifestyle, the weather and stuff like that but that's not to say I wouldn't be happy somewhere else." (Pearl, 23, Caucasian, born and raised in Australia)

Reconciling desires and identities related to one’s place of upbringing with imaginings of the wider world were similarly in evidence. Participants in the study often referred to faraway places when expressing their desires and identities, as made manifest in the images they selected. Both a Singaporean Chinese participant and a Caucasian Australian participant appear to be engaged in an exploration of who and where they are (both culturally and physically) in relation to who and where they want to be. These explorations of place, desire and identity are reflected in the participants’ interview transcripts on cultural identity. Sze Hui (22, Chinese born and raised in Singapore) clarifies: “I find myself feeling more Asian than Westernized. Lifestyle-wise I prefer Western, but everything else – family, food, language – I identify more with Chinese people”. Vanessa (23, Caucasian, born and raised in Australia) also elaborates on her feelings on home and moving overseas:“I’m not sure if I will live here, I’ll probably end up here but move somewhere for a period of time, like the UK. Just for the excitement, there’s more to do. Australia is so isolated and there are more
work opportunities [overseas] É I’ll always come back to Australia, if I have a bad experience I’ll come back”

That the images selected (see Appendix 7) somehow resolve for these participants the conflict they express – an old black and white image of a young Chinese girl, and an image emanating from backstage at a Louis Vuitton runway show – once again demonstrates the variety of interpretations to which an image may be subject, particularly in the context of the global marketplace. For Vanessa, for example, the ‘home-grown’ and yet global cosmopolitanism of the image and its subject seem to resonate with her, particularly in terms of her life at this point in time.

The glocalisation of image consumption is illustrated when distinct cultural values are ‘read’ in reference to a global fashion image, for example, to a global celebrity actress, Jessica Alba. The meanings elicited with the assistance of these global cultural ‘reference points’ indicate what has variously been termed ‘bricolage’ or ‘creolization’ of local social and cultural concerns - here an emphasis on family - with global cultural production. The opinion that Jessica Alba is "not solely looked upon as a sex symbol, she's sort of settled down... she has her family, and she has a daughter, and that makes it seem wholesome" made by Ashley*, who is Chinese and born and raised in Singapore, may have been influenced by past exposure to cultural gatekeepers seeking to appropriate the global for the local. This reinforces Munshi’s (2001, pp. 11-12) argument that scholars need to reconsider the reception of global cultural production as something that may be “active, culturally specific, and contextually variable” . Kjeldgaard and Askegaard, (2006) have demonstrated how global youth culture may be appropriated and creolized alongside distinct local identities.

Conclusions

Through this research, we set out to explore how young women experience feelings of desire and identification in the course of their interaction with global fashion images. Studying the complex social phenomena which constitute consumption and fashion behaviors is an ever more critical marketing task, especially when we consider that business relies heavily on the communicative power of images, and indeed, that the images business produces must compete among countless others in what has come to be the modern consumer’s ‘natural habitat’. We have reiterated that there are various forces working to create desire and identity in the female consumer, and that how this results in the creation of meaning for that woman may be both recognised collectively among other consumers, as well as uniquely to the individual in question. Thus, this study goes some way to painting a picture of how it is that young women of differing cultural backgrounds interact with images and channel their imaginings into the strategic endeavor of fashion presentation. Indeed, emerging throughout the course of the research presented was Richin’s conjecture that given the social nature of our lives, there is a tendency to want to communicate our desired identities and have them validated by others. This communication is said to be a conscious and public display of “desired identities” (Richins 1999, p. 92). The women who took part in this study frequently expressed their pleasure at the tasks involved and often, having completed them, expressed a sense of bewilderment in recognising the mysterious forces operating within them. Even for the consumer, consumption is often engaged in and obsessed about; it is much less frequently recognised for the profound role it plays in their way of living and their conception of who they are. In the macromarketing sense this is also a large-scale societal issue, and one that is highly relevant to human welfare.
Fashion has been identified as incredibly ripe for importation into the marketing discipline. From the qualitative data presented in this study, we see that rich symbolic meanings permeate the world of fashion (image) production. Similarly, just as (global) consumption has emerged as of vital importance to our lives and our way of living, it has also had immense bearing on our identities. It is acknowledged by scholars that much of what we consume is in some way or form provides an image of who we are or wish to be. What is not so clear is precisely how our identities are made manifest in our visible surroundings, or, for that matter, how our visible surroundings manifest in our identities to become a part of who we are (Belk et al. 1988, p. 140).

References


Appendix 1

From left to right, images chosen by Vanessa* (23, Caucasian, born and raised in Australia, 23 years lived in Australia), Sam* (21, Chinese, born and raised in Singapore, 1 year lived in Australia) and Iris* (22, Chinese, born and raised in China, 6 years lived in Australia)

Appendix 2

Image chosen by Sam* (21, Chinese, born and raised in Singapore, 1 year lived in Australia)

Appendix 3

Images chosen by Lucinda* (25, Caucasian, born and raised in Australia, 23 years lived in Australia) and Iris* (22, Chinese, born and raised in China, 6 years lived in Australia)
Appendix 4

Images chosen by Vanessa* (23, Caucasian, born and raised in Australia, 23 years lived in Australia) and Sok* (23, Chinese, born and raised in Australia, 23 years lived in Australia)

Appendix 5

Image chosen by Tiffany* (22, Chinese, born and raised in Malaysia, 18 years lived in Australia)

Appendix 6

Image chosen by Pearl* (23, Caucasian, born and raised in Australia, 22 years lived in Australia)
Appendix 7

Images chosen by Sze Hui* (22, Chinese, born and raised in Singapore, 7 years lived in Australia) and Vanessa* (23, Caucasian, born and raised in Australia, 23 years lived in Australia)
Sharing in Diaspora: Towards an Autobiographical Perspective

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The variety of experiences lived by diasporas far from their home countries serves as an important source of wealth - be it financial, cultural or educational - that diasporas will potentially put at the disposal of their mother country. These sharing in experiences, between nations and their diasporas, can act as a compensation for brain drain, often seen as a problem particularly acute in poor and developing countries.

Despite the global effort to design public incentives for diasporas to engage with sending countries, there is still room for marketing researchers to empower those public initiatives, by deepening the understanding of migrants' motivations for home engagement. This article puts forward a theoretical perspective to approach this opportunity: the autobiographical perspective. Some of migrants' motivations can indeed be rooted in the need to maintain connections with past selves.

Introduction

“And why, years later, do you still,
Off and on, cast your eyes to the ground
As you hurry to some appointment
Where you are now certain to arrive late?”

Charles Simic (2009)
From That Little Something

According to the United Nations, there are currently 214 million people living outside of their birth countries (UNDP 2009, p. 21). Of these, 60% are said to originate from less developed countries (Keeley 2009, p. 31). Contrary to common belief, brain drain is not only a source of loss for poor or developing countries; it has also been proven, under certain circumstances, that it can be a source of significant wealth. Important compensation schemes have been implemented by diasporas to offset their absence.

At the same time, national authorities from all around the world are increasingly dedicating attention to their nationals abroad, aiming at reaching them out and motivate them to engage with further development of their home countries. In the framework of this worldwide initiative, marketing researchers have an attractive potential to successfully contribute to further
empowerment of these public initiatives. They count indeed with significant experience in working with migrant populations and in understanding motivations for consumption. They are also knowledgeable in motivations facilitating helping behaviors. This experience is extremely useful in deepening the investigation of migrants’ core motivations for engaging with their home countries.

In this context, the objective of this paper is to suggest, because life has a storied structure, the use of autobiographical perspective as a theoretical tool for marketing research to apply in the understanding of migrants and their motivations for home engagement. The autobiographical perspective draws on the process of perpetual identity (re)construction in which we develop different versions of our life stories. For these stories to be recognized by relevant others as authentic, they have to appear as coherent wholes. Therefore we should be able to justify the transformations we undergo in our life story in such a way that its major episodes make sense when put together as a whole.

The autobiographical perspective considers that some of the most important, highly emotional, experiences require constant reconstruction in order for us to be able to create a link with our current life context. A migration experience is usually lived as a highly emotional experience in life. Previous experiences before migration, in home nations, often require constant reflection and revisit. As a result, for the purpose of validating personal background andreassembling past stories, migrants participate in experiences that connect them with their home countries. For some migrants, their involvement takes the form of transferring wealth to their home nation. However, these experiences go beyond economic flows to the extended family – remittances. Some belong to the experience of sharing (Belk 2010) and draw on sympathy (Hume 2006).

The paper is set out in three parts. Firstly, it argues that Macromarketing has the potential for successfully contributing to current worldwide initiatives aiming at promoting diasporas’ engagement. In the second part, it introduces the idea of autobiographical perspective, with a brief description of the philosophical concept of narrative identity from which it is inspired. In the final section, it introduces and utilizes the ideas of sharing in (Belk 2010) and sympathy (Hume 2006) with the purpose of anticipating the types of motivation to be identified by applying the autobiographical approach. Suggestions for future research will end this article.

Towards Diaspora Engagement

It seems self-evident that the world has been rapidly transformed in such a way that the traditional perception of global space and physical distances has been challenged. Henri Heine, a Romantic German Poet from the nineteenth century, anticipated the reduction of distances experienced today. In his Parisian residence, while describing the rapid technological advances of railways and future connections between France, Belgium and Germany, he wrote: “I feel as if the mountains and forests of all countries were advancing on Paris. Even now, I can smell the
German linden trees; the North Sea's breakers are rolling against my door.”¹(Heine 2008, p. 327).

Human beings in contemporary societies are less and less experiencing the feeling of living far away from exotic contexts. It takes just a day, or in extreme cases, a few days, for authorized migrants to move between continents. Facilitating personal career progression, building a better future for own children, following a personal curiosity for exotic experiences, fulfilling a long-lasting education journey, joining loved ones and even fighting for survival; there are numerous reasons for which people feel inspired or compelled to move out of their home countries. For whichever reason approximately 214 million people live outside their country of birth (UNDP 2009, p. 21).

Human mobility has become one of the key areas of discussion within public debates. It has been positioned as one of the major driving forces in contemporary societies, leading to social, cultural and technological exchanges. The economist Oded Stark (2005) has for instance highlighted the fact that just the possibility of enjoying international career opportunities has increased students’ motivation in pursuing studies in their home country for longer than mandatory. This phenomenon has, in some cases, increased the skills of local populations significantly even if not all students eventually move abroad.

While nationals’ strategies to attract the best talent from outside their territories intensifies and becomes routine, the “real” magnitude of the negative impact produced by brain drain in sending countries is far from clear. The OECD (Keeley 2009, p. 31) estimates that 60% of world’s migrant population’s moves to more developed countries. Brain drain is considered to be one of the reasons why poor and developing countries lose important skills, ideas, innovation, benefits from national investments in education, tax revenues and critical services providers in the education and health sectors (OECD 2007, p. 65). The OECD recognizes the existence of some critical regions where the brain drain phenomenon has been categorically unconstructive: Central America, some Caribbean Islands, Southwest and Southeast Asia, Central and Eastern Europe and the Balkans (OECD 2007, p. 67).

A large portion of research on migrants’ contributions to their home countries, as a form of compensation for their absence, has been focused on remittances and the belief that they are a direct economic contribution to the extended family left behind (Gentry and Mittelstaedt 2009). Remittances are without doubt one of the fundamental pillars of the process of contributing back to one’s home country during migration. It represents a considerable part of the total Foreign Direct Investment (FDI) that reaches some developing and poor countries. United Nations state that in 2007 remittances represented 60% of the all combined volume of Foreign Direct Investment (FDI) and aid in Latin America and the Caribbean (UNDP 2009, p. 79). Even in an economic downturn, the amount of money that flows in remittances remains significant. For 2009, it was estimated to reach USD 304 billion, a decrease from the value reached in 2008, USD 328 Billion (Ratha, Mohapatra and Silwal 2009, p. 1).

Whereas in the past research has mainly focused on remittances, international organizations and individual countries have recently started to broaden their investigations to include the variety diasporas’ contributions to home countries. The Global Commission on International Migration (GCIM) has included in its 2005 report a series of perspectives in which migrants can contribute to the development of sending countries:

“Migrants make a valuable economic, political, social and cultural contribution to the societies they have left behind. The remittances that migrants send home play an important part in alleviating poverty in countries of origin, and can also support the development process if the governments of those countries provide a conducive environment for economic growth. Migration helps to limit the level of unemployment and underemployment in countries that have an excess supply of labour. Individual migrants and diaspora associations make financial and other investments in their homeland, strengthening the economy, serving as conduits for new ideas and enriching understanding between countries of origin and destination. When migrants go back to their own country, whether on a temporary or long-term basis, they take new skills, experiences and contacts with them, vital assets in a global economy that is increasingly knowledge-based” (GCIM 2005, p. 23).

From this report and the other international outlooks mentioned in this section, we can see that international organizations now see migration as having an enormous potential to contribute to sending countries. Beyond remittances, there are other forms of contribution that deserves to be highlighted: the role of diasporas’ networks in facilitating economic, political, social and cultural interactions between host and sending countries; the contribution done by temporary or definitive returns to home countries of first or following generations of migrants; the entrepreneurial activities of migrants in cooperation with home countries; or the many workers from NGOs who after having been trained in developed countries decide to build a career supporting poor and developing countries (…).

In this context, a further understanding of diasporas and their connections with their home countries, even after years of migration, has been fundamental in improving the positive impact migration can have in sending countries. Sometimes those nexus remain even after the entire family moves to a receiving country and are even transmitted to second and third generations of migrants (OECD 2007, p. 56).

This broader perspective is an opportunity for scholars and politicians to promote better understanding and to preserve and push forward the multiple contributions that exist among migrants and their places of birth. Although marketing researchers have built important intellectual assets that could be successfully activated in this debate, most of this work still remains to be done.

Very little marketing research has intended to understand and improve compensation for brain drain (e.g. Coles and Timothy 2004; Gentry and Mittelstaedt 2009) even though the marketing community counts with significant theoretical and empirical experience in migration research. Within the purpose of introducing the theoretical point of view that suggests this text, only a selection of this knowledge will be mentioned.
A vast majority of marketing research on migration has focused on acculturation and on related consumer learning experiences (e.g. Peñaloza 1994; Askegaard, Arnould and Kjeldgaard 2005; Üstüner and Holt 2007; Du, Sen and Bhattacharya 2008). Consumer research have also embedded cosmopolitanism as an ideological system that synthesizes the tensions between what is familiar and what is coming from new exotic cultures (Thompson and Tambyah 1999).

These research have been largely concerned with the new lives consumers develop when immersed in different environments. They have been focused mainly on migration from the perspective of receiving countries and this choice has drawn them away from sending countries’ point of view. Consequently, little research has investigated migrants’ engagement with home countries. Migrants’ backgrounds have usually been studied while analyzing, for instance, possessions from the past that are preserved after the immigration experience (e.g. Mehta and Belk 1991; Belk 1992). Nostalgic consumption activities, like ethnic shopping, which preserve a personal background and secure the transformation experience (e.g. Belk 1990) have also been taken into account. However, these studies still consider the past of a migrant as something that concerns only the foreigner, without taking into account his or her home country.

The active relationships that a migrant continues to build with his or her sending country deserves closer investigation. In following sections, the paper will focus on developing the idea of the autobiographical perspective in migration. The author believes that this perspective would put marketing researchers on a productive track for contributing to the debate on diasporas’ engagement.

Towards an Autobiographical Perspective of Migration

The narrative approach to identity assumes that life has a narrative structure (MacIntayre, 1984), which aims at organizing the multiplicity of life experiences and events to which we are confronted in coherent personal stories. Human beings’ self-reflective way of “being-in-the-world” (Heidegger 1962) leads us to connect the episodes of our lives in such a way that they have to make sense when put together. Personal stories then serve, as guarantors of coherence and continuity of a personal self, which is naturally exposed to multiplicity, change and contradiction (MacIntyre 1984; Ricœur 1990; Linde 1993; Atkins 2004).

Accordingly, there is a continuity of narrative that contrasts with frequent disruptions in life, implying a perpetual interpretation and re-interpretation of our lives. Each personal experience integrates into a series of experiences and is organized into a dynamic temporal structure; we write and re-write our own life as it is experienced.

In the process of developing our life stories, socio-cultural forces often authorize or motivate what is and what is not acceptable in terms of personal projects of identity. In this sense, a personal life-narrative is facilitated by socio-cultural forces, as well as by personal cumulative experiences - where an individual has been, what he or she has or has not done, where he or she is going, how he or she is evolving, what kind of personal future he or she is designing and so on.
These two main forces, socio-cultural and cumulated experiences in life, at the same time facilitate and constrain our personal narratives. Furthermore, there are a limited number of stories that we are able to tell. Our intention of building a specific personal story may fail. The risk of failure lies mainly in a lack of validation of our personal stories, implying that we and/or relevant others do not recognize our life stories as being authentic (e.g. Fine 2003; Beverland and Farrelly 2010).

The freedom at our disposal is, in this sense, not unlimited. All those episodes that are our own personal experiences already push us towards certain tendencies that we may or may not want to develop in our lifetime. In some cases some of our strongest life tendencies follow us and force us to behave in accordance to them.

Paul Ricœur, probably one of the most influential philosophers in narrative identity, describes the origin of our current personal stories as being highly linked to the people we used to be. Our current life stories emerge from our background and from the stories we have started in previous contexts (Ricœur 1991). Little by little, as our life flows, we limit the number of stories we can tell.

During turning points in life, such as migration, our life stories receive not only attractive innovative material to build on, but also an opportunity for transformation. Questions about the continuity of a specific project within one’s identity then appear: “Do I want to continue being the kind of person I have become, with the kind of behavior it requires?” Transitions in life offer us an exciting opportunity for positioning ourselves differently as the subject of a particular life, the life that is ours.

By leveraging on the synthetic powers of the narrative, we transform the multiplicity, the instability and the diversity of our personal experiences, before and after a disruption event, to form a whole that has the appearance of being coherent. Turning points in life confront us with a personal concern, the autobiographical-concern (Rojas and Bluemelhuber 2010).

**Autobiographical Concern on Migration**

“My professional journey is probably not very different from many who, for one reason or another, decided to make the United States their home. (…) I remain a blessed and lucky Dogra boy from the hills of Jammu whose parents set no limits on learning. However, I do sometimes wonder what would have happened if I joined my father’s textile business in Jammu.”

Vijay Mahajan (2005)
From *The Incomplete Autobiography of an Immigrant Marketing Professor*

The location of our birth or childhood or even that of our parents or grandparents often occupies a special place in our personal stories. It is not uncommon that our height, the color of
our skin, eyes or hair is used as an indication of the places we come from. Some of us can be identified as coming from a specific place, even before we speak. Where we come from is probably one of the most influential features we count on to start our life story and this even before we realize how important it is to shape our narrative identity.

In the same way, some of the most important experiences in our lives, emotionally charged and built upon the community we belong to, will probably always have an impact on the kind of stories we can tell about ourselves. Years later, after turning points in life have occurred — such as expatriation, divorce, loss of a family member — we still find ourselves repetitively questioning our past experiences. Our constant efforts put into past modifications give us an idea of how important our personal background is in satisfying the storied character of our human lives.

Some of our life stories’ transformations, that we would like to develop, would demand from us time and energy in order to adjust our experiences of the past in such a way that they happen to be compatible with the kind of beings we want to become. This re-assembling of our past experiences that allows us to develop a coherent life story has important consequences for our life choices regarding the kind of experiences in which we would like to engage.

While during migration experiences we probably develop a taste for discovery and self-discovery through the exploration of other countries and through encounters with other societies, we still continue to nourish our desire to return to the places of our origin where we have experienced some of the most important events in our life.

“Time heals all wounds” is a popular expression, however some of our most intensive emotional experiences stay with us forever and constantly command our attention. In the process of building a personal story that looks coherent, within a life that is constantly challenged by disruptive events, some of the activities in which we participate seem to be supportive. The renowned Dutch Psychologist Nico Frijda asserts that commemoration and joint ceremonies, among members of a specific community act, for instance, as personal strategies for preserving continuity in life after migration:

“One feels a member of a nation, clan or ethnic group and at the same or other times a member of one’s family, as part of one’s identity: I am the daughter or son of such and such, and I carry the imprint of that belongingness. Loss of actual coherence with one’s group, its habits and language, therefore is deeply disturbing, since it robs one’s sense of self as much of its supporting facts in the environment. The loneliness and threat to conception of self are evident in the suffering caused by being a refugee or displaced person. Coherence is strengthened by participation in joint ceremonies.” (Frijda 2007, p. 287).

As it has been presented in this section, important turning points in life, such as migration, require individuals to make a constant effort to re-assemble the past in such a way that there is a link between the person we are to become and the person we used to be. It is the author’s belief that the existential preoccupation for storied coherence development, the autobiographical-concern, is one of the main motivations for diasporas to be continuously
searching for linking experiences with home countries. The author also believes that the kind of experiences that seem to be the most appropriate for developing that link is that of sharing, the topic of the next section.

**Sharing in Diaspora**

While it can be thought that the proximity migrants nourish towards home countries is a symptom of their lack of integration in receiving countries, the autobiographical perspective puts forward another explanation for that orientation. Even after successfully integrating into his or her host country, a migrant will still probably feel the need to come back to his or her personal background.

Hein de Haas, research officer at the International Migration Institute, empirically supports the idea that a successful migration experience does not exclude the migrant from engaging with his or her home country:

“This study indicates that it is not only unnecessarily harsh, but also factually incorrect to automatically interpret migrants’ commitment towards their countries of origin as a consequence of their inability or unwillingness to integrate. The reverse has turned out to be more likely: it is in particular the relatively successful and ‘integrated’ migrants who have the time, know-how and resources to remit money, to become active in diaspora organisations and to remain involved in the social and economic development of countries of origin.” (Haas de 2006, p. 91)

A clear example of migrants that have reached an important level of integration in receiving countries can be found among writers living in exile. Most of them have managed to be inspiring writers in the language of their host countries. However, this fact does not prevent them from spending an important part of their intellectual career analyzing and reflecting about their own experiences of being far from their places of birth (see the cases of Thomas Mann, Milán Kundera, Bertolt Brecht or Charles Simic).

Our autobiographical concern – the existential preoccupation of making a personal life-narrative coherent by simultaneously interpreting one’s own personal past and future –, reminds us that imagining a future self that cannot be coherently related to past experiences corresponds to imagining a totally different person from oneself (Mackenzie 2008).

The process of connecting the self with experiences of the past necessarily occurs in a relation with relevant others, those that have the power of validating such connections. This process of identity construction is fundamentally a collective process; it is about the one we become with others. The shared character of identity and the need for life coherence in disruptive times, such as migration, would challenge the continuity of the connections established with those with whom previous life stories were built.

Emotional connectedness with significant others is a source of power. It shows that one’s personal actions have the capacity to impact others. In this same context, the feeling of sympathy towards those who suffer in home countries may motivate migrants to invest in helping them.
This behavior may serve as an empowerment of their past identity, to continue to be the kind of person they wanted to be. The feeling of sympathy allows them to put themselves in others’ shoes and maintain the sensation of being a citizen of their country of birth. Feelings of sympathy are probably at the base of the similarities that exist among nationals:

“No quality of human nature is more remarkable, both in itself and in its consequences, than the propensity we have to sympathize with others and to receive by communication their inclinations and sentiments, however different from, or even contrary to our own. This is not only conspicuous in children, who implicitly embrace every opinion propos’d to them; but also in men of the greatest judgment and understanding, who find it very difficult to follow their own reason or inclination, in opposition of that of their friends and daily companions. (...)To this principle we ought to ascribe the great uniformity we may observe in the humours and turn of thinking of those of the same nation; and ‘tis much more probable, that this resemblance arises from sympathy, than from any influence of the soil and climate (...)” (Hume 2006, p. 29).

The sympathy experienced when connecting with other community’s members usually facilitates the process of communicating sentiments. This privileged communication inspires migrants to share with others, whom they sympathize with, the experiences lived during their journeys. Sympathy, the capacity to communicate intimate feelings and intentions in a contagious way among human beings, has been proved to be an important motivation for pro-social behavior (Small and Simonsohn 2008).

Some of our specific characteristics, such as our nationality, make us experience a readiness to connect with those whom we consider to be similar to us and makes us sympathize with them. An experience that seems to be a natural expression of sympathy is sharing. Following Belk’s ideas about sharing in (Belk 2010), we can expect that some of the activities that take place between a specific diaspora and its home country enter into the range of sharing in experiences. According to Belk, sharing in experiences allow us to reproduce social links with those that we consider to be part of our extended-self (Belk 1989).

There are various possibilities for migrants to engage with their home countries, all of them can be seen as returns back home. While some returns are physical, there are also virtual returns: adopting a career in cooperation, volunteering in supporting other migrants, spending holidays in home countries, actively participating in diasporas’ networks, sending children back home for the purpose of participating in social and economic life, (...).

Most of these activities can be considered to be attached to migrants’ profound desire to be connected with their background. This desire corresponds perfectly with Belk’s idea: “sharing tends to be a communal act that links us to other people.” (Belk 2010). Even the classical monetary compensation phenomenon in migration, remittances, goes beyond the simple activity of exchanging money to constitute a social exchange among families (Gentry and Mittelstaedt 2009).
Sharing in diaspora is, in this sense, a fruitful potential point of departure for consumer researchers interested in joining the worldwide initiative of maximizing positive effects of migration. These sharing in experiences help migrants commemorate their links to their countries of birth without necessarily having to return. At the same time, they allow home countries to enjoy valuable contributions from those far from home who have increased their professional and personal experiences.

This seems to be, for instance, the case for China and its strategy of managing and attracting back its scientific diaspora in North America and Europe through implementing flexible scientific careers. China offers mid-career Chinese Scientists the possibility to spend part of the year in Western countries and the other part in China, while doing their scientific work (Cookson 2010). China’s strategy has been adequate because answering to a simple human concern, the autobiographical-concern applied in a sharing in process. Constructing a completely new life story from scratch could be seen as infeasible. Therefore, having the opportunity to be in both places could help bridging the gap; we remain historical-beings.

Issues for Future Research

This theoretical perspective will be concluded by mentioning some of the multiple ways in which marketing researchers can contribute to worldwide initiatives towards diasporas’ engagement with their home countries.

Likelihood to Share in Diaspora

One of the first questions we would need to address is the understanding of why some foreigners are more likely to share their learning experiences or welfare with their home countries than others? What are the main factors needed for this sharing in to occur?

Typology of Sharing in Behaviors

In addition to identifying motivations behind diasporas’ engagement in sharing in experiences, it also seems pertinent to study the different forms those engagements take and the specific meanings behind each of them.

“You Too” and “As Myself” Phenomenology

As migration is often undertaken in order to improve personal or family well-being, diasporas’ engagement can be understood through the lens of the phenomenology of “you too” or “as myself” (Ricœur 1990). Diasporas’ engaging experiences may shed some light on the way migration experiences are mythologized as a way of reaching well-being and how those myths may challenge local dominant cultures (Thompson 2004).

Diaspora Networks

A potential path for immediate future research is the study of diasporas’ networks or public-private partnerships (e.g. ChileGlobal, www.chileglobal.org, or Colombia Nos Une,
and their sharing experiences. There is probably a lot of work still to be done in order to develop these diasporas’ networks or partnerships in order to favor sharing in behaviors. In this framework, the knowledge built-up in studies of brand communities could form an interesting source of insights (Muniz and O’Guinn 2001).

**Emotions in Diasporas’ Engagement**

Behind sharing in experiences, it would probably be very insightful to also inquire about the emotions that motivate diasporas’ engagement, such as remorse or guilt. Are engaging initiatives with home countries mechanisms for compensating for personal absence? Do migrants feel guilty for not physically being with their co-citizens in bad times? As migrants sometimes enjoy better quality of life in developed countries this would be an interesting possibility for pursuing insightful consumer research on diasporas’ engagement.

**Conclusion**

The philosophical approach to narrative identity shows us that there is a open link between current life stories and past experiences. The process of identity construction is deeply rooted in the kind of person we have been so far. Autobiographical memories represent important sources for designing alternatives of oneself. The behavioral question we ask, when selecting the experiences we will make part of, is not only “what should I do” – alternatives for oneself – but also, “who do I want to become” – alternatives of oneself (Bransen 2008).

In this framework, migration is an important disruption in life where our narratives can be seriously modified. Each modification, by definition, implies that there is already something that has been built. Human beings’ transformations are always reconstructions. In this context, home countries constitute one of the most important piece of raw material at the disposal of human beings in migration. Most migrants are familiar with the day-to-day routine of being asked about their places of birth shortly after meeting someone for the first time. They also, spontaneously, very often think and talk about the places they come from and are therefore considered to be accountable for their personal roots. Migrants constantly revisit the experiences they lived in mother countries, this still happens sometimes years after migrating. Even second and third generations of migrants’ descendants develop similar schemes.

While migrants have to cope with important losses in terms of life context, sending countries will equally have to manage the losses generated by migrants – innovative ideas, skilled workers, tax revenues, and important service providers such as educators or health professionals. Experiences such as sharing in seem, in this context, to be an important key in the process of compensation for these kind of losses.

Identifying and analyzing which experiences are put in place as facilitators for sharing in behaviors would provide a support for policy-makers to set incentives for brain drain’s compensation. Because sharing in behaviors during diasporas may initiate from the autobiographical need of reaffirming connections to home countries, they can be expected to constitute creative, long-lasting and disinterested contributions.
The intent of this article is therefore to invite other researchers to also explore the multiple mechanisms of diasporas’ engagements. This exercise would provide important insights about the way diasporas conserve and preserve personal dynamic past.

References


A Cross-Cultural Examination of Consumers’ Use of Country of Origin Information in Purchase Decisions

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This study examines the effects of the country of origin (COO) information on purchase decisions in non-laboratory settings across three different countries. Our findings confirm that the COO is little used relative to other extrinsic cues and is cited less often than other factors as an influence on decisions. Compared to consumers from two developed markets (U.S., Norway), consumers from a developing market (Turkey) had greater COO awareness and cited it more often as a factor influencing decisions. Norwegian (vs. American) respondents were less aware of purchases’ COO. Ethnocentrism was positively related to COO awareness for the U.S. data. It was positively related to the importance of COO in each of the three countries examined. Ethnocentrism was positively related to citing COO as a decision criterion in Turkey. Contrary to our hypothesis, brand name importance as an indicator of quality was positively related to the ratings of COO importance.

Introduction

Since the mid 1960’s country of origin of products has been a much studied topic in academia with hundreds of published papers (e.g. see Balabanis and Diamantopoulos 2008; Peterson and Jolibert 1995; Pharr 2005, for overviews). Country of origin effect has been defined by Bilkey and Nes (1982) as the influence that the product’s perceived country of origin (COO) exerts on consumers’ evaluations of products. Products originating in favorable countries of origin are evaluated more positively than products from less favorable countries with the positive bias pertaining only to specific product classes (e.g. “Japanese electronics are superior” but not necessarily “Japanese cosmetics are superior”). Many views and dimensions of the country of origin construct have surfaced as research into the COO phenomenon matured. For instance, researchers distinguish between the country of design, country of parts, country of assembly, country of manufacture, and country of brand origin (e.g., see Balabanis and Diamantopoulos 2008; Pharr 2005). As an example, brand origin can be defined as the country in which the headquarters of a brand’s parent firm are located, regardless of where the brand was manufactured (Balabanis and Diamantopoulos 2008, p. 41). For clarity sake, note that our focus was on the traditional COO definition regarding consumers’ processing of the country of manufacture (the “made in”) information.

Extant research examined a plethora of variables pertaining to the country of origin information including the antecedents, moderators, mediators, and outcomes (Pharr 2005).
Perhaps the most studied effect of the COO information is its influence on perceptions of product quality. In an extensive meta-analysis of over 1,500 COO studies Peterson and Jolibert (1995) found that 63% of papers focused on the quality perceptions aspect of the country of origin effect. The focus on quality perceptions is particularly understandable from the managerial perspective.

One of the consequences of globalization is that consumers from around the globe can expect that their local stores will present them with product choices originating from an ever-expanding list of the countries of origin. It is of practical importance to marketers and manufacturers alike to further their understanding of consumers’ use of the country of origin information in judging product quality and making purchase decisions. The first objective of this present research is to re-examine the actual use of the country of origin information as a decision criterion in naturally occurring, as opposed to laboratory simulated purchase situations. In natural settings a consumer has access to various types of information about the product (e.g. price, brand name, retailer’s guarantees, etc.) in addition to the country of origin information. Our research objectives were to confirm that country of origin is little used by consumers in developed countries in routine purchase decisions (Liefeld 2004). Second, we explored the differences between countries in their consumers’ reliance on the country of origin information and tested a few variables that could explain such differences.

Theoretical Background

Cognitive Processes Underlying the Country-of-Origin Effect

A few influential papers investigated the cognitive mechanisms behind the country of origin effect. Hong and Wyer (1989) found that COO information was treated by their respondents as a product attribute. In contrast, Maheswaran (1994) conceptualized the COO information as a stereotype which particularly affects consumers with low (versus high) product expertise. As Maheswaran (1994) points out, products can be categorized based on their country of origin and such categorization can be useful for a consumer who looks for a mental shortcut in order to simplify a purchase decision. Gürhan-Canli and Maheswaran (2000) extended this research to show that consumers use COO as a basis for product evaluation under low motivation. In contrast, high-motivation subjects are likely to engage in systematic information-processing, largely ignoring the COO-related information or utilizing it only as one of the product attributes (Gürhan-Canli and Maheswaran 2000).

Despite the multitude of studies investigating the COO effect, important questions pertaining to methodology of COO studies remain. Most COO studies to date rely on brief verbal descriptions of products where country of origin information is the only or one of a small number of information cues provided by an experimenter (Liefeld 2004). Although the use of single cue experimental designs might be dictated by the purpose of the inquiry, this practice goes counter to many “real-life” purchase scenarios in which the COO information interacts with other information cues that might be available to the consumer (e.g., price, retailer’s name and reputation, salesperson expertise, brand name, etc.). Peterson and Jolibert’s (1995) meta-analysis revealed that it matters whether the COO information cue was the only information cue (vs. multiple cues) presented to the respondents. They found that the largest effect sizes were
associated with the single cue studies utilizing verbal product descriptions (Peterson and Jolibert 1995).

Extant COO research also makes an implicit assumption that consumers are either aware of the COO information or actively seek it out at the point of purchase (Liefeld 2004). In fact, recent research (Balabanis and Diamantopoulos 2008) showed that consumers are often unable to correctly identify a brand’s country of origin. Liefeld (2004), using an unprompted measure of “things considered when choosing the product purchased,” found that only 1.7% of respondents in a mall intercept survey of North American consumers (N=1,248) mentioned the product’s country of origin as a reason leading to product purchase. In addition, only 6.5% of his respondents were aware of their purchase’s country of origin at the moment of interview (Liefeld 2004). Although the sum total of research on the subject leaves little doubt that COO does exert influence on product evaluations by consumers, it is plausible that some experimental designs might artificially increase salience of COO information compared to naturalistic settings by its presentation or identification as a decision criterion (Liefeld 2004; Samiee, Shimp, and Sharma 2005).

It is understood that the product and purchase involvement influence the amount of information search and cognitive effort invested by a consumer into the purchase decision (e.g. a consumer is more likely to research the COO and other product attributes when purchasing a car than when purchasing a kitchen toaster). The findings from Gürhan-Canli and Maheswaran (2000) actually suggest that under relatively low-involvement conditions consumers will be more likely to use the country of origin cue as a cognitive shortcut to making a purchase decision. However, the above mentioned findings from Liefeld (2004) suggest that in many mundane purchase situations, the COO information might be simply ignored by consumers at the point of sale and, therefore, fail to influence their purchase decision. Liefeld (2004) found that the respondents were largely unaware of the country of manufacture of their purchases and did not report of any influence that the “made in” information had on their decision-making.

Based on the existing research on consumers’ utilization of COO information in naturalistic settings (Liefeld 2004), we expect that the overall utilization of the COO information will be fairly low relative to other extrinsic and intrinsic product attributes, such as price, brand name, quality, and retailer’s reputation.

\[ H1: \text{Country of origin information will be cited less often than other product attributes as a factor influencing purchases.} \]

It should be noted that Liefeld’s (2004) findings were limited to two culturally similar markets of NAFTA countries, the USA and Canada. The design of Liefeld’s (2004) study did not provide an opportunity to test if the low rate of consumers’ self-reported utilization of COO information was due to their belief that some other information cues were better indicators of product quality. Country of origin, price, and brand name serve as extrinsic cues that supplement the use of intrinsic cues such as physical characteristics of the product, features of design, and perceptions of performance (Batra et al. 2000).
Variability in Importance of COO Cues across Countries

Although we believe that COO information will be little used, its usage is likely to vary depending on the country and culture of the decision-maker. Existing research provides a number of indications that consumers residing in different countries might differ in the degree of their reliance on COO information in consumer decision-making. In one of the early reviews of the COO literature, Bilkey and Nes (1982) raise a question “whether and to what extent, other cues – such as a well-known brand name, a product guarantee, or a prestigious retailer – can compensate for a negative country-of-origin cue (p. 94).” Indeed, when consumers examine actual products in a store (as opposed to the verbal descriptions in the laboratory settings), they have an option to rely on intrinsic cues (the product’s characteristics) in addition to extrinsic cues (e.g. COO). Pecotich and Ward (2007) specifically suggest that the brand, the physical quality, and COO represent competing and interacting cues in a multi-cue decision-making context.

We suggest that the differences in country-market environments influence the predictive validity of the competing information cues and affect relative weight given by consumers to the country of origin as an indicator of quality. For instance, consumers in the developing country-markets might have several reasons to pay more attention to the COO information relative to their counterparts in the most developed countries. First of all, multiple studies (e.g. see Batra et al. 2000, for an overview) suggest that consumers in developing countries prefer imports to local products not only because they consider imported products to be of superior quality, but for status-enhancing reasons as well. Batra et al. (2000) indicate at least two aspects of foreign products’ status enhancing properties. The relative scarcity and high selling prices of imported goods in the developing markets make them the means of displaying high social status. Some consumers in developing markets might also prefer non-local to local brands for value-expressive purposes. For instance, conspicuous consumption of foreign brands can be used to manifest modernity, individuality, and freedom of choice (Bar-Haim 1987; Batra et al. 2000; Sandikci and Ekici 2009).

Secondly, consumers might pay more attention to the COO information because the alternative extrinsic indicators of product quality (e.g. brand name or trust in retailers) might be less diagnostic or less reliable in the developing markets. Trust is defined as a partner’s willingness to rely on an exchange partner in the face of risk (Doney and Cannon, 1997; Moorman, Zaltman, and Deshpande, 1992). If a consumer trusts a retailer to back up the quality of the products that the retailer sells (e.g. unconditional guarantee of quality), this might diminish the need for the consumer to rely on COO information or brand names as indicators of quality. Retailers in the most developed countries are typically consolidated and have strong bargaining power. For instance, the top five supermarket chains controlled over 50% of the market in the U.S. (Mamen, 2007). As a consequence, the consolidated and powerful retailers in the more developed markets have a greater ability to guarantee the quality of the goods they sell. Retail institutions in developing markets are typically of smaller size and less capable of implementing costly quality guarantee programs. Therefore, consumers in developing markets might be less likely to use retailers’ information as a quality cue, shifting their attention to other extrinsic cues, such as brand and COO information, instead.
**H2:** Consumers in the developing (vs. developed) market economies will have greater awareness of the country of origin of their purchases.

**H3:** Consumers in the developing (vs. developed) market economies will more frequently cite the country of origin as a factor influencing their purchases.

**Influence of Consumer Ethnocentrism**

Consumer ethnocentrism (Shimp and Sharma 1987) represents the beliefs about appropriateness of purchasing foreign-made products. In the opinion of ethnocentric consumers, purchasing imports is wrong because it hurts the domestic economy and causes loss of jobs (Shimp and Sharma 1987). As a result, ethnocentric consumers are predisposed toward domestic products (Netemeyer, Durvasula, and Lichtenstein 1991; Shimp and Sharma 1987). Consumer ethnocentrism has been found to be a strong predictor of the use of COO in product evaluations (e.g., Balabanis and Diamantopoulos 2008; Orth and Firbasova 2003). This leads us to propose that highly ethnocentric consumers are more likely to search for the product’s COO information to ensure that they will not unknowingly purchase “inappropriate” foreign-made products:

**H4:** Consumer ethnocentrism will be positively related to consumers’ awareness of the country of origin of their purchases.

**H5:** Consumers ethnocentrism will be positively related to greater frequency of citing the country of origin as a factor influencing their purchases.

**H6:** Consumers ethnocentrism will be positively related to the ratings of the importance of the country of origin information.

**Influence of Country-Market Size**

The influence of the country-market size on consumers’ use of the COO information has been little explored in marketing research. Because of their smaller physical size, limited resource base, and/or population size, maintaining the full array of industries for satisfaction of domestic consumption is untenable in smaller country-markets. Consequently, smaller (e.g. Norway), as opposed to larger (e.g. the U.S.), developed countries are relatively more dependent on importing goods and services. As a result, consumers in smaller developed country-markets might not always have an option of purchasing domestically produced versions of all of the products that they need, and they have to satisfy a large portion of their needs with imports. This forced reliance on imported consumer goods should desensitize consumers in smaller developed country-markets to the presence of the COO information.

An ethnocentric consumer in a smaller developed country-market would be more likely to experience cognitive dissonance between “what is morally correct to buy” (a domestic product) and what is available in a store (foreign-made products). To reduce such cognitive dissonance, a consumer would have to reevaluate and discount the importance of “buying domestic.” Such a market environment would be conducive to consumers in smaller developed country-markets becoming “COO agnostics” where the COO information is understood but
written off as something less important, secondary to other sources of information about the product.

H7: Consumers in smaller (vs. larger) developed market economies will have greater awareness of the country of origin of their purchases.

H8: Consumers in smaller (vs. larger) developed market economies will less frequently cite the country-of-origin as a factor influencing their purchases.

**COO Relative to Other Extrinsic Product Quality Cues**

As discussed earlier, consumers might give different weight to extrinsic product quality cues (e.g., COO vs. brand name vs. retailer’s reputation) depending on predictive validity of each of these cues. We posit that predictive validity of each of these cues might vary from a country-market to a country-market, depending on local economic conditions. In addition, based on the existing research on interaction between the brand, physical quality, and COO cues, we predict:

H9: Consumers’ ratings of the importance of the country of origin information will be negatively related to the ratings of the importance of the brand name.

H10: Consumers’ ratings of the importance of the country of origin information will be negatively related to the ratings of the importance of retailer’s reputation.

**Method**

**Sample**

The data were collected in one large (United States) and one small (Norway) developed country-markets, and in one developing (Turkey) country-market using convenience sampling method. Data were collected by trained graduate students via mall intercepts in the United States and Norway at the moment when consumers were exiting the store with their purchases.

The mall intercept interview option was not available in Turkey, and an alternative data collection method was implemented. Each student enrolled into an undergraduate marketing course interviewed five individuals about their recent (previous week) purchases during the holiday shopping season. Thus, the data collected in Turkey represents recall data from a convenience sample. In order to obtain the comparable data set in the U.S., additional data were collected in the U.S. in a similar manner (each undergraduate student interviewed five individuals about their recent purchases). Respondents’ participation in this survey was voluntary and no rewards were provided for participation. Students serving as interviewers received training on interview procedure in class and were provided with detailed written instructions along with five blank copies of the survey. Student interviewers were rewarded with partial course credit. Overall, 570 usable surveys were collected in the U.S., 224 in Norway, and 561 in Turkey in 2008 and 2009. The questionnaires used in the mall intercept and student-collected data collections have been translated into the Norwegian and Turkish languages, respectively, by the local collaborators.
Procedure and Measures

This study followed a procedure similar to the one described in Liefeld (2004). The COO awareness, reasons behind the purchase, and the meaning of the COO information variables were measured in the same manner as in the Liefeld (2004) study. However, the list of measured variables has been expanded compared to the Liefeld (2004) study in order to test our hypotheses pertaining to consumer ethnocentrism, COO importance, brand importance, and retailer’s reputation. These variables will be described further.

This study followed the same procedure for the mall intercept and the student-collected recall versions of the interview. The interviewers were instructed to start the interview by obtaining verbal consent to participate. Then they asked the respondents to indicate the most expensive item in their shopping bag/cart (in the mall intercept version) or to name the most expensive item bought during the last seven days (in the student-collected version). Consistent with the Liefeld (2004) study, product categories such as housing, gas, public transportation, for which the country of origin cannot play a role in the choice process, were excluded from the data collection.

Cited Reason behind the Purchase

At the next stage of the interview, respondents were asked: “When you were shopping for [name of the item], what did you consider when making your choice?” The unprompted response was coded into one of the predetermined categories: price, brand, quality, retailer, country of origin or, if the interviewers felt that the response did not fit any of these categories, they wrote down the given answer verbatim. The interviewers were instructed to make two more probes: “Did you consider anything else in your choice?” and record the answers in the same manner as above. The interviewer then would move to the “prompted” section of the interview.

Awareness of the COO of a Recently Purchased Product

The COO awareness was measured through the question: “Do you know where [name of the product] was made?” with response options being yes, no, and not sure. If respondents felt that they knew the country of origin of their purchase, they were asked to state it, and their answers were recorded. They were then asked to indicate the source of their knowledge: “How do you know that this product is from [name of country]?” with the response options being: looked at the package, purchased before, guessed. If a respondent’s answer to this question did not fit into one of the available response categories, the interviewers coded such responses as other and recorded the responses verbatim for further processing by the researchers.

If respondents indicated previously that they did not know where the product was made, they were asked why they did not look or know, with response options being not important, didn’t think about it, assumed it was made in [name of the country] country, brand is more important to me, other things more important. As with the previous question, the interviewers were instructed to record the uncategorizeable responses verbatim for future coding.
COO Awareness Verification

At this point in the interview, the interviewer asked: “May I see where this product was made?” If the verbal consent were obtained, the interviewer checked the packaging for the “made in” (or, alternatively, for the UPC code information about the product’s country-of-origin.) This step was introduced to verify whether consumers correctly identified the country-of-origin of their purchases. The only exception to this step in the protocol was made in Turkey: because of the timing of the interview (New Year Celebration), most purchases made by Turkish respondents during the previous week had already been given as gifts and, therefore, could not be inspected to visually verify the COO information. Cultural norms and the collection of data in Turkey around the time of a religious holiday made questioning the accuracy of COO awareness a sensitive question. At the advice of a local collaborator, this question was omitted in Turkey out of cultural consideration. At the next stage of the interview, respondents were instructed to take a copy of the questionnaire and respond to the remaining questions by circling the most appropriate response options.

Importance of COO, Brand Name, Retailer’s Reputation Ratings

Three measures, each consisting of three statements were developed to measure respondent’s reliance on brands, country of origin information, and trust in retailers as indicators of product quality, with responses being recorded on a five-point Likert type scale ranging from 1=strongly disagree to 5=strongly agree. An example of a brand importance item is “I rely on brand names and on my knowledge about the brands as indicators of quality.” A representative item from the COO importance scale is “The “made in” information is the best indicator of product performance.” Finally, an example of a trust in retailers item is “A retailer’s reputation is a good promise of the quality of products sold by this retailer.” Responses to each of these three-item measures were averaged to form composite indexes of Brand Importance, COO Importance, and Retailer Trust, respectively.

Other Variables

Next, respondents had to complete a 10-item version of the Consumer Ethnocentrism Scale (Shimp and Sharma 1987), validated in other studies (e.g. Sharma, Shimp, and Shin 1995). Finally, respondents indicated their gender, age, education, and income. Respondents were thanked for their participation.

Results

Demographic Profile of the Respondents

As a first step the profiles of the samples from each country were compared. The samples from Turkey and the U.S. were approximately equally split between the two sexes, but the majority of respondents in the Norwegian sample (collected entirely through a mall intercept interview) were women at 70.1% (see Table 1). The U.S. and Norwegian samples were dominated by young people (less than 24 years of age) who constituted 39.8% of the sample in the U.S. and 42.4% in Norway. The majority of respondents in Turkish sample, 37.3%, were
from the 25-34 year-old group. Overall, the Turkish sample was slightly older than the other two samples.

### Table 1. Demographic Characteristics of the Samples

<table>
<thead>
<tr>
<th></th>
<th>USA</th>
<th>Norway</th>
<th>Turkey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of respondents</td>
<td>570</td>
<td>224</td>
<td>561</td>
</tr>
<tr>
<td>Gender, %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>49.1</td>
<td>25.0</td>
<td>50.4</td>
</tr>
<tr>
<td>Female</td>
<td>48.8</td>
<td>70.1</td>
<td>46.3</td>
</tr>
<tr>
<td>Not reported</td>
<td>2.1</td>
<td>4.9</td>
<td>3.2</td>
</tr>
<tr>
<td>Age, %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; 24</td>
<td>39.8</td>
<td>42.4</td>
<td>22.6</td>
</tr>
<tr>
<td>25-34</td>
<td>15.8</td>
<td>8.0</td>
<td>37.3</td>
</tr>
<tr>
<td>35-44</td>
<td>15.3</td>
<td>16.1</td>
<td>15.7</td>
</tr>
<tr>
<td>45-54</td>
<td>17.4</td>
<td>11.2</td>
<td>18.5</td>
</tr>
<tr>
<td>55-64</td>
<td>9.1</td>
<td>10.3</td>
<td>5.0</td>
</tr>
<tr>
<td>65-74</td>
<td>2.3</td>
<td>6.7</td>
<td>.7</td>
</tr>
<tr>
<td>&lt; 75</td>
<td>0</td>
<td>1.8</td>
<td>0</td>
</tr>
<tr>
<td>Not reported</td>
<td>.4</td>
<td>3.6</td>
<td>.2</td>
</tr>
<tr>
<td>Education, %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; High School</td>
<td>5.6</td>
<td>19.2</td>
<td>2.3</td>
</tr>
<tr>
<td>High School Grad</td>
<td>12.5</td>
<td>17.4</td>
<td>19.3</td>
</tr>
<tr>
<td>Attend College</td>
<td>43.3</td>
<td>16.1</td>
<td>20.9</td>
</tr>
<tr>
<td>College Grad</td>
<td>26.8</td>
<td>25.4</td>
<td>44.9</td>
</tr>
<tr>
<td>Attend Grad School</td>
<td>3.9</td>
<td>8.0</td>
<td>4.1</td>
</tr>
<tr>
<td>Graduate Degree</td>
<td>7.2</td>
<td>8.9</td>
<td>8.4</td>
</tr>
<tr>
<td>Not reported</td>
<td>.7</td>
<td>4.9</td>
<td>.2</td>
</tr>
<tr>
<td>Income, %</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>&lt; $10,000</td>
<td>20.2</td>
<td>12.1</td>
<td>14.3</td>
</tr>
<tr>
<td>$ 10,000 - 24,999</td>
<td>9.1</td>
<td>9.8</td>
<td>1.6</td>
</tr>
<tr>
<td>$ 25,000 - 49,999</td>
<td>16.5</td>
<td>9.8</td>
<td>20.9</td>
</tr>
<tr>
<td>$ 50,000 - 74,999</td>
<td>18.4</td>
<td>20.1</td>
<td>23.4</td>
</tr>
<tr>
<td>$ 75,000 - 99,999</td>
<td>12.6</td>
<td>15.6</td>
<td>14.3</td>
</tr>
<tr>
<td>&gt; $100,000</td>
<td>18.9</td>
<td>23.7</td>
<td>25.3</td>
</tr>
<tr>
<td>Not reported</td>
<td>4.2</td>
<td>8.9</td>
<td>.4</td>
</tr>
</tbody>
</table>

Income levels showed those with greater than $50,000 earnings a year (converted to U.S. dollars) at 49.9% in the U.S., 59.4% in Norway, and 63% in Turkey. The percentage of respondents who held at least an undergraduate degree was 37.9% of the U.S. sample, 42.3% of the Norwegian, and 57.4% of the Turkish. Overall, more females were surveyed in Norway. The Norwegian and Turkish samples had higher household income and were better educated than the U.S. sample.

**Products Purchased**

Two independent coders classified all reported purchases into nine product categories (see Table 2). The contradictions in coding were resolved through discussion. The purchases that
did not fit with any of the nine product categories were classified as “other.” Recall that the
interviewers asked the respondents report on the most expensive recently purchased item. Thus,
the results presented in Table 2 reflect not only the differences in the frequency of shopping for
any particular products between the three surveyed countries, but the inter-country differences in
price levels as well.

### Table 2. The Products Purchased, as Percentage of All Reported Purchases

<table>
<thead>
<tr>
<th>Product Categories</th>
<th>USA</th>
<th>Norway</th>
<th>Turkey</th>
</tr>
</thead>
<tbody>
<tr>
<td>Apparel, footwear, accessories</td>
<td>34.8</td>
<td>49.3</td>
<td>49.0</td>
</tr>
<tr>
<td>Electronics</td>
<td>24.1</td>
<td>1.8</td>
<td>32.5</td>
</tr>
<tr>
<td>Sporting equip and accessories</td>
<td>5.8</td>
<td>.9</td>
<td>1.6</td>
</tr>
<tr>
<td>Health and beauty</td>
<td>3.3</td>
<td>12.2</td>
<td>5.6</td>
</tr>
<tr>
<td>Tools, home improvement, repair</td>
<td>2.6</td>
<td>.9</td>
<td>.9</td>
</tr>
<tr>
<td>Furniture, housewares, decor</td>
<td>7.2</td>
<td>5.0</td>
<td>6.5</td>
</tr>
<tr>
<td>Auto and accessories</td>
<td>2.1</td>
<td>0</td>
<td>.7</td>
</tr>
<tr>
<td>Food and drinks</td>
<td>.7</td>
<td>22.6</td>
<td>1.4</td>
</tr>
<tr>
<td>Entertainment and leisure</td>
<td>15.8</td>
<td>3.2</td>
<td>0</td>
</tr>
<tr>
<td>Other</td>
<td>3.5</td>
<td>4.1</td>
<td>1.6</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
<td><strong>100.0</strong></td>
</tr>
</tbody>
</table>

The most frequently reported purchases in all three countries were from the Apparel and
Footwear category (34.8% in the U.S.; 49.3% in Norway; 49.0% in Turkey). The next largest
category in the U.S. (24.1%) and Turkey (32.5%) was Consumer Electronics. In contrast, only
1.8% of Norwegian purchases were represented by Consumer Electronics. Other standouts were
fairly high percentages of Health and Beauty purchases in Norway (12.2% vs. 3.3% in the U.S.
and 5.6% in Turkey) and of Food and Drink purchases in Norway (22.6% vs. 0.7 in the U.S. and
1.4% in Turkey). Type of retailers at the malls where the data were collected in the U.S. and
Norway obviously could affect the sampling of the products (e.g. high occurrence of Food and
Drink purchases in Norway and of Electronics purchases in the U.S.).

American respondents reported the highest share of Entertainment and Leisure purchases
(e.g. CD’s, DVD’s, concert tickets): 15.8% vs. 3.2% in Norway, and no reported purchases in
this category in Turkey. The latter fact, in particular, might be attributed to the high prices on
Entertainment in the U.S. which led to these items being reported as the most expensive recent
purchase.

**Hypotheses**

Recall that H1 states that the country of origin information will be cited less often than
other product attributes as a factor influencing purchases. In the process leading to H1 testing,
the two independent coders assigned codes to all open-ended answers explaining respondents’
reasons behind purchase decisions. In addition to the original 5 factors (price, brand, quality,
retailer, COO), the following categories were developed based on the analysis of the answers:

- **Price**
- **Brand**
- **Quality**
- **Retailer**
- **COO**
- **Other**

The most frequently reported purchases in all three countries were from the Apparel and
Footwear category (34.8% in the U.S.; 49.3% in Norway; 49.0% in Turkey). The next largest
category in the U.S. (24.1%) and Turkey (32.5%) was Consumer Electronics. In contrast, only
1.8% of Norwegian purchases were represented by Consumer Electronics. Other standouts were
fairly high percentages of Health and Beauty purchases in Norway (12.2% vs. 3.3% in the U.S.
and 5.6% in Turkey) and of Food and Drink purchases in Norway (22.6% vs. 0.7 in the U.S. and
1.4% in Turkey). Type of retailers at the malls where the data were collected in the U.S. and
Norway obviously could affect the sampling of the products (e.g. high occurrence of Food and
Drink purchases in Norway and of Electronics purchases in the U.S.).
aesthetic reasons (style, design characteristics), hedonic properties (“just liked it, no other reason”), people’s (excluding retailer’s) influence, advertising, and “other.”

To test for H1, we calculated the total count of all mentions of COO as a factor in purchase decisions for each respondent. Recall that each respondent could name up to three factors influencing his/her purchase decisions. As expected, the percentage of responses specifically mentioning COO as a reason behind their purchases was very low. Of the 1229 factors named in the U.S., there was only 1 (.08 %) mention of COO. Of the 392 factors named in Norway, there were only 4 (1.02 %) mentions of COO. And of the 1566 factors named in the Turkey, there were only 48 (3.06 %) mentions of COO. In contrast, other factors were mentioned much more frequently. As the first factor, Americans most frequently cited Price (28.7%), Brand (21.5%), and Quality (17.1%). Norwegians cited Quality (29.4%), Price (24.8%), and Aesthetic Reasons (22%). Turkish consumers were mostly concerned about Quality (44%), Brand (33.0%), and Price (17.1%). These numbers are consistent with the findings in Liefeld (2004) where only 1.7% of respondents mentioned the origin of their purchases as a factor that they considered when making a decision. Thus, H1 was fully supported. Country of origin was a seldom used decision criteria compared to other reasons explaining respondents’ choice.

To test whether consumers in the developing (vs. developed) market economies will have greater awareness of the country of origin of their purchases (H2), the responses to a “Do you know where the product was made?” question were recoded. The “yes” answers were coded as 1, and the “no” and “not sure” answers were coded as 0, resulting in a dichotomous COO Awareness variable. Of all respondents who answered this question, 28% of respondents in the U.S., 18.3% in Norway, and 48.1% of respondents in Turkey felt that they knew where their purchases were made. As expected, a significantly greater percentage of respondents in a developing market, Turkey (48.1%), were aware of the COO of their recent purchases compared to two developed market economies, the U.S. (28.0%) and Norway (18.3%). The Chi-square statistic for this test was significant, \( \chi^2 (4, N=1349)=108.1, p<.001 \). Thus, H2 was supported. On a side note, subsequent verification of the accuracy of the COO named by the respondents against the actual COO showed that the percentage of respondents who correctly named the COO of their purchase was about the same in the US (75.8%) as in Norway (75%). As we mentioned earlier in the description of the study procedure, the verification of accuracy procedure was omitted from the interview protocol in Turkey.

The “total count of all COO mentions” measure established for testing H1, was used to evaluate H3. Recall that H3 states that consumers in the developing (vs. developed) market economies will more frequently cite the country of origin as a factor influencing their purchases. Consistent with H3, respondents from a developing country (Turkey) cited COO more frequently (3.06 % of the total number of purchase reasons) compared to the U.S. (.08 %) or Norway (1.02%). This difference was statistically significant. A Chi-square test confirms that the proportion of respondents mentioning COO as a reason behind their purchase decisions significantly differed between the three country samples \( \chi^2 (4, N=1355)=53.3, p<.001 \). Thus, H3 was supported, although the frequency of mentioning COO as an influencing factor remained low across all three countries.
To test for H4 which explores the relationship between consumer ethnocentrism and awareness of the country of origin of their purchases, a logistic regression was performed on the dichotomous COO Awareness variable (see the Results regarding H2 above) as an outcome variable and Consumer Ethnocentrism (CET scale) score as a predictor. This model was statistically significant only for the U.S. sample ($\chi^2 (1, N=570)=6.7, p<.05$), showing that Consumer Ethnocentrism predicted awareness of the COO in American respondents. The odds ratio for the U.S. sample show that for one unit increase in Ethnocentrism, there is a 31% increase in likelihood of being aware of the product COO. Consumer ethnocentrism was not a predictor of COO Awareness in Norway or Turkey. Thus, H4 is only partially supported.

The actual use of the COO information (factors influencing purchase decisions) was so low in the U.S. and Norway (1 and 4 mentions, respectively) that it precluded the testing for H5 positing a relationship between consumer ethnocentrism and citing of COO as a factor influencing purchase decisions for these two countries. However, the test for H5 was performed on the data from Turkey where 46 individuals mentioned COO as an influencing factor for a total of 48 incidences. To test H5, the Count of COO Mentions variable was transformed into a dichotomous variable when any mention of COO as an influencing factor was coded as 1 and no mention was coded as 0. The Consumer Ethnocentrism (CET) was a predictor and the dichotomous variable of COO use was the outcome in this regression. The model was significant ($\chi^2 (1, N=561)=16.54, p<.001$), indicating that Consumer Ethnocentrism was a significant predictor of whether Turkish respondents would cite COO as a reason behind their purchase decisions. The odds ratio statistic indicates that a one unit increase in CET scores corresponds to 96.4% increase in the likelihood of Turkish respondents citing COO as a reason behind their purchases. H5, therefore, was supported for the dataset on which it was tested.

Hypotheses 6, 9, and 10 were tested using a linear regression where the rating of the Importance of COO information was a dependent variable, while Importance of Brands, Trust in Retailers, and Consumer Ethnocentrism ratings served as independent variables. The measures involved in this analysis were checked for reliability. The 3-item COO Importance scale was sufficiently reliable in all three country-samples, with Cronbach’s alpha being equal to .76 in the U.S., .71 in Norway, .77 in Turkey. The 3-item Brand Importance was also reliable: $\alpha=.80$ in the U.S., $\alpha=.72$ in Norway, $\alpha=.70$ in Turkey. However, the reliability of the Trust in Retailers scale was less than desirable: $\alpha=.63$ in the U.S., $\alpha=.43$ in Norway, $\alpha=.36$ in Turkey. A decision was made to include the trust in retailers scale into the equation despite the low reliability because of the conceptual importance of this variable for the analysis. Finally, the 10-item Consumer Ethnocentrism (CET) scale had high reliabilities in all three samples, with all Cronbach’s alphas being at or above .88.

The linear regression described above was run for each country separately. All resulting models were significant: F(3, 566)=32.65, p<.001 in the U.S.; F(3, 216)=16.52, p<.001 in Norway, and F(3, 555)=29.07, p<.001 in Turkey. As can be seen in Table 3, Brand Importance and Consumer Ethnocentrism (CET) were positively related to the ratings of the COO Importance in all three countries. Trust in Retailers, however, was not a significant predictor. Trust in Retailers was marginally significant (p=.07) as a predictor of COO Importance ratings only in Turkey.
Table 3. Linear Regression Results

<table>
<thead>
<tr>
<th>Predictor</th>
<th>U.S. (df=3, 566)</th>
<th></th>
<th>Norway (df=3, 216)</th>
<th></th>
<th>Turkey (df=3, 555)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>β</td>
<td>t</td>
<td>p</td>
<td>β</td>
<td>t</td>
<td>p</td>
</tr>
<tr>
<td>Brand Importance</td>
<td>.237</td>
<td>5.61</td>
<td>&lt;.001</td>
<td>.234</td>
<td>3.50</td>
<td>&lt;.01</td>
</tr>
<tr>
<td>Retailers Trust</td>
<td>-.021</td>
<td>-.502</td>
<td>n.s.</td>
<td>.046</td>
<td>.694</td>
<td>n.s.</td>
</tr>
<tr>
<td>CET Scale</td>
<td>.307</td>
<td>7.87</td>
<td>&lt;.001</td>
<td>.324</td>
<td>5.25</td>
<td>&lt;.001</td>
</tr>
</tbody>
</table>

In summary, H6, stating that Consumer Ethnocentrism is positively related to the Importance of COO information ratings, was fully supported in all three surveyed countries. Recall that H9 predicted that the importance of the brand name would be negatively related to consumers’ ratings of the importance of the country of origin information. However, the data analysis revealed that the importance of the brand name was positively related to the importance of COO information ratings in all three countries. Hence, H9 was not supported. Finally, H10 was not supported either because trust in retailers was not a significant predictor of COO importance in any of the three countries or due to low reliability of the three-item Trust in Retailers measure developed for this study.

We hypothesized (H7) that consumers in smaller (vs. larger) developed market economies will have greater awareness of the country of origin of their purchases. This hypothesis was not supported. The data revealed the pattern which was the opposite of the one predicted in H7. A smaller percentage of Norwegian consumers (18.3%) were aware of the country of origin of their purchases compared to their American counterparts (28.0%). The Chi-square test on the frequency of COO Awareness was significant ($\chi^2 (1, N=792)=7.99, p<0.01$).

Likewise, H8 prediction that consumers in smaller (vs. larger) developed market economies will less frequently cite the country-of-origin as a factor influencing their purchases, was not supported. Respondents in a smaller (Norway) country-market actually cited COO as a reason behind their purchase decisions slightly more frequently (1.8%) than respondents in a larger (USA) country-market (0.1%). This difference was statistically significant ($\chi^2 (1, N=794)=6.66, p<0.05$). However, because of the low count of actual mentions of COO as an influencing factor in the U.S. and Norway (1 and 4, respectively), we feel that these findings need to be interpreted with caution. The summary of hypotheses testing is presented in Table 4.

Discussion

From the test of the hypotheses for this study a picture of how COO information is used in a non-laboratory setting across different countries emerges. Our study confirmed the findings of prior research (Liefeld 2004) that the country of origin (COO) of the product was infrequently cited by the respondents in all three studied countries (U.S., Norway, Turkey) as a factor influencing their purchase decisions relative to other factors (e.g. price, brand, quality, aesthetic properties, etc.). Of all factors named by the respondents in each country (recall that each respondent could name up to 3 factors), the influence of COO was 3.06% at the maximum (in Turkey). At the same time, a significantly greater proportion of the respondents (28% in the U.S., 18.3% in Norway, and 48.1% in Turkey) were aware of their purchases’ country of origin. The COO awareness level documented in our study is notably higher than the 6.5% COO awareness
in Liefeld (2004). Furthermore, about one-third of those respondents who were aware of the origin of their purchases in our study (36.4% in the U.S., 30.8% in Norway, and 36.9% in Turkey) reported that they learned about the product’s origin because of engaging in a deliberate, intentional action, that is, looking at the package. At least two more categories of responses to the interviewer’s question “How do you know that the product was made in...?” imply an effort to obtain this information on the part of the respondent: “knew because I purchased it before,” and “salesperson told me.” Choosing the “purchased before” category for an answer implies that the respondent examined the product upon the initial purchase and made an effort to retain the COO information for further availability. Selecting the “salesperson told me” response might mean either that a salesperson volunteered the COO information (“This is a highly acclaimed French wine: you cannot make a mistake buying it.”) or that the respondent took the initiative to ask the salesperson about the origin of the product. Together, these three response categories explain over 90% of the COO awareness in each of the three countries.

**Table 4. Results of Hypothesis Tests Regarding Country of Origin (COO) Information**

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Summary</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1: COO will be cited less than other factors influencing purchase decisions.</td>
<td>Supported</td>
</tr>
<tr>
<td>H2: Developing markets will have greater awareness of COO.</td>
<td>Supported</td>
</tr>
<tr>
<td>H3: Developing markets will cite COO more frequently as a factor influencing purchase decisions.</td>
<td>Supported</td>
</tr>
<tr>
<td>H4: Ethnocentrism positively related to awareness of COO.</td>
<td>Partially Support</td>
</tr>
<tr>
<td>H5: Ethnocentrism positively related to citing COO as a factor influencing purchase decisions.</td>
<td>Supported for the dataset on which it was tested.</td>
</tr>
<tr>
<td>H6: Ethnocentrism positively related to the importance of COO.</td>
<td>Supported</td>
</tr>
<tr>
<td>H7: Smaller developed markets will have greater awareness of COO.</td>
<td>Not supported</td>
</tr>
<tr>
<td>H8: Smaller developed markets cite COO less as a factor influencing purchase decisions.</td>
<td>Not supported</td>
</tr>
<tr>
<td>H9: Importance of COO negatively related to importance of brand name.</td>
<td>Not Supported</td>
</tr>
<tr>
<td>H10: Importance of COO negatively related to importance of retailer reputation.</td>
<td>Not Supported</td>
</tr>
</tbody>
</table>

The data reveals a discrepancy between the self-reported (negligibly low) degree of influence of the product’s COO and the amount of deliberative actions expended to obtain this information. Low self-reported influence of COO on purchase decisions seems to contradict the (higher) level of awareness of the product’s COO as well. A few possibilities might explain these discrepancies. The first possibility is that the COO information is processed in a largely subconscious manner. Hong and Wyer (1989) found that the COO information not only had a direct effect on product evaluations, it stimulated subjects to think more about other product attributes, augmenting their effect. This sequential cognitive mechanism of COO effects could produce COO influence on decision-making in absence of a conscious recollection of COO as a purchase-influencing factor. In fact, the sequential processing of COO information could lead to COO information becoming incorporated into the attribute (e.g., brand or quality) information. Another possible explanation is that COO information is considered by respondents but not
reported out of social desirability considerations (e.g., a consumer does not want to be perceived as an ethnocentric bigot).

Our finding that brand importance ratings were positively related to the ratings of COO importance (contrary to our hypothesis about a negative relationship between these two variables), potentially speaks in favor of the “incorporation” hypothesis. Country of origin as a heuristic cue for quality might be incorporated by consumers into a schema of a particular brand, rendering further direct referrals to the COO information unnecessary. In line with this idea, Wall, Liefeld, and Heslop (1991) found that although country of origin affected the assessment of product quality, it did not affect purchase likelihood judgments. Do brand or quality evaluations simply mediate the effect of COO favorability? Does COO get fully “incorporated into” (becomes one with) the brand schema? The “incorporation” hypothesis can become a direction for future research on cognitive mechanisms of the COO effect.

Our study extended Liefeld’s (2004) research beyond North America to two very different European cultures, Norway and Turkey. Although consumers in the developing country (Turkey) infrequently (3.06%) cited COO as a decision-influencing factor, this percentage was still significantly higher than in the U.S. or Norway. Compared to American and Norwegian consumers, Turkish respondents also displayed greater awareness of the product’s COO. These two findings were consistent with our hypothesizing. Further research is needed to determine exactly why consumers in developing countries pay more attention to the COO information (we proposed several possible reasons). However, irrespective of the reasons making consumers in developing countries pay more attention to the COO information, the managerial implication of this finding is clear: both multinational and domestic companies need particularly well thought-through strategies for using (or omitting) the country of origin information in the products’ positioning in developing countries.

The data have not supported our line of theorizing that, compared to consumers from a large developed country (U.S.), consumers in a smaller developed (Norway) country will have greater awareness of COO but will less frequently cite COO as a purchase influencing factor. In fact, the opposite pattern was observed in our data set: Norwegian consumers (18.3% COO awareness) turned out to be less aware of the origin of their purchases compared to their American counterparts (28% COO awareness). Perhaps, in line with our earlier theorizing, large volume of imported products on the markets of smaller developed country-markets desensitizes consumers in such markets to the presence of the COO information. In fact, of the three country samples in our study, Norwegian (smaller country-market) consumers displayed the lowest level of consumer ethnocentrism (M=2.14 in Norway vs. M=2.56 in the U.S. and M=2.54 in Turkey, F(2, 1349)=20.07, p<.001). That is to say, that Norwegian respondents were the least likely to agree with the statements of the CET scale (Shimp and Sharma 1987) of the following type: “It is not right to purchase foreign products because it puts Americans/ Norwegians/ Turks out of jobs,” “We should buy from foreign countries only those products that we cannot obtain from our own country.” Non-ethnocentric consumers have fewer reasons to track the origin of their purchases. Contrary to our previously stated hypothesis, a greater percentage of Norwegian (relative to American) respondents cited COO as a reason behind their purchases, and this difference was statistically significant. However, the total number of mentions of the COO as an influencing factor was so low in these two countries (4 and 1 mentions, respectively), that this
latter finding needs to be verified in future research. In terms of managerial applications for this set of findings, a possibility exists that it might be inefficient to stress the COO of a product intended for a smaller developed market because the target customers are likely to ignore this information.

The contribution of our study goes beyond the expansion of the geographic scope of the study of self-reported use of the COO information in purchase decisions. We explored a relationship between perceived importance of COO information and a few other extrinsic information cues (namely, brand importance and trust in retailers). In all three countries brand importance was positively related to perceived importance of the COO information as an indicator of quality. This finding supports the earlier expressed view that the COO information might be perceived by consumers as one of the aspects of a brand. Self-reported trust in retail institutions as guarantors of quality was not significantly related to the importance of COO information. It is possible that the hypothesized relationship was not observed due to the low reliability of the three-item measure of Trust in Retailers. The three-item measure of Trust in Retailers was developed specifically for the purpose of this study. Future studies involving this variable should work on increasing the reliability of this measure (e.g. by increasing the number of items in the scale).

The results concerning ethnocentrism were not entirely unequivocal. We anticipated that ethnocentrism would be positively related to use, awareness, and importance of COO. Prior research found a predisposition to domestic products and use of COO information associated with higher levels of ethnocentrism (Netemeyer, Durvasula, and Lichtenstein 2008; Balabanis and Diamantopoulos 2008). Our analysis has shown that ethnocentrism was: 1) positively related to awareness of COO only for the U.S. data, 2) positively related to citing COO as a decision criterion only for the data collected in Turkey (recall that the analysis was not performed on the data collected in the U.S. and Norway due to the negligibly low number of mentions of COO as a decision criteria), and 3) positively related to the importance of COO in each of the three countries examined.

These findings regarding ethnocentrism and COO indicate several things. First, consistent with our hypothesis, greater ethnocentrism leads to higher ratings of the COO importance in all three countries. Consumer ethnocentrism represents a belief about appropriateness and morality of preferring products from one’s own country and avoidance of products made abroad. Knowing the COO information could keep a consumer from making an “inappropriate” purchase. Therefore, one would expect individuals high on ethnocentrism to value COO information more highly than individuals low on ethnocentrism. Consistently with this line of thinking, ethnocentrism was positively related to citing COO as a factor influencing purchase decisions in the only sample (Turkey) where it was statistically possible to test this relationship. At the first glance, it seems puzzling that ethnocentrism was related to COO awareness in only one country-sample, the U.S. and the lack of a similar statistically significant effect in Norway and Turkey. However, there is a notable difference between the U.S., on one hand, and Turkey and Norway on the other hand, that might explain this finding. Being a large country, with a well developed production base, the United States is capable of producing almost all of consumer products within its borders. In contrast, Norway and Turkey are smaller country-markets with greater reliance on imports to satisfy demand in certain product categories.
Domestically produced alternatives might not always be available or adequate to substitute for imports in smaller country-markets. Therefore, ethnocentric consumers in these smaller countries might not always be in a position to act on their beliefs. That is, they believe that it would be more appropriate to buy a domestically manufactured product, but end up buying an imported product because the domestic alternative is not available, priced too high, or does not perform at a satisfactory level. Such ethnocentric consumers would soon learn that acting on their beliefs often leads them to suboptimal consumer choices and start isolating their ethnocentric beliefs from their routine purchase decisions. Additional research is needed to test this explanation of the absence of the hypothesized positive relationship between the COO awareness and ethnocentrism.

Limitations and Future Research

Although the use of probabilistically drawn national samples is always preferable, cost and availability considerations often lead researchers to use alternative sampling methods. All samples used in our study were convenience samples which might have biased our results. For example, the opinions held by the predominantly urban respondents in our data set from Turkey are likely to be different from that of the residents of rural Turkey. The COO-related data collected in the Pacific Northwest of the United States, which was relatively unaffected by economic recession at the time of the data collection, is likely to differ from the responses that could be obtained in the Rust Belt area of the U.S. where many manufacturing jobs have been lost to outsourcing and competition from imported goods, making local residents particularly sensitive to the issue of products’ origins. This points out the idea that sub-cultures within countries may be an interesting object of examination regarding differences in the awareness, importance and use of COO information.

As we have identified in the Discussion section, a number of our findings indicate a need for further research. For instance, future studies should address the question of whether the observed dearth of mentions of the COO as a factor influencing purchase decisions indeed means that “COO does not matter any more,” or that, as we propose, consumers might be unaware of or misstate the actual scope of COO influence on their purchases. Further investigation of the cognitive mechanisms underlying the COO use in purchase decisions is needed to address this question.

Due to the nature of the survey (mall intercept, no incentives provided for participation), the length of the survey had to be limited. This did not allow us to explore many other intriguing characteristics of each country that could have affected the observed results. For instance, future research could examine the influence of a country’s cultural orientation on the use of COO information. Our initial examination of the research questions was limited to the three countries we had access to. Expanding this research to include more countries, with more extreme variance in culture and economic condition could be beneficial.

References


The Modernization of Food Systems and Social Stratification: Opportunity and Inequality in Urban China

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As the world’s largest, rapidly growing market, China at the turn of the twentieth century offers a distinct time and place to explore and clarify some central, yet undeveloped, themes related to social stratification that have been associated with urbanization and globalization in the West. Through an examination of changing food consumption behavior, this study reveals how the new diversity of consumption products, activities, and sites allows expression of changing values and aspirations for China’s urban residents, while simultaneously reflecting, marking, creating, and separating the burgeoning social divisions. In this transitory period of food retail expansion for many developing nations, the consumption environment of urban China warrants monitoring to examine to what extent the market economy represents consumer freedom and expanded choices, versus entrenched inequality and social exclusion.

Introduction

In the past few decades, market transformation in parts of Asia, along with the collapse of the Soviet Union and socialist governments in Eastern Europe, have led to vibrant marketplaces in many areas in which scarcity and relative homogenization were once the norm. Spurred by a global media and consumer culture, the new varieties of products and retailers offer new opportunities for people to seek visibility, identity, values, and status via consumption activities (e.g. Belk 1988; Douglas and Isherwood 1996; Featherstone 1995). Yet, the same market forces that have created new consumption opportunities have also led to increasing income inequality within these same nations, leading to the question of how the shift to a market economy affects social stratification.

This objective of this paper is to examine the effect of the transformation of markets on social divisions through an examination of food consumption behavior in urban China. While the human condition is fundamentally an unequal one, urban China was relatively egalitarian during the Mao period of 1949 to 1979, even in comparison to other socialist societies (Parish and Whyte 1984). During this period, most major categories of consumption were under the strict bureaucratic control of central planning, including housing, goods, food, healthcare, and education. Expressions of wealth and luxury were largely banished as anti-Communist. Then, in a remarkably swift turnaround, beginning with the Deng reforms of the 1980s and 1990s, the ration coupons were retired and a privatized, globalized market economy began flourishing. The far-reaching economic and social reforms have brought the largest group of people out of poverty in the history of the world (half a billion people in a generation according to the World
Bank [Dollar 2007]) and have generally raised income levels. However, along with the increasing living standards and rising popular consumerism, visible and deepening inequalities in income have emerged (Bian 2002).

As the world’s largest, rapidly growing market, China at the turn of the twentieth century offers a distinct time and place to explore and clarify some central, yet undeveloped, themes related to social stratification that have been associated with urbanization and globalization in the West. Examining how the rapid transformation and development of markets affects social welfare (Schultz, Rahtz, and Speece 2004) is of vital importance to address the challenges of economic growth. What are the social effects of the development of a market economy? Greater consumer freedom? The loss of traditional forms of community? An increase in social divisions? China today offers a timely and transitory opportunity to examine these important questions.

To capture this unique period, we examine how food shopping activities have changed in China with the initiation of a market economy. Given the centrality of food consumption activities to economic, social, and cultural life, studying the affect of privatizing food markets is particularly important in examining how quality of life is affected by economic change (Shultz et al. 2005; Witkowski 2008). By exploring these routine, every day practices, we hope to enrich current understandings of the social consequences of the globalization and modernization of food markets. In particular, we examine how food retail choice, food selection, and food budgets have been altered in cities in recent year. Through an examination of continuity and change in food shopping patterns, we hope to facilitate an understanding of the role of consumption in the changing social life in Chinese cities, as well as developing urban areas elsewhere.

**Social Stratification and Chinese Cities**

Researchers have long been interested in how consumption tastes and practices reflect, signify, and perhaps even exacerbate social divisions. Existing literature has examined the relationships between consumption patterns and social divisions via investigations of cultural capital (Bernthal, Crockett, and Rose 2005; Holt 1997, 1998); rituals (Bonsu and Belk 2003); class suppression (Crockett and Wallendorf 1998); acculturation (Ustuner and Holt 2007); market ideology (Kjeldgaard and Askegaard 2006); gender ideology (Holt and Thompson 2004); empowerment (Adkins and Ozanne 2005; Henry 1995); and consumer emancipation (Firat and Dhalokia 1998; Firat and Venkatesh 1995; Kozinets 2002; Murray and Ozanne 1991). Studies that have focused on food consumption activities in addressing development and social inequality include Phillip, Alexander, and Shaw’s (2005) study of shoplifting and the growth of self-service food retailers in the U.K., Warde and Marten’s examination of restaurant use as a means of social differentiation, and Witkowski’s (2007) study of obesity in developing nations.

The pace of economic change during the period in China on which this study is based is by any measure unprecedented. According to the National Bureau of Statistics of China (China Statistical Yearbook 2009), annual per capita urban household income increased tenfold from 1980 to 2008, from 1,580 to 15,781 yuan. A number of government policies have been initiated

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1 The exchange rate in 2008 was U.S.1 dollar = 6.83 yuan
with the explicitly stated purpose of increasing consumption, including increasing the number of
public holidays and restricting the work week to five days for public servants. While almost
every household has seen significant benefits from the economic growth, the benefits have been
unequal (Dollar 2007). An outgrowth of the market-based economic expansion has been a
marked increase in a growing disparity in China in occupational mobility, access to resources,
and, simply, life opportunities (e.g. Bian 2002; Buckley 1999; So 2003; Tang and Parish 2000).
Although the largest economic gaps exist between urban and rural areas, and between coastal
and inland areas, gaps are also widening within cities. The reforms have led to differing
outcomes for urban residents, from an affluent group, which includes rich entrepreneurs,
government officials, and private enterprise employees, to a group that Wu and Huang (2007)
call the “new urban poor,” which includes residents who have been laid off from their state jobs
and the chronically underemployed.

The growing income disparities that have arisen in recent years offer a sharp contrast to
the Maoist period, during which Communist ideology and policies encouraged egalitarianism
and discouraged conspicuous consumption (Parish and Whyte 1984). Globalization and
modernization, coupled with growing affluence, have offered a number of nontraditional ways
for these more prosperous urban Chinese to “choose one’s social identity and group
membership” (Beck 1992, p. 136), including trading in the stock market (Hertz 1998), becoming
involved with religious communities (Yang 2005), and investing in their (usually only) children
(Fong 2004) (see Davis’ 2000 edited volume on the “consumer revolution”). As in other
globalizing economies, Chinese consumers have confronted global products and ideas with a
mixture of adoption, resistance, and/or transformation (see, for example, Fang 2006; Gamble
2001; Hooper 2000; Knight 2006; Lozada 2000; Yan 1997).

As the market reforms have influenced more and more aspects of modern life, the
question of how consumption activities mirror, define, and intensify inequality and social
stratification has become an important area of study. The relationship between social status and
consumption behavior is obscured by China’s complex political and economic history, which
includes the relatively recent, austere Maoist period during which “bourgeois” consumption
activities, such as lavish celebrations and fashionable dress was discouraged. In the Mao era, the
danwei (work unit) system ensured that people worked, lived, and shopped within their assigned
integrated residential/production neighborhoods, which provided, and consequently controlled,
all essential consumption services. Consequently, there is not a long-standing, stable hierarchy
of tastes to serve as a model, or perhaps even counter-model, for the newly emerging
consumption opportunities that are being created by globalization and wealth.

In recent studies, researchers have found evidence of social distinctions being manifested
via consumption activities in China, including private schooling (Cheng and DeLany 2002),
book reading (Wang, Davis, and Bian 2006), and housing (Wang and Murie 2000). Some
researchers have reported negative consequences deriving from an increasing polarization among
social strata. Ngai’s (2003) study of young migrant workers suggests that “consumption” should
be redefined as “subsumption” in urban cities, based on the wide exclusion of certain social
groups in the “phantom” of a consumer revolution. Latham (2002, p. 228) views consumption
practices in China as “a marker and measure of the negative aspects of economic reform,” noting
that consumption activities have not only led to greater social divisions, but have rendered these
inequalities highly visible and increasingly divisive. Gamble (2003, p. 91) agrees, arguing that the new markets have brought on “stresses and strains,” as “differential styles of consumption increasingly divide and fragment Chinese society into discrete status groups” (see also Gamble 2001). On the other hand, based on her comprehensive studies of Shanghai’s urban housing market, Davis (2005), after listening to the “speech of the residents themselves” (p. 697) argues for a more nuanced interpretation of the positive and negative aspects of social change. Davis’ participants both “openly criticized growing income inequalities” and drew attention to their own consumption activities “with pride” (p. 709). These different interpretations of the benefits of a privatizing economy highlight how the rapidly changing social and economic environment of China continues to define new patterns of social stratification.

Social Stratification and Food Consumption

The rapidly changing food retail environment in China, as well as many other areas of the world, is transforming one of the most basic consumption practices experienced by people in numerous ways (Shultz et al. 2005; Witkowski 2008). The following sections detail the changes that have occurred in retailer selection, food choice, and food expenditures in Chinese cities as socialist practices and institutions have receded, and the implication that these changes have for social stratification of Chinese residents.

Retailer Selection

In the two decades prior to the economic reforms of 1979, the retail and wholesale food markets of Chinese cities were almost exclusively under the control of the state (Hu et al. 2004). State control loosened in the 1980s as the economy began to liberalize, and “free markets,” with direct selling by farmers and wholesalers, and private retailers began to emerge, offering direct competition to the state owned enterprises (Veeck 2000). In the 1990s, driven by urbanization and greater discretionary income, the first supermarkets began to appear in the largest cities, with international and domestic supermarkets expanding rapidly into moderately sized cities by the late 1990’s. Since then the number of supermarkets has multiplied throughout China, with, for example, in just the year between 2007 and 2008, the number of large chain supermarkets increasing from 27,145 to 30,204 and the number of hyper markets increasing from 7,332 to 8,072 (China Statistical Yearbook 2009). Urban dwellers now have access to a diverse retail landscape that includes traditional food markets, morning farmers markets, convenience stores, warehouse clubs, supermarkets, and hypermarkets.

The diversity of the shopping venues and the way they are used is a testament to both the variety of options now available for purchasing groceries and the wide-ranging life styles that are accommodated by these options. Whereas the open air food markets of the 1990s were porous public spaces in which, by necessity, people of all ages and incomes shopped, the diverse food retail venues of the 2000s have begun sorting people by age, income, lifestyle, and taste. While almost all urban food shoppers now rely on supermarkets for at least some of their shopping, extensive supermarket use tends to be associated with younger, busier, and higher income people. Conversely, the morning farmers markets, with early operating hours of about 4 a.m. to 7 a.m., tend to be dominated by older people who have the leisure time and lifestyle to accommodate this time frame. The social dynamics among the retail options are starkly
different. The social atmosphere among customers in traditional food markets is quite lively, with shoppers generally tending to shop in markets in their own neighborhoods, increasing the likelihood that they will encounter friends and neighbors. Every transaction in a food market requires a face-to-face interaction between the vendors and customers which includes price inquiry and negotiation, the selection and weighing of the products, and the transfer of cash. It is common for vendors and customers to establish long term relationships that emphasize trust. In contrast, supermarket shopping, with its extensive hours and self-service transactions, inherently offers a much more anonymous food shopping experience. In this sense, the use of supermarkets could be interpreted as a symptom of the dissolution of the traditional social systems, the intervention of abstract systems, and the increase in individualization that is frequently associated with modernization (Beck and Beck-Gernsheim 2002; Giddens 1991). It is quite clear that the new options of food retailers, while providing convenience and choice for shoppers, are also physically and symbolically separating urban residents as they participate in a routine activity that previously involved the use of common space among all neighboring residents.

**Food Selection**

With agriculture, manufacturing, retailing, and pricing under central control in the three decades between the post-1949 era and the 1979 economic reforms, people’s diets were relatively equal (Rada 1983). The government issued food rations for most staple products, including oil, grain, meat, eggs, soy sauce, sugar, and salt, and, consequently, consumer choices were largely dictated by the state (Tang and Jenkins 1990; Veeck et al. 2007). With the launching of the market economy in the 1980s, the food industry in China became subject to the increasing modernization and globalization of food agricultural, transportation, production, and retailing industries. The relatively limited selection of staples, grains, meat, and vegetables offered in the Mao era was gradually supplemented with options of branded, processed, prepared and semi-prepared, frozen, imported, organic, and combinations of these types of foods. Urban residents now have access year round to a wide assortment of fresh and processed foods, with choice mainly limited by the ability to pay.

As a result of these changes, the food consumption habits of urban Chinese people have become much more diverse. Since 1980 the gaps between the diets of lower income and higher income households have increasingly widened, with higher income households spending smaller proportions of their food budgets on grain and more on meat, eggs, vegetables, fruits, and milk (Chinese Statistical Yearbook 2009). Once routine and monotonous, food is now chosen for a number of reasons including nutritional value, price, safety, and convenience, and, of course, taste. Billboards, television commercials, in-store demonstrations, marketing events, and other forms of promotional activities that were much less evident in more austere periods, now target specific groups for food products, such as busy, young professionals, nursing mothers, and, of course, only children (see Jing 2000). High income households are more likely to purchase imported, processed, and prepared foods (Veeck and Burns 2005). The result is that a once shared local diet is now diverging by socioeconomic characteristics.
Food Expenditures

Complementing the differences in food choice is an increasing gap in food expenditures according to income. The rationing and fixed prices of the Mao era, while accompanying a limited diet, also ensured that most people in local areas ate similar foods (Rada 1983). While state-dictated food prices and ration tickets continued in some form through the 1980s, state control has gradually been lifted, with food prices now mostly dependent on market forces. From 1980 to 2008 annual urban household expenditure on food has risen from 693.77 to 4,259.81 yuan.1 As would be expected in an expanding economy, the Engle coefficient (measuring the proportion of expenditures on food to the total consumption expenditures) has decreased from 54.2% to 37.9% for urban households, indicating that many families now have significantly higher income and more discretionary spending power (China Statistical Yearbook 2009). However, the Engle coefficient for lower income households has decreased at a slower pace than the rest of the population, with almost half (48.14%) of the expenditures of these households dedicated to food in 2008 (China Statistical Yearbook 2009). Further, as opposed to higher income households, the real food expenditures for the poorest 20% of households has remained relatively flat in recent years, providing evidence of an increasing gap in relative food costs between richer and poorer households (Gale and Huang 2007).

As discretionary income has risen, a group of middle class consumers is emerging that has the means and desire to pay extra to buy processed and prepared foods, as well as food that is perceived to be safer and/or healthier (Gale and Huang 2007; Veeck and Burns 2005). As a result, Gale and Huang (2007) believe that higher income households have had more market influence and power in shaping food demands than lower income households, with expenditures by the upper 20% of households largely driving the rapid increase in the number of supermarkets and convenience stores and dictating the locations and offerings of these stores. In addition, the relatively larger percentage of income spent on food by lower income households means that these households are much more vulnerable to rising food prices, and, as a result of this inequality, future inflation could lead to increased social instability. In summary, while market forces have significantly improved the quality and quantity of food selection, higher income households have reaped the benefits of an improved food supply at a much greater level than poor households.

Discussion

Through an examination food shopping behavior, this study reveals how the new diversity of consumption products, activities, and sites allow expression of changing values and aspirations for China’s urban residents, while simultaneously reflecting, marking, creating, and separating the burgeoning social divisions. In response to other changes associated with an economy that is increasingly based on market forces, the food retail environment has evolved to accommodate and reflect an increasingly diverse set of lifestyles, including differences in incomes, ages, relationships, working status, aspirations, and taste.

In this period of dramatic economic and societal change in Chinese cities, the collateral for expanding consumer freedom and choice appears to be a diminished sense of city-wide community as people are sorted into segments via market-created values. The social dynamics
of traditional food markets in which the shoppers frequently encounter and speak to neighbors and engage in relatively protracted transactions with the vendors are quite different than the relative anonymity of the modern supermarkets in China. True, the new consumption opportunities, as represented by food shopping activities, offer urban Chinese residents a means to form social identities and initiate and affirm important relationships (Firat and Venkatesh 1992; Murray and Ozanne 1991). At the same time, in a variation of Bourdieu’s theory of taste (1984; Holt 1998), the consumption activities are signifying newly formed social hierarchies in a post-socialist environment, or perhaps recreating social structure that were latent during the Mao era.

Given China’s relatively recent history of food rationing and shortages associated with a state-controlled food supply, urban Chinese are currently more likely to rejoice in the wide availability of new choices than feel resentful of growing inequities (Veeck 2000). Still, the increasing heterogeneity of food purchasing behavior suggests the possibility of feelings of alienation related to the inequality of consumption opportunities, particularly if the perception grows that wealthier people have better access to healthier and safer food. Marketing strategies, such as the pursuit of market segmentation pursuits by advertisers, manufacturers, and retailers, have the potential to magnify social distinctions as they single out demographic and lifestyle groups to target (e.g. Cohen 2003). Also, as urban housing communities become more internally homogeneous, the retail landscape can be expected to accommodate those changes, resulting in increasingly segmented retail landscapes (Bian 2002). In the face of an increasing income gap, the inevitable future downturns in the economy may create new tensions, or even civil unrest, with rising food prices having disproportional effects on lower income urban customers (Gale and Huang 2007; Gamble 2001). In addition, while the focus of this study is on the growing social divisions within cities, much larger, and potentially even more problematic, opportunity gaps exist between urban residents and migrant workers and urban and rural residents.

Policy Implications and Government Response

For a variety of reasons, China’s government will play a central role in addressing both the food safety and social equity issues highlighted in the findings of the study. To some extent, the food safety issues are being addressed, yet it is clear that much more needs to be done if consumers are to [re-]gain faith in government programs devoted to food safety. Since 2005, partly in response to consumers’ outcry, the Ministry of Agriculture (MoA) has been working to establish a single set of certification and testing standards for what have been termed “safe foods” (limited pesticide, fungicide, and herbicide exposure) and "green" (organic) agricultural products. With a mandate to regain public trust, the MoA must initiate and maintain programs that ensure both that food is safe to eat, but, perhaps more relevant to our key points, that these recent food options will meet the standards that warrant higher wholesale and retail prices as well. In short, the poor are not driving branding initiatives and demand for viable product certification; the middle class are buying these products, and hence setting the agenda as well. Safe and organic foodstuffs are, in turn, promoted by MoA as a development strategy precisely because these products can command twice the price of what can be charged for conventionally (with inorganic farm chemicals and fertilizers) grown produce. Going green is good for consumers and for poverty reduction on the farm.
There are clear signs that the government recognizes both the potential and the importance of these concerns to the promotion of what has been coined a “harmonious” society. In October of 2002, the Ministry of Agriculture’s China Green Food Development Center established the China Organic Food Certification Center (OFCC) that became the first “official” organic certification body registered under the China’s Certification and Accreditation Administration (CNCA) (Baer 2007). Approximately 80 percent of organic and “safe food” certification in China is now done by four OFCC licensed companies/centers: (i) the Organic Food Development Center; (ii) Green Food Development Center, which issues the OFCC organic label; (iii) WIT Assessment Company, Ltd. Product Certification Center; and (iv) the Organic Tea Research Center. Unfortunately, there are too many “unofficial” competing brand logos, and understaffed agencies managed by CNCA are hard-pressed to prosecute violators and counterfeiters. Further, it is clear the government must go further with respect to educating the public regarding which logos are legal and trust-worthy. A lack of understanding regarding the identification and promotion of official “safe food” and “green food” logos has led to the confusion and mistrust identified in the study. Again, there are myriad reasons for promoting a “green food” industry in China, including meeting the needs of middle-class urban consumers (tellingly, most farmers producing their OWN vegetables are eating organic), but also as an important means of raising rural incomes. More legislation is currently being written to standardize the sector and to raise public trust in organic products. Any such legislation should: (i) establish and enforce standards and tests for chemical residues and other harmful substances in organic foods; (ii) create a new standard credible logo for the entire nation that can regain public trust and assure organic premiums can be achieved, (iii) serve as a certification agency for producers, and (iv) also establish animal disease monitoring and control systems and safe livestock feed production for all organic livestock and fowl.

Unlike food safety and organic food certification, issues related to social equity and food supply are far more complex, as well as being less amenable to mitigation through better enforcement of laws and the clarification of regulations. The issues related to growing urban inequality cannot be “legislated away”. Here China’s leaders, like those of most nations that have experienced a rapidly expanding economy, know there are no easy solutions to these problems. Typically, aid to poor families in China focuses on rent and power relief and, less frequently, on dispersals of emergency cash that can be used to purchase staples. Presumably, these programs will be expanded as needed in pursuit of the “harmonious” society as China finally has some money to address such issues, but these funds will typically be spent where they will go the farthest—i.e. the open-air markets. This is not merely an economic decision, but social as well, as China’s urban poor do not patronize the hypermarkets of larger cities to the extent that wealthier residents do. In policy terms, this means that while improvements to food safety and standards are emerging in urban markets used by the middle and upper class, such changes will have little effect for most people in China’s cities—at least in the short run. In working to improve food security and safety for the urban poor, planners face a more complicated set of conditions than in many nations; they must keep food prices low, food quality up, and food access open. These are new debates in China. Existing policies and programs do not adequately meet equity concerns related to food and dining.
References


Personal Transportation as a Macromarketing Issue: Introductory Comments

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Marketing typically concerns itself with getting goods to market. Consumer behavior is generally concerned with search, choice, purchasing and consumption behavior, and some notable dispossession research. Between getting goods to market, choice and possession and consumption is the transport of goods (and services) from their place of exchange (the market) to their place of consumption. This session focuses on that part of the consumption process, with particular focus on sustainable consumption/transportation choices.

Alderson (1957) gave us the transvection and Porter (1985) the value-chain, both of which focus on the creation of value from raw materials to consumption (Priem, Rasheed and Amirani, 1971). Taking a macromarketing perspective, it can be seen that there is a parallel channel to the transvection or value-chain, a channel of impacts on the environment and society’s well-being. Where do the costs of packaging, transport and their associated pollution appear in the value-chain? The efficiency of a truck/train/boat full of product is many times that of a typical car, or even the best of the eco-friendly cars, when it comes to impact on the environment and society per kilogram kilometer. The packaging used to get goods to market is generally not excessive, this packaging is not there for decoration, it is designed to protect the goods during transport to market. It is the packaging designed for the journey from the market to consumption that is frequently excessive and wasteful.

This special session considers the plight of those making environmentally (and socially) friendly personal transportation choices: particularly the choice to walk or cycle. The choice to use public transport is environmentally constrained; you can’t take the bus that isn’t there. You also can’t buy from a local shop, reducing your travel distance, when the retailer has decided not to provide one.

The history of marketing includes where we should place retail (and warehouse) sites. Given the current environmental situation, it may be time to revisit the way we deliver goods to consumers, and where. We should take into consideration how consumers will transport them to their place of consumption. With the growth in recognition of the environmental impact of consumption, it is of particular interest that the least efficient part of the channel — transporting small assortments of goods in, relatively, large vehicles — is the part of the channel that receives least attention from marketing, consumer behavior and macromarketing.

References


A Hero Journeys, But a Commuter Resists: The Long and the Short of Bicycling in the US

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As a recent college graduate in 1978, Mark Peterson left home and rode a bicycle from the Pacific Ocean to the Atlantic Ocean (4,700 miles). The first half of this 80-day trip was on what was then called the Bikecentennial Trail conceived by a NGO devoted to developing bicycle touring as part of the US celebration of its bicentennial in 1976. Such a trip allowed an extended immersion in the heartland of America. This led to obtaining a macro view of the US and its society for the author, as he slept in the parks and backyards of America. Nine years later, the author experienced economic hard times as an MBA student and its requisite demands of daily urban commuting in Atlanta, Georgia. The author undertook bicycle commuting for two years. Thirteen years after this, the author again felt economic hard times as his then teen-age daughter insisted on access to the family's second car. In response, the author took up bicycle commuting in another urban area of the US - Dallas-Fort Worth, Texas and continued this for five years. During this period of bicycle commuting in Texas, the author reports two years of being received as a social deviant, until Texan Lance Armstrong was featured in an ad campaign focused on respect for bicyclists called "Share the Road Ya’ll!"

In sum, long-distance, self-contained bicycle touring offered "the hero's journey" for the author with stages of 1) capture, 2) leaving, 3) encounter, 4) re-invention, and 5) empowerment as a changed person upon return. A newly-grasped macro view of the US changed his career choice and led to later internationalization. Even Lance Armstrong’s story of bicycling long distances in faraway places (and achieving excellence as a cancer survivor) is marked by the hero’s journey. By comparison, short-distance, urban, bicycle commuting proved to be more of an act of resistance against the threat of disintegration (psychic, economic, and family) brought about by economic hardship. Recurring calls to defend one's dignity as a citizen against those who viewed the bicycle commuter as an "invader", or "deviant" occurred not only on the roads, but in the place of work during these commuting years. Over time, such motorists manifested markedly less hostile behavior toward bicyclists as a result of the Lance Armstrong campaign for changing the culture of Texas roads. However, this did not extend to work colleagues lacking cultural capital or demonstrating unwillingness to accept practices associated with transportation modes of the post-carbon era.

While more risks were actually taken on in the urban environment of the US as a short-distance, bicycle commuter than as a long-distance journeyer across the US, non-bicyclists more readily apply romantic notions about long distance bicycling and many times accept the returning long-distance bicyclist as a hero. The Dominant Social Paradigm offers one explanation for this difference (Kilbourne, McDonagh, and Prothero 1997), as many non-bicyclists perceive bicyclists in their local area as having less power (economically and physically – when compared to them in their automobile). However, the dimension of transcendence (of industrial age processes, and of local routine) emerges when many non-
bicyclists interpret the journey of the long-distance bicyclist. Implications for sustainable consumption are discussed.

References

Personal Transport Lessons from South America

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The continuing development in modes of personal transport in Bogota, Colombia and Santiago, Chile as the cities attempt to institute systems that are more sustainable (bio-diesel powered and producing less overall emissions) and the economic instability and hardship that the systems generate. Also Bogota's leadership in promoting bicycle transportation and recreation and the economic and social impact it is having.
What Are We Teaching the Children?

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Fear appeals dominate public discourse and culture, which fuels the perception that a high level of risk is associated with even everyday activities. These perceptions have had significant impact on how people relate to especially the urban environment and the amount of freedom that children are given. The outdoor child is increasingly becoming an endangered species, which poses a significant problem given patterns for active transport and healthy living is established in childhood. In relation to these issues this paper investigates, in a New Zealand context, what perceptions educational campaigns and road safety initiatives generate in the minds of young children five to seven years of age.

Society's Approach to Risk and Safety

The outdoor child is becoming an endangered species (Carver, Timperio, and Crawford 2008). Compared with previous generations, children are increasingly constrained to spending play time in their residences and are chauffeured to school and other activities (Tranter and Doyle, 1996; Karsten 2005; Carver et al. 2008). Some parents who discourage children from interacting with the urban environment do so due to long travel distances but for the majority, this decision is grounded in fears for their child’s safety (Tranter and Doyle 1996; Karsten 2005; Davison and Lawson 2006). Parents’ main fears include ‘stranger danger’ and concerns of safety on the road (Timperio, Telford, and Salmon 2004; Carver et al. 2008) of which the latter has been identified as the dominant concern (Hillman, Adams, and Whiteleg 1990; Davis 2001; Morris, Wang, and Lilja 2001; Tranter and Pawson 2001).

Parent’s perceptions that interaction with the urban environment is high risk have been identified as the main factor affecting children's level of physical activity (Tranter and Doyle 1996; Karsten 2005; Davison and Lawson 2006). Especially significant is the decrease in numbers of children using active transport, such as walking or cycling, to get to school and after-school activities, while outdoor play still takes place in the neighbourhood areas under adult supervision (Carver et al. 2008). The decrease in active modes of transport is a concern for a range of reasons as listed in table 1 below. The last point is especially important given that both children and adults engaging in physical activity have lower occurrences of health issues such as obesity, cardiovascular disease and diabetes (Timperio et al. 2004).
Table 1. Issues Related to Decrease in Active Transport

| Children miss out on the opportunity to make social contact and interact with the community of other children, which helps develop the child’s independence, self-esteem and sense of responsibility (Carver et al. 2008). |
| Reduced exposure to the road environment hamper the ability to manipulate spatial information and hence the development of road skills, which is a problem as the child eventually will have to deal with the road environment (Tranter and Pawson 2001; Lupton 2006). |
| Social traps are created as chauffeuring children to school increase the risk for children using active modes of transport, especially around drop off zones (Collins and Kearns 2001; Tranter and Pawson 2001). |
| Active transport is an important source of physical activity among children (Tudor- Locke and Popkin 2001) which help establish active lifestyle patterns and decreased reliance on motorised transport in adulthood (Davis 2001). |

Interaction with the external environment is perceived to be high risk, but how does perceived risk compare to actual risk? In terms of ‘stranger danger’ children are far more likely to be assaulted by a family member or acquaintance than a stranger (Finkelhor and Ormrod 2000). Concerning road risk a recent global report on child injury prevention stated that road traffic accounts for approximately seven death per 100 000 children, in high income countries, and 11.1 in low income countries (Peden 2008). In contrast the risk of obesity and related illness caused by a sedentary lifestyle is far greater, and difficult patterns to reverse once established (Ebbeling, Pawlak, and Ludwig 2002). It must therefore be considered which choices carry the greatest risk long-term.

The level of risk associated with the urban environment is significantly overestimated, but ingrained in modern culture. ‘Being at risk’ and ‘fear of’ are pervasive concepts in modern society and dominates public discourse and culture (Altheide 1997; Altheide and Michalowski 1999; Furedi 2002; Hubbard 2003; Tudor 2003; Furedi 2007; Glassner, 2009). People express increasing concern for safety on a range of issues, though ironically many types of actual risk has decreased, people live longer, better disease treatments and knowledge of prevention is available and rates of crime is in most urban environments fairly stable or even decreasing (Dorfman 2001; Furedi 2002). Still a socially constructed ‘culture of fear’ exist, where anxiety is increasingly felt towards life in general as well as everyday activities (Altheide 2002; Furedi 2002; Hubbard 2003; Tudor 2003; Furedi 2007). These perceptions in turn influence people’s approach to managing risk (Furedi 2002; Tudor 2003; Furedi 2007) and fuel society’s paranoia about safety (Furedi 2007). In this regard equipment facilitating risk avoidance has become big
business, such as surveillance systems and personal protective equipment, which is increasingly available to protect against the dangers lurking outside the front door (Hubbard 2003).

Information rather than direct experience instil the perceptions that most everyday activities pose significant risk (Altheide 1997; Furedi 2002; Guzelian 2004). The influence of media on public opinion has long been acknowledged (cf. Lippman 1922) and currently the mass media is suggested to be a key component in the development of a fearful society with the 'production of news' which emphasise that danger and risk lurks everywhere (Altheide 1997; Altheide and Michalowski 1999; Furedi 2002; Glassner 2009). News reports, for example, have been found to emphasise violent crime, the more unusual, and hence often brutal, the better and while actual numbers of homicides in the US decreased by a third, between 1990-1998, television coverage of the same topic increased 473 percent (Dorfman 2001). Along with this development the use of the terms ‘fear’ and ‘at risk’ have become more common over the last decades. In the study of mass communication Altheide (1997) found that prevalence of the word fear between 1985 and 1994 increased by 173 percent in ABC newscasts. In the LA Times increases were 64 percent in text and 161 percent in headlines. Similar a study of British newspapers from 1994 to 2000 found that the number of times the term ‘at risk’ was used increased from 2037 to 18003 in this period (Furedi 2002). By emphasising how at risk most people are of becoming a victim, news are made relevant to the individual (Altheide and Michalowski 1999) but at the same time creating the perception that most are extremely vulnerable.

The news reports are just one type of cultural document, which can give insight into the state and focus of the current society and culture (Altheide and Michalowski 1999). Not only the news media has embraced the ‘fear framework’ in presenting information, also social marketing campaigns has embraced this appeal, justified on the grounds that it will be an effective way to get the message across to the public Furedi (2002). This includes messages given to children, for example, in the context of road safety as illustrated in quote below.

“We have created a world for our children in which safety is promoted through fear. The message of campaigns such as ‘One false move and you're dead’ is one deference to the source of the danger. That such a world can be advertised without apparent embarrassment by those responsible for the safety of children, and without provoking public outrage, is a measure of how far the unacceptable has become accepted”.
(Hillman et al. 1990, p. 111).

Children are perceived to be the group most at risk in modern society (Hillman et al. 1990; Furedi 2002) and have been assigned a passive and dependant role as being vulnerable (Furedi 2002, 2007). This view also dominates literature on transport where children have mainly been considered as problems or victims, while failing to recognise that children are capable of being active processors of risk (Davis and Jones 1996; Davis 2001). Children’s skills are indeed less developed than adults (Ampofo-Boateng and Thomson 1991; Demetre et al. 1992) but they are able to develop strategies to negotiate ‘hostile’ environments if given the opportunity. In a study of children’s understanding of risk and accident prevention seven to eleven year-old children demonstrated a well developed understanding of these concepts. Interestingly the children were also reluctant to see injuries as a result of bad luck and instead
acknowledged their own responsibility in staying safe. They also emphasised the importance of personal experience in developing skills to negotiate the environment (Green and Hart 1998). The importance of experience was also supported by Hill and Lewis (2000) who found that children with more exposure to traffic were able to demonstrate higher salience and understanding of what appeared to be dangerous situations, even at an early age. This seem to suggest that children are able and motivated to learn the necessary skills, and that current cultural norms focused on isolation from the environment, or changing the environment, (Green and Hart 1998; Hill and Lewis 2000) is the biggest obstacle for creating adults with healthy lifestyles. Culture is therefore a vital influence on mode of transport choice whereas changes of road design, traffic or school structures is suggested to have less impact, though not insignificant (Jensen 2007).

Research has dealt with adult perspectives on children’s interaction with the road environment, in contrast the views of children has so far been neglected (Green and Hart 1998; Davis 2001; Lupton 2006). This represents a problem as there is a limited understanding of what perceptions are created in the mind of children from road safety campaigns and training initiatives. In developing a healthier more active society, policies and strategies to achieve this, the understanding of children's perceptions are therefore vital (Davis 2001; Darbyshire, MacDougall, and Schiller 2005). Further, training initiatives which resonate with the children’s own understanding of the environment is likely to be far more effective (Green and Hart 1998). It is therefore necessary to investigate, what messages are we sending to the children and how are these interpreted? Grayson (1975, p. 172) states “all training takes place within broader educational, social and cultural contexts, and the aims of training will inevitably reflect these higher level influences”. In a society where discourse emphasise high risk lurking everywhere, are the current road safety initiatives and education framed in such manner that children are taught, from an early age, to be afraid and avoid contact with the road environment, rather than being provided with useful strategies of how to negotiate this environment? With these issues in mind this research investigates, in a New Zealand context, what perceptions educational campaigns and road safety initiatives generate in the minds of young children five to seven years of age.

**Methodology**

This research utilises both an action based approach, (asking the children to produce drawings) and focus groups discussions to overcome the challenges present when doing research with children. Research with young children requires greater creativity and flexibility of both researchers and data collection approaches (Darbyshire et al. 2005). Complications arise from differences in ability to articulate ideas (Punch 2002) and from unequal age and status, which may cause children to feel they are expected to conform and express learned behaviour, rather than freely express their own views (Mauthner 1997; Alderson 1995; Punch 2002). These problems can be minimised by selecting methods where children have ability to express their views and by creating a situation where they are comfortable (Mauthner 1997).

Visual techniques have proved popular with researchers (Darbyshire et al. 2005) as these are already used in schools and caters to children’s skills (Punch 2002). Producing drawings is also an appropriate warm-up for more difficult activities (Mauthner 1997; Punch, 2002); it
allows the children to gain familiarity with the researcher (Boyden and Ennew 1997) and works as a fill-in activity while the researcher communicates with particular groups of children (Punch 2002). Finally and most importantly it helps children to focus on the research topic (Mayall 1993) and the drawings become rich illustrations of how children experience their world (Punch 2002).

Focus groups was chosen for facilitating discussion, as young children commonly have difficulty in communicating one to one with unfamiliar adults (Punch 2002). This method has proved successful for exploring the experiences and perceptions of children on a range of topics and is increasingly used (Hoppe et al. 1995; Davis and Jones 1996; Vaughn, Schumm, and Sinagub 1996; Green and Hart 1998; Hurley 1998; Morgan et al. 2002). Focus groups encourage naturalistic dialogue (children’s own words) and provide an environment where children are comfortable to share their stories and ideas (Davis and Jones 1996; Darbyshire et al. 2005).

Children will be introduced to the topic and placed in groups according to which mode of transport they most commonly use to get to school. The advice of the teacher will be sought to avoid placing children that dislike each other in the same group. Single gender groups will be preferred, where possible, as these tend to be more successful for generating conversation (Mauthner 1997). The children will then be asked to make drawings of themselves coming to school. These drawings will provide the starting point for the focus group discussions. The children will be asked “can you tell me about the things you have drawn” rather than “what have you drawn” as the latter can be perceived as a suggestion that the child lack ability to draw (Punch 2002).

Research conducted in a school environment sometimes causes the child to feel obligated to provide ‘learned desirable’ answers. To minimise this influence focus groups will be conducted in a room adjacent to the classroom to reduce the pressure of having other children, parents or teachers listening to the conversation. An added advantage of removing the focus groups from the classroom, is better quality of digital audio recordings. As advised by (Punch 2002; Lupton 2006) it will also be emphasised that “the researcher is not a teacher but simply a person interested in learning what children think of different things”. After drawings are discussed, the groups will be provided with photos of children in the road environment and asked to comment on these.

Utilising multiple techniques for investigating children's experiences and perceptions is expected to provide insights and understanding, which would not be achieved through reliance on a single method. Further, it will give the children several ways to contribute and help to maintain interest in the research (Punch 2002; Darbyshire et al. 2005).

Thematic analysis will be used to identify patterns in the data. This process will follow the six phase guideline to thematic analysis suggested by Braun and Clarke (2006). Data will not be transcribed verbatim but a written index will be produced to simplify the analysis process. While verbatim transcription is generally considered a norm in qualitative research, issues exist regarding the transcription process. Kvale (1996) describes written transcriptions as “abstractions from an original landscape” and compares the process of transcription with translation from one language to another. Further, omitting factors such as tone of voice creates de-contextualised
data, which potentially obscure the researcher’s understanding of the phenomenon studied (Kvale 1996; Lapadat 2000; Oliver, Serovich, and Mason 2005; Gibbs 2007). Children especially have a limited vocabulary and therefore the context of how things are said, rather than just the words themselves, becomes increasingly important and supports keeping the data in its original context.

*Research in progress, results to be presented at the conference

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Marketing and Nature: Investigating Personal Transport in National Parks

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To set the scene, two contrasting experiences of personal transport in the Fiordland National Park, New Zealand are described. First; in the peak summer holiday season of 1960 car and bus traffic crunched along a gravel road through the Homer Tunnel to Milford Sound in 1960 at a rate of perhaps six vehicles per hour. Second, fast forward to 2010. Peak summer motor transport has become semi-continuous. Convoys of up to fifty buses are frequent, to feed tourists to the fleet of sightseeing boat, kayaks and aircraft based at Milford Sound. Walkers and mountaineers using the popular trails are more likely to use automobiles, four wheel drive vehicles for their road transport.

Marketing systems may be categorised into inputs, components, attributes and outcomes (Layton and Grossbart 2008). This is a useful frame for investigating the consumption of personal transport in national parks. Firstly inputs; why actors use the different forms of transport and the quantifying consumption; secondly components; how the transport forms are consumed and how patterns of use are modified over time by the interplay of physical, cultural and economic influences; thirdly attributes; how the complexities of marketing systems are moderated by social, political and managerial processes; and fourthly, outcomes; how the intensification of different activity patterns or user adoption of new forms of personal transportation impacts on marketers, national park communities, national park values and recreation management.

Key words: Macromarketing, personal transport, consumption, national parks

References

Searching for a Code of Business Conduct in an Age of Globalization: Super Norms and Macromarketing Implications

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As organisations continue to increase their level of operations across international borders, their ethical conduct becomes a greater social concern. A global code of ethics allows organisations to follow one code for all countries rather than creating and administering multiple separate codes. Currently there are several thoughtful global codes of ethics available developed by different stakeholders. This paper provides an analysis of the major global codes of ethics available to multinational corporations. Their shared norms are identified and synthesised into three Super Norms which can be applied to macromarketing systems.

Key Words: Global codes of ethics, macromarketing ethics, governance of MNCs, core values for business

Introduction

The march toward greater global integration of world economies appears inevitable. The recent “Great Recession”, despite triggering some protectionist tendencies, mostly served to illustrate how tightly connected international economies have become. Freer trade, lower tariffs, and reduced restrictions upon the movement of workers and currency are undeniable heavy trends over the past 25 years. The leading edge of this movement involves the largest multinational corporations (MNCs) such as GE, Siemens, BP, ArcelorMittal, Samsung and Toyota. According to one listing, of the world’s 100 largest economic entities, 51 are corporations (Anderson and Cavanaugh 2000). As globalization expands in the developing world, ethical concerns about how activities in these new and emerging markets should be nurtured and constrained will only increase.

Since, by definition, MNCs operate across international borders, the economic power of corporations increasingly trumps the political power of a single country to control them. The issue of how to oversee MNCs, so that they operate without creating significant negative externalities, is a problem that has long been recognized in policy circles (Lindblom 1977). Such developments presage the need for a common code of ethical business operations that will guide this global economic development. For example, at the 2009 G-20 meetings (an affiliation of the world’s 20 leading economies), world leaders set in motion “study teams” to suggest how the financial and business activity of large, global corporations might be best monitored, shaped and possibly regulated (G-20 Working Groups 2009). As a parallel effort to regulation, there have been several thoughtful initiatives, derived over the years from distinctly different perspectives, to define the normative ethical lessons for world business behaviour—the rules of “fair” business play, so to speak. In reviewing these codes—an important counterpoint to formal regulation—we particularly seek to uncover (a) what appear
to be the core ethical values that should permeate corporate activities worldwide and (b) to briefly comment on the general implications of these factors for the analysis of problems in *macromarketing*—the interaction of markets, marketing and society.

**Global Codes: Nature and Purpose**

Global codes of ethics provide norms and procedures for ethical decisions regarding social and/or environmental issues (Gilbert and Rasche 2008). As the level of international business increases, the amount of unethical behaviour, especially in developing countries, is also increasing. MNCs are being faced with the decision to create separate codes of ethics for each country they venture into, or adopt one code for all countries (Rallapalli 1999). Shared global codes of ethics are more beneficial than separate codes for each country as they help to change global norms and bring about international policy regimes based on the issues they address (Windsor 2004). MNCs, by adopting global ethical guidelines, uncover what is ideally expected of them in certain situations (Belal 2002), and it also helps them to be able to benchmark their organizations against other firms who follow the same guidelines (Gilbert and Rasche 2008). At present, global codes of ethics are voluntary (Cavanagh 2004) with no effective measurement of outcomes or policing of compliance (Sethi 2002). This has meant that many of the codes of ethics have met with little success in meaningfully changing MNC behaviour (Cavanagh 2004). Also, most global codes of ethics reflect the countries they were created in, and so are not precise enough to help in specific ethical dilemmas in developing countries (Rallapalli 1999; Weaver 2001). To remedy this, it has been suggested that an overall global code of ethics needs to include normative guidelines that can be shared and accepted among all countries and MNCs (Rallapalli 1999; Gilbert and Rasche 2008; Schwartz 2005) as well as allowing for specific behaviours that are culturally specific enough to work in dynamic contexts (Rallapalli 1999; Sethi 2002; Gilbert and Rasche 2008). In the section that follows, we look at six very well known “global” codes for business plus the American Marketing Association statement on ethics. All of these have been posited by their formulators as having broad application across worldwide markets.

**Global Ethical Guidelines**

Below, the six sets of global ethical guidelines are reviewed. They have been developed with the operations of multinational companies (MNCs) in mind. These are: the Caux Round Table Principles (CRT), the Clarkson Principles of Stakeholder Management (Clarkson), the Global Sullivan principles (GSP), the CERES principles (formally known as the Valdez Principles), the OECD Guidelines for MNCs, and the UN Global Compact (UNGC). Each is briefly encapsulated. These six were selected as they each represent a set of (overlapping) principles that are arguably useful for “values clarification” and for the purpose of suggesting ethical norms to guide the operation of multinational organizations (Caux Round Table 2009b). In addition, all the guidelines articulate core principles that span multiple ethical values. To reiterate (from the introduction), *if we find a consistent commonality of values across these diverse efforts to promulgate global business values, we begin to hone in on what core normative dicta are emerging to comprise a “worldwide business ethics”—the rules of the game for all MNCs in all markets.* What ensues is a discussion of the similarities and differences between the guidelines themselves as well as commentary concerning their core underlying values. A brief discussion of the American Marketing Association (AMA) Statement of Ethics—a seventh perspective--concludes our review of guidelines to better connect this discussion with macromarketing issues and research implications.
We begin with a thumbnail of each of the compilations of proposed values for shaping business operations in their global dealings:

**The Caux Round Table Principles**

The Caux Round Table (CRT) principles have been created by business leaders giving this set of values a special gravity. On its website, the CRT states that these Principles for Responsible Business “provide necessary foundations for a fair, free and transparent global society.” The CRT principles are rooted in the ethical ideals of kyosei (a Japanese concept that means living and working together for the common good) and human dignity (referring to the value of each person as an end, not simply a means).

[http://www.cauxroundtable.org/index.cfm?&menuid=8](http://www.cauxroundtable.org/index.cfm?&menuid=8)

**Clarkson Principles**

The Clarkson Principles of Stakeholder Management originated from a series of conferences held at the Clarkson Centre for Business Ethics & Board Effectiveness at the University of Toronto (Canada). These were formulated as both “principles of action” and “modes of operation” to guide managers in overseeing the key parties affected by the decision-making of business corporations. They were intended to clarify the ideas embodied in the path breaking work of Freeman (1984) who articulated a social contract for business that went beyond the shareholder primacy model.

[http://www.rotman.utoronto.ca/~stake/principles.htm](http://www.rotman.utoronto.ca/~stake/principles.htm)

**Global Sullivan Principles**

The Global Sullivan Principles (GSP) were developed inspired by the writings of Reverend Dr. Leon H. Sullivan, whose original Principles were instrumental in helping end apartheid in South Africa. Reverend Sullivan consulted with business, government and human rights leaders in many countries to develop eight basic principles of global engagement built on a vision of economic aspiration and inclusion for all people. Companies can voluntarily endorse the principles in which case they are expected to maintain a commitment to the core values that seek to protect and enhance human rights.


**The CERES Principles**

CERES (Coalition for environmentally responsible economies) is an international network of socially responsible investors, environmental organizations and other public interest groups that works with companies and shareholders to address environmental sustainability issues. The Ceres Principles were created in 1989 as a ten point code of corporate environmental conduct for firms wanting to endorse as an environmental ethic. As part of subscribing to the code of conduct, companies must report on environmental management structures and outcomes and, in return, by endorsing Ceres, companies have access to the resources in the network (investor relations, policy analysis, energy expertise, scientific opinion, etc.). While clearly more focused on a single issue—the ecological environment—than other statements of principles, given the importance of environmental sustainability in current corporate and public policy debates, this compilation is central to the conversation about global business ethics.

OECD Guidelines for Multinational Corporations

The Organisation for Economic Co-Operation and Development (OECD) is a forum where 30 democratic governments work together to address the economic, social and environmental challenges of globalization. Among other goals, they seek to better define the domestic market/global corporation nexus in order to promote responsible international trade. At 65 pages of commentary covering 10 areas of operation, these are by far the most elaborate of all the guidelines reviewed.

http://www.oecd.org/about/0,3347,en_2649_34889_1_1_1_1_1,00.html

UN Global Compact for Corporations

The UN Global Compact (UNGC) is an extension of the UN Statement of Universal Human Rights (1948) to the activities of corporations. It consists of ten principles in the areas of human rights (2), labor (4), the environment (3) and anticorruption (1). Today, the Global Compact is the largest corporate citizenship and sustainability initiative in the world, with over 5200 corporate participants and stakeholders from 130 countries. Membership in the UNGC requires only the submission of a membership fee by aligned corporations and the filing of an annual report regarding progress toward the attainment of the goals. The UNGC has no enforcement mechanism whatsoever and the individual reports need not address all of the principles in the Compact.

http://www.unglobalcompact.org/AbouttheGC/index.html

American Marketing Association (AMA) Statement of Ethics

The AMA Statement of Ethics (2008) consists of the norms and values to embrace the highest professional standards implied by their code. The driving ethical norms behind the code specify that ethical marketers will (a) consciously do no harm, and (b) foster trust in the marketing system by “fair dealing” and “avoiding deception”. In addition, all marketers are asked to embrace six core values: honesty, responsibility, fairness, respect, transparency and citizenship. To be sure, the AMA statement is not formulated as a global code but rather a professional one, and admittedly with somewhat of a U.S. centric orientation. However, as the AMA represents over 40,000 practicing professionals worldwide, its language is worth paying attention to in any quest to identify core values for ethical, global marketing operations. This document is specifically a normative ethical guide for practicing marketing professionals. In other words, it is aspirational in that it is intended to articulate ideal norms of behaviour for marketing managers which identify obligations that go beyond the black letter law. For instance, in discussing stakeholders in their principles, the document explicitly notes that obligations to stakeholders must be “acknowledged” (AMA 2008, p. 2) and dealings with stakeholders must be forthright. Also, “compliance with laws” and “respect for the host country” sentiments are specifically noted. Under these two areas, marketers are asked to adhere to laws and regulations and treat all cultures respectfully. Lastly, a form of “ethical advocacy” is mentioned in that marketers should try to encourage “fair trade” within their supply chain and to develop more detailed ethical policies for each specialization in marketing (e.g. marketing research, personal selling, and e-commerce).

Human rights and labor rights are not mentioned in the AMA statement, though, as would be expected, consumer rights are discussed with substantial depth. The environment is discussed twice in the document: initially, by asking marketers to consider the environment in their decisions, and later by explicitly stating that the environment should be protected in the
implementation of marketing decisions. Also, “disclosure” is thoroughly covered in the AMA code, with a section on transparency supporting disclosure in communication, and the identification of risk levels as well as accurate pricing information. Another issue that is discussed is “anti-corruption” which mirrors some of the sentiments in the other guidelines including warnings about coercion, manipulation, false or misleading practices, conflicts of interest, as well as price fixing, predatory pricing, and price gouging.

Reflecting on the values driven foundation for the AMA Statement of Ethics, several core themes, in addition to obeying the law, seem related to those reflected in the other global codes that are reviewed: the centrality of personal dignity, the importance of stakeholders, environmental stewardship and ethical advocacy. Personal dignity is expressed directly through the statement “to acknowledge the basic human dignity of all stakeholders” (AMA 2008, p. 2). Stakeholders are also mentioned on eight distinct occasions; in addition, external stakeholders are addressed by endorsing the value of citizenship—thereby reflecting the four basic aspects of corporate citizenship set out in the seminal writing of Carroll (1998). Also, as noted above, “environmental concern” and “ethical advocacy”, via more detailed industry codes are specifically urged. Finally, invoking the classic Golden Rule, the AMA Statement of Ethics asks marketers to “Treat everyone, including our competitors, as we would wish to be treated” (AMA 2008, p. 2).

http://www.marketingpower.com/AboutAMA/Pages/Statement%20of%20Ethics.aspx

Key Elements Addressed in Global Ethical Guidelines

While the principles that make up each set of ethical guidelines is different, some commonalities are shared below. After a careful review of the various guidelines and some background literature, the underlying values addressed by the guidelines were identified and are set out in Table One. Each of the elements will now be explained and linked back to their respective guidelines to highlight similarities and differences. The values underlying the sets of guidelines are then articulated and discussed. The common core ethical values that are encompassed in these frameworks are: the stakeholder model, human, labor and consumer rights, environmental stewardship, anti-bribery and corruption prohibitions, obligations to contribute to local development, compliance with law, respect for host countries, and ethical advocacy.

The Stakeholder Model

Stakeholders are a foundational concern in all of the guidelines. The CRT Principles are based on a stakeholder management approach (Caux Round Table 2009). Their first principle asks organizations to go beyond consideration of their shareholders and include “customers, employees, suppliers, competitors, and the broader community” (Caux Round Table 2009, p. 2). The Clarkson Principles are corollaries of stakeholder theory (Donaldson 2002) underscoring that organizations must take stakeholders into account in all their organizational decisions and operations. They postulate that operational advantages and disadvantages should be spread fairly between stakeholders, the distribution of which may be formally organised to ensure future collaboration and support (Clarkson Centre for Business Ethics 2009). The OECD Guidelines are also based on stakeholder theory (OECD 2008) but do not include any further blanket principles regarding stakeholders. Instead they put forward specific principles for each group of stakeholders (OECD 2008). According to Donaldson (2002b), the UN Global Compact is also based on stakeholder theory though it also does not include any broad statements using the word stakeholder. Instead, it has specific statements
regarding some stakeholders that are rooted in the UN Universal Declaration of Human Rights (1948), the International Labour Organization's Declaration on Fundamental Principles and Rights at Work, the Rio Declaration on Environment and Development, and the United Nations Convention against Corruption. As noted above, stakeholders are also central to the AMA statement on ethics. Finally, the CERES principles promote the indirect consideration of all stakeholders via the advocacy for an ecological ethic of stewardship. From our review, it would appear that the notion of recognizing a multiple party stakeholder model (rather than merely shareholder interests) has become a central tenet of the normative ethical values widely being proposed for global corporations.

**Table One: Summary of Super Norms and the Underlying Values Addressed in Guidelines**

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<tr>
<th></th>
<th>Caux Round Table (CRT)</th>
<th>Clarkson Principles (Clarkson)</th>
<th>CERES</th>
<th>Global Sullivan Principles (GSP)</th>
<th>OECD Guidelines (OECD)</th>
<th>UN Global Compact (UNGC)</th>
<th>AMA</th>
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**Human and Labor Rights**

Human rights and labor rights were also embedded somewhere in all of the guidelines. Many of the guidelines expressed this with the view that stated that human rights should not be violated (The Clarkson Principles, CRT, OECD Guidelines, UNGC). Most often, the specific human rights referred to, are anchored in a direct or indirect reference to the UN Universal Declaration of Human Rights (1948) noted earlier. Labor rights are typically described more specifically than labor rights. Aspects of labor rights referred to involve the prohibition of forced labor and child labor; the allowance of freedom of association and collective bargaining, non-discrimination, adequate compensation, the promotion of
opportunity for further training and career advancement, as well as a guarantee of health and safety in the workplace (UN Global Compact, GSP, and OECD Guidelines). The OECD Guidelines go further specifying the need to provide facilities and information for employees and their representatives, and to both warn and help employees if operations close (OECD 2008). The Clarkson Principles do not specifically mention labor rights, however within their stakeholder viewpoint, they include employees and thus labor rights. Issues discussed are open communication, considering employee concerns, and equitable sharing of the company’s benefits as well as risks/harm (Clarkson Centre for Business Ethics 2009). The CRT includes labor rights under their stakeholder section and extends to these the enhancement of the well-being of employees (Caux Round Table 2009). From our review of the guidelines, it would appear that the economic imperatives of corporations ought never to trump (a) the fundamental rights of persons or (b) workers’ right to safety and to organize as an association of fellow labourers. This latter dimension includes the entitlement of labor to engage in worker advocacy and to protect against the abuse of workers.

**Consumer Rights**

Consumers were not specifically mentioned in most of the codes. As discussed, the AMA statement, because of its marketing focus, puts consumers in a central role. Other than this, consumer rights are mentioned as a separate principle only in The CRT and The OECD Guidelines. The CRT presents the most complete enumeration of consumer rights, firstly through principle #1, which essentially states that consumers have a right to honesty and fairness, as well as through a “supplement” specifying five areas of responsibility to consumers based on the organization’s duty to “treat...customers with respect and dignity” (Caux Round Table 2009, p. 4). Similarly, the OECD Guidelines (2008, p. 22) articulate that consumers should be treated fairly with regard product quality, information and complaints. Consumers also should not be put in harm’s way due to organizational actions and their privacy should be protected. However, in the rest of the guideline sets that we reviewed, consumer rights are subsumed within the rights of the other stakeholders or human rights generally. Consumer rights are most commonly reflected in the global guidelines as a particular example of other explicitly mentioned stakeholder rights.

**Environmental Stewardship**

The Environment is addressed by five out of the seven sets of guidelines. The AMA statement briefly mentions the responsibility of marketers to consider the environment in their decisions. The CRT discusses “Respect for the Environment” (Caux Round Table 2009, Principle Six). This principle regards the abuse of environmental resources and considers the environmental rights of future generations. The UN Global Compact has three principles regarding the Environment that are based on The Rio Declaration on Environment and Development. These principles take a different approach to the Environment than the CRT. Here organizations are asked to safeguard the environment and take preventative measures to ensure its safety (Principle Seven) and, on top of this, they are asked to influence others to also act responsibly toward the environment (Principle Eight). Lastly they go one step further into the detail surrounding Environmental principles and ask organizations to create, use and help diffuse environmentally friendly technology (Principle Nine). The OECD Guidelines include eight separate principles that are also based on the Rio Declaration on Environment and Development as well as the Aarhus Convention on Access to Information, Public Participation in Decision-making, and Access to Justice in Environmental Matters, and the ISO Standard on Environmental Management Systems (OECD 2008) making it more
comprehensive than the rest of the guidelines. Generally the OECD Guidelines on the Environment discuss sustainable development and the protection of the environment as do the other principles, however they also take into consideration the health and safety of the public and their employees in their day to day operations (OECD 2008). The most comprehensive propositions on this point, unsurprisingly, are the CERES principles since they evolved specifically to address the question of what MNCs owe the physical environment by their operations. The principles include sustainability, safe waste disposal, energy conservation and environmental restoration. From our review of all the guidelines, it seems clear that protecting the ecological envelope via an ethic of environmental stewardship is a central thrust of an emerging global set of values for business.

**Disclosure and Transparency**

The issue of disclosure was included in the Clarkson Principles and The OECD Guidelines. It promotes openness in communication about the impacts the organization will have on stakeholders (Clarkson Centre for Business Ethics 2009). Disclosure of the organization’s activities, structure, financial situation and performance should be made available (OECD 2008, p. 15). This principle of disclosure (Szwajkowski 2000) is shown in the second principle of the Clarkson Principles and the OECD Guidelines present a set of five principles specifically regarding disclosure. The OECD Guidelines state that disclosure is an important aid in the functioning of the organization within its social environment as it helps stakeholders understand the organization and its impacts on them better (OECD 2008). While the CRT does not have a specific section on disclosure, it does state that organizations should be truthful and transparent in their operations and dealings (Caux Round Table 2009, p. 2). Finally, the CERES principles include “informing the public” concerning environmental impacts of company operations as one of its tenets. While “openness” is not mentioned as a point of emphasis in all of the guidelines, the theme of disclosure and transparency in MNC dealings is certainly discernable across codes in our review.

**Anti-Corruption and Bribery**

Anti-Corruption refers to organizations refraining from such practices as bribery, money laundering, drug trafficking, terrorist activities, and extortion. Direct mentions of some aspect of these areas are shared among five of the six guidelines assessed here (CERES being the exception). Principle Ten of the UNGC (2008) is particularly terse and to the point: “Business should work against corruption in all its forms, including extortion and bribery”. While an audit of international business practices around the globe, such as those conducted by Transparency International (2009), documents the continuing prevalence of bribery in various markets, the emerging consensus is that an ethical and level playing field for global business must include a prohibition of bribery.

**Contribution to Development**

Many of the guidelines encourage organizations to contribute to the development of the societies with which they were a part. The CRT’s second principle and The OECD Guidelines ask organizations to contribute to economic, social, and environmental development to sustain the support of the host society. The CERES principles (#2 and #7) mention both the importance of preserving non-renewable resources but also the role of environmental restoration as a duty where negative externalities have been caused due to company operations. The GSP specifically ask organizations to work with their host countries
to improve quality of life (1999). Taken together, the guidelines seem to endorse both social sustainability in business operations as contrasted with one time opportunistic extraction or short term exploitation of global markets.

Compliance with Laws

The necessity of organizations to comply with laws is directly mentioned by the CRT and the OECD Guidelines. The OECD Guidelines are written in such a way that each set of principles regarding an issue begin by stating that the organization should follow the laws in their host country regarding that issue, and then move on to expectations above the laws (OECD 2008). The CRT is similar to the OECD Guidelines and has a principle which asks organizations to “Respect the Letter and the Spirit of the Law” (Caux Round Table 2009, Principle 3). It states that organizations must not only comply with the minimum criteria set out by laws, but must also make sure that any harmful behaviour, even if legal, be avoided also. The CERES principles characterize its guidelines as an ethic which exceeds the requirements of the law. From our review, it would appear that obeying the law—conformance with all local (i.e. domestic) laws and regulations— is the lowest common denominator of expected MNC behaviour in global markets.

Respect for Host Country

Respect for the Host Country was expressed through principles which recommended respect for the traditions and cultures of the host countries, as well as conformance to national regulations and conventions. These issues were explicitly mentioned in the CRT guidelines, the AMA statement and The OECD guidelines.

Ethical Advocacy

Advocacy refers to the organization not only following the guidelines they embrace, but also leading other organizations to also follow the guidelines. This was directly mentioned by the GSP, the AMA statement and The OECD Guidelines. Thus, the notion of including some provision that calls for signatories or other believers in particular guidelines to “advocate them to peers” is common in several global codes.

Core Ethical Values Uncovered in Review of Global Codes

Our review (of the seven codes of conduct) uncovered eleven norms that are shared across multiple codes (see again Table One). These were briefly discussed above. However, for purposes of simplicity, memorability and efficiency, several of these norms can be combined into three aggregated normative principles that we label global Super Norms.

Stakeholder Theory calls on all business firms to take responsibility for all of the outcomes of their actions including the strategic intent behind those actions. This can be designated as the first of the global Super Norms. Stakeholder theory recognizes, by definition, that multiple (internal and external) parties are typically affected by the operations of business organizations. In their review of the basic normative principles underlying all ethical marketing, Laczniak and Murphy (2006) write: “The adoption of a stakeholder orientation is essential to the advancement and maintenance of ethical decision-making in all marketing organizations.” These writers and others (Bhattacharya, C.B. and Daniel Korschun (2008), suggest that corporate social responsibility (CSR) of any depth or scope is doomed
without constantly considering effects on all stakeholders created by organisational actions and any corresponding negative externalities. Therefore, included within this Super Norm would be considerations involving human rights as well as consumer and labor rights. For marketers, consumers are typically primary and obvious stakeholders, and while there are plenty of instances of consumer exploitation, the prevailing marketing ethos is to understand that consumer disrespect comes with economic jeopardy. The case of labor rights is more nuanced. While many firms opine that their employees are also primary stakeholders, the actions of organizations often belie this opinion. Increasingly, labor is viewed as just another input into the economic production function, like materials or financial capital. Employees are seen as interchangeable with other factors necessary to create value added, and hence, the (demeaning) term—human capital. The strategic trends to outsourcing, contract workers, unpaid interns of long duration, utilization of undocumented workers and limited controls over labour conditions in the supply chair are emblematic of this view. Human rights, in the context of stakeholders, are perhaps the least evident element of this Super Norm since customer and employee rights might be seen as part of human rights. Even in this general realm, actions are too often taken by corporations which reduce the basic rights that human beings possess. For example, a technology of a particular company might aid and abet the reductions of political freedom in a particular country. The provision of internet filter technology by Google to the Chinese government might be one such instance. Similarly, the provision of armaments, security services or public relations consulting by corporations to regimes that oppress their people would be other examples demeaning to human rights.

**Comprehensive Sustainability** is a second Super Norm. While sustainability is an evolving concept, it has increasingly come to represent all of the efforts necessary to integrate economic activity with protection of the physical environment as well as an improvement of the social setting in which MNCs operate (Samli 2008). This latter dimension is often referred to as “sustainable development” since it emphasizes the idea, particularly in developing regions, that business has the obligation to conduct its economic activities in a way that is not short-sighted and exploitative but, instead, in a manner that provides for on-going economic opportunity for developing market stakeholders. The most rapacious examples of non-sustainable development involve resource extraction companies that enter undeveloped regions to secure natural resources, thereby economically stimulating the local communities in the short term, but then departing after removing valuable resources. Left behind in too many instances are environmental damage, unemployment and failing local businesses that had sprung up to support the commodity miners, oil drillers or other resource workers. The abominable behaviour of Chevron in Ecuador during the 1970s is a particularly heinous and well publicized example of such behaviour (Amnesty International 2009). From our list of core values, environmental stewardship clearly falls beneath the umbrella of this Super Norm. But from the standpoint of “social sustainability” so do our discussions of “respect for host country” and “contribution to development”. The increasing use of social and environmental audits by business organizations, such as “triple bottom line” reporting, is one testament to the growing acceptance of sustainability as a core value of many corporations (Elkington 1999; Hart 2007). Murphy and Laczniak (2006), in their listing of fundamental normative principles for ethical marketing, endorse the principle of stewardship, which reminds marketers of such social duties to promote and develop the common good.

**Authentic Compliance**, both legal and ethical, is the final Super Norm. While “compliance with the law”—one of the core values discussed above—might seem an obvious and implicit guide for international corporations, this Super Norm needs to be understood in its fullness—hence, the terminology “authentic” compliance. The spirit of authentic
compliance suggests that there ought to be an ethical aspiration for global corporations to exceed the threshold of the law. This is important because, unfortunately, in many developing markets the law is quite minimalistic or dysfunctional. Lacznik and Murphy (2006), in their articulation of basic normative principles for ethical marketing, write: “Ethical marketers must achieve an ethical standard in excess of the obligations embedded in the law.” From this perspective, in addition to obedience to the law, it is logical to include supplementary efforts to establish “anti-corruption and bribery” prohibitions as well as “disclosure and transparency” guidelines that will help level the playing field for all competitors and create the flow of information necessary for the working of effective capitalism. Finally, “ethical advocacy” can be seen as part of this Super Norm because ethical awareness typically precedes regulation. In other words, in most cases, before the public policy process focuses on the formulation of regulation, an ethical conversation about the question at focus has already occurred. In many instances, as cogently argued by Jennings (2008), the necessity for black letter law can be alleviated by an agreement among key players as to the ethical precepts governing a particular situation or setting. Ethical advocacy, when conducted among well intentioned parties, should lead to a productive stakeholder dialog and improved ethical guidelines anchored in the core values discussed above.

But Are These Really Super Norms?

It cannot be indisputably proven that the norms that we have selected are the genuine and exhaustive super norms for the conduct of global marketing. However, there is a certain defensible logic to our approach. First, we have reviewed the most common compilations of ethical guidelines for international business operations. These were, as discussed previously, inspired by a diversity of parties including governmental representatives (UNGC), business executives (Caux principles), marketing practitioners (AMA), etc. The listings were also examined for their most similar elements and themes. And while it is perfectly true that there might be significant disagreements about what these norms actually mean in practice for a given company or industry (e.g. the OECD commentaries on ethical principles generate much debate), the general areas of authentic compliance, human & worker rights and a stakeholder theory approach seem to occur again and again throughout the recent ethics literature. As Walzer (1994, p. 17), quoted in Dunfee, Smith and Ross, (1999) remarks concerning global core values, “[They consist of] principles and rules that are reiterated in different times and places, and that are seen to be similar even though they are expressed in different idioms and reflect different histories and different versions of the world.” In this vein, when looked at as suggested below, our Super Norms also have a certain concurrent validity associated with them.

In management, perhaps the best known approach to establishing ethical parameters that has evolved flows from the scholarship stream that is designated as Integrated Social Contracts Theory (Donaldson and Dunfee 1994). Also known as ISCT for simplicity, this perspective is insightful and practical because it allows for a flexible “moral free space” that accommodates the pragmatics of conducting business around the world, across many countries and in diverse cultures. For example, the reality is that “gift giving” is more common in Japan and certain other Asian cultures than in the USA. Similarly, financing business projects with traditional interest bearing instruments is unacceptable in parts of the Middle East where making profit from interest payments is prohibited by Sharia Law; thus, special fee-paying Islamic bonds must be used. Our point is that the ISCT approach ethically permits the relativistic adoption of different “accepted” practices in assorted markets and marketing conditions, but always subject to some non negotiable limitations. Important to this
discussion, is the point that “variable” local customs (e.g. allowance of small grease payments) are bounded by Hyper Norms. Such Norms almost always include the non-violation of basic human rights, which can never be transgressed without the social contract between business and society coming into moral question. Obeying the law is another perennial Hyper Norm. The upshot here is that a review of the Hyper Norms articulated in the acclaimed ISCT of ethics (Dunfee, Smith and Ross 1999) bears a striking similarity to our identified Super Norms.

While it has noted by some that ISCT does not necessarily endorse the stakeholder approach to ethical global business operations, the case for the centrality of stakeholder dialogue has been made eloquently elsewhere. Nill (2003), for example, inspired by Habermas (1993), proposes the indispensability of a communitarian style stakeholder ethic as a global ethical norm. Similarly, Laczniak and Murphy (2006) set out a detailed case for the acceptance of some form of stakeholder theory as a basic normative proposition essential for ethical marketing.

Implications of Evolving Global Values on Macromarketing Perspectives

The reluctance to apply ethical codes or templates to various questions in marketing, whether micro or macro is often stymied by the perennial debate concerning “Which ethical template?” or “Whose values?” But our examination and review of the seven sets of templates discussed above, suggests that there is an emergent set of global values for MNCs that applies across all markets in our diverse world. These are especially embodied in the eleven core ethical values above (Table One) and summarized in the three Super Norms identified—stakeholder theory, comprehensive sustainability and authentic compliance. While sceptics may question whether these Super Norms are arbitrary, the concurrent validity of their roots in the Codes analyzed would suggest otherwise. Significantly, the normative guidelines for global business discussed above were postulated by business executives (CRT), academics (Clarkson), developmental economists (OECD), professional marketing practitioners (AMA), environmentalists (CERES), social activists (GSP) and national governments (UNGC).

Regardless of the history and philosophical genesis of the Codes, the common core ethical values that we have discussed are discernable upon reflection. It appears logical to integrate these Super Norms into the ethical judgments being made about macromarketing activities and systems. Simply put, the Super Norms are indicative of emergent global values that define the propriety of actions taken by market participants.

As mainly a mechanism to begin a larger conversation in the macromarketing learning community, we suggest several areas of future research in macromarketing, each part of the macromarketing tradition and literature, where the interjection of these ethical Super Norms has the potential to move insight and understanding forward.

- The essential role of marketing functions in economic development has been part of macromarketing analysis from the beginning (Layton and Grossbart 2006). As MNCs increasingly engage developing markets to better provision resources for more developed markets (Beji-Becheur et al. 2008; Kambewa et al. 2008), the level of negative externalities created as a by-product of the process becomes a concern. In this context, the degree to which the Super Norms are “internalized” by MNCs operating in developing market segments and the correlation of levels of integration upon “consumer satisfaction” and “corporate reputation” needs to be better investigated.
The effect of **competition** on the functioning of markets is a core concern of macromarketing (Nason 2006). Traditionally, many MNCs have subscribed to the shareholder primacy model, with compliance and social responsibility seen as an added cost (Friedman 1962). Are MNCs that subscribe to the Super Norms in their operations less profitable than those that do not? Do MNCs that do not practice the Super Norms as much have a better reputation among investors? While differing profitability or investor perception levels do not excuse unethical behaviour, such relationships need to be better understood.

**Distributive justice** is often defined as how a community assigns benefits and burdens according to some standard of fairness (Laczniak and Murphy 2008). The implications of distributive justice are essential to evaluation of any marketing system or sub-system and such adjudications have a long tradition in macromarketing analysis (Shapiro 2006). Are market sub-systems characterized by the greater MNC internalization of the Super Norms perceived externally as fairer and/or more effective? Do these market sub-systems develop faster?

Drawing on a long literature of **quality-of-life** (QOL) studies in macromarketing, Dixon and Polyakov (1997) speculate about whether QOL outcomes might depend not only on material measures but also upon concern for others. Inspired by such thinking, one wonders whether market sectors developed by firms that subscribe to the Super Norms are characterized by stronger QOL indicators and general citizen happiness.

Fisk (2006) in assessing the future of needed macromarketing research, focuses on the importance of knowing the (positive and negative) “**consumption versus sustainability**” trade-offs—a direct articulation of the saliency of one of the above identified Super Norms, **comprehensive sustainability**. How does the adoption of this Super Norm by MNCs in the market sector change the nature of consumption?

The emergence of developing markets translates to the important and inevitable engagement of **impoverished consumers**. These persons are by definition “a vulnerable market segment” and, according to ethical theory, should be given special consideration (Santos and Laczniak 2008). Are MNCs that are looked to as “moral exemplars” in fairly and equitably dealing with poor consumers also perceived as practitioners of **stakeholder theory**—one of the Super Norms?

Peterson (2006) in analyzing the macromarketing domain suggests that the end goal of “**societal development**” might be the concept that unites all the disparate research strands of macro thinking in marketing. Such societal development occurs at many levels of aggregation. For example, depending on the project under scrutiny, the interaction of MNCs and their target markets can be seen as affecting neighbourhoods, cities, regions or entire countries. Researchers need to investigate the extent to which **authentic compliance**, another of the Super Norms, is connected with measurements of acclaimed or purported societal development.

**Summary and Conclusion**

With the diffusion of MNC operations throughout more countries, a singular and agreed upon global code of business ethics is needed to decrease the number of intercultural ethical dilemmas (e.g. the appropriateness of bribery) and give guidance concerning ethical
responses to the remaining questions (e.g. minimum conditions for workers). By reviewing the major global codes of business ethics along with the widely used AMA statement of ethics, eleven shared core ethical values have been identified. That is, based upon a careful reading of the best known codes of international business ethics with marketing implications, it seems evident that several common themes emerge. Upon further discernment and reflection, these shared ethical values for business operations can be grouped into three Super Norms--Stakeholder Theory, Comprehensive Sustainability, and Authentic Compliance---that can be applied across markets and geographies to address important ethical issues in the development of a global market economy. Some obvious applications of these Super Norms to macromarketing research opportunities are also specified. We are hopeful this exercise will stimulate further investigations using these Super Norms as a focal perspective. We believe they also the capture the elusive “ethical rules of the game” that all international corporations should aspire to.

References


The role of emotion in ethical consumer choice has not been systematically researched. This paper provides findings from an exploratory study based on interview data obtained from a varied cohort of UK based respondents. Key findings include the pre-eminent role of guilt in driving ethical choice; the hedonic role of positive emotions in driving ethical choice and the mechanisms used to manage guilt concerning ‘unethical’ choice.

Introduction

Understanding ‘ethical’ consumer behavior is crucial, notwithstanding the difficulty in determining what constitutes ethical behavior. Despite an extensive body of literature focusing on ethical decision making, the area remains open to future investigation since many previous studies assume that actors are essentially rational (particularly those based on Ajzen’s Theory of Planned Behavior). These approaches have not succeeded in entirely explaining consumers’ decision making. This ‘gap’ between the models and actual behavior could be due to the neglect of some key non-rational components such as emotions. This paper addresses this apparent oversight. The findings reveal the power of both basic and self-conscious/moral emotions. The later are particularly important; they have not been systematically investigated in consumer behavior research but in generic psychology they have been shown to be powerful drivers of behavior. An understanding of the role or moral/self-conscious emotions could inform pro-social marketing communications and be used in other ways to change or influence consumer behavior.

The paper begins with a review of some key issues from the relevant literature, and continues with an exposition of some findings from an ongoing study into the role of emotion in ethical consumer choice.

Emotion and Ethical Consumer Decision Making

Research into Ethical Consumption

The consumer ethics literature is principally concerned with the behavior of the ‘fraudulent consumer’ (e.g. Gardner, Harris, and Kim 1999) whilst the ethical consumption literature is preoccupied with more positive behaviors; for example purchase of ‘fair trade’ products (e.g. Fridell 2006; Golding and Peattie 2005; Hira and Ferrie 2006; Strong 1997), pro-social consumer behavior (Belk, Devinney, and Eckhardt 2005; Carrigan and Attalla 2001; Muldoon 2006; Thogersen 2005), green product purchase (Laroche, Bergeron, and Barbaro-Forleo 2001; Rowlands, Scott, and Parker 2003). Within the ethical consumption literature three major streams of research can be identified. The first stream acknowledges that ethical behavior is driven by the ‘moral self-realisation’ and that individuals search for identity through
consumption (Cherrier 2005; Langeland 1998; Shaw et al. 2005; Thompson and Arsel 2004). The second stream of research depicts the relationship between (moral) philosophy and ethical consumption (Barnett, Cafaro, and Newholm 2005; Barnett et al. 2005). For example concepts such as deontology and utilitarianism have been applied (e.g. Vitell, Lumpkin, and Rawwas 1991; Vitell, Singhapakdi, and Thomas 2001). A subset of this research relates to the third stream i.e. that focused on the decision making process.

Various models of ethical behavior have been proposed. Some of these models focus on the societal level of ethical consumption and other models on the individual level, involving both ethical issues in business (e.g. Ferrell and Gresham 1985; Hunt and Vitell 1986, 1993; Trevino 1986) and ethical issues of consumers (e.g. Marks and Mayo 1991; Shaw and Shiu 2002; Shaw, Shiu, and Clarke 2000). A number of models have been based on Ajzen’s (1991) Theory of Planned Behavior (TPB) and therefore privilege attitude over affect or emotion. Subsequent studies have advocated other variables, for example ethical obligation (e.g. Kurland 1995; Minton and Rose 1997; Shaw and Clarke 1999; Sparks, Shepherd, and Frewer 1995) and self-identity (e.g. Granberg and Holmberg 1990; Sparks and Guthrie 1998; Sparks and Shepherd 1992) as supplementary elements to the Ajzen’s (1991) theory. The TPB is limited in its explanatory power though and various attempts have been made to explain the attitude-behavior gap (e.g. Chatzidakis, Hibbert, and Smith 2007). Another explanation for the attitude behavior gap might be one that asserts that choice is often partially or even primarily governed by emotion. Ethical issues have been also largely explored in the business context with a focus both on normative ethics and descriptive/empirical ethics (O’Fallon and Butterfield 2005). While the initial literature focus mainly on the moral aspects of business ethics and decision making, subsequent studies examined a large number of potential explanatory factors, equal consideration being given to both dependent variables (e.g. awareness – Sparks and Hunt 1998; Singhapakdi 1999; Butterfield et al. 2000; judgement – Roozen et al. 2001; Au and Wong 2000; Bateman et al. 2003; intent – Bass et al. 1999; Shafer et al. 2001; Shapeero et al. 2003; behaviour – Honeycutt et al. 2001; Greenberg 2002; Kim and Chun 2003) and independent variables (i.e. grouped under construct such as individual factors, moral intensity and organizational factors). Altogether, even within this stream of marketing ethics little attention has be paid to the role of emotions in the decision making process.

**Emotion in Generic Decision Making Research**

In the past two decades, numerous studies have tried to uncover the mechanisms that connect affect and cognition, explicitly focusing on judgements as cognitive processes. This research has lead to the generation of a plethora of disparate theories (e.g. Fiedler 2000; Fiedler, Asbeck, and Nickel 1991; Forgas and Bower 1988; Isen 1987; Niedenthal and Showers 1991; Rusting 1998; Sinclair and Mark 1992; Singer and Salovey 1988). The association between emotions and moral judgements is demonstrated by the fact that some emotions have moral appraisals i.e. they are connected to moral concerns. For example, anger is connected with rights, freedom; compassion is connected with harm, need; guilt is connected with own transgression (Keltner, Horberg, and Oveis 2006). The role of emotions in moral judgement was also highlighted by Nichols (2002). He argued that, in addition to the moral and conventional violations, humans can distinguish emotion-based violations that are guided by both the information that individuals receive during their lifetime and the affective mechanism. Nichols (2002, p. 227) proposed Affect-Backed Normative Theory, ‘in which the Normative Theory
prohibits actions of a certain type, and actions of that type generate a strong affective response’. His research was supported by Green and Haidt (2002) who acknowledged that all emotions take part in moral judgements but some e.g. shame, guilt, embarrassment and anger are more morally embedded into people’s lives and actually drive their decisions. Other contemporary studies in psychology have investigated the role of emotions in determining moral intentions and, indirectly, moral behavior (Tangney, Stuewig, and Mashek, 2007).

Recently a new category of emotions has been identified, these being referred to as moral emotions or more often as self-conscious emotions (SCEs) (e.g. Haidt 2003; Tangney 1991; Tangney, Stuewig, and Mashek 2007). These are seen as distinct from ‘basic’ emotions such as fear, anger and hate. SCEs represent the emotions ‘that are linked to the interest or welfare of either of the society as a whole or at least of persons other than the judge or agent’ (Haidt 2003, p. 276). Kroll and Egan (2004) consider that moral emotions have a motivational force, fostering ‘good’ behavior and hindering ‘wrong’. Self-conscious/moral emotions include both positive emotions (pride, contentment, elevation, and compassion) and negative emotions (shame, guilt, and embarrassment).

Izard, Ackerman and Schultz (1999, p. 92) labelled SCEs (e.g. pride, guilt and shame) as “cognitive-dependent”, and basic emotions as “cognitive-independent”. This consideration is based on the cognitive processes that SCEs entail – self-awareness and self-representation. These facilitate the development of self-evaluations, which subsequently determine the elicitation of self-conscious emotions (Gilbert 2002; Tangney and Dearing 2002; Tracy and Robins 2004). Another distinctive characteristic of SCEs is the self-regulatory function that they perform; this being essential for social integration and adaptation. A principal role is to signal any violation of a standard, norm, goal or expectation that might jeopardise social interactions and others’ perceptions (Beer and Keltner 2004; Keltner and Buswell 1997), and subsequently influence one’s own behavior. Also, the relationship between SCEs and ‘self’ is significant as the ‘self’ influences emotions through the generation of self-representation and the comparison with ‘ideal self’ (Tracy and Robins 2004) or draws inferences about others’ opinions (Leary 2004).

Research in marketing has not engaged in any conspicuous consideration of these emotions and their potential in consumer research. Negative self-conscious emotions (i.e. embarrassment, shame and guilt) were only researched in consumer behavior as consequences of types of behavior, but not as generators of behavior. For example, Lau-Gesk and Drolet’s (2005) study investigated embarrassment in actual and future purchasing situations and demonstrated the link between public self-consciousness and consumer behavior in the context of products that could induce embarrassment. Guilt has been investigated in the retail purchase context (e.g. Dahl, Honea, and Manchanda 2005; Smith and Ellsworth 1985; Tangney 1991) in relation to the role of intrapersonal assessment of control and interpersonal concerns as catalysts of guilt. Additionally literature in consumer behavior has studied guilt and shame in relation to the consumption of inappropriate products/services e.g. compulsive buying, shoplifting, or gambling or non-consumption of appropriate goods that would ensure better life e.g. training equipment, healthy food (Matta, Patrick, and MacInnis 2005). So, on a more general level, the link between affect and judgement has been investigated in the context of consumption/consumer psychology (e.g. Han, Lerner, and Keltner 2007; Lerner and Keltner 2001; Yates 2007).

However, there is still a need for further research about self-conscious emotions and basic emotions in ethical consumption as some studies illustrated consumers’ preoccupation for ‘moral
self-realisation’ (Kozinets and Handelman 2004) and also the labelling of identity through consumption (Cherrier 2005; Langeland 1998; Thompson and Arsel 2004). It is possible to argue that, in the context of ethical consumption, the concept of ‘self’ (e.g. self-direction, self-respect, and self-identity) is central to consumers’ evaluation (Shaw, Shiu and Clarke 2000). It follows that emotions (as essential components of the self; particularly self-conscious emotions) are likely to influence ethical/unethical consumers and that their manipulation could have a significant impact on purchase habits.

**Method**

An exploratory study was deemed to be an appropriate starting point given the paucity of research on the comprehensive role of emotion in ethical purchase and consumption, and its findings are likely to inform other future studies. A comprehensive understanding of the influence of emotions in an ethical context is likely to require a mixed-method approach. Future quantitative studies could stem from the key findings of this qualitative stage, allowing generalization of results or even exploration of different avenues. To this end 22 interviews were undertaken as part of a larger qualitative study that looks into the role of emotions in ethical consumption, the interaction between the rational and non-rational components of the decision making process and driving factors of an inharmonious ethical behavior. It is not possible to assert, as yet, whether thematic saturation has been achieved.

The cohort is comprised of a balance of males and females from a broad range of backgrounds and circumstances, and it can be classified as representative of the British middle- and upper-lower socio-economic groups (i.e. the modal groups). Respondents were recruited from urban areas through social networks. The cohort age ranges from 19-55, with the majority of the interviewees in the age group of 25-40. Most of the interviewees are educated at a university level – undergraduate and postgraduate degree. The cohort is principally comprised of people in full-time employment working in various professions with an average annual income slightly above the average one for the UK. The interview guide was designed to be flexible (Kvale 1983; O’Guinn and Faber 1989; Willis 1990) and interviews were humanistic in nature. The script of in-depth interviews contained two major sections – general purchase-related questions and socio-demographic questions. More specifically, the first section included questions related to: a) general decision making rules and context, b) emotions and c) post-behavior evaluation and actions, whereas the socio-demographic section included questions about social-related activities (e.g. volunteering, charity giving, and travelling patterns) in addition to the standard profiling questions. The cohort’s profile ranged from “very” ethical consumers to “very” unethical consumers. However the majority of the interviewees can be placed in the “grey area” of ethical consumption since they display a complex (dichotomised) behavior that includes both ethical and unethical elements.

A theoretical thematic analysis was employed in order to systematically code and analyze the data with the aim of identifying common patterns, salient themes and sub-themes, which were then contrasted with the pre-existing theoretical framework (e.g. Braun and Clarke 2006). The coding of text describing emotional responses (for example guilt-related and shame-related reactions) has been done with reference to recent research in psychology (e.g. Smith et al. 2002; Hoch and Loewenstein 1991).
The findings reported below include verbatim extracts and some commentary to give a flavor of the overall nature and recurrent themes from the interviews. The interpretation of the data is ongoing and the findings reported below should be regarded as preliminary insights.

**Findings**

Ethical decision making, whether in a general context or in terms of consumption, has been hitherto explored using a large range of ethical theories – e.g. ethical relativism, justice theory, egoism, objectivism, teleology, utilitarianism, deontology, virtue ethics and hybrid theories (Fukukawa 2003). The respondents described ethical choices that were most consistent with concepts of ‘ethical’ and ‘unethical’ as described by the utilitarianist perspective (i.e. benefits should be ensured for both the decision-maker and other stakeholders; consequences should be at the greatest advantage or at the least harm for the entire society) and virtue ethics theory (i.e. ethical rules or codes are seen as beneficial for the generalization of ethical decision making). As a result, the interview findings were interpreted accordingly and the classification of ethical/unethical consumers was largely based on these two theories.

In this study, emotion driven consumption – whether pride, guilt or shame driven – is not considered unethical per se. This study delineates ethical choices by their perceived consequences and the moral standards referred to by the consumers when they describe the ethical/emotional episodes, which are recounted below. Many generic insights into the anatomy of ethical purchase have been derived from the data (e.g. the role of heuristics in ethical purchase). These insights do not relate to the principal focus of this paper and in the interests of brevity have been omitted from the following commentary.

**The Power of Context**

One finding colours the discussion of the role of emotion. Respondents exhibited different habits and different emotions for various types of purchase. For example, they act as ethical consumers when buying food products but as unethical shoppers when buying clothing items or flying. In the case of clothes there appeared to be a constant tension between hedonic and ethical instincts; in the majority of reported scenarios the hedonic instinct seemed to override.

“...clothing is more an emotive purchase ... I guess you get tempted more with clothes if you like a piece of clothing” ... “Like I bought clothes in Gap. I know Gap have been exposed as having child labour so it’s entirely possible that your clothes ...once you’ve got them you just think of them like your clothing. You don’t...you stop...After the point of purchase you don’t really think too much” – Female, F2, 30 years.

Yet the same interviewee states:

“So we looked where it was from and it’s been farmed in Vietnam and we were just like “No!” I mean how crazy is the world that, you know, we’re using fish stocks from Vietnam.”
Some of these ‘dual consumers’ (ethical-unethical), try to compensate the perceived harm done through unethical purchase by becoming very strict and keen on recycling or by buying locally sourced and produced food (a manifestation of the ‘law of the ledger’) and to balance their identity or image that otherwise might be completely negative.

The Relative Potency of Negative Emotions

Negative emotions, particularly guilt, appear to be more powerful than positive ones and to have greater psychological longevity. The time span of guilt (for example) stretches from minutes (in the case of the less consciously ethical consumers) to days, weeks and months (in the case of self-declared ethical consumers). A salient finding is that guilt seems to be the dominant and most commonly experienced emotion for ethical consumers and acts a constraining factor for other future purchases. The sources of guilt elicitation described in the interviews match those from research in psychology (e.g. Keltner and Buswell 1996) such as: harming others (e.g. indirectly, buying items produced by children or badly treated workers) and self-regulation (i.e. setting a rule or a goal and not being able to follow/meet it) – for example, deciding not to buy from a company or retailer that has been exposed as being unethical and yet continuing to buy from them. It seems that a partner or family and friends can influence and even demand ethical choice or behavior; this contributes to the arousal of negative emotions such as guilt and embarrassment. Reinforcement of perceived desirable behavior as described by the media, especially television, is also a key factor in triggering and maintaining the feeling of guilt.

Management of Guilt

“I feel guilty about it but after the first day I wear it, I almost like internalise it and the guilt kind of goes away. It probably doesn’t completely go away. It’s probably still up there but it’s not as intense.” - Female, F18, 28 years.

“I guess you put it down to life and you just got on with it and you try to excuse it away...I think you just ignore it or you just don’t pretend that it’s an issue, that it isn’t something you need to worry about.” - Female, F3, 28 years.

A number of respondents who provided evidence that they felt guilt after a self-described ‘unethical’ purchase also displayed tendencies to rationalize and neutralize this negative emotional outcome, presumably to dissipate dissonance and ameliorate the negative impact on self-image. The fact that so many respondents fell into the dual behavior category (moving between ethically driven choices and choices based on economic or other factors even within the space of one shopping trip) made the management of guilt a recurrent primary theme. Their behavior requires them to justify a purchase on ethical grounds (perhaps against economic considerations) and to provide another justification for another purchase that is perceived to be ethically questionable. Strategies for diminishing the feelings of guilt included: looking for reassurance and support from family and friends for the type of purchase that has been made, or reinforcing to oneself the benefits of the purchase. These strategies bear a resemblance to those identified in neutralization theory and rationalization research (Chatzidakis, Hibbert, and Smith 2007). In essence they represent attempts to explain away the guilt, to provide justifications for the behavior that allow the respondent to place the behavior in a better light (this reduces negative impact on self-image).
Some of the defensive strategies displayed by interviewees include: transfer for blame (for example on the retailers, government, media or lack of time), denial and avoidance. For example when presented with a hypothetical scenario that was based upon imagining making a purchase with negative consequences for a third party some subjects refused to consider that they would ever behave unethically under any circumstances; they avoided considering what might happen and how they might feel. Kaufman (1996) and Pattison (2000) – among others – suggest that these are defensive strategies or ‘scripts’ used by people experiencing shame (as distinct from guilt). This might indicate shame is another emotion entailed by unethical purchases despite the inability or unwillingness of interviewees to verbalise or describe it. It is also possible that they simply do not care, or do not conceive an ethical dimension to their consumption.

**Positive Emotions as Hedonic Feedback**

In the case of positive emotions a double hedonic function was identified. The first hedonic function relates to the outcome of ethical consumption. Some consumers actively sought purchase scenarios that were likely to engender emotions such as “feeling good”, excitement, pride, “feeling pleased”, and happiness. The uplifting associations that positive emotions generate are salient in the ethical consumers’ mind and call them back to the same shops, fostering repeat ethical behavior that will subsequently trigger more positive emotions. The second hedonic outcome appears to be experienced by the less ethical consumers and consumers who fall into the predominant ethical-unethical hybrid group. A number of respondents rejoice the purchase of a cheap product or bargain and the positive emotions it encourages. Interestingly, these two types of hedonistic function appear to cohabit since some consumers display a dichotomised ethical-unethical behavior for different types of purchases or actions (e.g. recycling, saving energy, reducing carbon footprint). So a number of individuals might derive a positive emotional feedback from a purchase based on ethics or economics (they are often aware that a purchase driven by economics might be ethically questionable).

**Other Emotions**

“Probably the knowledge and how it makes you feel about yourself and the way that you’re relating to humanity... I guess I would judge myself as not being a good person (embarrassed laugh) I suppose”– Female, F3, 28 years.

Other conceptually distinct emotions, which were evidenced in the interviews included sadness, disgust, empathy, remorse, disappointment (with oneself), embarrassment and shame. Although the impact of these other emotions on the anatomy of ethical decision making is seemingly not as strident as the impact of guilt and the positive basic emotions mentioned above.

**Discussion and Conclusion**

The initial findings of this ongoing study suggest that emotions are enmeshed in the ethical decision process, and support some of the existing literature. First, self-identity (e.g. Granberg and Holmberg 1990; Sparks and Guthrie 1998) and identity through consumption (Cherrier 2005; Thompson and Arsel 2004) represent concerns for ethical consumers. However the present findings seem to indicate that these concerns are relevant not only for the ‘predominant’ ethical consumers but also for the ‘partial’ ethical consumers. For example, partial/dual ethical consumers try to compensate the outcomes of unethical choices with ethical
purchases of a different category of products (e.g. buying fair-trade products versus flying). Secondly, as Laus-Gesk and Drolet’s (2005) study revealed, public self-consciousness and exposure can generate guilt in consumption. However in the case of the present findings it appears that even a less distant representation of the public (i.e. merely family members or friends) can determine the arousal of both embarrassment and guilt.

The interviews have also disclosed the power of guilt and some insights into the management of guilt, which might have implications for marketing communications that seek to encourage ‘ethical’ behavior. However the reinforcing effects of positive emotions might also inform marketing communications if these findings are validated. Additionally, more needs to be known about the interaction between emotion and cognitive processes during ethical purchase episodes (e.g. in terms of emotional carryover or inner dialogue); initial evidence suggests that heuristics have a crucial role here.

The data also suggest that ethics is often in conflict with economic considerations; this is not revelatory but it appears that emotions play a crucial role in the choice between the two priorities. Positive emotions can result from decisions driven by either of these considerations and guilt is often experienced by those who privilege economics over ethics when there is an alternative product or service that is perceived to be more ethical. More importantly, this conflict between ethical and economic considerations suggests the coexistence of reason/cognition and emotions in the ethical decision making process. Sometimes emotions can prevail over reason (i.e. economic concerns) which leads to an ethical purchase. However, when this does not happen, neutralization/rationalization is used to dissipate the dissonant feelings. These results confirm previous findings in a more general ethical context (e.g. Chatzidakis, Hibbert, and Smith 2007).

The findings show that positive emotions are very important in terms of the hedonic behaviors that they entail; pleasure is an outcome of ethical consumption/purchase and pleasure in the purchase process of bargains or deals. The former has key implications in terms of product/brand loyalty and marketing communications since positive emotions act as positive incentives for repeat purchases. On the other hand, the pleasure in the purchase process of bargains or deals does not necessarily encourage ethical choices because ethical products are usually more expensive and are rarely subjects to regular sales or discounts. In this sense, the two types of positive emotions can act as completely different rewards and also compete. However, if marketers can use communications to emphasize the pro-social consequences of ethical choices and the durability of related positive emotions, perhaps in the trade-off or evaluation of alternatives, economics might not take precedent over ethics. Additionally, the hedonic outcome of the economically driven purchase type could be challenged through marketing communications; by the portrayal of negative emotions that can stem from one’s self-evaluation after such purchases.

Since some of the interviewees reported feelings of guilt associated with unethical purchases, it is likely that in their case the presence of guilt can be explained by a greater sense of identity through ethical consumption (e.g. see Cherrier 2005) and augmented self-awareness and self-representations. These have been identified in generic psychology as cognitive processes that generate guilt and other SCEs (Izard, Ackerman, and Izard 1999). Moreover, the coexistence of guilt and other positive emotions could be explained by the large range of activities and types of purchases that consumers engage with and by the meanings and
importance that they associate to each of these in turn. Alternatively, the triumph of hedonic drivers over ‘negative’ ones might be explained by the nature and life cycle of the product (e.g. clothes become part of the ‘outer’ individual and only the avoidance of or reconciliation with the negative feelings can lead to a consonance between the ‘inner’ and ‘outer’ individual). It could also be explained by the status and esteem that comes with some products and not others, the degree of necessity, or the prevalence of shallow and egocentric social values over the collective and altruistic ones.

This research could benefit some disadvantaged stakeholders (e.g. producers and local communities in developing countries that are involved in schemes such fair trade) as such might contribute to the debate centred on distributive justice theory. There is also a potential contribution to the debate regarding vulnerable consumers. In some situations, emotion driven decisions might increase the degree of vulnerability of some consumers; where vulnerability can be defined as “a state of powerlessness that arises from an imbalance in marketplace interactions or from the consumption of marketing messages and products” (Baker, Gentry, and Rittenberg, 2005: 7); for example the manipulation of emotions in deceptive advertising i.e. affect based-responses as a factor employed in deception in the marketplace (Aditya 2001).

The distinct behavioral sequence suggested by these findings (i.e. awareness – experience of self-conscious emotions – ethical behavior (or non-ethical behavior compensated by ethical behavior in other areas of consumption) demonstrates the potential influence and role of policy makers, governmental bodies and individual firms. They can all play a role in increasing awareness and encouraging ethical behaviours. It should be noted that the negative SCEs such as guilt and embarrassment were principally reported in the context of products and consumption situations for which ethical awareness was media-driven or a product of word of mouth.

In conclusion, the findings recounted here are part of a wider program of research investigating the role of emotions in ethical consumer choice. The findings so far illustrate the power of context, the influence of negative and positive emotions in ethical/unethical decisions and the use of guilt management techniques as defensive mechanisms. Some potential macromarketing implications have been identified, but it is likely that, as the project develops, other methods of enquiry will be employed in order to explore some of the micro and macro marketing implications.

References


Marketing, Social (Ir)Responsibility and ISO 26000

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The societal marketing concept stipulates that we are in the business of facilitating exchanges which satisfy customers, through profitable operations in a socially responsible manner. The “social responsibility” implied in the kinds of exchanges that marketers facilitate have been scrutinized, criticized and codified throughout time. The purpose of this paper is 1) to visit a few events in the history related to marketing and social responsibility and then 2) present some of the highlights in the current international efforts aimed at producing a document which makes formal recommendations in the area of organizational social responsibility (SR), namely ISO 26000. Finally 3) a principled framework will be presented which can be used as a basis for analysis for the goodness of the kinds of exchanges we facilitate.

SR, Marketing and Worship

In the Bible we hear that “Jesus went into the temple of God, and cast out all them that sold and bought in the temple, and overthrew the tables of the moneychangers, and the seats of them that sold doves” (The Bible). The marketing of money and other merchandise had no place along with worship of the Lord.

SR and Early Consumerism

In England there was dissatisfaction with the marketers of bread. Early consumer legislation came in 1202, fixing the price of bread, which was to be related to the cost of the ingredients. In 1298 heavy fines were inflicted on bakers selling short weight bread (Botham 2010) and under Edward the first, a law stated:

If any default shall be found in the bread of a baker in the city, the first time, let him be drawn upon a hurdle from the Guildhall to his own house through the great street where there be most people assembled, and through the streets which are most dirty, with the faulty loaf hanging from his neck; if a second time he shall be found committing the same offence, let him be drawn from the Guildhall through the great street of Cheepe to the pillory, and let him be put upon the pillory, and remain there at least one hour in the day; and the third time that such default shall be found, be shall be drawn, and the oven shall be pulled down, and the baker made to foreswear the trade in the city for ever (Moorshead 2010).

SR and Early Globalization

Moving from early consumerism to early globalization of trade: during the last millennium exchange facilitators were also assisted by military force and the creation of trade
monopolies such as the Hanseatic league 13-17th century. The Dutch East Asia company from 1602-1800 had similar monopoly powers, a military force, ability to coin money and authorization to establish colonies (McCoy 2010). Later the colonial powers passed from the trading company to the Dutch government under the name of the Dutch Trading Company. In his book, Max Havelaar, from 1860, Dekker (1860) writes about the coffee plantations in Indonesia: "Your Excellency there is blood on the pieces of silver you have saved from the salary you have earned thus!" (p. 317). Dekker was eventually fired for what today would be called whistle-blowing.

Originating in the UK, the East India Company (1600-1874) (Ames 2008) and Jardine Matheson (est. 1832) (McCoy 2003) both held monopoly powers and were involved in colonization, trade and the opium wars; 1839-1842 and 1856-1860 (Hanes 2002).

SR, Branding and Fraud

During the 1700s and the 1800s, a number of cures were marketed for a variety of illnesses. These patent medicines were among the first products that benefited from modern branding. However, the promises made far surpassed the curative capabilities of the concoctions, which at times produced more harm than good.

The quacksalvers marketed "cures" (as opposed to locally produced and locally used remedies), often referred to as patent medicines, first came to prominence during the 17th and 18th centuries in Britain and the British colonies, including those in North America. Daffy's Elixir and Turlington's Balsam were among the first products to make use of branding (for example, by the use of highly distinctive containers) and mass marketing, in order to create and maintain markets (Styles 2000).

So popularly successful were these treatments that by 1830 British parliamentary records list over 1,300 different "proprietary medicines", the majority of which can be described as "quack" cures today (British history on line 2010).

In the US, a few laws were past at the end of the 19th century (1872 to protect the consumer from frauds involving use of the U.S. mail), then again in the beginning of the 20th century at the end of the anti trust movement (Pure food and Drug act 1906), and later in the 1930s (Food, Drugs and Cosmetics 1938).

In early marketing texts, there is little reference to CSR related issues other that a recognition that there are conflicts of interest in the distribution channel between the producer, the middle men and the consumer (Clark 1925).

SR and Consumers’ Rights

President Kennedy (1962) introduced the idea that consumers have rights on March 15th.

(1) The right to safety--to be protected against the marketing of goods which are hazardous to health or life.
(2) The right to be informed--to be protected against fraudulent, deceitful, or grossly misleading information, advertising, labeling, or other practices, and to be given the facts he needs to make an informed choice.

(3) The right to choose--to be assured, wherever possible, access to a variety of products and services at competitive prices; and in those industries in which competition is not workable and Government regulation is substituted, an assurance of satisfactory quality and service at fair prices.

(4) The right to be heard--to be assured that consumer interests will receive full and sympathetic consideration in the formulation of Government policy, and fair and expeditious treatment in its administrative tribunals.

Below are some of the bills and government agencies which seek to make sure that marketers do behave in a responsible manner.

- Flammable Fabrics Act (1953)
- Poison Prevention Packaging Act (1970)
- Hazardous Substances Act (1960)
- Fair Packaging and Labeling Act (1966)
- The Federal Truth in Lending Act (1968)
- Consumer Product Safety Commission (CPSC) established in 1973
- The Food and Drug Administration (FDA)
- National Highway Traffic Safety Administration (NHTSA)
- The Federal Trade Commission (FTC)

SR in Recent Marketing

Books like, “Unsafe at any Speed,” by Ralph Nader (1965) and “The Poor Pay More” by David Caplovitz (1963), as well as the early contributions of marketers like Alan Andreassen (Andreassen 1972, 1975), focused our attention on our social responsibilities. The discipline redefined itself by widening its domain as advocated by Lazer (1969) and Kotler and Levy (1969). This resulted in the “societal marketing concept” which called for three elements in marketing activities: 1) customer satisfaction, 2) profitable operation and 3) social responsibility.

The term “CSR” is a relatively new construct, which came into popular use in the 1990s. Today, it seems to have become a strategic necessity to include and enumerate the good things that a firm is doing, especially in the areas of environmental and social sustainability. Some of the definitions (Falkenberg 2006) of CSR include:

…consideration of, and response to, issues beyond the narrow economic, technical, and legal requirements of the firm to accomplish social benefits along with the traditional economic gains which the firm seeks (Davis 1973 in Carroll 1999).

…the CSR firm should strive to make a profit, obey the law, be ethical, and be a good corporate citizen (Carroll 1991).
The social responsibility of business encompasses the economic, legal, ethical, and discretionary expectations that society has of organizations at a given point in time (Carroll 1979).

**SR: Owners versus Stakeholders**

CSR recognizes the stakeholder perspective on the moral obligations of business. It takes a Freeman (1984) stakeholder approach rather than a Friedman (1970) approach to the responsibilities of a firm. However, in most cases, considering the flourishing of stakeholders may result in long term superior earnings for the owners to whom managers have a fiduciary responsibility. Companies with stronger reputations for social responsibility have marginally higher price-earnings ratios (Little and Little 2000). Conversely, a firm with a very poor CSR reputation may not be able to attract good suppliers, employees, customers or the support of the local community, which may be crucial to corporate performance.

**Codified SR: ISO 26000**

The SR movement has resulted in a number of codexes and initiatives by the UN and by OECD and others. Soon, SR will get its own set of ISO recommendations, the ISO 26000 (ISO 2010). The document is expected to be complete in 2010 and consists of 100 pages as of January 2010. It takes a clear stakeholder approach focusing on the firm’s competitive advantage, its reputation, its ability to attract and retain employees, customers, investors as well as considering the relationships with governments, the media, suppliers, peers and the local community. The document focuses on human rights, labor practices, the environment, fair operating practices (including corruption) consumer issues and community involvement.

ISO 26000 will not be implemented as a formal set of regulations, but as a document with recommendations for all organizations, profit and not profit. Those involved in the process hope that organizations will seek to adopt the recommendations and that those who do not, will be seen as less than fully ethical. Moral suasion may be an effective means to intelligent and considerate social responsibility. ISO also recommends that organizations operating in countries with inadequate institutions seek to abide by international standards instead of local norms. Thus if a country has inadequate regulations for extractive industries when it comes to pollution control, that the firms do indeed operate in a more environmentally responsible manner than what is required by the local jurisdiction.

In the following sections, excerpts from the preliminary ISO 2600 document (Draft from January 2010) will be presented. The document can be found on [http://www.standard.no/Global/PDF/Miljo/ISO_DIS_26000.pdf](http://www.standard.no/Global/PDF/Miljo/ISO_DIS_26000.pdf). The ISO document is organized with numbered lines. These lines will be used as references as they are discussed in the paper.

The International Organization for Standardization (ISO) is a federation of national standards organizations: governmental and non-governmental. Most of their work has sought to develop uniform technical standards and certification of organizations in order to make trade simpler and to ensure uniform quality standards. The publication of standards requires 75% agreement. However, the proposed standards on Social Responsibility are not intended to be a
blue print for certification, just a set of recommendations (233) and to ensure social and environmental sustainability.

In the work on Social Responsibility, many stakeholders from 90 countries and 40 international organizations are participating (101-120).

**SR - Unit of Analysis:** It is important to note that the recommendations do not only cover companies, but all kinds of organizations: firms/NGO’s/government organizations and their relationships vis-a-vis stakeholders: customers, consumers, workers, local community, NGO’s, financiers, students, donors, investors and others (132-135). Thus, the expression “social responsibility” is used and not just limited to corporate social responsibility (CSR).

**SR - Why:** The argument is made that SR can be good for the organization (see the discussion of Freeman vs. Friedman above). A favorable reputation can enhance competitive advantage. It can help attract and retain workers and customers, enhance employee morale/productivity, trust of investors, donors, sponsors, banks, improve relationship with government, media, suppliers, peers, customers and community (136-143).

**SR - Areas of Concern:** Some of the major issues covered in the document include:

1) Human Rights: Discrimination and vulnerable groups, civil and political rights, economic, social and cultural rights.

2) Labor practices: conditions of work and social protection, health and safety issues, human development and training at work.

3) Environment: Pollution prevention, sustainable use of resources, climate change, protection and restoration of the natural environment.

4) Fair operating practices: anti corruption, responsible political involvement fair competition, promotion of social responsibility in one’s sphere of influence, respect for property rights.

5) Consumer issues: fair marketing, information and contractual practices, protection of consumers’ health and safety, sustainable consumption, consumer service, support and dispute resolution, consumer data protection and privacy, access to essential services and education and awareness.

6) Core subjects, community involvement, education and culture employment creation and skill development, technology development, wealth and income creation, health and social investment.

7) Ethical behavior in accordance with international norms of behavior: 267-270), customary international law generally accepted principles of international law or intergovernmental agreements that are nearly universally accepted (287-295).
SR - Definitions: Social responsibility - responsibility of an organization for the impacts of its decisions on society and the environment through transparent and ethical behavior contributing to sustainable development (incl. health and welfare) (324-327).

Stakeholder individual or group that has an interest in any decision or activity of the organization (340-341).

Sustainable development: integrating the goals of a high quality of life, health and social justice and maintaining the earth’s capacity to support life in all its diversity. These social, economic and environmental goals are interdependent and mutually reinforcing. Sustainable development can be treated as a way of expressing the broader expectations of society as a whole (355-358).

Value chain: the sequence of activities or parties that provide or receive value in the form of products or services (raw materials to consumers) (364-368).

Vulnerable group: Discriminated or adversely affected socially, economically, cultural, political or health circumstances that cause them to lack the means to achieve rights or otherwise enjoy equal opportunities (372-376).

SR and the Principles of Social Responsibility: Accountability for the impact on society and the environment (613-628).

Transparency about decisions and activities that impact society and the environment (629-651).

One should be have ethically i.e. honestly, equitably and respect the integrity of people, animals and the environment through appropriate governance structures. Develop and enforce ethical standards (652-673).

Respect stakeholders’ interests: identify them, engage with them, listen to them (674-692).

Respect the rule of law (organization and government) not arbitrary exercise of power, comply with the laws in a given jurisdiction…Laws to be written, publicly disclosed and enforced according to established procedures (696-700).

If the laws do not provide min social and/or environmental safeguards, then respect international norms of behavior. The organization might possibly review its relationships and activities in that jurisdiction, seek to influence relevant organizations and authorities, and avoid being involved if the activities are not consistent with international norms of behavior (same for Human rights) (708-745).
SR - Responsibility For... An organization is responsible for the impacts and activities over which it has control, usually over some of the events in the value chain (suppliers and customers) (833 - 846).

SR and the Stakeholders Stakeholders are individuals and organizations that are affected or are likely to be affected (867) - inside or outside the organization (872).

Identification of stakeholders:
- Parties towards whom legal obligations exist
- Parties who may be positively or negatively affected by decisions or activities
- Parties who has been involved in the past when similar concerns needed to be addressed
- Parties who can help address the issues
- Parties who would be disadvantaged if excluded
- Parties within the value chain who are affected (892- 898)

SR and Organizational Governance This includes principles and practices of accountability, transparency, ethical behavior, respect for stakeholders interests and the rule of law into decisions and implementation (1029).

- affect the organizational environment
- incentives for social responsibility
- use financial, human and natural resources efficiently
- promote fair representation of stakeholders
- balance the needs of the organization and the stakeholders
- encourage effective participation,
- follow-up/review of initiatives

Human rights (1063) should transcend laws and cultural traditions. Human rights are inalienable, inherent, universal, indivisible and interdependent (1107). Regard for Social Responsibility should be incorporated in the organization’s management system as part of the responsibilities of the governing bodies of the organization.

SR and Particular Problem Areas We live in a world characterized by inadequate institutions and multiple existential crises. SR is particularly important in countries experiencing conflicts, political instability, civil rights problems, poverty, drought, natural disasters related to
extractive industries, proximity to indigenous peoples, children, and cultures of corruption (1179-1186).

Particular attention should be paid to vulnerable groups in the area of Human Rights, such as (1267), women and girls, people with disabilities, children, indigenous people, migrants, migrant workers, discrimination related to race, caste, the elderly, the illiterate, minorities (1306-1341).

Exploitation of workers has been a long standing problem area, particularly the issue of a living wage, slavery, unsafe working conditions etc. The proposed Social Responsibilities include an extensive set of recommendation in this area such as freedom of association (1393), forced labor issues, equal opportunity/non discrimination and child labor issues.

The current ILO standards (1473) for child labor are:

<table>
<thead>
<tr>
<th></th>
<th>Developed countries</th>
<th>Developing countries</th>
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</thead>
<tbody>
<tr>
<td>Regular work</td>
<td>15 years</td>
<td>14</td>
</tr>
<tr>
<td>Hazardous work</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Light work</td>
<td>13</td>
<td>12</td>
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</table>

For wages the recommended guidelines include that these should be adequate for the needs of the workers and their families based on cost of living, social security benefits, etc. (1629).

**SR and the Environment:** Some of the environmental issues brought up in the document include: The natural environment (depletion of natural resources, pollution, climate change, destruction of habitat, loss of species, collapse of ecosystems, degradation of urban and rural human settlements (1804-1842). Environmental responsibility obliges the organization to follow a precautionary approach, practice environmental risk management and abide by the principle that the polluter pays. (1843-1873) One should practice life cycle thinking, perform environmental impact assessment, strive for cleaner production and improved eco-efficiency. Consider developing new products/services which might encourage renting or leasing of certain infrequently used products (we may not all need to own chain saws).

In general, organizations are encouraged to use environmentally sound technologies and practices resulting sustainable procurement, use and disposition. The proposed standards also includes recommendation regarding pollution (1880-1902) emissions to air, discharges to water, waste management and use of toxic hazardous chemicals. A socially responsible organization will also seek to use energy efficiently, conserve water usage and use natural resources efficiently (1929-1955) as well as considering its impact on global climate change (1978).

**SR and Fair Operating Practices** Corruption is a major problem in most countries. It is recommended that a socially responsible firm seek to avoid participating in corruption by identifying risks and seek to avoid corruption. It is important that one show leadership and sets an example for anti corruption initiatives, support employees who to fight corruption, train
employees and representatives in handling corruption, provide appropriate remuneration for legitimate services, establish internal controls, encourage reporting of attempted corruption, bring violations to the attention of relevant authorities and seek to influence others to avoid corruption (2072-2120).

**SR and Marketing** A socially responsible firm should strive to compete fairly (2137). A series of consumer related issues are also recommended (2207-2282) such as the satisfaction of basic needs, safety, being informed, choice, the right for consumers to be heard, the opportunity to redress, general consumer education, promotion of a healthy environment, the right to privacy, follow the principle of a precautionary approach, promote gender equality and avoid stereotypes, and promote universal product designs. An organization should avoid (2307-) deceptive communication deception, misleading, fraudulent marketing, it should clearly identify marketing and advertising, disclose total prices, terms, conditions on all products/accessories/parts needed. Credit information should include (2313) interest rates incl. all costs involved.

An organization should provide complete accurate and understandable information on the following:

- relevant aspects of products and services
- key quality aspects enabling comparisons
- health and safety information
- physical address of the organization incl. phones, e-mail etc
- clear and sufficient information about prices, terms, conditions (2339)

One should provide information regarding (2340-2469) health and safety issues, sustainable consumption, customer service support and complaint resolution (see also ISO 10001, 10002, 10003), consumer data protection and privacy

**SR and Community Development** An organization’s social responsibility also extends to community development (2542). Be part of the community, assist in the community respect history, local experiences etc.

A responsible organization should be a contributor to the Millennium Development Goals (2646-2662) to:

- eradicate extreme poverty
- achieve universal primary education
- promote gender equality and empower women
- reduce child mortality
- improve maternal health
- combat HIV/aids malaria etc
- ensure environmental sustainability
- develop global partnership for development
Discussion

It seems clear that exchange facilitation (marketing) in this century finally will be subject to systematic ethical scrutiny. It is not yet clear if these guidelines to social responsibility will be approved by the ISO in the current form, but a final document is expected in 2010. Based on the document, critical questions can be asked of all kinds of organizations by a variety of stakeholders throughout the world. Hopefully students will look at the document as part of their scholarly preparation for their careers. The document summarizes many of the concerns raised over the decades as referenced above. Parts of the document are already a part of the formal laws and regulations in many jurisdictions and it is hoped that more jurisdictions will follow.

Possible Shortcomings

In the opinion of this author, there are a few shortcomings in the document. Basic ethical principles are not spelled out in the document. These should form a foundation for issues of social responsibility. Instead, one relies on “accepted international practices” as a norm, which may not be adequate. Slavery was one an accepted international norm and some of today’s norms may also be an inadequate basis for the exercise of social responsibility. Many “international norms” cause harm to certain groups, such as accepting kleptocratic governments as seller of recourses and borrowers of money, agricultural subsidies in the US/EU affecting farmers in developing countries etc. There are some 140 countries today with severe corruption problems at great cost and suffering to the citizens of these countries.

We need a set of basic standards for institutions (traffic rules of behavior: norms, values, laws and regulations), which promote “flourishing lives” regardless of the time and the place where lives are lived. First, we need to recognize that our institutions are a function of the culture (time and place) (Hofstede 2003) in which we were raised as illustrated in Figure 1.

Based on our cultural values, a set of traffic rules for behavior are developed. These form our institutions: values, norms, laws and regulations for what is considered appropriate (North 1990).

Secondly, we recognize that our transactions up- and down the value chain are affected by three levels of institutions. Macro institutions - the international traffic rules for interaction, mezzo institutions at the country governance level and micro institutions at the cultural level. As we source up stream and sell down stream, we exercise power and assume responsibility for the exchanges that we facilitate across jurisdictions while affected by a variety of institutions.
Furthermore, each link in the value chain has its stakeholders who may be affected by- or who can affect our transactions. This is illustrated in Figure 2.

Next, we need to see if the institutions we follow promote flourishing lives for the affected parties. This is similar to the goals of ISO 26000: make sure that our activities are socially and environmentally sustainable. In order to do this, we can use three approaches to ethical analysis: Utilitarianism, Human Rights or Justice (Falkenberg 1996).
The purpose of ethics is to promote flourishing lives as described by Aristotle. The question then becomes: do our institutions promote flourishing lives? It must be the responsibility of an organization to make sure that its activities do not worsen the lives for affected parties, but rather enriches them. In Figure 3, these are illustrated:

**Figure 2. International Value Chain Crossing Several Jurisdictions**

Power: Can I change behavior? Response-ability: Am I able to respond?
Does your value chain promote flourishing for affected parties?
Extractive industries, labor issues, kleptocracies, subsidies...
Social and environmental foot prints
The three approaches to principled ethics are elaborated in Figure 4 below. The ISO 26000 does elaborate on the Human Rights issues, but not on Utilitarianism or Justice. Providing organizations with these perspectives and making sure that the recommendations are firmly anchored in principled ethics would be of benefit to the proposed standards.

The three approaches to ensure flourishing lives are: a) Utilitarianism, as conceived by Mill (1863), b) Human Rights (The United Nations 1948) and c) Justice (Falkenberg 1996 based on Rawls 1971).
Finally, we need some guidance as to what to do in case we are faced with a set of inadequate institutions on the macro, mezzo or micro levels. Inadequate institutions are those which fail to promote flourishing. This is illustrated in Figure 5:

**Figure 5. Choices Available under Adequate and Inadequate Institutions**

<table>
<thead>
<tr>
<th>Formal institutions (laws and regulations)</th>
<th>Informal institutions (practiced norms and values)</th>
</tr>
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<tbody>
<tr>
<td>Adequate</td>
<td>Adequate</td>
</tr>
<tr>
<td>Inadequate</td>
<td>Inadequate</td>
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</tbody>
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- **Act**
  - Follow institutions: Go ahead | Immoral | Go ahead | Immoral
  - Go against institutions: Illegal | Consider benign civil disobedience | Immoral | Consider behavior “over and above the call of duty”

Formal and informal institutions may be different. There may be formal laws against corruption, however it may be part of normal practice. There are times when an organization may chose to abandon a market due to inadequate institutions which make it impossible to behave responsibly i.e. contribute to flourishing (or cause direct harm). Other times one may choose to consider benign civil disobedience (i.e. break apartheid laws) or consider behavior...
over and above the call of duty (i.e. pay higher wages than what has been agreed by the
government and the local labor unions) (Falkenberg and Falkenberg 2009).

Conclusions

The societal marketing concept: *customer satisfaction through a profitable operation in a
socially responsible manner* has been at the core of marketing for some 40 years. Looking to
history as well as to the current efforts at operationalizing what “social responsibility” entails, we
seem ready for a new way to view marketing, and international marketing, in particular. As
illustrated, the nature of the exchanges involves far more variables than the four P’s often studied
in marketing. It involves a holistic macromarketing view of our mission as marketers and as
marketing scholars.

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Appendix

Three models used in the proposed ISO 26000 document

Schematic overview of ISO 26000
Relational Contracting and Property Rights: Breaking the Dichotomic View on Relationships and Transactions

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Traditional marketing theory suggests a dichotomy between transactions and relationships. We show that this view is anchored in a neoclassical understanding of economic exchange and contrast it with the perspectives of property rights theory and relational contracts theory. We identify a common ground that can unify the perspectives on transactions and relationships. Thus we claim that every transaction is characterized by a relationship. The concept of transaction provides a hub term for the analysis of economic organization that allows for the integration of contributions of different disciplines, and property rights theory and relational contract theory focus on the actors’ action opportunities and the means for their realization. Both property rights theory and relational contract theory hold that actors engage in cooperative behavior in order to achieve their ends. Marketing theory should take into account the interplay of legal institutions, subjective action and social interaction in order to provide an understanding of the universe of interactions in the market place.

“Marketing is currently in the process of perhaps its most profound paradigm shift. (…) Many of the existing concepts and models will need to be modified (Rust 2004, 24).”

“Since all discrete transactions are embedded in relations, they are relational and not truly discrete (Macneil 2000, 895).”

Introduction

In this paper we address an alleged dichotomy that is deeply rooted in the heritage of economics that has also shaped today’s marketing theory as well as its criticism. It is related to the understanding of economics as a theory of markets and has its theoretical underpinnings mainly in neoclassical economics. The neoclassical economics is a consequence of the academic division of labor that has given rise to deep trenches between the single academic disciplines; in particular economics, sociology and psychology have drifted apart. The academic division of labor has its merits in terms of gains of specialization but also brought about problems because of specialization. As to the dichotomy between relationships and transactions, we will point to its sources in the neglect of institutions and the social-theoretical dimensions of economic activities by neoclassical economics, in particular with regard to transactions and contracts. As Rutherford (1994, p. 253) points out, “the real institutions that pattern market interactions are notable only by their absence.”
The neoclassical economics has reduced exchange “to an impersonal, mechanical process” (Emmett 1994, p. 281). The traditional marketing approach based on neoclassical economics therefore focuses on a concept of exchange deprived of any institutional and social-theoretical content. It does not, or not adequately, consider that exchange takes place between parties (individuals or organizations) and gives rise to relationships; in addition, it neglects that exchange is both framed and constituted by institutions (laws, property rights, contracts, norms, conventions, etc.). For this reason, and because the narrow conceptualization of “exchange” has never met the requirements of marketing practitioners, marketing scholars have begun to widen the meaning of this core concept. Today, we can observe that this maneuver has not yet led to a sufficiently clear exposition of the alleged core concept of marketing, i.e. exchange. In addition, other concepts entered the stage like those of relationship or transaction whose meaning is but not clearer. From the today’s perspective it is not self-evident “that exchange forms the core phenomenon for study in marketing” (Bagozzi 1975, p. 32), or even if so, what this shall demonstrate. Rather, “exchange” stakes out the field of the research in a purely formal manner. The concrete subject matter of research is defined by those theories or approaches to which marketing theory referred for the purpose of broadening the concept of exchange (social theory, institutional economics), or on the basis of descriptive analyses.

In the institutional economics the concept of transaction constitutes a framework for the analysis of governance structures which, amongst others, give rise to relationships. That transactions are characterized by relationships has been emphasized by the early institutional economics (Commons 1931) and later works in property rights theory (Furubotn and Pejovich 1972) as well. The impact of the transaction cost theory on management studies and marketing theory notwithstanding, the social-theoretical dimensions of the concept of transaction that are highlighted by institutional economics (Commons 1931; Williamson 1985) have not attracted much attention in marketing theory. Quite the contrary, there, the meaning of the concept of transaction is considered as primarily rooting in the truncated neoclassical understanding of exchange. This narrow understanding of the concept of transaction – addressed by the relational contract theory (Macneil 1980) under the label “discrete transaction” – was abstracted from relationships. Our analysis aims at providing a framework that covers both transaction and relationship focused approaches by highlighting the common ground of relational contracts theories for the analysis of both relationships and transactions.

The paper is organized as follows: In section two we argue that the traditional marketing has been dethroned or, at least, limited in its relevance, because of changes in the theory that are induced by changes in the economy. Section three introduces property rights theory and relational contracts theory to the analysis. Property rights arrangements provide a common ground for the analysis of the spectrum of transactions. Relational contracts theory provides a theoretical lens for elucidating the social elements of contracts. In section four we

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1 As Bagozzi (1975, 32) points out, “what marketers have considered as exchange is a special case of exchange theory that focuses primarily on direct transfers of tangible entities between two parties.”
2 “The exchange concept is a key factor in understanding the expanding role of marketing” (Bagozzi 1975, 32).
3 “The term relationship marketing has become widely used. What exactly is meant by this term is not yet very clear, and generally speaking, academics and practitioners tend to use the term in very different ways” (Grönross and Strandvik 1997, 341).
4 This procedure is also typical for relational contracts theory (cp. section 3.2).
lump together our arguments in favor of breaking the dichotomic view on transactions and relationships. Section five concludes.

### Changes in Marketing Theory and Practice

Marketing theory is based on economic theory: Concepts, principles, and the problems identified by economics have executed strong influence on marketing theory. Intermediated by marketing scholars this main focus has also found its way into marketing practices. Probably the most dominant perspective that marketing has inherited from economics is expressed in its proper name “marketing” that contains “market.” From its very beginning, economics was a theory of markets with the concept of exchange at its center, and marketing theory was so, too. Marketing theory and practice of the industrial era were prospering on this basis. Since the last decades of the last century, services marketing approaches and relationship marketing approaches are being developed. This change is not theory-driven but economy-driven:

**Figure 1. The Service Sector is Growing Rapidly throughout the World**
*(Source: EIU Country data)*

The new approaches to marketing are a reaction to the emergence of new problems and perspectives, which are brought about by the rise of what is called the service economy (cp. Figure 1). The relationship marketing approach evolved partly as a response to expand the marketing domain beyond the narrow exchange-focus proposed by Bagozzi (1975) that served as the focal construct to define the genuine marketing domain. Being aware of the limitations of a transactional focus in a service environment Berry (1983) shifted the emphasis to the relationship between the company and the customer. The need for the service organization to attract customers and then to maintain and enhance these customer relationships called for frameworks that allow to address both, antecedents and consequences of transactional* episodes as well as a deeper understanding of the contexts in which exchanges are taking place.

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5 In this case, “transactional” is to be understood in the sense of the term “transaction marketing” as expressed in Table 1. In the following, if understood in the narrow sense, we mark “transaction” by “*.”
According to Sheth and Parvatiyar (2000, p. 119), „marketing as a field of study and practice is undergoing a reconceptualization in its orientation from transactions to relationships.” This has led to a dichotomic view on transactions and relationships and, therefore, also on the marketing approaches which are built on them. Researchers like Berry, Gummesson or Grönroos conceived relational marketing as an alternative to the dominant traditional marketing approach. Table 1 highlights some of the differences between the conceptualizations of transaction marketing and relationship marketing if understood in dichotomic manner:

**Table 1. The Dichotomic View on Relationships and Transactions**

<table>
<thead>
<tr>
<th>Transaction Marketing</th>
<th>Relationship Marketing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exchange focus in the industrial era (Sheth and Parvatiyar 2000, 121)</td>
<td>Relationship focus in the postindustrial era (Sheth and Parvatiyar 2000, 121)</td>
</tr>
<tr>
<td>A solution for the customer is a product in the form of a physical good (Grönroos 2000, 103)</td>
<td>In relationship marketing, the solution is the relationship itself (Grönroos 2000, 103)</td>
</tr>
<tr>
<td>„The product as the outcome of a production process is basically a transaction-oriented construct“ (Grönroos 2000, 99)</td>
<td>- Interaction process at the center</td>
</tr>
<tr>
<td>- Dialogue processes support the development and enhancement of relationships</td>
<td></td>
</tr>
<tr>
<td>- Value process as the output of relationship marketing</td>
<td></td>
</tr>
<tr>
<td>Focus on value of customers for the firm or on customer-perceived value of output</td>
<td>Focus on how perceives the customer the creation and transfer of value over time and the evaluation of the overall relationship</td>
</tr>
</tbody>
</table>

Although marketing practice has stimulated the development of relationship marketing approaches, it seems that it has not replicated the there prevalent thinking of transactions and relationships in terms of opposites. The research project on contemporary marketing practices has revealed that firms apply relational and transactional elements as rather complementary elements in their marketing strategies (Coviello et al. 2002). Companies apply a broad spectrum of marketing approaches, with pure transactional and relational approaches at the extremes. Most companies practice marketing with significant elements of both, relational and transactional marketing elements. Empirical research based on relational contracting has revealed that most marketing approaches found in the economy have some relational element to a different degree (Blois and Ivens 2007).

Relational and transactional marketing practices seem to work rather as complements than substitutes in guiding marketing policies. Thus, a pressing research question is how these approaches relate to each other. We have enough empirical evidence supporting the claim that a dichotomic view on relationships and transactions is outdated and all marketing phenomena are shaped by both – relationships and transactions – to a substantial extent. On the conceptual arena there has been substantial progress of both the analysis of transactions as well as relationships. Below we present an intertheoretical framework having relational

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6 The collection of topics in Figure 1 illustrates how the understanding of “transaction marketing” deeply roots in the comparison of two output categories: goods and services. This also holds true for the concept of discrete transaction in the relational contract theory (Macneil 1980, 10). Recently, the service-dominant (S-D) logic (Vargo and Lusch 2004) added new perspectives to this field of discussion. According to it, the goods-services dichotomy is outdated. If S-D logic’s propositions hold, then there is no support for a dichotomy between goods and services. This implies that there is also no support for a dichotomy between transactions and relationships based on the former one.

7 For a case study analysis of contemporary marketing practices, see also Palmer and Wilson (2009).
contract theory, property rights theory, transaction cost theory, and relationship marketing as cornerstones. As to our concern, relational contract theory and property rights theory provide a coherent and promising framework for the analysis of transactions and relationships. We argue that the institutional-economic concept of transaction is a systematic source for the extension of the core concept of marketing – exchange. The concept of transaction is a social-scientific hub term for marketing theory that is anchored in social theory, institutional economics, and relational contract theory. It contains the presuppositions for marketing theory to come to grips with the above-mentioned changes of business practices from an economic perspective.

The Intertheoretical Framework of Analysis

Institutional economics provides the common ground of the intertheoretical framework of our analysis. Some of its components have already been combined but this has attracted rather little attention as, for example, Williamson’s (1985) transaction cost approach and Commons’ (1931) conceptualization of the transaction in terms of bargaining, managerial, and rationing transactions. According to Commons, transactions are the basic unit of economic analysis replacing the “more orthodox unit of individuals and commodities” (Rutherford 1994, p. 260). In addition, the transaction is also the “unit of activity.” All activities related to the process of exchange are analyzed under the heading of “transaction.” The basic unit of analysis “must ‘correlate’ economics with law and ethics, and incorporate three salient characteristics of economic activity: conflict of interest, mutual dependence of interest, and the expectation of future activity of a similar type” (Rutherford 1994, p. 260).

Figure 2. Components of Our Analytical Framework

Relational contract theory has already found its way into transaction cost theory; from it, Williamson (1985) took the concept of relational contracts. We sketch the relational contracts approach as presented in the works by Ian Macneil and its implications for
institutional economics, social theory, and relationship marketing theory. From a relational contract perspective, market exchange constitutes a special type of relationship. In that light, presumed dichotomies between relationships and transactions fall apart. Figure 2 presents the components of our analytical framework and their relations. Social theory provides the common ground for property rights theory, contract theory and marketing theory.

**Property Rights Theory and the Spectrum of Market Interactions**

Within new institutional economics, property rights theory has stimulated a still expanding field of research called law and economics (Coase 1988; Menard and Shirley 2005). Property rights are a part of the institutional order of a society or economy. Legal property rights are an important part of the institutional framework; economic property rights are at the center of private orderings (Williamson 2005) or made orders (Furubotn and Richter 2008) created by economic actors in the course of a transaction or relationship. From this paper’s perspective, the most important made orders are private orders, i.e., the multiple transaction arrangements by which the economic actors organize their exchange relationships and realize their mutual promises, which are according to the relational contract theory the subject of their contracts. Legal and economic property rights are not independent of each other; what is ruled by law is in need of being enforced but not of being ruled by the economic actors.

Property rights theory has provided a richer concept of transaction than neoclassical economics. Whereas neoclassical economics focuses on person-good relations and has enthroned the fictive auctioneer for the sake of coordination, property rights theory perceives an exchange as an exchange of bundles of rights between parties: Market transactions are „not the ‘transfer of commodities’, but the alienation and acquisition, between individuals, of the rights of property and liberty created by society, which must therefore be negotiated between the parties concerned before labor can produce, or consumers can consume, or commodities can be physically exchanged” (Commons 1931, p. 652). As Furubotn and Pejovich (1972, p. 1139) have pointed out, property rights theory is inherently relational as “property rights do not refer to relations between men and things but, rather, to the sanctioned behavioral relations among men that arise from the existence of things and pertain to their use” (italics in the original).

Relationship marketing investigates how relationships engage in value co-creation (Payne, Storbacka, and Frow 2008; Ballantyne and Varey 2008; Vargo and Lusch 2008). Thus, relationship marketing draws on the idea that value creation is a joint endeavor of the parties who make up the relationship. The institutional framework of the economy including legal property rights conditions the ranges of action feasible for the parties and what they can contribute to this. What they want to contribute depends on their interests, experiences, objectives, etc., on the base of which they attempt to have impact on the private orderings of their relationships, including the design of economic property rights. Legal as well as

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8 A made order is a counterpart to a spontaneous order that has developed behind the back of the individuals. Some of these made orders are assumed to address private ends, or action opportunities. The institutional framework of a society, particularly its formal institutions, can also be understood as made orders. Not that this stipulation does not imply that there are no spontaneous orders or that the made orders are completely untouched by “spontaneous” elements.

9 As noted by Rutherford (1994, 253), this is one of “various market adjustment stories.” They are “commonly admitted to be highly artificial” (ibid.).
economic property rights have an impact on the economic actors’ range of action and their action opportunities.\textsuperscript{10}

Property rights theory was developed for the analysis of economic issues arising from the shared use of resources. One important implication of property rights theory states that the exchange of goods for money is only one option within a much wider set of contracts that enables the sharing of resources regarded as valuable by the actors.\textsuperscript{11} Its basic assumption states that economic actors are interested in assets or resources because of the service\textsuperscript{12} or potential uses they render (Barzel 1997). For example a car can be used for commuting from home to work, for a holiday trip, for a business trip or for making an impression in front of a club. A machine might be used for the manufacturing of different product lines. However, a machine or a car can be used without being its owner. In addition, nobody can be the owner of a service but only of the right to benefit from it.

Property rights do enable or render impossible certain expected uses of resources or rights. Property rights can be conceived as socially (based on both formal and informal institutions as law, norms, habits etc.) granted or enforced measures giving way to prospective resource uses or action opportunities (cp. Figure 2).\textsuperscript{13} Because the institutional framework does not rule every contractual stipulation, actors can negotiate for what is called economic property rights as a part of private orderings. Property rights theory specifies four so-called property rights: the right (1) to use an asset (ius usus), (2) to change its form and substance (ius abusus), (3) to obtain income or other benefits (ius fructus), and (4) to transfer all rights and the resource through a sale or some through, for example, rental agreements (ius successionis) (e.g., Furubotn and Pejovitch 1972). Among the four property rights which are specified by property rights theory all but one guarantee the owner – beyond ownership of rights – ownership of a resource: ius successionis. It is also the only one that cannot be attenuated. That the other three rights can become attenuated and thus be transferred without the transfer of ownership of a resource has given rise to a distinction between two types of bargaining transactions (Haase and Kleinaltenkamp 2009):

\begin{figure}[h]
\centering
\begin{tabular}{|l|}
\hline
\textbf{Exchange Type I:} \\
	extbf{Transfer of ownership} \\
- ius successionis \\
- \textit{Attenuation} of \\
ius usus, ius abusus, \\
and ius fructus possible \\
\hline
\end{tabular}
\hspace{1cm}
\begin{tabular}{|l|}
\hline
\textbf{Exchange Type II:} \\
	extbf{Transfer of rights to use resources} \\
- ius usus or \\
ius abusus or \\
ius fructus \\
\hline
\end{tabular}
\caption{Different Types of Bargaining Transactions}
\end{figure}

\textsuperscript{10} Below, Figure 4 reflects this by embedding the transaction into the social and institutional order of an economy. The social matrix is also constitutive for the nature of social contract (Macneil 1980).
\textsuperscript{11} For a more detailed discussion, see Haase and Kleinaltenkamp (2009).
\textsuperscript{12} This is reflected in S-D logic’s foundational premise #3: Goods are distribution mechanisms for service provision.
\textsuperscript{13} “To have a legal right means that the party in question can call on the power of the state ‘for security of expectations by imposing a duty of conformity’ on others” (Rutherford 1994, 264, quoting Commons 1932, 15).
From the perspective of property rights theory, the exchange of goods for money represents just one small element of the range of options for governing the use of valuable resources. Most notably, owners are usually conceived as the residual authority for defining rights. They are entitled to grant a limited set of rights to use their assets (rights or resources) in exchange for a service fee or other bundles of rights. Ownership of resources entitles an individual or a firm to enjoy all their potential benefits (under given legal and political restrictions), but makes it the residual claimant for nearly all costs associated with that particular asset.\(^\text{14}\) Service contracts provide access only to a clearly defined use of an asset specified in the service contract, but also free users from burdens and risks associated with ownership. If a company is able to clearly define its terms of asset use, it can get the value it really needs without being exposed to unrelated potential other costs due to resource ownership. Property rights theory helps to highlight factors that render owning assets and employing competencies inefficient and play in favor of value creation by external service providers. In that light, the rise of the service economy is marked by a shift from internally generated services based on company-owned assets to the use of specified contracts with external service providers.

Different arrangements of property rights reflect the value propositions or promises of actors (cp. section 3.2) and the expectations of the other party concerning the realization of the value proposed and promises within and beyond the limits of the transaction. If contract is about getting things done in the real world,\(^\text{15}\) then it can be done because of the property rights related to resources: “The content of property rights affects the allocation and use of resources in specific and predictable ways” (Furubotn and Pejovich 1972, p. 1139).

The definition of property rights and the manner resources and rights are used within a transaction is part of the social and institutional order in which a transaction is embedded or which is created by the parties to a transaction. As to every transaction, the state is always in the background “as an enforcer of the rules of bargaining and in the very notion of the transaction as a transfer of rights” (Rutherford 1994, p. 262, italics in the original). This does not mean that resources are not the subject matter of transfer. Rather, it means that individuals cannot transfer ownership but only the state “by operation of law as interpreted by the courts” (Commons 1934, p. 60).

Economic actors can resolve potential conflicts regarding the use of property rights by writing the contracts so that they reflect the expected value of the intended asset use. Thus, contracts can be used to put assets to the most valuable use, under the assumption that the contracts accurately reflect the different valuation of the various users and that enforcing the terms of contracts is costless. Then, the distribution of property rights or goods would not matter from an economic point of view as all economic actors simply rent what they need according to their valuation, thus ensuring the highest valued use of assets or goods. However, the theorem developed by Coase (1960) states that writing and enforcing contracts is costly and also in many cases impossible, as a substantial proportion of information is not available at the time of contracting. Personal circumstances might imply new intentions for using the car. Shifting demand might imply new manufacturing plans and thus affect the valuation of machine time. To the extent that actual contracts do not reflect these circumstances, asset users are exposed to potential extortion or “hold-up” by the owner. For

\(^{14}\) What is called external effects are costs of resource uses that are imposed on society.

\(^{15}\) “Contracts are about getting things done in the real world – building things, selling things, cooperating in enterprise, achieving power and prestige, sharing and competing in a family structure” (Macneil 1980, 4).
example, an industrial customer who has a contract with a supplier for parts faces the danger of a “hold-up” if he or she wants to ramp up production because of a sudden increase of demand (Williamson 1971). The supplier may use his or her monopoly position to charge higher prices in order to re-distribute profits.

Asset ownership equips its holder with means against such hold-up situations as it assigns its holder the residual authority over an asset (Grossman and Hart 1986). Owners have the authority to grant and deny access to the use of their assets. Also, ownership allocates residual profits and losses from asset income to the owners, thus unifying residual authority with residual income. In addition, the owner is entitled to specify contracts in a manner that attenuates specific rights. The manner and amount, however, to which asset owners can make use of their assets is partly dependent on the working rules, which “determine what each party to a transaction can, cannot, may, must or must not do” (Commons 1934, p. 81). Working rules are also subject of institutional change reflecting the changing nature of problems and conflicts. Insofar property rights theory abstracts from the embeddedness of transactions, it is inclined to overstate the part played by asset ownership.

The transformation from industrial to service economies depicted in Figure 1 can be explained by a reduction in two types of costs that encourage the use of contracts and rental of assets rather than their ownership. First, measurement costs accrue from the problem of identifying the value contribution of collaborating partners to a finished output. One strand of property rights theory assumes that the party with the least measurable contribution takes on asset ownership and hires the services of the complementing collaborators. As companies gain experience with an activity or technology they become more capable of writing contracts for external sourced services. Furthermore, recent developments in information technology allow companies to better measure outputs. Together, the reduction of measurement costs fosters external sourcing (Barzel 1997). Second, governance costs mark the other significant strand of property rights theory. Governance costs accrue from investments in specialized assets such as a highly customized machine. Users of such assets are exposed to value capture if an external firm owns such assets. As a consequence, these specific investments should be backed by ownership rights that grant its holder residual control over the use of the relevant assets. From a governance-cost perspective, external sourcing is favored as soon as an asset class has lost its specific character. For example, as soon as a manufacturing process or technology becomes common, the benefits of ownership are diminished, eventually favoring to hire services from a contract manufacturer rather than owning and operating a plant (Grossman and Hart 1986; Hart 1995).

To summarize, property rights theory provides an organizing principle by which ownership is assumed by the economic party that is in the position to maximize its value. In maturing industries, assets tend to lose their specific character and companies become more capable of measuring value contributions. This leads to an increased division of labor between companies, where downstream companies tend to source a growing share of services from upstream service providers who specialize in asset ownership. Property rights theory highlights a key value contribution of business services providers: supporting their clients in economizing on the costs and benefits of ownership.

The major implication of property rights theory for relationship research is that the “goods vs. money” exchange is only one very specific option within a universe of contractual arrangements that also contains rental agreements, outsourcing contracts, performance contracts and many more.
Relational Contracts – The Social Context of Market Interactions

Macneil’s contractual approach is directed against a “classical” and “neo-classical” understanding of contract in common law countries. Within contract law, the most distinctive attribute of relational contract theory (RCT) is its social philosophical underpinning (Campbell 2001, p. 9) that is contrary to the limited perspective of classical contract law, and exceeds also that of neo-classical contract law. Macneil and other scholars (like Macaulay 1963) also took their ideas from descriptive analyses in the field of law studies.

The classical and, to some degree, also neoclassical approaches to contract law characterize contracts as concrete entities; their analyses focus on the concrete deal and conceive every deal as entity isolated from the complex web of exchange relations of economic activities in general. In contract law, the most discrete approach is classical contract law. Compared with this, relational contract law is embedded into the institutional matrix of an economy, i.e., it makes these issues a subject matter of analysis even though they may not be legally enforceable.

The Four Core Propositions of Relational Contract Theory

The RCT can be conceived as a family of theories which share four core propositions:

(1) Every transaction is embedded in complex relations.

(2) Understanding any transaction requires understanding all essential elements of its enveloping relations.

(3) Effective analysis of any transaction requires recognition and consideration of all essential elements of its enveloping relations that might affect the transaction significantly.

(4) Combined contextual analysis of relations and transactions is more efficient and produces a more complete and sure final analytical product than does commencing with non-contextual analysis of transactions.

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16 Note that the terms “classical” and “neo-classical” address different approaches in law and economics. As to neoclassical economics, there are particularly intersections with classical contract law. Williamson (1985, 69) points to the irrelevance of the identity of the parties to a transaction in classical contract law: “In that respect, it corresponds exactly with the ‘ideal’ market transaction in economics.”

17 Cp. Levine (2005, 63 ff.) for the “sharp distinction between civil law and common law countries.” Compared with “the British common law, the French civil law places comparatively less emphasis on private property rights, less emphasis on judicial independence and discretion, and more emphasis on the rights of the state” (ibid.).

18 Macneil (2000, 902, note 95) makes mention of neo-classical ideas as “unconscionability, good faith, and assurances of performance.”

19 Macneil (2000, 902, note 96) quotes Jay M. Feinman, Relational contract theory in context, North Western University Law Review 94, 737, 748: “Because its paradigmatic unit of inquiry is the extensive relation rather than the discrete transaction, relational contract focuses on the necessity and desirability of trust, mutual responsibility, and connection. Not all these bonds should be legally enforceable, but beginning analysis by recognizing them is likely to produce a broader set of obligations.”
Macneil (2000) had coined the expression “essential contracts theory” to highlight the particularities of his approach concerning the capture of the “essential” elements of exchange relations, i.e. description and analysis of common contract behaviour and norms. In neoclassical economics institutions do not matter. In a similar fashion, classical approaches to contract law draw on the discrete transaction as the primary unit of analysis. Macneil objects this dominant position of the transaction within contract law. On analytical and empirical grounds he conceives it rather as a stylized special case than the salient blueprint of contracts. As the assumptions of neoclassical market analysis are in conflict with descriptions of actual exchange behaviour (Emmett 1994, p. 277), so are the assumptions of classical contract law in conflict with actual contracting behavior. For this reason, discrete exchange cannot be considered as the primal root of contract. The starting point of Macneil’s analysis is the interplay of the social matrix with the nature of contract: “We shall start at the beginning. In the beginning was society. And ever since has been society. This surely must be the most forgotten fact in the modern study of contracts, whether in law or in economics. This lapse of memory we deliberately impose on ourselves in both disciplines by our heroin-like addiction to discrete transactions“ (Macneil 1980, p. 1).

Discrete Transactions and Relational Transactions

Discrete exchange draws on what Williamson (1985, p. 68) has called the “discrete transaction paradigm.” The transaction model of classical contract law is characterized both by discreteness and “presentation.” The discrete transaction* is an analytical device that disregards the relational character of all transactions. Macneil (1980, p. 11) declared that “(t)he discrete transaction is entirely fictional.” “Presentation” means that the outcome or the attributes ascribed to it, respectively, is available or perceivable at the time of contracting. “Presentation” is the economic counterpart to “contingent claims contracting” (Williamson 1985, p. 69). Contingent claims contracting addresses future contingencies pertaining to the supply of the outcome. The states of the economic system as well as the attributes of the outcome are a subject matter for the formation of expectations regarding the future and basis of the formation of subjective probabilities. The concept of discrete transaction* “corresponds exactly with ‘ideal’ market transactions in economics” (ibid.). The following assumptions are in stark contrast with relational elements working in contracting: homogeneous goods, interchangeable agents, standardized contracts. No wonder that empirical studies have disputed the analytical relevance of classical contract law for the majority of contractual relations.

The neoclassical market model does not take into consideration relationships and cooperation. As one of its most influential advocates, Frank Knight (1935, p. 282), clarifies: “To the economic individual, exchange is a detail in production, a mode of using private resources to realize private ends. The ‘second party’ has a shadowy existence, as a detail in the individual’s use of his own resources to satisfy his own wants. It is the market, the exchange opportunity, which is functionally real, not the other human beings; these are not even means to action. The relation is neither one of cooperation nor one of mutual exploitation, but it is completely non-moral, non-human.”

20 Williamson (1985, 10) refers to Macaulay’s empirical studies of contract: “Macaulay observed that contract execution is normally a much more informal and cooperative venture than legalistic approaches to contracting would suggest.”
The view introduced in relational contract theory is completely contrary. The concept of contract is defined in terms of relationship. "By contract I mean … the relations among parties to the process of projecting exchange into the future" (Macneil 1980, p. 4). "Thus every contract is necessarily partially a relational contract" (ibid., p. 10). Campbell (2001, p. 9) sketches the development of Macneil’s “rival account” to classical contract law; with it, he highlights the relevance of the concept of co-operation that “remained central to his work.” Contracts are a vehicle by means of which economic actors strive for achieving their ends. Despite of the origin of contract theory in law, “(l)aw is not what contracts are about (Macneil 1980, p. 4).” As already mentioned-above, contracts “are about getting things done in the real world” (ibid.). Because of the division of labour, things can only be done in interaction or cooperation, respectively, with other actors. In addition, these activities take place within the framework of a partly given, partly self-made social and institutional order. This is the common perspective of both the institutional economics and the RCT.

The RCT makes a distinction between promissory and nonpromissory exchange projectors. This distinction is the source of the relevance of the concept of as-if discrete transaction in the RCT. It can be used to understand the sources of discreteness which are not equal to the absence of the relational. As we will argue, they are on a par with particular sources of relations, viz. “(1) role integrity, (2) contractual solidarity, and (3) harmonization with the social matrix, especially the internal social matrix” (Macneil 2000, p. 897).

RCT discusses promises with respect to their role as exchange projectors. Promises are considered as part of an “extraordinary powerful mechanism for projecting exchange into the future” Macneil (1980, p. 7). A promise makes the expectations of the actors concerning the transaction explicit: “The idea of a promise is an affirmation of the power of the human will to affect the future” (Macneil 1980, p. 6). Contracts are required because actors can only achieve their ends by means of the cooperation of another party. The promises of actor 1 need to be reflected by those of the cooperating actor 2. Therefore, the mechanism addressed above by Macneil can only work if there are two complementary promises. Five dimensions characterize promises in an exchange: (1) The will of the promisor; (2) the will of the promisee; (3) present action to limit future choice; (4) communication; and (5) measured reciprocity. In short, a promise is “present communication of a commitment to engage in a reciprocal measured exchange” (Macneil 1980, p. 7). Communication or commitment reflect what the actors expect to gain from an exchange, and what they have to give within an exchange relationship in order to fulfill its terms. This mechanism based on communications and commitment is “the essence of discrete contract.”

Promises are by no means the only available exchange projectors. In particular, if one wants to understand contract in terms of relations, then also nonpromissory exchange projectors come into view: “In all societies, custom, status, habit, and other internalizations project exchange into the future” (Macneil 1980, p. 7). Macneil (ibid.) thus rejects the view that nonpromissory exchange projectors dominate in primitive societies: „we err if we fail to...

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21 Macneil (2000, 878) has broadened the definition: “In this article, ‘contract’ means relations among people who have exchanged, are exchanging, or expect to be exchanging in the future – in other words, exchange relations.” As he clarified in footnote 6 (ibid.), he made the change because some readers had misunderstood the first definition as excluding the past or present from the concept.

22 As Campbell (2001, 9) hints to, the subtitle of Macneil’s first casebook was “Instruments for Social Co-operation.”
recognize that such non-promissory mechanisms continue to play vital parts in the most modern and developed societies“ (ibid.).

It is that the “essence” of the concept of discrete contract as characterized above is in no way non-relational. As Macneil (1980, p. 11) correctly states, in neoclassical economics the discrete transaction is entirely fictional.23 Compared with this, “even the purest discrete model necessarily does postulate a social matrix. It must provide at a minimum: (1) a means of communication understandable to both parties; (2) a system of order so that the parties exchange instead of trying to kill and steal; (3) in typical modern applications, a system of money; and finally (4) in the case of exchanges promised, an effective mechanism to enforce promises” (Macneil 1980, p. 11). Because it abstracts from person-person relations and society, neoclassical economics cannot spell out the core meaning of discreteness for RCT. Notwithstanding, RCT cannot give up the non-promissory exchange projector without becoming incomplete as approach.

Note, as regards the distinction between discrete and relational transactions (or exchange, or contract), discrete transactions are not discrete (in the sense of non-relational), and all transactions (or exchange, or contracts) are relational. For this reason, Macneil (1987) decided to make “discrete exchange” and “intertwined exchange” (instead of “relational exchange”) the poles of a continuum of exchange relations. However, this change in terminology did not put through in the respective scientific communities, and Macneil decided to come to handle the issue by adding an “as if” to the expression “discrete transaction.”

RCT’s classification of exchange relations in “as-if-discrete” and “relational” is a modification of the earlier distinction between “discrete exchange” and “relational contracts” reflecting core proposition (1) that contains that all transactions are embedded in complex relations (Macneil 1980).24 Discrete transactions are thus “as if discrete” insofar as the relational elements are not understood as empirically absent but as theoretically neglectable in case of a particular research interest or theory application; thus, they are treated as if they were discrete. As regards “relational exchange,” the epithet “relational” is redundant.

A difference between as-if-discrete exchange and relational exchange can therefore be made with respect to (1) the degree of relationality and (2) the type of relationality. To begin with the first part of the distinction: If understood as the two counterparts of a spectrum representing the degree of relationality, discrete exchanges and relational exchanges express two different but yet related analytical devices: discrete exchanges represent exchange behaviours or exchange situations which can be conceived as models of discretionist theories, in particular rational choice theory, whereas relational exchange represents the full-blown relational approach having at its disposal the whole arsenal of formal and informal

23 “There we postulate specialization and choice determined projections of future exchange in the totally absence of any society whatsoever. Even in the modern mythical world of neoclassical economic theory such conditions do not exist” (Macneil 1980, 11).
24 In RCT the expressions “discrete” and “relational” are interchangeably related to exchange, transactions, and contracts. This does not necessarily make a difference because, e.g., all exchanges can be considered as transactions but not vice versa. Macneil does not advocate the broad concept of transaction; his analysis is restricted to what Commons (1931) has called bargaining transactions.
25 “More important is to press home at all time the point that there is no such thing in real life as discrete transaction” (Macneil 2000, 896).
institutions. Note that rational choice theory can thus be applied in connection with RCT. In regards to the second part of the distinction, “as-if discrete transactions” (or “discrete transaction” without asterisk) on the one hand and “relational transactions” on the other hand can be conceived as indicating the integration of different types of relationality, or embeddedness, which are analyzed under the heading “non-promissory exchange projector.”

The criticism of the concept of discrete transaction notwithstanding, we will argue that the discrete transaction (without asterisk) is an important core concept of RCT. With it, the core of RCT (or part of it) is inherently economic. It also provides well-dissected connection points to amongst others law, sociology, and psychology. Essential contract theory identifies and analyses the essential elements in terms of nonpromissory exchange projectors. It is thus a genuinely interdisciplinary project.

In the next section, we will argue for a unifying view on discrete and relational transactions based on Commons’ concept of transaction and property rights theory. Commons’ concept of transaction embeds the concept of discrete transaction into a conceptual framework that provides the social matrix requested by Macneil. Based on property rights theory, RCT can identify a great number of relations which are considered as significant or essential relations (first and second core proposition of RCT). Property rights theory can thus enhance the effectiveness of RCT-based analyses and can thus be considered as one example of a combined textual analysis that can improve the quality of social-scientific analyses (third and fourth core proposition of RCT).

Discussion

The Relevance of Private Ordering

Exchange takes place within orders and it creates orders, and it has to be organized. As Williamson (1985, p. 10) emphasized, Macaulay’s empirical studies “support the view that contractual disputes and ambiguities are more often settled by private ordering than by appeal to the courts which is in sharp contrast with the neoclassical assumptions of both law and economics.” The trade off between social and individual order mentioned in section 3.1 with respect to property rights holds also true for the parts of the social order focused by relationship marketing on the basis of what Macneil (1978) has called contractual norms. Like property rights, these contractual norms are at the interface of law, economics, and social theory. Like property rights, they are expected to be a part of the institutional order that cannot be changed by actors in the short run, and also a part of made orders designed for the matter of a particular transaction.

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26 Rational choice theory (when applied without transaction cost analysis) and game theory “neglect the third relational core proposition, and thus deal only with transactions as such, sweeping away all relational elements by express or implicit use of ceteris paribus” (Macneil 2000, 889).

27 Macneil (1978, note 137) points out with respect to neo-classical contract law: “(J)ust as contractual relations exceed the capacities of the neo-classical contract law system, so too the issues exceed the capacities of neo-classical contract law scholars. They must become something else – anthropologists, sociologists, economists, political theorists, and philosophers – to do reasonable justice to the issues raised by contractual relations.”
The Concept of Transaction as Hub Term

With respect to transactions the major implication of property rights theory is that the “goods vs. money” exchange perspective throws lights only on one very narrow option within a universe of contractual arrangements that also contains rental agreements, outsourcing contracts, performance contracts and many more. From a relational perspective RCT provides the conceptual bridge that highlights the relational and social contexts that govern these transactions. As one implication we can conceive the transaction as a hub, for a rich field of economic interaction.

We have explored conceptual foundations of a common denominator of relationships and transactions and highlighted research opportunities based on relational contracting. Both, relational strategies and more complex contracts appear as an attempt to maintain and realize action opportunities; they are also conceived as a response to increased uncertainty of economic life. Property rights theory has stressed the role of uncertainty in that regard: “Property rights … derive their significance from the fact that they help a man form those expectations which he can reasonably hold in his dealings with others” (Demsetz 1976, p. 347).

It is the purpose of transaction cost theory „to examine the economizing purposes of economic organization through the lens of contract, where the lens of contract is to be contrasted with the neoclassical resource allocation paradigm – the lens of choice – which focuses on prices and output, supply and demand, and describes the firm as a black box that transforms inputs into outputs according to the laws of technology“ (Williamson 2009, p. 147).

Contracts, contractual norms, and the order that is expressed or constituted by them play an important part in both transaction cost economics and relationship marketing. Transaction cost economics and relationship marketing both draw on the same legal approach to the study of contracts: Transaction cost economics has explicitly taken reference to Macneil’s three-way classification of contracts in classical contract law, neoclassical contract law (Williamson 1985), and relational contracting on the one hand, and his distinction between discrete and relational exchanges on the other.

The Marketing Theory

Relationship marketing has made use of Macneil’s contract characterizations with reference to ten contract norms in order to investigate the degree of relationality of a business relationship (Blois and Ivens 2007). Although it was Macneil’s conviction that discrete and relational exchanges are not opposites but rather the ideal typical ends of a continuum, relationship marketing has laid stress on the distinction between discrete transactions and relationships rather than on their “common base” that Macneil has attempted to analyze at the interface of law, economics, and social theory. Thus Macneil provides the conceptual bridge between an enhanced understanding of transactions within a modern service-based economy and relational and social context that governs these transactions. Relational Contracting provides a rich framework that helps to transcend the narrow limits of the “Marketing as Exchange” paradigm promoted by Bagozzi. In concert with property rights theory relational contracting can contribute in the following ways to the theory of marketing: (1) It can provide a descriptive map of a broad spectrum ranging from pure discrete exchanges to deeply intertwined relationships, (2) It provides a framework for understanding and researching the
social context that shapes contracting, (3) It provides a framework for the understanding and researching of the motivation of individual actors for using contracts in order to exploit opportunities for co-creation and cope with economic uncertainties, (4) it provides a framework for moving (or extending) marketing theory from the paradigm of rational choice to a theory of social action.

**Figure 4. A Unified View on the Spectrum of Market Interactions**

![Diagram of Governance Structures](image)

**Conclusions**

For a long time marketing researchers have debated over a potential dichotomy of discrete exchange vs. relationships. Empirical evidence shows that this is not justified. Marketing theory is beginning to understand the common ground shared by these seemingly distinct marketing perspectives. Macneil’s theory of relational contracts elucidates this to a substantial extent. One of the core insights is that exchange is shaped by social interaction and institutions. In other words, exchange is a manifestation of social action. In some regard this brings marketing back to its core mission. Neoclassical economics resided on the extinction of social elements. The logical consequence was a pure theory of choice that rendered economic agents little from calculating computers.

Property rights theory is a concession of the rational choice model to some of its most severe limitations. While it is operating within the neoclassical framework, it enriches it by dropping some basic assumptions like the homogeneous information or opportunism. The message of property rights theory is: In dealing with market imperfections more complex contracts become valuable. With the rise of the service economy we are experiencing a fascinating manifestation of that insight. As the integrated industrial firm is being replaced by a complex network of co-creating service companies, contracts become more complex in order to deal with enhanced risks or uncertainty. New business models, like contract manufacturing, research contracting, facility management or licensing are being designed to allocate and share risks in order to cope with the growing range of uncertainties and complexities in business life. From a marketing perspective, property rights theory provides
the inroad for the study of contracts and elucidates some salient features of their economic role.

Still, property rights theory is rooted in the rational choice tradition. And there is the great contribution of RCT: By emphasizing that contracts are not a manifestation of the logic of choice but rather the outcome of a social process it endorses the analytical relevance of the dynamic forces for shaping new types of contracts as well as new forms of resource integration. With it, RCT provides the inroad to social action shaping business and economic life. From a marketing perspective, RCT has the following to offer:

- It provides the framework for understanding the social dimension of market interaction.
- It therefore provides an understanding for the different types of market interaction, ranging from discrete transactions to close relationships.
- It gives reason for the search for theoretical alternatives to the narrow versions of the rational choice model which underlie neoclassical models.
- It provides the inroad to understand the dimension of social action working in economic institutions.

To conclude: The alleged dichotomy between relationships and transactions is not primarily driven by new economic realities but by the limitations of marketing theory. Future progress of marketing theory resides on elucidating the interplay of legal institutions, subjective action and social interaction in order to provide an understanding of the universe of interactions in the market place.

References


Ownership Patterns for Durable Goods: A Preliminary Investigation of Two New Zealand Lifestyle Segments

Alexandra Ganglmair-Wooliscroft, University of Otago, Dunedin, New Zealand

Ownership patterns of durable goods have been of considerable interest over the years (e.g. Clarke and Soutar 1982; Dholakia, Banerjee, and Srinivasan 2007; Dickson, Lusch, and Wilkie 1983; Kasulis, Lusch, and Stafford 1979; Paas 1998; Paas, Kuijlen, and Poiesz 2005; Soutar and Cornish-Ward 1997; Soutar, Bell, and Wallis 1982) as a universal, underlying pattern of durable consumer goods ownership has been linked to a variety of micro- and macro-marketing aspects: For example, the pattern of durable consumer goods ownership – and the thereby implied acquisition sequence - has been examined as an alternative to frequently unreliable purchase intentions (Dickson et al. 1983); or ownership pattern and the implied consumer-product relationship has been investigated as an addition to the customer-company relationship from a relationship marketing point of view (Paas et al. 2005).

The most frequently mentioned reason for investigating ownership patterns for durable goods is the importance for specific industries to get information about purchasing sequences and potential future sales as well as information for policy makers (Clarke and Soutar 1982; Kasulis et al. 1979; McFall 1969; Pickering 1977; Soutar, Bell and Wallis 1990; Soutar and Cornish-Ward 1997). The patternist approach suggests that consumers buy products in a particular order, with goods like white-ware being purchased first, followed by labor saving devices and finally various luxury items (Clarke and Soutar 1982; McFall 1969; Soutar and Cornish-Ward 1997). The purchase of a product depends on what product provides most value for sustaining and enhancing a persons’ standard of life – the product that most increases potency of assortment (Alderson in Wooliscroft et al. 2006).
Early studies on ownership patterns of durable goods, conducted in the mid 1960s in the USA (Pyatt 1964) and Israel (Paroush 1965) contained a limited number of, at that time common, durable goods (Dholakia et al. 2007). These studies were followed by investigations with adjusted and larger numbers of durable products; studies in other geographic areas (Clarke and Soutar 1982; Soutar, Bell and Wallis 1990; Soutar and Cornish-Ward 1997) or with the aim of investigating groups within a population that might have specific acquisition and ownership patterns (Kasulis et al. 1979; Clarke and Soutar 1982). Using a metaphor, the latter approach investigates whether all consumers climb the same ladder to obtain durables, or if there are different ladders to climb for specific consumer groups (Soutar and Cornish-Ward 1997).

When groups within a population are of interest, acquisition level is frequently explored in relation to demographic variables – particularly income - and some psychographic variables e.g. related to risk taking (Katona 1975; Pickering 1977). Home owners versus non-home owners were also the subject of extensive investigation (Kasulis et al. 1979; Clarke and Soutar 1982) as it is argued that these groups of people have different needs they want to fulfill. The influence of psychographic variables or the separation in home-owners versus non-owners has produced mixed results, income is generally found as a significant predictor of ownership levels. It is therefore suggested, that ability to participate in the market rather than willingness to purchase influences the level of durable goods ownership (Katona 1975; Pickering 1977).

The current paper is part of a larger research project investigating ownership of durable goods of New Zealand Consumer Lifestyle Segments (Lawson, Todd, and Evans. 2006). It applies Rasch Modeling (Rasch 1960/80) investigate the ownership patterns for two Consumer Lifestyle Segments: Conservative Quiet Lifers and Pragmatic Strugglers. Conservative Quiet Lifers express traditional views and reflect the aging population in New Zealand. The segment has the lowest household income of all New Zealand Consumer Lifestyle Segments (median NZ$ 30,000 – 39,000). They frequently live on their own and lead a strongly home-centered life. Pragmatic Strugglers contain an over proportionally large number of single parents and families with many children and are politically conservative with a negative outlook. Members of the segments feel that they got a raw deal from life. Although this group’s household income is higher than the previous segment’s (median NZ$ 40,000 – 49,000) they have high financial commitments, struggle to pay bills and are therefore also restricted to a home based life (Ganglmair-Wooliscroft and Lawson 2009; Lawson et al. 2006).

When investigating poor consumers, the majority of research has dealt with truly deprived groups of consumers either in developing countries (Hosely and Wee 1988; Ger and Belk 1996) or investigated groups of people that live outside the mainstream consumer society (Hill 2001, 2002, 2003; Hill and Stephens 1997). In comparison, research on consumers living in economic scarcity in affluent societies is relatively rare (Eckstroem and Hjort 2009). However, these low-income consumers are deprived of many aspects of the mainstream consumer society as they “lack the resources necessary to participate in what are perceived as the normal customs of their society” (Hamilton and Catterall 2005, p. 627).

Although the two segments discussed here have lifestyle and demographic different characteristics, both can be characterized as low income consumers (Ekstroem and Hjort 2009; Hamilton and Catterall 2005), often not able to participate in what is considered normal custom
in society; e.g. they might struggle paying power- or phone-bills and cannot participate in commonly found, every-day social activities like meeting friends for coffee, going for movies, going on holidays, participating in sports or cultural events. At the same time, their different lifestyle characteristics are expected to influence the type of goods they purchase and order they purchase these in.

Over the years a variety of statistical analysis techniques has been employed to investigate the ownership patterns of interest with a majority of earlier papers using a Guttman type Scalogram analysis (Paas 1998; Soutar and Cornish-Ward 1997). Soutar and his colleagues built on that methodological stream of research (Soutar and Cornish Ward 1997; Soutar, Bell and Wallis 1990), suggesting the Rasch Model (Rasch 1960/80) as advancement to the often problematic, deterministic Guttman scale (Wright 1997). Investigated patterns of durable goods ownership in Australia; they came to the conclusion that the ownership pattern is consistent across the population (in their case, residents from the wider Perth area) and suggest that it is not necessary to investigate individual groups within the population independently. However, improvements and refinements in the Rasch Modeling software in the last decade enable a more sophisticated analysis, investigating differences between subgroups within a population. Additionally, the current investigation includes a much larger number and more diverse of goods than previous studies including traditional durable goods, household items as well as technological gadgets and lifestyle products.

Data Collection and Methodology

The 2005 New Zealand Consumer Lifestyle Study (Lawson, Todd, and Evans 2006) builds the basis for this investigation. The survey consists of over 500 questions covering a wide area of life in New Zealand including social and political issues, consumption and media habits, self identity, and travel behavior as well as values.

Product ownership is investigated with an extensive list containing 55 items including durable goods, lifestyle products and technological innovations that are likely to have an effect on the domestic, social and working lives of New Zealanders (Lawson, et al. 2006). Table 1 shows the products included (the items were presented in randomized order).

The commercially acquired sampling frame is designed to be representative of New Zealand in terms of gender and location. Of the 10,000 questionnaires sent out, 3556 were returned (response rate 35.5%) and a comparison with census data revealed that the sample is representative for the New Zealand population between 18 and 65 years.

Applying forward segmentation (Plummer 1974), attitudinal statements from the AIO schedules were used to classify respondents into seven lifestyle segments (Ganglmair-Wooliscroft and Lawson 2009; Lawson et al. 2006). The current study is based on two of those segments: Conservative Quiet Lifers (n= 528) and Pragmatic Strugglers (n=513).
Table 1. Products Included in the Ownership Analysis

<table>
<thead>
<tr>
<th>Product</th>
<th>Ownership Analysis</th>
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<th>Ownership Analysis</th>
<th>Product</th>
<th>Ownership Analysis</th>
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<tbody>
<tr>
<td>Boat</td>
<td>Electric Frying Pan</td>
<td>Mobile 3G</td>
<td>Mobile Phone Plan</td>
<td>Rangehood</td>
<td></td>
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<tr>
<td>Bread Maker</td>
<td>Electric Rice Cooker</td>
<td>More than 1 TV</td>
<td>Mountainbike</td>
<td>Scanner</td>
<td></td>
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<tr>
<td>Broadband Internet</td>
<td>Electric Toothbrush</td>
<td>mp3 Player</td>
<td>Multimedia Facilities</td>
<td>Slatbed</td>
<td></td>
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<tr>
<td>Car CD Player</td>
<td>Energy Efficient Light Bulb</td>
<td>Original Painting</td>
<td>Spa Heating Panels</td>
<td>Solar Heating Panels</td>
<td></td>
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<tr>
<td>Caravan</td>
<td>Ensuite Bathroom</td>
<td>Musical Instrument</td>
<td>TIVO mobile</td>
<td>Spathe</td>
<td></td>
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<tr>
<td>CD Player</td>
<td>Food Processor</td>
<td>Personal Computer</td>
<td>Trampoline</td>
<td>TV Rear Projector</td>
<td></td>
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<tr>
<td>Clothes Drier</td>
<td>Freezer Unit</td>
<td>Play Console: Game Station</td>
<td>TV Rear Projector</td>
<td>Trampoline</td>
<td></td>
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<tr>
<td>Dial-up Internet</td>
<td>Game Console: X box</td>
<td>Plasma TV</td>
<td>Video</td>
<td>Trampoline</td>
<td></td>
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<tr>
<td>Digital Camera</td>
<td>Gas BBQ</td>
<td>Pre-pay Mobile Phone</td>
<td>Video Camera</td>
<td>Video Camera</td>
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<tr>
<td>Dishwasher</td>
<td>Heat Pump</td>
<td>pxt Mobile-Phone</td>
<td>Video Mobile</td>
<td>Video Camera</td>
<td></td>
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<tr>
<td>DVD Player</td>
<td>Juice Extractor</td>
<td>Mobile e-mail</td>
<td>Waste Disposal Unit</td>
<td>Video Camera</td>
<td></td>
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<tr>
<td>DVD Recorder</td>
<td>Laptop</td>
<td></td>
<td>Wood Burner</td>
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<tr>
<td>Electric Deep Fryer</td>
<td>LCD TV</td>
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</table>

The ownership patterns of these two lifestyle segments were analyzed individually using RUMM2020, a sophisticated statistical program for Rasch Modeling (Andrich, Sheridan, and Luo 2003a, 2003b). Rasch Modeling belongs to the family of logit models (Soutar and Cornish-Ward 1997). The formula below shows the dichotomous model, where the probability of a correct response depends on the difficulty of an item ($\delta_i$), and the person characteristic, operationalized by the person parameter $\beta_n$ (Andrich 1988; Bond and Fox 2007; Wright and Stone 2004).

$$P_n(x_{ni} = 1) = \frac{e^{\beta_n - \delta_i}}{1 + e^{\beta_n - \delta_i}}$$

The model has been used extensively in education to investigate correct/incorrect answers which can be transferred to investigating the own/do not own scenario applied here (Soutar and Cornish-Ward 1997). When product ownership is investigated, the parameter $\beta_n$ provides a measure of a person’s level of ownership of goods, while $\delta_i$ refers to the ‘difficulty’ of owning that item and can be used as an indicator of market penetration of the item (Soutar and Cornish-Ward 1997).

The model represents a mathematically ideal form of measurement (Fischer and Molenaar 1995; Linacre 1992; Rost 2001) and each individual item and person is compared to the theoretical model (Bond and Fox 2007). If the item/person does not fit the model to an acceptable extent, it is eliminated (Bond and Fox 2007). Soutar and Cornish-Ward (1997) regarded that basic item- and person-fit as sufficient indication of uni-dimensionality. After investigating their dataset, they therefore conclude that uni-dimensionality can be assumed and no further investigation of possible sub-groups was necessary. However, since the publication of that paper over a decade ago, the available software has become much more sophisticated and
specific tests to investigate the answer behavior of sub-groups within the dataset are highly advanced and readily available (Andrich et al. 2003a, Salzberger and Sinkovics 2006).

Differential Item Functioning (DIF) investigates if items are answered differently by sub-groups within the data set (e.g. home-owners versus non-owners or different income- or age-brackets) and therefore take a different position on the ownership-continuum. RUMM2020 uses a two-way ANOVA (Andrich, et al. 2003a, 2003b) as well as graphical displays for visual DIF investigation. If DIF occurs and the item functions differently for groups in the dataset, unidimensionality of the concept has to be questioned. The item either needs to be investigated separately for sub-groups in the dataset, or eliminated from the scale. Both features are conveniently enabled in the software program (Andrich et al. 2003b). More detailed explanation of DIF investigations can be found in Ewing at al. (2005), Salzberger and Sinkovics (2006) and Salzberger (2009).

The current preliminary study will investigate the two Lifestyle Segments (Pragmatic Strugglers and Conservative Quiet Lifers) separately, as preliminary investigations indicated that the lifestyle segments differ considerably in their acquisition pattern. Within each lifestyle segment, the influence of home-ownership versus non-ownership, income levels, and age on the sequence of durable goods acquisition will be investigated as these factors had an impact in at least some previous investigations (Clarke and Soutar 1982; Dickson, Lusch, and Wilkie 1983; Soutar and Cornish-Ward 1997).

The Rasch analysis followed the standard process as discussed by Andrich et al. (2003b), Bond and Fox (2007) and Salzberger (2009). Detailed statistical results can be requested from the author.

Analysis and Results

Conducting a Rasch analysis is an iterative process where at each step, the fit of each individual item is investigated and, starting from the least fitting item, items are eliminated until all remaining individual items and the provided overall fit statistics are within an acceptable range. Table 2 contains items that were removed from the analysis as did not fit the acquisition pattern of the investigated lifestyle segments. Some items did not fit the ownership pattern of both consumer groups; e.g. Personal Computers, Rangehoods, and a number of technical gadgets relating to entertainment and mobile phones. Other items fit the ownership pattern of one lifestyle segment, while not fitting the other, thereby reflecting the unique characteristics of the segments; e.g. trampolines fit well with the ownership pattern of Pragmatic Strugglers – a group that generally has children living in the household, while it does not fit for Conservative Quiet Lifers who include an over-proportional number of older, single people. Overall, Table 2 provides a first justification for investigating lifestyle segments individually as not all items fit both acquisition patterns.
### Table 2. Deleted Items for Pragmatic Strugglers and Conservative Quiet Lifers

<table>
<thead>
<tr>
<th></th>
<th>Pragmatic Strugglers</th>
<th>Conservative Quiet Lifers</th>
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<tbody>
<tr>
<td><strong>Computer</strong></td>
<td>• Personal Computer</td>
<td>• Personal Computer</td>
</tr>
<tr>
<td></td>
<td>• Scanner</td>
<td>• Scanner</td>
</tr>
<tr>
<td><strong>Entertainment</strong></td>
<td>• Plasma TV</td>
<td>• More than 1 TV</td>
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<tr>
<td></td>
<td>• Game console: Xbox</td>
<td>• LCD TV</td>
</tr>
<tr>
<td></td>
<td>• TV rear view projector</td>
<td>• DVD player for under 25 year olds</td>
</tr>
<tr>
<td></td>
<td>• Digital Camera</td>
<td></td>
</tr>
<tr>
<td><strong>Mobile Phone</strong></td>
<td>• Pre-Pay Mobile</td>
<td>• Pre-Pay Mobile</td>
</tr>
<tr>
<td><strong>Technology</strong></td>
<td>• Pxt phone</td>
<td>• Pxt phone</td>
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<td></td>
<td>• Video Mobile</td>
<td>• Video phone</td>
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<td></td>
<td>• Mobile e-mail</td>
<td></td>
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<tr>
<td></td>
<td>• Mobile G3</td>
<td></td>
</tr>
<tr>
<td><strong>Furniture/Appliances</strong></td>
<td>• Ensuite Bathroom</td>
<td>• Ensuite Bathroom</td>
</tr>
<tr>
<td></td>
<td>• Gas BBQ</td>
<td>• Gas BBQ</td>
</tr>
<tr>
<td></td>
<td>• Waste Disposal Unit</td>
<td>• Dishwasher</td>
</tr>
<tr>
<td></td>
<td>• Rangehood</td>
<td>• Rangehood for Houseowners: over 65 year old</td>
</tr>
<tr>
<td></td>
<td>• Freezer Unit</td>
<td>• Heat Pump</td>
</tr>
<tr>
<td></td>
<td>• Electric Wok</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Solar Panel</td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>• Original Painting</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Energy Efficient Light Bulbs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Musical instrument</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Trampoline</td>
<td></td>
</tr>
</tbody>
</table>

The following Table 3 provides further justification for investigating lifestyle segments individually as items also function differently within segments (results are based on the Differential Item Functioning (DIF) analysis, discussed above). The influence of Home Ownership (including mortgage and mortgage-free ownership) versus Renting, Age and Income of people within their respective segments was investigated. No differences within each segment in terms of acquisition sequence/ownership pattern was found for income groups within both segments, probably due to limited income-discrimination within these two generally low-income consumer segments. As could be expected there is some difference in the ownership pattern of the investigated products between respondents within each segment in terms of renting versus owning accommodation, as some household items like dishwashers or waste-disposal units might be provided in rental accommodation. Age is also an influential factor when investigating ownership patterns within the lifestyle segments, particularly for entertainment related items. However, the revealed differences for the sequence of product acquisition in terms of renting/owning accommodation or for different age brackets, is not the same for the two lifestyle segments – see the different products included in Table 3.
After deletion of the items presented in Table 2 and the split of products to reflect the unique acquisition sequence depending on age or renting/owning accommodation (Table 3), all items fit the Rasch Model to a satisfactory extent and the overall fit statistics of the two ownership scales also show acceptable results (see Table 4 and 5). The Total Chi-square probability is not-significant for both scales (0.24 for Conservative Quiet Lifers and 0.15 for Pragmatic Strugglers), indicating that the scales do not differ significantly from the theoretical Rasch Model. The Separation Index, interpreted similarly to Cronbach’s alpha, is 0.89 and 0.88 respectively, and the Power of the Test of Fit, an indicator of the overall goodness of the Rasch analysis is ‘excellent’ (see Table 4).

### Table 3. Items Split for Age and Rent versus. Own Subgroups

<table>
<thead>
<tr>
<th>Rent vs. Own</th>
<th>Strugglers</th>
<th>Conservative Quiet Lifers</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Dishwasher</td>
<td>Mobile e-mail</td>
</tr>
<tr>
<td></td>
<td>Boat</td>
<td>Rangehood</td>
</tr>
<tr>
<td></td>
<td>Food Processor</td>
<td>Waste disposal</td>
</tr>
<tr>
<td></td>
<td>Car CD player</td>
<td>under 55 year olds / 55 years and older</td>
</tr>
<tr>
<td></td>
<td>Spa bath</td>
<td>under 55 year olds / 55 years and older</td>
</tr>
<tr>
<td></td>
<td>Video</td>
<td>under 25 year olds / 25 years and older</td>
</tr>
<tr>
<td></td>
<td>Play Console</td>
<td>under 25 year olds / 25- 44 year olds / 45 year olds and older</td>
</tr>
<tr>
<td></td>
<td>Mountainbike</td>
<td>25- 44 year olds / 45 year olds and older</td>
</tr>
<tr>
<td></td>
<td>DVD player</td>
<td>25- 44 year olds / 45 year olds and older</td>
</tr>
</tbody>
</table>

In a Rasch Model, the mean of the item location is conventionally set to 0, with the mean of the person location reflecting the relative, ‘difficulty’ of endorsing and therefore owning an item. In both scales, the person location mean is negative (-1.08 for Conservative Quiet Lifers and -0.80 for Pragmatic Strugglers; see Table 5), a reflection of the financial situation of the segments. A relatively large Standard Deviation (SD) for items and persons indicates that they spread over the entire ownership continuum (see Table 5).
Table 5. Summary Statistics: Item Person Interaction for 2 Scales

<table>
<thead>
<tr>
<th>ITEMS Location</th>
<th>Fit Residual</th>
<th>PERSONS Location</th>
<th>Fit Residual</th>
</tr>
</thead>
<tbody>
<tr>
<td>Conservative Quiet Lifers</td>
<td>Mean 0</td>
<td>-0.19</td>
<td>-1.08</td>
</tr>
<tr>
<td></td>
<td>SD 1.45</td>
<td>0.93</td>
<td>1.32</td>
</tr>
<tr>
<td>Strugglers</td>
<td>Mean 0</td>
<td>-0.07</td>
<td>-0.80</td>
</tr>
<tr>
<td></td>
<td>SD 1.40</td>
<td>0.83</td>
<td>1.28</td>
</tr>
</tbody>
</table>

This can also be seen in Figure 1, showing Conservative Quiet Lifers on the left- and Pragmatic Strugglers on the right-hand side. The person distribution is presented at the top half of the figures and the item distribution at the bottom half. As can be seen the item cover the entire ownership continuum with most members of either lifestyle segment positioned on the left-hand side of the respective distribution (positive skewness), reflecting the limited ownership of durable goods, lifestyle and technological products within these financially constraint segments.

Figure 1. Item and Person Distribution: Conservative Quiet Lifers & Pragmatic Strugglers

Table 6 shows the location of products on the two scales (in logits) and Appendix A shows the average probability that a Pragmatic Struggler or a Conservative Quiet Lifer owns a particular product. Products that take different positions depending on person characteristics within each lifestyle segment (rent/own accommodation; age) are bolded.

As can be seen, various products for home entertainment like TV, Video, DVD- and CD players are one of the first items to be purchased by both lifestyle segments with white-ware and kitchen appliances also high on the list of Pragmatic Strugglers and Conservative Quiet Lifers. The newest technological gadgets like multimedia facilities or plasma TV were least often owned by these two lifestyle segments – with an average probability of owning these items being under 2% (see Appendix A).

However, while the overall pattern of ownership is similar between the two segments, some differences emerge that reflect the unique lifestyle characteristics of Pragmatic Strugglers (a generally younger segment, frequently with children with high financial commitments and a negative outlook) and Conservative Quiet Lifers (often older, single and living a generally ‘quiet life’) e.g. Pragmatic Strugglers own a laptop earlier than Conservative Quiet Lifers, the same is
found for technological gadgets and sophisticated home entertainment. In New Zealand, the latter products are frequently available on higher-purchase, suggesting that this might contribute to the perceived dire financial situation of that segment.

Table 6. Item Location for Pragmatic Strugglers and Conservative Quiet Lifers

<table>
<thead>
<tr>
<th>PRAGMATIC STRUGGLERS</th>
<th>Location (in logits)</th>
<th>CONSERVATIVE QUIET LIFERS</th>
<th>Location (in logits)</th>
</tr>
</thead>
<tbody>
<tr>
<td>more than 1 TV</td>
<td>-2.71</td>
<td>Video ≥ 25 years</td>
<td>-3.2</td>
</tr>
<tr>
<td>Video</td>
<td>-2.57</td>
<td>Rangehood: Own and ≥ 65 years</td>
<td>-2.59</td>
</tr>
<tr>
<td>DVD Player</td>
<td>-2.35</td>
<td>DVD player &lt; 45 years</td>
<td>-2.41</td>
</tr>
<tr>
<td>CD Player</td>
<td>-2.28</td>
<td>CD player</td>
<td>-2.31</td>
</tr>
<tr>
<td>Food Processor: Own</td>
<td>-1.84</td>
<td>Food Processor</td>
<td>-1.76</td>
</tr>
<tr>
<td>Dishwasher: Own</td>
<td>-1.81</td>
<td>Clothes Drier</td>
<td>-1.62</td>
</tr>
<tr>
<td>Car CD Player &lt; 55 years</td>
<td>-1.68</td>
<td>Electric Frying Pan</td>
<td>-1.45</td>
</tr>
<tr>
<td>Clothes Drier</td>
<td>-1.49</td>
<td>DVD player ≥ 45 years</td>
<td>-1.43</td>
</tr>
<tr>
<td>Electric Frying Pan</td>
<td>-1.32</td>
<td>Video &lt; 25 years</td>
<td>-1.31</td>
</tr>
<tr>
<td>Dial-up Internet</td>
<td>-1.07</td>
<td>Dial-up Internet</td>
<td>-1.15</td>
</tr>
<tr>
<td>Food Processor: Rent</td>
<td>-1.03</td>
<td>Freezer Unit</td>
<td>-1.15</td>
</tr>
<tr>
<td>Scanner</td>
<td>-0.5</td>
<td>Car CD player</td>
<td>-1.06</td>
</tr>
<tr>
<td>Energy Efficient Light Bulb</td>
<td>-0.44</td>
<td>Play Console &gt;25 years</td>
<td>-1.03</td>
</tr>
<tr>
<td>Wood Burner</td>
<td>-0.44</td>
<td>Rangehood: Own and &lt;65 years</td>
<td>-0.99</td>
</tr>
<tr>
<td>Electric Toothbrush</td>
<td>-0.34</td>
<td>Wood Burner</td>
<td>-0.8</td>
</tr>
<tr>
<td>Dishwasher: Rent</td>
<td>-0.3</td>
<td>Digital Camera</td>
<td>-0.67</td>
</tr>
<tr>
<td>Mountainbike</td>
<td>-0.24</td>
<td>Play Console 25-44 years</td>
<td>-0.65</td>
</tr>
<tr>
<td>Mobile Plan</td>
<td>-0.21</td>
<td>Mountainbike: &lt;25 years</td>
<td>-0.53</td>
</tr>
<tr>
<td>Car CD Player ≥ 55 years</td>
<td>-0.13</td>
<td>Mountainbike: 25-44 years</td>
<td>-0.51</td>
</tr>
<tr>
<td>Electric Deep Fryer</td>
<td>-0.04</td>
<td>Mobile e-mail: Rent</td>
<td>-0.38</td>
</tr>
<tr>
<td>Dehumidifier</td>
<td>-0.04</td>
<td>Rangehood: Rent</td>
<td>-0.31</td>
</tr>
<tr>
<td>Original Painting</td>
<td>-0.03</td>
<td>Breadmaker</td>
<td>-0.22</td>
</tr>
<tr>
<td>Slatbed</td>
<td>0.17</td>
<td>Electric Toothbrush</td>
<td>-0.22</td>
</tr>
<tr>
<td>Video Camera</td>
<td>0.18</td>
<td>Dehumidifier</td>
<td>-0.19</td>
</tr>
<tr>
<td>PRAGMATIC STRUGGLERS</td>
<td>Location (in logits)</td>
<td>CONSERVATIVE QUIET LIFERS</td>
<td>Location (in logits)</td>
</tr>
<tr>
<td>-------------------------------</td>
<td>----------------------</td>
<td>----------------------------</td>
<td>----------------------</td>
</tr>
<tr>
<td>Musical instrument</td>
<td>0.23</td>
<td>Mobile Plan</td>
<td>-0.18</td>
</tr>
<tr>
<td>Laptop</td>
<td>0.26</td>
<td>Waste Disposal Unit: Own</td>
<td>-0.18</td>
</tr>
<tr>
<td>Bread Maker</td>
<td>0.33</td>
<td>Electric Deep Fryer</td>
<td>0.06</td>
</tr>
<tr>
<td>Broadband Internet</td>
<td>0.5</td>
<td>Slatbed</td>
<td>0.18</td>
</tr>
<tr>
<td>Juice Extractor</td>
<td>0.52</td>
<td>TV rear projector</td>
<td>0.28</td>
</tr>
<tr>
<td>mp3 Player</td>
<td>0.55</td>
<td>Video Camera</td>
<td>0.34</td>
</tr>
<tr>
<td><strong>Spa Bath: ≥ 55 years</strong></td>
<td>0.61</td>
<td>Juice Extractor</td>
<td>0.38</td>
</tr>
<tr>
<td>6 LCD TV</td>
<td>0.68</td>
<td>Play Console ≥ 45 years</td>
<td>0.49</td>
</tr>
<tr>
<td>Trampoline</td>
<td>0.82</td>
<td>Mountainbike: &gt; 45 years</td>
<td>0.56</td>
</tr>
<tr>
<td>Electric Rice Cooker</td>
<td>0.89</td>
<td>Mobile e-mail: Own</td>
<td>0.58</td>
</tr>
<tr>
<td>Boat: Own</td>
<td>1.07</td>
<td>Laptop</td>
<td>0.69</td>
</tr>
<tr>
<td>DVD recorder</td>
<td>1.09</td>
<td>Waste Disposal Unit: Rent</td>
<td>0.88</td>
</tr>
<tr>
<td>Multimedia Facilities</td>
<td>1.11</td>
<td>Broadband Internet</td>
<td>0.94</td>
</tr>
<tr>
<td>Heat Pump</td>
<td>1.53</td>
<td>Electric Rice Cooker</td>
<td>0.95</td>
</tr>
<tr>
<td>plasma TV</td>
<td>1.64</td>
<td>Plasma TV</td>
<td>0.96</td>
</tr>
<tr>
<td><strong>Spa Bath: &lt; 55 years</strong></td>
<td>2.2</td>
<td>DVD recorder</td>
<td>1</td>
</tr>
<tr>
<td>Boat: Rent</td>
<td>2.33</td>
<td>Game Console: Xbox</td>
<td>1.08</td>
</tr>
<tr>
<td>Caravan</td>
<td>2.8</td>
<td>Electric Wok</td>
<td>1.09</td>
</tr>
<tr>
<td>TIVO Mobile</td>
<td>3.37</td>
<td>mp3 Player</td>
<td>1.36</td>
</tr>
<tr>
<td>Boat</td>
<td></td>
<td></td>
<td>1.6</td>
</tr>
<tr>
<td>Multimedia Facilities</td>
<td></td>
<td></td>
<td>1.65</td>
</tr>
<tr>
<td>Spa Bath</td>
<td></td>
<td></td>
<td>1.78</td>
</tr>
<tr>
<td>Caravan</td>
<td></td>
<td></td>
<td>1.99</td>
</tr>
<tr>
<td>Mobile 3G</td>
<td></td>
<td></td>
<td>2.3</td>
</tr>
<tr>
<td>Solar Heating Panels</td>
<td></td>
<td></td>
<td>2.93</td>
</tr>
<tr>
<td>TIVO mobile</td>
<td></td>
<td></td>
<td>4.25</td>
</tr>
</tbody>
</table>
Conclusion

The current paper presents ownership patterns of two New Zealand Consumer Lifestyle Segments. As in a previous applications, (Soutar and Cornish-Ward 1997; Soutar et al. 1990) Rasch Modeling provides a useful and effective statistical approach for analyzing ownership patterns, with the current investigation making use of additional and more advanced features within the now available software (Andrich et al. 2003a) to investigate sub-groups within the dataset. Additionally, the current investigation includes a much wider range of items from traditional durable goods to lifestyle and technological gadgets.

The results show that although the overall pattern of ownership shows similarities between the segments, detailed acquisition frequencies reflect the lifestyle of the particular consumer groups. In previous research it has been suggested that goods like white-ware are purchased first, following by labor saving devices and finally luxury items (Clarke and Soutar 1982; McFall 1969; Soutar and Cornish-Ward 1997). This pattern is not really found here. Instead, the two home-centered lifestyle segments investigated are most likely to own items related to home-entertainment. This might be a reflection of a large proportion of people living in rental accommodation that frequently includes basic white-ware like washing machines, rangehood etc. Electric kitchen appliances are however high on the list of both consumer lifestyle segment.

The low income of both segments is reflected in their generally limited ownership of products – particularly apparent when the average probability of owning an item is considered (see Appendix A). Further investigation will examine this characteristic with other demographic and psychographic variables.

The current investigation suggests that, when ownership patterns of a multitude of products are investigated, a split into lifestyle segments is useful and necessary (preliminary investigation of all seven New Zealand Lifestyle Patterns combined indicate that the acquisition and ownership pattern differs to an extent that makes a combined analysis not appropriate). Further research will investigate the ownership pattern of additional lifestyle segments, most of them being financially better situated than the segments investigated here, as ability rather than willingness to own (Katona 1975; Pickering 1977) has been suggested as deciding factor for the level of ownership.

References


## Appendix

*Probability that the average Struggler / Conservative Quiet Lifer owns a product*

<table>
<thead>
<tr>
<th>Item</th>
<th>Probability that avg. Pragmatic Struggler owns item</th>
<th>Probability that avg. Conservative Quiet Lifer owns item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Video ≥ 25 years</td>
<td>89.3%</td>
<td></td>
</tr>
<tr>
<td>Video more than 1 TV</td>
<td>87.1%</td>
<td></td>
</tr>
<tr>
<td>Video</td>
<td>85.4%</td>
<td></td>
</tr>
<tr>
<td>DVD Player</td>
<td>82.5%</td>
<td></td>
</tr>
<tr>
<td>Rangehood: Own and ≥ 65 years</td>
<td>81.9%</td>
<td></td>
</tr>
<tr>
<td>CD Player</td>
<td>81.4%</td>
<td>77.4%</td>
</tr>
<tr>
<td>DVD player &lt; 45 years</td>
<td>79.1%</td>
<td></td>
</tr>
<tr>
<td>Food Processor: Own</td>
<td>73.8%</td>
<td></td>
</tr>
<tr>
<td>Dishwasher: Own</td>
<td>73.3%</td>
<td></td>
</tr>
<tr>
<td>Car CD Player &lt; 55 years</td>
<td>70.6%</td>
<td></td>
</tr>
<tr>
<td>Clothes Drier</td>
<td>66.6%</td>
<td>63.2%</td>
</tr>
<tr>
<td>Food Processor</td>
<td>66.4%</td>
<td></td>
</tr>
<tr>
<td>Electric Frying Pan</td>
<td>62.7%</td>
<td>59.1%</td>
</tr>
<tr>
<td>DVD player ≥ 45 years</td>
<td>58.7%</td>
<td></td>
</tr>
<tr>
<td>Dial-up Internet</td>
<td>56.7%</td>
<td>51.7%</td>
</tr>
<tr>
<td>Video &lt; 25 years</td>
<td>55.7%</td>
<td></td>
</tr>
<tr>
<td>Food Processor: Rent</td>
<td>55.7%</td>
<td>51.7%</td>
</tr>
<tr>
<td>Freezer Unit</td>
<td>51.7%</td>
<td></td>
</tr>
<tr>
<td>Car CD player</td>
<td>49.5%</td>
<td></td>
</tr>
<tr>
<td>Play Console &gt;25 years</td>
<td>48.8%</td>
<td></td>
</tr>
<tr>
<td>Rangehood: Own and &lt;65 years</td>
<td>47.8%</td>
<td></td>
</tr>
<tr>
<td>Scanner</td>
<td>42.5%</td>
<td></td>
</tr>
<tr>
<td>Wood Burner</td>
<td>41.0%</td>
<td>43.0%</td>
</tr>
<tr>
<td>Energy Efficient Light Bulb</td>
<td>41.0%</td>
<td></td>
</tr>
<tr>
<td>Digital Camera</td>
<td>39.9%</td>
<td></td>
</tr>
<tr>
<td>Play Console 25-44 years</td>
<td>39.4%</td>
<td></td>
</tr>
<tr>
<td>Electric Toothbrush</td>
<td>38.7%</td>
<td>29.7%</td>
</tr>
<tr>
<td>Dishwasher: Rent</td>
<td>37.7%</td>
<td></td>
</tr>
<tr>
<td>Mountainbike: &lt;25 years</td>
<td>36.6%</td>
<td></td>
</tr>
<tr>
<td>Mountainbike</td>
<td>36.3%</td>
<td></td>
</tr>
<tr>
<td>Mountainbike: 25-44 years</td>
<td>36.1%</td>
<td></td>
</tr>
<tr>
<td>Mobile Plan</td>
<td>35.6%</td>
<td>28.9%</td>
</tr>
<tr>
<td>Car CD Player ≥ 55 years</td>
<td>33.8%</td>
<td></td>
</tr>
<tr>
<td>Mobile e-mail: Rent</td>
<td>33.2%</td>
<td></td>
</tr>
<tr>
<td>Dehumidifier</td>
<td>31.8%</td>
<td>29.1%</td>
</tr>
<tr>
<td>Item</td>
<td>Probability that avg. Pragmatic Struggler owns item</td>
<td>Probability that avg. Conservative Quiet Lifer owns item</td>
</tr>
<tr>
<td>-------------------------------------</td>
<td>-----------------------------------------------------</td>
<td>--------------------------------------------------------</td>
</tr>
<tr>
<td>Electric Deep Fryer</td>
<td>31.8%</td>
<td>24.2%</td>
</tr>
<tr>
<td>Original Painting</td>
<td>31.6%</td>
<td></td>
</tr>
<tr>
<td>Rangehood: Rent</td>
<td>31.6%</td>
<td></td>
</tr>
<tr>
<td>Waste Disposal Unit: Own</td>
<td>28.9%</td>
<td></td>
</tr>
<tr>
<td>Slatbed</td>
<td>27.4%</td>
<td>22.1%</td>
</tr>
<tr>
<td>Video Camera</td>
<td>27.2%</td>
<td>19.5%</td>
</tr>
<tr>
<td><strong>Musical instrument</strong></td>
<td>26.3%</td>
<td></td>
</tr>
<tr>
<td>Laptop</td>
<td>25.7%</td>
<td>14.6%</td>
</tr>
<tr>
<td>Bread Maker</td>
<td>24.4%</td>
<td>29.7%</td>
</tr>
<tr>
<td>Broadband Internet</td>
<td>21.4%</td>
<td>11.7%</td>
</tr>
<tr>
<td>Juice Extractor</td>
<td>21.0%</td>
<td>18.8%</td>
</tr>
<tr>
<td>mp3 Player</td>
<td>20.6%</td>
<td>8.0%</td>
</tr>
<tr>
<td>TV rear projector</td>
<td></td>
<td>20.4%</td>
</tr>
<tr>
<td>Spa Bath: ≥ 55 years</td>
<td>19.6%</td>
<td></td>
</tr>
<tr>
<td>LCD TV</td>
<td>18.5%</td>
<td></td>
</tr>
<tr>
<td>Play Console ≥ 45 years</td>
<td></td>
<td>17.2%</td>
</tr>
<tr>
<td>Trampoline</td>
<td>16.5%</td>
<td></td>
</tr>
<tr>
<td>Mountainbike: &gt; 45 years</td>
<td>16.2%</td>
<td></td>
</tr>
<tr>
<td>Mobile e-mail: Own</td>
<td></td>
<td>16.0%</td>
</tr>
<tr>
<td>Electric Rice Cooker</td>
<td>15.6%</td>
<td>11.6%</td>
</tr>
<tr>
<td><strong>Boat: Own</strong></td>
<td>13.3%</td>
<td></td>
</tr>
<tr>
<td>DVD recorder</td>
<td>13.1%</td>
<td>11.1%</td>
</tr>
<tr>
<td>Multimedia Facilities</td>
<td>12.9%</td>
<td>6.1%</td>
</tr>
<tr>
<td>Waste Disposal Unit: Rent</td>
<td></td>
<td>12.3%</td>
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<tr>
<td>Game Console: Xbox</td>
<td></td>
<td>10.3%</td>
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<tr>
<td>Electric Wok</td>
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<td>10.2%</td>
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<tr>
<td>Heat Pump</td>
<td>8.9%</td>
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<tr>
<td>plasma TV</td>
<td>8.0%</td>
<td>11.5%</td>
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<tr>
<td><strong>Boat</strong></td>
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</tr>
<tr>
<td>Spa Bath</td>
<td>6.4%</td>
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</tr>
<tr>
<td>Spa Bath: &lt; 55 years</td>
<td>5.4%</td>
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</tr>
<tr>
<td><strong>Boat: Rent</strong></td>
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<tr>
<td>Mobile 3G</td>
<td></td>
<td>3.3%</td>
</tr>
<tr>
<td>Caravan</td>
<td>2.7%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Solar Heating Panels</td>
<td></td>
<td>1.8%</td>
</tr>
<tr>
<td>TIVO Mobile</td>
<td>1.5%</td>
<td>0.5%</td>
</tr>
</tbody>
</table>
The items are sorted from highest to lowest probability sorted for Pragmatic Strugglers. Items that are included in the scale of both segments are printed black on a white background, items that are only included in the Pragmatic Struggler scale are printed white on a black background, those included only in the Conservative Quiet Lifer Scale are shaded grey.
A Tale of Two Systems: Cornucopias, an Aboriginal Community and the Framing of a Theory of Marketing Systems

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Marketing systems are to be found wherever people engage in voluntary exchange, from hunter-gatherer communities to the technological complexities of eBay and Amazon or the emergence of business eco-systems such as WalMart or Microsoft. Two such systems in an aboriginal community that link the traditional and modern sectors of an economy will be explored here in some detail, to illustrate the structure, function and complexity of evolving marketing systems. Based on this exploration a set of propositions are derived. These add further support to the possibility of framing a theory of marketing systems that embraces both transitional, informal markets and the widely studied formal markets of developed economies.

Introduction

In 1851, Charlotte Bronte made a second visit to the Great Exhibition being held in London at the Crystal Palace. In a letter (www.mytimemachine.co.uk/greatexhibition.htm, accessed 19 April 2009) she describes her visit “Its grandeur does not consist in one thing, but in the unique assemblage of all things. Whatever human industry has created you find there, from the great compartments filled with railway engines and boilers, with mill machinery in full work, with splendid carriages of all kinds, with harness of every description, to the glass-covered and velvet-spread stands loaded with the most gorgeous work of the goldsmith and silversmith...it may be called a bazaar or fair...it seems that only magic could have gathered this mass of wealth from all the ends of the earth.” Towards the end of the 19th Century many were beginning to speculate as to the wonders likely to emerge in the next 100 years. The Ladies Home Journal in December, 1900 saw for example personal flying machines, photographs that would be telegraphed, store purchases by tube and black, blue and green roses. For these writers, and indeed for most people, the quality of life in the future would be determined by the choices open to them from a cornucopia of goods, services, experiences and ideas created by innovation in technology and society. Few stopped to wonder how this cornucopia might come to be offered.

Trade and the Emergence of Pattern

Some 80 years before the Great Exhibition in the early stages of the Industrial Revolution in Great Britain, Adam Smith had identified the origins of wealth in the growth of specialization and division of labour. In this, as Zinkhan (2005) has noted, he had in part at least been anticipated by Plato in a dialogue between Socrates and Glaucon on the origins of community. Socrates observes that “individual human beings find they aren’t self sufficient...we gather lots of people together...and people trade goods with one another, because they think they will be
better off if each gives or receives something in exchange.” He goes on to note that specialization is beneficial, enhancing productivity, creating new sets of skilled tradesmen, a need for market-places where exchange can occur, and for merchants to facilitate exchange, a need for coinage as a system of trading, and even the possibility of overseas trading (Waterfield 2003 translation). For both philosophers, increased specialization based on division of labor led inevitably to an increased diversity in the goods, services, experiences and ideas traded in the marketplace, and many years later to the wonders of the Great Exhibition and the exciting potential of the 20th Century.

Although separated by thousands of years, both Plato and Adam Smith were familiar with markets characterised by sophisticated patterns of trade. Both looked back in time to seek the origins of these patterns and found them in the human talent for exchange based on mutual cooperation. Initially grounded in kinship, then in reciprocity within small groups, cooperation in a wider context came to depend on the acceptance and shared understanding of an implicit social contract by individuals who were not kin, not group members, and most often strangers (Seabright 2004).

Binmore (2005) defined a social contract as “a set of common understandings that allow the citizens of a society to coordinate their efforts” (p. 3) and went on to suggest that three criteria must be satisfied if a social contract is to be acceptable to participants. These are stability, efficiency and fairness. Stability or equilibrium in a social contract is essential for survival; efficiency is essential if a social contract is to compete successfully with other options; and fairness, he suggests, “is evolution’s solution to the equilibrium selection problem of our game of life.” (p. 14). Drawing on a study of the relationships between two participants in an exchange, captured in the form of a generalised two person, evolutionary game he shows that exchange between two individuals will often have multiple (Nash) equilibria or stable outcomes, each potentially differing markedly in terms of quality of life. At one extreme, the resulting equilibrium may in fact be a poverty trap arising from factors such as initial inequalities, limited access to education, health etc resources, and the problems of unchecked criminality, all combining to force a society into a low level equilibrium which is difficult to escape. Higher level equilibria may be achievable through the exercise of altruism, and that reciprocal altruism may be sufficient in a situation where participants are engaged in repeated, long term, games, to bring about a workable social contract. Stability then, in the sense of a Nash equilibrium, is possible, and efficiency likely as individuals strive to better their position. In regard to fairness, Gintis et al. (2005) while noting that fairness norms may vary widely across primitive and advanced human societies, found that they do exist, reflecting both cultural and genetic factors.

Where all three criteria are satisfied a stable social contract is likely to form leading to the emergence of increasingly complex patterns of exchange between individuals. The resulting patterns of exchange will reflect the culture, environment, level and development path of the communities involved and will in particular be influenced by factors such as the position, power, communication links and capabilities of the individuals involved.

As Smith noted, an immediate consequence of specialization and division of labor is growth, depending on the extent of the market, that is in turn limited by transportation costs and population size (Buchanan 2004). Not only does the division of labor depend on the extent of
the market, but the extent of the market depends on the division of labor (Cheng and Yang 2004). With this in mind, the extent of the market is not simply measured by the size of the relevant population, but also by the number of goods and the proportion of all goods that are traded.

For both producers and customers the decision to trade in principle involves much more than a single commodity. Customers seek and acquire assortments that match their needs, and producers will seek to put together product combinations that build on accessing the distinctive competences needed to reap the benefits of specialization through increasing returns. Increasing heterogeneity characterises both customer preferences and producer resources and capabilities.

With increasing specialization the economies of scale and scope generate both increasing levels of production concentrated in more specialised industries, and the networks of trade connections linking sellers and buyers become increasingly dense. Both scale and scope effects make more likely the emergence of the macro patterns characterising marketing systems. What began as more or less isolated trade between individuals seeking mutual benefit evolves then into increasingly complex patterns of trade involving individuals, as well as communities, interacting in space and time to create diversity and depth in traded goods and services.

This highlights the complementary roles of scale (or specialisation) and diversity in the growth of trade. With specialisation the economies of scale are realised; with diversity consumers are able to satisfy the widening range of needs they bring to the market. A focus on the benefits and consequences of scale economies leads directly to a concentration on production, on industry and on competition within technologically defined markets. A focus on the increase in diversity in traded goods and services leads to a concentration on the emergence of market institutions. Both scale and diversity are complementary and intertwined, both essential drivers in the development of contemporary industries and markets. In this world view, technology and the growth of knowledge, as well as the emergence of supporting institutions, play essential roles in the development of specialised industries, in reducing transaction and coordination costs within increasingly complex markets, in creating successive waves of innovation within industries, and in creating new sets of needs on the part of consumers as they become aware of the opportunities generated by new knowledge (Bhardwaj et al. 2005).

These complex, dynamic, recurring patterns in the flows of exchange that form, grow, evolve and sometimes dissolve reflecting the tangled trends of emerging scale and diversity are the marketing systems that are the subject of this paper. Their structure and function is deeply influenced by the institutional and knowledge environments in which they arise, and by the immediate social, cultural contexts impacting the everyday lives of the participants. They embrace both industry and market to provide the natural organisational forms or units to explore in an analysis of competition and of cooperation within and between systems.

Two Examples of Marketing Systems

These examples relate to an isolated town in Central Australia called Yuendumu. It is small, located in Aboriginal Lands about 300 km north-west of Alice Springs in the “wide brown land” of the central western deserts. It was established in 1946 as a ration depot for the local
aboriginal people and to serve the needs of a scattering of cattle stations; in 1947 a Baptist Mission was formed, and the town grew slowly to its present size of around 1,000 people. There are perhaps 100 houses, not counting bush dwellings on the outskirts, a Community Center, a welfare agency, a small shale and gravel mine operated by the Yuendumu Mining Company, an airstrip, Post Office, museum, school, Baptist Church, and two stores, one owned by the Yuendumu Social Club and the other by Yuendumu Mining. While English is spoken, the most common of four other languages is Warlpiri. In 2009 it was nominated by the Australian Government as one of 26 similar towns to receive major investment which it is hoped will lead to a self sustaining economic community.

The first of the two examples is focussed on the operation of the retail store owned and operated by the Yuendumu Social Club. This store, known as a Community Store, is typical of over 150 similar stores found in communities across Northern Australia. It is a social and cultural hub for the community. Average annual sales of these stores (in 2002) were around US$1m, with gross margins of 30% and net profit margins of between 3.0% and 3.5% (McDonnell and Martin 2002, p. 19). The stores carry a range of food and non-food items, provide support services in the form of banking facilities, cooperate in the provision of welfare and other payments, and share profits with the community at large. They are an important component in the delivery of a quality of life to these outback communities and as such are supported by the Australian Government in a number of related programs.

The second example focuses on the operations of a distribution channel linking aboriginal artists with art collectors, museums and major dealers internationally. Aboriginal art is growing in importance, both to collectors and to the artists themselves. The Warlukurlangu Artists Aboriginal Corporation (http://www.warlu.com/) was established in 1986 as an indigenous owned and operated art center and is one of the oldest continuously operating centers in the region. It is a not-for-profit organization, run as a cooperative with 600 local and regional indigenous artists as members. Over the years it has become a social and cultural hub for the community. Art works are typically sold directly to art collectors, to tourists and visitors, to public galleries and museums, or wholesaled to major dealers or galleries. As the Warlukurlangu website notes:

Employment in Yuendumu and local environs is extremely limited and most residents are recipients of government benefits. Participating in the art centre is one of the most popular activities in the area, and provides social, cultural and economic rewards for its members. Warlukurlangu operates as a cooperative with all members being able to access art materials, subject to availability. They then return the completed art work to the centre for cataloguing and marketing. The income from sales is shared between the artist who painted the art work and Warlukurlangu. The art centre's share is spent on: operational expenses, such as freight, power, office and IT equipment; promotions; art materials; and staffing costs. It is also spent on providing tea and coffee facilities, meals for artists and special projects such as bush trips - where artists and family members go out to visit their country, which can be up to 300kms away (http://www.warlu.com/, accessed, June 2009).
Superficially, there is little here in the activities of either enterprise to suggest anything other than the normal concerns that occupy the attention of managers. However, both the art center and the community store have cultural as well as economic responsibilities and play important, even vital, roles in maintaining the social and economic fabric of the community. Both bring people together, enhancing cultural and kinship ties, and both provide essential opportunities for meaningful employment. Both are embedded in the distinctive cultural and social matrix in Yuendumu that often challenges conventional management practices, and may profoundly influence the flow of transactions, with implications for even wider issues in the economic and social development of aboriginal communities across Australia. These challenges include the tensions between the cultural obligations of the aboriginals and the legal obligations under Australian law that emerge in the governance of both enterprises; the balance to be struck in assessing performance between commercial viability and the generation of social capital through the fostering of social relationships and alliances; issues relating to ownership and use are complicated by obligations to kinship groups, creative collaborations and the rights of the traditional owners of specific designs; the ambiguities that can arise when money is replaced by a social calculus in which value is culturally determined, to the point where price is sometimes irrelevant; and conflicts between “aboriginal hierarchies of power and authority and the business hierarchy of the store” or art center, when elders seek to overrule the business decisions of younger kin. These and similar concerns are strengthened when, as often, levels of literacy and numeracy are low. McDonnell and Martin (2002) have called this the world of a frontier economy where the art center and the community store, their management and artists or staff, and their customers sit uneasily between indigenous culture and free markets - two contrasting ways of social and economic life.

Marketing Systems Defined

Just what then is a marketing system? Adapting slightly the definition suggested by Layton (2007, 2009a, 2009b), a marketing system can be defined as follows:

* A marketing system is:

  (a) a network of individuals, groups and/or entities,

  (b) embedded in a social matrix,

  (c) linked directly or indirectly through sequential or shared participation in economic exchange,

  (d) which jointly and/or collectively creates economic value with and for customers, through the offer of,

  (e) assortments of products, services, experiences and ideas,

  (f) provided in response to customer demand.
Do the Yuendumu community store and the operations of the Warlukurlangu art center fit this pattern? The first step is to decide on the boundaries to the marketing system(s) of interest – in effect to identify the individuals, groups and entities that comprise the focal system and those that comprise any related or overlapping systems needed to understand the focal system (Layton 2007). For the Yuendumu community store the focal system centers on the store itself, and could include the agents/suppliers/distributors located primarily in Alice Springs and Darwin, the community store, and the customers – individuals, households, family or kinship groups. For the art center the focal marketing system would include the artists, the center and the customers – direct or wholesale. It would also include the activities of private dealers seeking to entice lead artists from the center into dealing externally and exclusively.

Although the participants in both marketing systems are linked in many ways, social and cultural, it is the links grounded in economic exchange that define the marketing system. With few exceptions, economic exchange in both systems involves the offer and purchase of goods and services. Some transactions may involve barter between two or more parties, some might require careful and skilful bargaining, and some are complex deals that turn on an understanding of the social and economic tradeoffs each party has to make. Underlying all these transactions are flows of ownership (e.g. direct, consignment or leased sale etc.), possession (e.g. the shipping, transport and storage contractors), finance (e.g. credit cards, bank transfers, credit provision or welfare payments, the ‘book up’ system in Yuendumu), risk (e.g. insurance, product safety etc) and perhaps most important the flows of information between each and all of the participants.

The primary role of a marketing system is to put in place assortments of goods, services, experiences and ideas. In Yuendumu the art center offers a narrow, deep assortment of paintings from some 600 artists varying widely in quality and price; the community store has a relatively wide range of goods, food and non-food, available, and provides a range of support services including product advice, some counselling, banking and welfare administration. In the spirit of Oldenburg’s (2001) “third place”, both provide an essential meeting place for the community at large, and this too is part of the assortment on offer.

Finally, both marketing systems are to a varying degree responsive to customer demand. If goods and services sought by store customers are not offered then the gap is usually filled, and for those goods or services offered for which there is little demand, a deletion usually occurs. The art center is less responsive to shifts in customer demand or preferences as it reflects the skills, competences and interests of the artists and these are to an extent culturally determined. For both marketing systems there will be lags, often substantial, involved, but overall the system adapts to changing patterns of customer needs.

At a higher or meso level of aggregation, the art center is one of 40 or more similar community centers scattered across Northern Australia. Most will have a core group of name artists whose sales support the artists in the center as a whole. They face increasing competition from private dealers (sometimes known as “carpetbaggers”) who seek to tempt often elderly artists with strong reputations into selling only through the dealer, to the detriment of the community center that relies on these sales for funding support. In some cases the dealers set up small factories in towns such as Alice Springs turning out work of lesser quality and often
dubious authenticity for the tourist market. At a still higher macro level of aggregation the market for indigenous art morphs into a national or global market for contemporary art, and here the cultural base for most works is largely lost. Prices reflect brand names – artists, dealers, exhibitions and collectors and have little or no connection with the reality of the indigenous artists who created the work. (Genocchio 2008).

In much the same way the community store in Yuendumu can also be seen as part of a marketing system comprising all 150 or so similar stores across remote areas of Australia. For policy makers concerned with the quality of life in these remote communities this may well be a useful specification of a focal marketing system. However, there are usually many alternative ways of characterising a marketing system of interest and in Yuendumu a more inclusive marketing system could be defined in terms of all retailing in the town, comprising the two retail stores, their suppliers and customers, and, depending on the interests of the analyst, illegal ‘back door’ sales of products such as petrol, alcohol, drugs and pornography. Yet another approach might lead to specific product centered marketing systems at differing levels of aggregation for each major commodity or service group – such as petrol, alcohol, food, clothing, and financial services – with the Yuendumu store as a participant in most. At the macro level, the community stores are part of a national retail marketing system dominated by two major firms. The specification of a focal marketing system depends on the interests and purpose of the analyst and will usually involve careful consideration of micro, meso and macro interactions.

There are many more examples of marketing systems to be found, some in the marketing literature, many more in the literature of economic sociology or behavioral economics, or in the detailed field studies reported in economic anthropology and ethnography. In marketing, for example, Slater et al. (1979) discussed marketing systems in Southern Africa, building on earlier, extensive studies of food marketing systems in South America; Layton (1988) commented on the relationship between traditional and modern marketing systems in Central Java; Speece (1990) studied ethno-dominated channels in Oman and Sudan; Polsa (2002) focussed on retail distribution systems in Guilin in China; and Hull (2008) described the Nabataean monopoly of the supply chain for frankincense, myrrh and spices that prevailed in Arabia some 2000 years ago. This leads to the first of ten propositions (Layton 2010) central to a theory of marketing systems:

**P1:** Economic exchange is always embedded in a marketing system.

This proposition establishes the first stage in a bridge linking micro with macro marketing phenomena. As stated it includes economic exchange as it arises in a wide variety of settings – from exchange in hunter-gatherer communities to exchange in the virtual worlds found in the internet, from a supermarket purchase to complex multi-party commodity transactions and sophisticated auction mechanisms, from the historic world of the Greek agora to the contemporary electronic hubs found in many developing and developed nations, and from individualistic Western communities to collectivist Asian societies.
A Social Matrix

As noted above, exchange transactions involving the exchange of economic value are always embedded in a marketing system. It is now suggested that marketing systems are in turn always embedded in a social matrix (Chandler and Vargo 2008). The complex nature of the interactions involved can be seen in the two examples of a marketing system centering on Yuendumu. Both systems overlap and interact with each other and both significantly affect and are affected by the culture of the indigenous peoples of Central Australia.

The art center and the community store in Yuendumu together with their suppliers and customers are examples of a low level, disaggregated or micro marketing system, embedded in a complex amalgam of indigenous and western cultural and economic factors. The art center draws on the work of artists “that is governed by rights and responsibilities under indigenous law” (Altman et al. 2002, p. 31) and sells the product into a complex highly competitive distribution channel of dealers, galleries, collectors and auction houses. The community store sells a wide range of packaged food and non-food goods and provides essential services to individuals and households where consumption or use is often deeply influenced by traditional or indigenous culture.

Other examples of embedded marketing systems where the importance of the social matrix is evident can be found in the study by Rabo (2005) of merchants in the **souk** of Aleppo, the historical analysis of the trans-Sahara caravans by Lydon (2008) where each caravan is in effect a moving or mobile marketing system, the work of Alexander (1987) in a study of trade, traders and trading in rural Java; and in a contemporary setting, the analysis of Amish enterprise by Kraybill and Nolt (2004), or the transitional markets of post-communist Lithuania (Hohnen 2003). Varman and Costa (2008) highlight the importance of embedding a marketing system in a social context in a detailed study of the Bijoygarth marketplace in Calcutta, reconstructing “the market as a socially embedded institution in which community ties are formed and sustained: (p. 141). In each case the social matrix shapes and is shaped by the structure and functioning of embedded marketing systems.

Intersecting and overlapping marketing systems like these can be identified in most if not all human communities, and provide the immediate context or environment for the myriad of detailed management decisions and consumer choices that are central to contemporary marketing theory and practice (cf. Chandler and Vargo 2008). And just as the Yuendumu community store and art center are both embedded in a defining social matrix, so too, are the marketing systems found in every human community. This leads to the second proposition:

**P2: Marketing systems are always embedded in a social matrix.**

The social matrix in which a marketing system is embedded and in which day to day functioning takes place is deeply influenced by the wider institutional and knowledge environments in which the social matrix is situated. As North (2005, p. 11) points out, “the human environment is a human construct of rules, norms, conventions, and ways of doing things that define the framework of human interaction”. The emergence and functioning of marketing systems is one of the important ways in which human communities shape their day to day
interactions. From these interactions and influenced by an ever-changing knowledge environment, rules, norms and conventions develop that help manage the uncertainties and concerns experienced by participants in what Braudel (1979) termed the “structures of everyday life.”

**Assortments**

When Charlotte Bronte wondered at the richness and variety of the goods, services, experiences and ideas opening up before her as she visited the Great Exhibition she was responding an assortment made possible by the wonders of an emerging technological age. Tourists visiting the Yuendumu Art Centre in search of paintings will respond in a similar way to a rich assortment of images in the form of paintings and other art works that will remind them of the unique cultures found in indigenous Australia. In essence, the values acquired by a buyer are co-created with the indigenous artists. Similarly when the people living in Yuendumu visit the Community Centre they are seeking access to an assortment of goods (food, groceries, clothing etc.), services (e.g. access to cash in bank accounts), experiences (e.g. interactions with friends) and ideas (e.g. sporting triumphs planned and hoped for) that together are integral to a continuing way of life of varying degrees of acceptability. For most buyers/customers within a marketing system, it is the ability of the system to provide assortments that enable them to fulfil their needs and wants that will determine the perceived success or failure of the system.

An assortment is the public face of a marketing system. It might consist of the items on the shelves of a supermarket, the exhibits in a museum, the services offered by a health clinic, or the dishes listed in a menu. At a higher level of aggregation, an assortment might comprise the shops in a shopping mall, the many stalls or sellers to be found in a typical rural marketplace, the destinations accessible to tourists in a region, the restaurants in a city, or the businesses choosing to locate in a regional cluster. At an even higher level of aggregation, an assortment of interest might be captured in a commodity classification adopted by an official statistician, or the goods and services offered for trade by a nation, or the range of services provided by a national medical/health system.

In each of these examples the elements of the set defining the assortment are generated as a consequence of choices made by an intricate network of individuals, households, firms and organisations, interacting over time to assemble, transform and deliver the goods, services, experiences and ideas offered in the assortment. At each point in this process, value is created, or often, co-created, by intermediate suppliers and customers, dealing with each other in a networked environment. These networks include the supply chains put together by a supermarket; the artistic contacts and mutual agreements needed to generate a museum exhibition; the grouping of suppliers and customer businesses, together with supporting functions, that come together to create a new industrial cluster; or the complex mix of competing and complementary professional skills and resources needed to offer a desired range of medical or health services. While each of these networks will have a defining purpose linked to the nature of the goods, services, experiences or ideas on offer, they can also be looked at as an emergent system generating the assortment(s) of interest in a response to customer interests.
In a multi-layered marketing system, assortments or heterogeneous value sets will usually arise at many points in each of the different layers. At a micro level a seller’s offer will often include more than one product or service, and will on occasion be differentiated from that of another seller by a willingness to involve a buyer in the co-creation of value. At a meso level where micro level systems are aggregated into complex sequences of offers and acceptances, each contributing to an end-user assortment through the creation or co-creation of value, assortments arise at many points in the marketing system. For the community served by the meso level system, the assortment or heterogeneous value set of goods, services, experiences and ideas offered to ultimate customers is a direct indicator of the success or failure of the system to perform. At a macro, economy-wide level the aggregate marketing system offers an even richer array of goods, services, experiences and ideas to ultimate customers (Cox et al. 1965; Wilkie and Moore 1999). At each level and at any point failure to meet buyer needs in offered and accessible assortments will directly affect the efficiency and ultimately the effectiveness of the aggregate marketing system. Proposition 3 then follows:

**P3: The primary function of a marketing system is to offer customers an assortment or heterogeneous value set of goods, services, experiences and ideas.**

Assortments at any point in the operation of a marketing system may be looked at in terms of what is offered, what customers are seeking (the potency of an assortment noted by Alderson in 1965), what is in fact accessible to potential customers, and then in terms of what is acquired and accumulated. While it is obvious that each of these assortment concepts - offered and sought, accessible and acquired, and accumulated – are closely related, the links between each are not well understood. Retailing studies have looked at customer responses to store assortments, and in particular at the composition of the resulting shopping baskets. Shopping centre design has been concerned with the optimal mix or assortment of stores to include in a centre, and with the mix of service attributes to be offered. Product line policies have been explored in the marketing and strategic management literatures. Variety in global trade flowing from comparative advantage has been considered by economists and more generally by geographers. The need to move beyond one-dimensional analyses of product/service assortment offers and to look at the linkages between assortments offered, sought, accessible and acquired within and between multi-level marketing systems is apparent.

Assortments are also dynamic. Sellers add to the variety on offer, sometimes deleting existing items, sometimes modifying, and sometimes adding new products, services, experiences or even ideas, in response to perceived customer preferences. Customers will change preferences, sometimes in response to intriguing new technologies, sometimes responding to changing economic or social conditions, sometimes simply yielding to fad, or fashion. Both sellers and customers might be wrong, as the information leading to appropriate choice is always lacking. Both perceive gaps in the assortments on offer – items that are there but should not be, and items that are not there but should be. Alderson (1965) identified these gaps as discrepancies in an offered assortment. As the social matrix or the wider environments change, perceived discrepancy gaps emerge, driving both sellers and customers to innovate.

Both of the Yuendumu marketing systems exhibit these discrepancy effects. The Community Store has added significantly to the width and depth of its offer over the years. In
particular it has added fresh fruit and vegetables, added depth to its white goods offer, added additional services to customers, and played an increasingly important role in community life. In part this has been driven by Governmental concerns over aboriginal well being, and in part by the demands of a changing aboriginal community seeking access to a wider range of goods and services. In particular, management of the store has changed from a local manager to being part of the Outback Stores management team. Over time the professionalism of the management team has increased, to the benefit of the local community in terms of the assortments offered both in price and quality. A somewhat similar pattern can be observed in the Art Center where external managers are employed to integrate more closely market needs and artist skills. The assortment offered has broadened to include works of different sizes, quality and intensity, matching more closely the requirements of the various customer groups.

\[ P4: \text{Persistent discrepancy in a marketing system is a driver of innovation that contributes directly to economic growth.} \]

**Marketing System Environments**

The specific path taken in the evolution or growth of a system is deeply influenced by the formal and informal rules, beliefs, and norms held by the community within which the marketing system is evolving (Gudeman 2001). This is certainly the case in Yuendumu where the operations of both the community store and the art center are strongly constrained by aboriginal tribal and family norms and beliefs. These include attitudes to property or possessions, to money, to the rights of elders. In the case of the art center issues arise for example in regard to traditional themes that should not be viewed by outsiders.

More generally, socio-cultural factors include social structure and/or hierarchy; the powers, attitudes and interests of leaders; the presence or absence of external threats or environmental change; attitudes towards innovation and entrepreneurship; the existence of a common language and effective communication channels; respect for and access to property rights; accepted ideas about the appropriate mix of public or private ownership; and the existence of a stable, efficient and (potentially) fair social contract together with incentives to act in keeping with the social contract, minimising free-riding. Added to this list are the constraints and opportunities created by geography, history and physical infrastructure such as distance or isolation; ease of access by sea, river or land; resource endowments; and the cumulative effects of past history. For the most part, factors such as these change slowly, establishing the “limits of the possible’ in the growth and operation of marketing systems at all levels of aggregation. (Braudel 1979; Clark 2007)

A second set of factors that shape the development path is to be found in the changing physical and social technologies open to system participants. These may change swiftly and have far reaching consequences, facilitating the evolution of new organizational forms, widening and deepening assortments offered and sought, linking markets otherwise separate, and changing perceptions of costs, time and distance. The development of social technologies such as the joint stock company, mass production methods, the multi-divisional enterprise, and networked alliances, together with physical technologies such as the camel saddle, compass, sailing ship, steam power, railroads, telephone and wireless communication, air travel, computers, internet
and virtual worlds, would all appear on a list of the technologies that significantly extended the scale and reach of pre-existing marketing systems. These two sets of factors together at an appropriate level of aggregation constitute the institutional-knowledge (IK) environment for a marketing system.

**P5:** *Marketing systems are influenced by and influence the institutional and knowledge environments in which they are embedded.*

**Aggregation and Multi-level Systems**

Perhaps the simplest marketing system is one involving a single seller and a single buyer. Although structurally simple, complexity rapidly becomes evident. Sellers could range from a peasant engaged in barter to a multi-national company engaged in a commodity trade deal and buyers might range from a single individual to households or families, to a state owned enterprise. Objectives, preference structures, time horizons, and trading contexts may influence outcomes. Sellers and buyers bring heterogeneous resources and capabilities to bear on a transaction, both the seller and the buyer have limited insights into the other’s needs and information, communication may be fraught with difficulty, financing the trade may be an issue, risk is ever present, and delivery or consummation of the transaction might be in question. The transaction will always be embedded in a social matrix, and this in turn will be shaped by an institutional and knowledge environment. All these factors and the influence they might have in shaping this simplest system have been studied in depth by marketing specialists, economists, anthropologists and others.

At a slightly higher, meso, level of aggregation, a marketing system may for example form around groups or clusters of sellers (firms) offering similar or mutually supporting products/services to groups of buyers; or a number of firms may cooperate for example in creating supply chains or global commodity chains; or sellers congregate in a market-place, shopping strip or mall. Here too, the participating entities may be micro or meso level systems, competing or cooperating within the context of a system at a slightly higher of aggregation. An understanding of meso level marketing systems will typically turn on an analysis of the interactions between and among systems at higher and lower levels of aggregation, something that is a continuing challenge in many of the social sciences (Liljenstrom and Svedin 2005). Finally, there is a macro level of analysis, illustrated by the work of Wilkie and Moore (1999). When the marketing system is referred to it is usually this level of analysis that is in mind.

**P6:** *The entities comprising a marketing system may themselves be marketing systems.*

**Marketing Systems – Growth, Adaptation and Evolution**

Looking back over the examples of marketing systems cited earlier four broad recurring patterns can be identified (Layton 2009a). These are labelled autarchic, emergent, structured and purposeful. While it is possible, even likely, that these will follow a sequence over time, beginning with autarchy, then to emergent as marketing systems begin to form in flows of transactions, then to either structured or purposeful depending on external pressures and internal forces, this is not inevitable. The possibilities are illustrated in Figure 1 below.
Autarchic systems are found in the early stages of trade where individuals or households are largely self-sufficient, poorly informed outside the immediate family or group, and include barter, sharing or reciprocity within and between households within a community, or the limited boundary exchanges found among neighbouring tribes or groups. In Yuendumu examples might be found in the redistributive or reciprocative trade/barter of food, clothing or the services of motor vehicles amongst family groups; or in the bargained trades between aboriginal artists and tourists where both parties lack information about quality and price. In these marketing systems that bridge informal and formal trades autarchy is likely to be found in the micro marketing systems involving individual or family buyers and sellers. The interface between these dealings and the more formal structures that evolve is fraught with difficulty.

While the obvious examples of autarchic marketing systems are to be found among foraging or subsistence societies, it is also possible that disaster, whether due to causes such as nature, war, disease, or simply a consequence of systemic collapse brought about by a combination of internal dynamics and failures in external environmental regulation or control, may reduce a sophisticated marketing system to something close to autarchy. The economic collapse following the calamitous earthquake in Haiti in 2010, or the runaway inflationary spiral experienced in Zimbabwe in 2007-8, or the local/global aftermath of the bubble economies in many Western nations in 2008-9 where financial marketing systems were headed for chaos, may provide examples. In most such cases autarchy is localised and temporary, as communities move swiftly to establish more efficient and effective trading patterns.

As the volume and diversity of traded goods and services grows, autarchic systems drift towards emergent systems, where some structure in trading or exchange can be seen. The benefits of specialization in trade become apparent, influenced by kin or tribal relationships, the
potential gains from scale economies, an increasing diversity over time in household needs and wants, population growth and regional agglomeration (Firth 1966; Brookfield 1969; Gudeman 2001). In this process competition is increasingly substituted for regulated or socially controlled outcomes. As a basis for trust is established, in the form of a social contract, trade within and between communities grows; assortments offered and sought widen and deepen; an acceptable medium of exchange is identified and measurements standardized; and localised coherent prices are agreed.

With the formalization of these basic elements, repetitive trading links are established; transitory marketplaces located at crossroads or under trees become fixed and trade volumes increase; hawkers, volporteurs, street vendors and other mobile traders grow in importance; and rotating or regional markets emerge. An important phase is initiated when groups of traders form into firms, associations or networks to reduce costs and exploit increasing returns; product differentiation and local brands take root; specialist markets where a degree of expertise can be exercised develop; and specialist roles such as those associated with retailing, wholesaling, brokers or agents, information sources, and enforcement mechanisms emerge. Where and when some or all of these patterns can be identified the marketing system can be called emergent.

In Yuendumu, emergent systems are to be found for example in the networks surrounding the art center, or in the linkages between the art center and the tourist, dealer and gallery markets in Alice Springs. Specialists in art center management are sought, informal or formal advisors found in the creative direction that artists might take, wholesalers/gallery owners emerge in the flow of artworks. And the so-called “carpetbaggers”, who attempt to contract key artists into producing art for the sole benefit of the carpetbagger are just some of the specialists attracted to the large gains possible as the art gains international appeal. Emergent systems can attract both the good and the bad in the structures or patterns that form. Much depends as always on the social matrix in which the system is embedded (and this can be difficult to define if the system includes both autarchic as well as emergent sub-systems) and on the wider institutional and knowledge environments.

The transition from an emergent system to one that is structured or purposeful transforms traditional market structures into systems capable of rapid growth and sustained transformation. The critical driver in this transformation is the emergence of corporate entities. Initially tried in an emerging marketing system as a family or cooperative response to an opportunity to fill a market gap, reduce costs, cope with uncertainty or perhaps to exploit an accessible resource or skill set in making or selling, the benefits of a corporate form quickly became apparent to participants. With the passage of time, dealing with factors such as a complex institutional environment, or exploiting new technologies often required increased scale in corporate activities and this in turn led to organizational forms enabling centralized control and communication. Multi-divisional firms became ubiquitous in many marketing systems, and managers then began to experiment with new organizational forms based on alliances or networks of cooperating enterprises that would further enhance a fit between organizational design, competitive strategy and environment (Roberts 2004). In this way, emerging marketing systems began the transition to structured or purposeful systems.
Structured marketing systems typically comprise many corporate entities, each of which in isolation could be considered a purposeful or a structured system, that may range in size from small to very large, and include single firms, as well as alliances or networks of firms cooperating in production, distribution, or innovation. A structured marketing system may simply comprise a vertical or horizontal network of collaborative relationships linking individuals and entities in the marketing system where the strength of each relationship reflects the economic and social investments made in the relationship. The network as a whole (the individuals and entities that act as nodes and the links or ties between these nodes) has a structure where power or authority flows from position within the network and which is an important determinant of overall capacity to respond to external challenge or change. Cooperation and competition may coexist in structured exchange as individuals and entities seek to build on existing links or to form new links with current or potential participants. In some situations competition develops into hypercompetition where competitive advantage is quickly eroded by forces such as disruptive technologies, unexpected shifts in customer preferences, the entry and exit of new participants, deregulation and the invention of new business models.

Examples of structured marketing systems can be found in the Outback Stores network of community stores stretching across Central Australia. Often owned by the local community, Outback Stores supplies a manager, staff, centralised buying and supporting infrastructure. Since Outback Stores is a Government initiative, not all community stores have elected to participate as it does involve some degree of supervision of services provided – especially a controversial income management scheme. In the distribution channel for artworks, structured systems exist at the interface between the aboriginal communities and the large city dealerships. The latter are part of an increasingly complex network of auction houses and dealerships that dominate contemporary art, and brilliantly described by Thompson (2008) in his account of the 12 million dollar stuffed shark.

Other examples of structured marketing systems include shopping malls, medinas or bazaars, the wholesale markets on the outskirts of most large cities, the marketing system for cotton goods in the USA described by Breyer (1931), the food distribution systems studied by Charles Slater in South America and Southern Africa (Slater et al. 1979), many of the business networks studied by the IMP group (Wilkinson 2008), and at a macro level the aggregate marketing system (Wilkie and Moore 1999).

In a purposeful marketing system the distinguishing characteristic is the use of economic or political power to direct flows of transactions in ways that contribute to the goals of the entity exercising power. Most vertical marketing systems fall into this group, from simple structures involving a manufacturer/retailer relationship to the complex supply chains established by leading retailers such as Wal-Mart in the USA or Woolworths in Australia. The community store in Yuendumu considered as a focal marketing system is purposeful. It is however embedded in other more complex structured systems, including for example overall food distribution in the town, networked links with wholesalers in Alice Springs. Other examples include the manufacturing/distribution structures created by the large automobile companies and pharmaceutical firms, or the integrated resource networks of companies such as BP and BHP-Billiton. Historically, the growth of the large trading houses in the fifteenth and sixteenth centuries such as the Dutch East India Company (VOC), founded in 1602, or the Hudson Bay
Company, or the emergence of the Korean chaebol or the Japanese keiretsu provides further insight into the development of purposeful marketing systems.

Somewhere between purposeful and structured marketing systems, depending on the degree of centralized control, are the business ecosystems discussed by Moore (1996) and Iansiti and Levien (2004), and the service ecosystems studied by Lusch, Vargo and Tanniru (2009), all drawing on an analogy with the concept of a biological ecosystem. A business ecosystem can be thought of as a large number of loosely connected participants, often individually purposeful, acting as a community, each relying for mutual effectiveness and survival on each other through a complex web of interdependencies. As Lusch (personal communication) points out a service ecosystem can be defined as a “spontaneously sensing and responding spatial and temporal structure of largely loosely coupled value proposing social and economic actors interacting through institutions, technology and language to 1) co-produce service offerings, 2) exchange service offerings, 3) co-create value.” While a business ecosystem is a broadly descriptive label, the concept of a service ecosystem is more focussed, emphasising value creating outcomes brought about through service. Both blend elements of purposeful and structured marketing systems.

In most successful ecosystems “the appearance of richly connected ‘hubs’, at all scales, is almost inevitable”. (Iansiti and Levien 2004, p. 9). They go on to note, “these hubs take the form of active keystones whose interests are aligned with those of the ecosystem as a whole and who serve as critical regulators of ecosystem health”. Examples include the ecosystems built by Wal-Mart, Dell, Microsoft, and Shell.

The growth of business ecosystems illustrates the shifting boundaries between the two patterns. A need to increase access to essential resources, a drive to widen offered assortments, to acquire new skills, or to reduce costs may lead managers in a purposeful system to trade control for cooperation, to outsource non-core activities, to engage in cost-sharing collaborative research, all of which will move the system towards a more structured pattern. The open business models explored by Chesbrough (2006) provide examples. Alternatively, conflicts as to direction, perceived inequity in the allocation of rewards across a network, and external pressures related to scarce resources are all factors that might combine to lead managers to seek overall control, moving the system towards a more purposeful model.

The twists and turns that occur in the evolution of marketing systems are suggestive of the characteristics found in complex adaptive systems. These include lags and non-linearity in the links between nodes (actors), path dependence on both initial and ongoing conditions, punctuated equilibria with abrupt or discontinuous transitions, and the emergence of unexpected persistent patterns in system structure and function. Many if not all of these characteristics can be identified in the evolution of marketing systems which have been modelled using tools such as agent based simulations, experimental procedures, and computation. However, marketing systems are a subset of the wider set of social systems, and as such, are unlikely ever to be captured in their full complexity. These considerations lead to the next propositions:

P7: Marketing systems are complex, adaptive, multi-level social systems.
P8: Marketing systems are inherently dynamic and often unstable.

The concept of a marketing system goes much beyond the traditional channel structures, supply chains, logistics systems, and retailing found in much of the marketing literature. It also includes the concept of an industry, defined in terms of production technologies and regional specialisation. Figure 2 below maps many of the systems considered in this paper where systems vary in structure and in the level of aggregation, with the latter split into three levels - micro, meso and macro. In this grouping, the meso level is of especial interest as it is here that the interface between micro and macro exists, and the level where a study of the marketing systems found might help us to understand better how micro and macro systems interact to produce the outcomes found in the real world of markets. The conventional focus however is on micro systems in or near the box at the bottom left of the Figure, including single firm offers to a market (Fisk 1967; Kotler 1980 and later), distribution channels and vertical marketing systems (Bucklin 1967, 1970), supply chains (Reddy and Reddy 2001). For meso level systems, the conventional focus is on an industry such as steel, computers, tourism, or perhaps health. Here the study of competition and its effects is of major concern. However, there is no reason why competitive analyses should be restricted to industry and not broadened to include all meso and macro level marketing systems. In this sense the concept of a marketing system points to a significant generalization of marketing that has both managerial and theoretical implications.

Figure 2: Mapping marketing systems

Source: Adapted from Layton 2009b
The Elements of a Marketing System

The major structural and functional elements of a marketing system are shown in Table 1. These comprise the exchange logics and contexts found in the marketing system, system flows and roles, network structure and governance, the assortments created and delivered and the many customer groups (intermediate and final) whose needs are served by the operation of the marketing system. It is the interaction of all these elements within and between component marketing systems at differing levels of aggregation and their interdependence on the environmental drivers of institutions and knowledge that are primary determinants of the micro-macro interface in marketing phenomena.

While the story begins with specialization and ends with economic growth it is the interactions between the elements shown above that will determine both the efficiency and effectiveness of the marketing systems of interest. Typically, each of these elements will include a heterogeneous mix of components.

The marketing system in a town such as Yuendumu that supports daily life in the household sector will include exchange logics ranging from barter, to bargaining to outright sale, in settings that range from an open air market to a supermarket. The transactions that occur might involve credit, perhaps credit cards, in the supermarket settings, or mixtures of cash and barter; logistics range from lorries to bicycles; information flows might be intense and localized or widespread and electronic based. Similarly, roles are diversified, differing between a formal, market based set of specializations and informal, day to day exchanges. Within an overall network, localized networks with differing degrees of centralization and density will be found. Governance principles will range from the abstract rule of commercial law to situations where trust based on relationship or personal knowledge is a determinant feature. Assortments will arise in many locations wherever trade occurs perhaps between individual households where the width and depth of the assortment offered will be restricted, to the assortments offered by general stores or cooperatives, to those found in supermarkets. Customer groups will include many who are illiterate or innumerate, as well as the well educated and affluent. In most marketing systems structural and functional heterogeneity is an inevitable feature. This suggests the following proposition:

\[ P9: \text{The specification of a marketing system requires detailed consideration of exchange logics and settings, roles, flows, networks, governance, customer groups and assortments.} \]
<table>
<thead>
<tr>
<th>Component</th>
<th>Examples</th>
</tr>
</thead>
</table>
| Contexts, logics | Physical settings  
Obligation, gift, barter, sale  
Products, services, experiences, ideas  
Simple, complex  
One off, repeated  
Auctions, negotiation, bargaining  
Technologies – face to face, remote  
Bilateral, multilateral  
Legal, grey, black |
| Roles       | Assembling  
Selling  
Communicating  
Informing  
Policing |
| Flows       | Ownership  
Possession  
Finance, money  
Risk  
Information |
| Networks    | Participants  
Perceived incentives  
Value contributed  
Linkages between nodes  
Connectivity, density, stability, complexity  
Power, influence, trust  
Cooperation, competition, alliances  
Dynamics – growth, adaptation, evolution |
| Governance  | Social contracts  
Reciprocation, redistribution, markets  
Formal, informal  
Loose, tight regulation/control |
| Customer groups | Specification, description, decision processes  
System coverage, access  
Limitations – illiteracy, poverty . . . |
| Assortments | Location  
Offered, sought, accessible, acquired  
Attributes – variety, disparity, balance, association, sequence  
Discrepancy drivers |
Quality of Life Outcomes

In Yuendumu the quality of life of the aboriginal community was greatly enhanced by the opening and subsequent growth of the community store. Accessible, affordable and reliable food supplies, especially fresh fruit and vegetables, were on offer. Household goods, from toilet paper to baby food and white goods were also offered. Cooking and nutrition classes were available. The store became an economic and social hub, providing employment, and sponsoring community activity such as sport. In the art center artists were encouraged to explore new ways of expressing themselves enriching the assortment on offer. The funds generated from the sale of artworks flowed to all the artists supporting their families. In both cases the focal marketing systems led to a greater more inspiring quality of life.

Marketing systems have one primary function and that is to provide assortments that will serve the needs and interests of the buyers scattered through the system. In a multi-layered marketing system, assortments will usually arise at many points in each of the different layers. At a micro level a seller’s offer will often include more than one product or service, and will on occasion be differentiated from that of another seller by a willingness to involve a buyer in the co-creation of value. At a meso level where micro level systems are aggregated into complex sequences of offers and acceptances, each contributing to an end-user assortment through the creation or co-creation of value, assortments arise at many points in the marketing system. For the community served by the meso level system the assortment of goods, services, experiences and ideas offered to ultimate customers is a direct indicator of the success or failure of the system to perform. At a macro, economy-wide level the aggregate marketing system offers an even richer array of goods, services, experiences and ideas to ultimate customers (Wilkie and Moore 1999). At each level and at any point failure to meet buyer needs in offered assortments will directly affect the efficiency and ultimately the effectiveness of the aggregate marketing system.

At the macro or aggregate level characteristics of the assortments offered will often be economically, socially and politically important. This is the case for example in the East Asia communities where as Jacques (2009, p. 107) points out, “the speed of transformation has generated a completely different experience and expectation of change . . . these countries are characterized by a form of hyper-modernity, an addiction to change, an infatuation with technology, enormous flexibility and a huge capacity for adaptation.” An extravagant appetite for the new, the different, which characterizes hyper-modernity, drives the assortments of goods, services, experiences and ideas that are on offer. Electronic firms and car makers constantly change product lines. Fashion shows follow one another several times a year. As Jacques (p. 109) notes, “take your chair in a Japanese hair salon, and, be you man or woman, you will immediately be handed a very thick catalogue offering a seemingly infinite range of hair styles and colours.” Assortments and life styles interact with each other in these communities creating ever widening choice, that is economically, socially and, potentially, politically important. Potentially, also, perhaps the beginnings of a bubble economy, whose pricking may bring considerable change.

Restricted access to goods, services, experiences and ideas, for whatever reason or cause, may lead to social disruption. In outback Australia, Government mandated income management
programs that restrict welfare payments to acceptable family expenditures, but ban items such as alcohol and tobacco have met with considerable controversy. More generally, assortments that provide access to drugs, alcohol, or pornography are often unacceptable, leading to proscription of the marketing systems that generate these assortments. Assortments that encourage obesity, unsustainable energy use, or which may distract a population from the pursuit of socially important ends may also be discouraged. In each of these examples the assortments generated by marketing systems are highly visible indicators of the nature of a society, its values and its commitments. As such, over the years, many communities have sought to control or limit the assortments on offer, sometimes restricting access to markets, sometimes banning specific categories (often then creating black or underground markets for the goods or services), sometimes using taxation to raise prices beyond those which some people can pay, or perhaps through controls or regulations imposed on the marketing systems which have generated the assortments in question. This leads to the next proposition:

\[ P10: \text{The assortments generated by a marketing system contribute directly to the quality of life of the customer communities.} \]

The contribution of assortments generated by a marketing system will usually be positive but may be negative and is not likely to be uniform for each of the customer groups served by a marketing system. This raises important issues of distributive justice (Laczniak and Santos 2008). Examples include the health system in many countries or food marketing systems where impoverished or disadvantaged segments have very restricted accessible assortments.

**Efficiency and Effectiveness**

Is the immediate marketing system centered on the community store in Yuendumu efficient? Is it effective? Is the marketing system centered on the art center efficient and/or effective? In common with most marketing systems these question raise difficult issues of definition and measurement.

A first step is to specify the focal system – in this case the community store itself – and its participants. A next step is to consider the time horizons that might apply. And the third is to explore the alternative measures of performance that might be used. Focussing on the community store and its customers an obvious measure of efficiency is to assess the transaction costs incurred in providing the assortment offered with objective of minimising these costs subject to social and legal constraints. In practical terms this might translate into a focus on short or long term profitability. Alternatives might be to consider ROA or similar ratios such as value added. Or perhaps the crucial measure is simply sales overall, or of specific categories. After all, profits are returned to the community and reabsorbed in family or community life. Effectiveness is another matter. Community satisfaction with the operations of the store might be a useful measure. Should this be assessed by segments – by income, language, family or kinship group, by age or gender? Are some groups limited by language or learning in their ability to access the relatively high technology of the store? In the longer term will the store bring cultural change that may perhaps be undesirable?
Similar issues can be explored with respect to the art center. Transaction costs are critical for a given assortment and will be reflected in profitability relative to turnover. But should turnover be considered by type of artwork, or by artists? Do some artists make a lot of money while others make very little? If each artist is considered a micro marketing system some will do poorly and others very well – should something along the lines of a Pareto optimal solution be considered as an efficiency or effectiveness criterion? In some respect this is what happens where the proceeds are is shared amongst all artists. But does this contain the seeds of some misplaced incentives, especially when “carpetbaggers” are in the vicinity? Some of the outcomes associated with efficiency and effectiveness are set out in Table 2.

Table 2. Marketing System Outcomes

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Examples</th>
</tr>
</thead>
</table>
| Efficiency  | Transaction cost levels  
Volume, growth  
Surplus, profitability, ROI, ROA, value added  
Assortment variety, disparity, balance, association and sequence measures  
Allocation of rewards  
Responsiveness to innovation, surprise |
| Effectiveness | Accessibility and coverage  
Satisfaction levels - customer groups and system participants  
QOL measures  
Distributive justice, fairness issues  
Resilience  
Externalities – eg. cultural, religious, economic, environmental impacts |

With regard to efficiency, a very tentative P11 might read:

*P11: The efficiency of a marketing system will be determined by the value added by the offered assortment, relative to transaction costs incurred, and subject to service and/or social constraints.*

While there are many thorny problems associated with any specification of marketing system efficiency some that are critical are those arising with multi-level and /or multi participant systems. An assessment of the short and long term transaction costs associated with an assortment offer is far from simple. The interaction between levels can be crucial with lower level units opting for an efficiency criteria or outcomes that limit higher level performance. The multi-participant problem in a structured system arises when each participant endeavours to reach an efficient outcome in isolation from others - the market information problem – which may turn out to be inefficient overall. Here problems of agency and externalities may be critical.
Effectiveness is also problematic. However, it could be argued that the critical outcome for a marketing system is to provide accessible assortments to customer groups. It is likely then that satisfaction levels amongst these customers will also be high. However in some cases, for example where cooperatives are involved, it may also be important to balance customer satisfaction against the satisfaction of system participants.

**P12:** The effectiveness of a marketing system will be determined by the satisfaction levels experienced by system participants, especially customers, as it provides accessible assortments of goods, services, experiences and ideas.

**Looking Forward**

And so ends a tale of two systems. The two Yuendumu marketing systems exhibit the same structural, functional and complexity attributes as do those of much more advanced or developed communities. Although marketing systems have been part of the marketing literature for many years relatively little has been done to breathe life into the concept and what has been done is often to be found in the work of scientists, consultants and managers marginally connected to marketing as a field of research. Examples include the practical studies of distribution systems in developing countries carried out by the UN and national aid agencies, the welfare concerns of NGO’s dealing with community segments underserved by conventional marketing systems, or action research undertaken by social scientists concerned to lift living standards in transitional communities. The two examples sourced from Yuendumu are drawn from the work of these concerned social scientists and administrators.

An insight into marketing systems offers the hope of drawing these disparate studies into a coherent framework where knowledge is cumulative rather than episodic. Just as important, or from our point of view perhaps more so, is to bring the rich insights into decision making and choice outcomes gained from many years of research into managerial marketing and consumer studies into an overall consistent framework. The Yuendumu examples were chosen to suggest that there are significant commonalities with the marketing systems of advanced Western economies and that there is the real possibility of an overall framework of theory and practice. If this is to occur, continuing research into marketing systems is essential. Some important questions are set out below in Table 3.

The concept of a marketing system advocated here implies that some systemic attributes are to be found wherever marketing systems exist. And so, answers to many of the questions noted above may have implications for the design and operation of marketing systems in widely different institutional and technological settings. In particular, a deeper understanding of the challenges involved in the evolution of multilevel marketing systems may help us to contribute distinctive insights to the policy/design problems that lie at the heart of many of the crises afflicting developing and developed countries – crises in food, fuel, health and finance, the problems associated with sustainability, and the very real need to design marketing systems that could deliver outcomes ensuring distributive justice in human communities (Shultz et al. 2005).
Are these legitimate concerns for marketing? For marketing as a management science the concerns are real, but difficult or even impossible to address from a micro perspective. For marketing as a provisioning technology (Fisk 1986) the concerns are also real, but the answers provided are little known in the marketing literature and largely disconnected from the marketing as management science world. For marketing as a social discipline, focussed on the study of marketing systems, from both a micro and a macro perspective, and drawing on a developing set of insights into the micro-macro interface, the concerns are real and to an increasing extent resolvable. If so, then developing a theory of marketing systems may be an essential step to widening and deepening the scope of marketing thought, offering new horizons for our discipline.

References


Understanding multi-relational considerations is essential to a more comprehensive view of enforcement decisions in B2B marketing systems. This paper presents a conceptual model of social capital-related influences on contractual enforcement. The model’s propositions concern how contract enforcement by an agent (seller) is influenced by an industry network via different facets of social capital (SC) and by moderating variables. The facets of SC include expected reciprocity, network sanctions, and social maintenance. The moderating variables are principal centrality, level of contract intelligibility, and extent of breach severity.

Introduction

Legal contracts are a key component of B2B relationships between agents (selling firms) and principals (buying firms). There is useful research on the drafting (Wuyts and Geyskens 2005), communicative properties (Roxenhall and Ghauri 2004), performance impact (Rosett 1974; Cannon, Achrol, and Gundlach 2000; Luo 2002; Brown and Potoski 2003), and enforcement of contracts (Fehr and Kirchsteiger 1997; Antia and Frazier 2001; Wu and Roe 2007). However, most of the enforcement literature focuses on the dyadic relationship between the parties involved in the contract. Little work examines the multi-relational dynamics in which contracts are embedded. Arguably, written contracts and their enforcement cannot be understood in a discrete, detached manner. The symbolic properties and embedded nature of B2B contracts require a more holistic rather than dyadic view of contract enforcement. Multi-relational considerations, such as the reactions from agents’ and principals’ network of intra-industry peers, are likely to have a bearing on enforcement. Therefore, we need a broader view of the multi-relational dynamics in which contracts are embedded and the antecedents and moderators of contract enforcement in B2B relationships. Social capital (SC) offers a useful conceptual basis for these purposes.

Layton and Grossbart (2006) note the relative lack of research on the workings of marketing systems in the macromarketing literature. This gap may partially explain why macromarketing scholars devote little attention to contractual enforcement. As the following discussion directly and indirectly suggests, contractual enforcement appears to be linked to key factors in the workings of marketing systems that Layton and Grossbart highlight. For example, contractual enforcement relates to relationships and interdependencies among participants and institutions in marketing systems (i.e., to firms in a system and to formal and informal rules and norms that apply to their relationships and interactions [Arndt 1981]). It also relates to other facets of marketing systems’ environments. These facets include governance, enforcement of
rules, behavior patterns, formal and informal incentives, intangible resources (including SC and, arguably, firms’ reputations), and firms’ (and their representatives’) motivations, goals, and views about how the system operates. Contractual enforcement is also related to components and attributes of a marketing system, including contractual relationships between firms, risk, trade-offs between cooperation and competition, tensions between cohesive and conflicting features of nodal relationships and linkages, and firms’ adaptations to the system’s components, attributes, and environment. In addition, the outcomes of contractual enforcement are related to the allocation of financial resources and, perhaps less obviously, to the influence and accumulation of SC.

Our focus in here is on contractual enforcement an industry network in which agent-firms and principal-firms are members. For example, in rail transportation, such an industry network includes both railroad firms and shippers. These networks may be commodity-based (e.g., the Lumber Association of California and Nevada includes both railroads and lumber companies) or geographically-based and include both railroad firms and shippers of all types of commodities (e.g., SWARS, the Southwest Association of Rail Shippers). That is, the industry network to which we refer is an informal network of sellers and buyers within an industry. It differs from formal contractually-based industry networks, e.g., networks of franchisors and franchisees or networks of firms in strategic alliances with formal contractual agreements for research and development, resource acquisition, etc.

We seek to make several contributions to marketing knowledge. We draw from research on contract enforcement and governance in law, economics, sociology, and marketing to explain how consummatory and instrumental motives that underlie SC affect the extent of B2B contract enforcement. In particular, we refer to expected reciprocity, sanctions, and norms in this connection. Extant literature typically blends these considerations, which makes it difficult to appreciate their separate bearings on enforcement. In contrast, we seek to parse out these components and examine their likely direct and moderated affects on contractual enforcement. In addition, we examine SC in contractual enforcement from the agent-firm’s perspective. To date, research on contractual enforcement that considers network factors primarily stresses the principal firm’s perspective. Such work provides some insights, but more focus on the agent firm seems warranted since flexibility in enforcement is apt to be more prevalent for agents than principals. Finally, we highlight the relevance of SC on a firm-level. In sociology and marketing, the concept of SC often or primarily refers to individuals in and outside of organizations. In contrast, we examine group SC concepts, give examples of firms’ use of SC, and offer propositions about how firm-level SC impacts contract enforcement.

The paper is organized into four sections. First, it examines historical and current views of contractual governance and enforcement. Second, it reviews notions about SC in and of organizations and extends them into a consideration of firm-level SC. Third, it presents a proposed model of contractual enforcement. The model’s propositions concern how contract enforcement by an agent is influenced by an industry network via different facets of SC and by moderating variables. The facets of SC include expected reciprocity, network sanctions, and social maintenance. The moderating variables are principal centrality, level of contract intelligibility, and extent of breach severity. Finally, it discusses the paper’s theoretical contributions and future research that may enrich the conceptualization in the proposed model.
Contractual Governance

Governance is essential for the efficient alignment of entities with divergent, self-interested goals and objectives. It is “the means by which to infuse order, thereby to mitigate conflict and realize mutual gain” and (Williamson 1995, p. 7). Several types of governance exist in B2B relationships in addition to classical contractual governance, including neoclassical contractual, relational, and network forms. Plural governance, an amalgamation of two or more types of governance, blends different forms together to yield an optimal form.

The historical paradigm of contractual governance relates to classical contract law. Under this form of governance, formal always trumps informal, relationships of involved parties are irrelevant, and remedies are salient (Williamson 1979). Neoclassical contract theory extends this perspective by including dimensions of duration, uncertainty, and flexibility and suggesting that remedies are mostly a product of arbitration. As neither of these archetypes accurately reflected reality in the market, the concept of relational contracting was advanced. Upon further inquiry, it was discovered that decisions were being made that completely differed from the contract. The sales relationship, for example, was found to supersede contracts in many cases. Salespeople classified customer contract breaches as cancellations rather than as specific breaches (Macaulay 1963). This seemingly minor difference has a significant impact on enforcement, as agents are hesitant to invoke the ire of their principals by suing. The concept of plural form governance adds salience to the idea that governance mechanisms do not exist in a vacuum. It takes into account the relationship and interaction of multiple views of governance. In plural form governance “exchange is embedded in a matrix of economic, social, and political dimensions” (Cannon, Achrol and Gundlach 2000, p. 180). In essence, governance types interact according to a variety of contextual factors. The study of plural form governance provided by Cannon, Achrol, and Gundlach (2000) illustrates the interplay of cooperative norms and legal bonds and how they work together to enhance perceived performance. They find a significant direct correlation between cooperative norms and specificity of contract in the principal’s perception of performance. While these findings are of value to the marketing community, the questions used to measure cooperative norms are dyadic which presents a concern since they do not measure social norms as intended. Also, plural form governance focuses primarily on the synthesis of multiple forms of governance rather than the conflict that can exist between forms.

As contract application and enforcement are impacted by the networks in which they are embedded, our view of a legal contract must be dynamic. The legal definition of a contract is “a promise or set of promises for the breach of which the law gives a remedy, or the performance of which the law in some way recognizes as a duty” (Farnsworth et al. 2008, p. 1). The fundamental quality expressed is the role of the law in providing the remedy. This definition lacks the broad perspective needed to view contracts in relational or network archetypes and does not recognize that enforcement is often not applied through legal means.

Contracts are not simply technical, instrumental mechanisms with universally intended meanings and interpretations. In addition to their technical facets, contracts contain symbolic components. Features of contracts can transmit different signals to involved parties and others in an industry. For instance, standardized boilerplates can represent legalism, efficiency, or unilateralism; lengthiness can signal power or importance; item placement and language can
signal priorities, formality, etc. (Suchman 2003). Cognizance of such symbolic meanings is critical when considering contracts between members of an industry network.

Understanding the difference between the letter and the meaning of the contract is crucial to understanding the contexts in which contracts are created and enforced. Traditional theories used to explain inter-firm governance are incomplete representations of the actual effects occurring in the marketplace. Game theory contributes insights, but it is typically discussed in dyadic terms and implies too much short-term self-interest (Dufwenberg and Kirchsteiger 2004; Bohnet, Frey, and Huck 2006). There have been some attempts to extend game theory in governance to a network perspective. Games are generally not played in a completely private setting. Firms are observed by many other parties in addition to the direct party with whom they interact. As a result, players “act cooperatively in the short term because future partners use their current behavior to predict their future behavior” (Burt and Knez 2006, p. 232). Direct and indirect contacts have a significant effect on the outcome of the game. Agency theory has been found to possess similar shortcomings in that it is too myopic in its focus on the “self-interested human nature, dyadic principal-agent ties, and the use of formal controls” (Uzzi 1997, p. 37). Compared to limited viewpoints reflected in traditional and game theory explanations of contract meanings, inter-firm governance, network influences, and contractual enforcement, SC perspectives are broader in nature and more potentially useful.

Social Capital in and of Organizations

Portes (1998) suggests that SC refers to actors’ abilities to secure benefits due to membership in networks and social entities. The sources of SC are instrumental and consummatory motives (or expectations) of actors who provide or facilitate these benefits (Portes and Sensenbrenner 1993). Instrumental motives involve means-ends relationships. They lead actors to help others due to expected reciprocity or enforceable trust. Expected reciprocity is a benefit an actor can obtain that may come at a later time and need not be identical in form or from the person they aid (e.g., group approval). Enforceable trust is the confidence that repayment or satisfaction of terms is insured by the lack of options for social honor and economic opportunity outside the collectivity. The collectivity possesses the ability to confer unique awards on members, monitor their behaviors, and both publicize deviants’ identities and sanction them. Consummatory motives concern the expression and maintenance of values, commitments, and orientations that guide networks’ or other social entities’ affairs. They lead actors to help others due to value introjection or bounded solidarity. In value introjection, socialized and consensually established beliefs about norms or obligations are promoted for the benefit of the collective. Bounded solidarity refers to the actual or perceived shared membership, group identification, and cohesion due to a common situation or fate, sense of external opposition or prejudice, distinctive traits, inabilities to exit from the situation, and socially constructed collective identity. SC contributes to norm observance or social control in a network or social entity. Norm observance is reflected in members’ instrumental and consummatory motives and efforts to enforce rules, maintain discipline, and foster compliance.

SC considerations also appear to impact intra- and inter-organizational dynamics, which conforms with Coleman’s (1988) explanation of SC and how it may apply to corporate actors. For example, firms benefit from investments that foster their employees’ SC and result in a
richer pool and better match of candidates for open positions (Fernandez, Castilla, and Moore 2000). In addition, employees who fill structural holes and are boundary spanners are likely possess high levels of SC and garner economic rents due to their connections and perceived value to other organizations members (Blyler and Coff 2003). Moreover, SC affects subgroups and groups of organizations. For instance, a study of the French financial elite indicates that transactions are more apt to involve enforceable trust if they are members of the same subgroup, whereas they are more apt to involve reciprocity if they are members of different subgroups (Frank and Yasumoto 1998).

Arguably, such evidence cannot be explained by viewing organizational SC as a composite of individual members’ SC, organizational goal orientations, shared trust, and association (Leana and Van Buren 1999). Instead, we should recognize that, due to SC, a group may access resources that normally would not be available to its members as individuals (Oh, Labianca, and Chung 2006). This is the case because an organization’s SC encompasses its internal components and its external linkages (Adler and Kwon 2002). As Leenders and Gabbay (1999) note, an organization’s SC is a distinctly collective property that may be mediated by individuals, but it is uniquely organizational. Thus, our discussion in this paper reflects the view that, while individuals are involved, organizations may create, accrue, and use SC.

Figure 1. A Conceptual Model of Social Capital-Related Influences on Contractual Enforcement in an Industry Network

[Diagram of the model with labeled nodes and arrows indicating positive (+) and negative (-) relationships.]

Expected reciprocity motives

Network sanctions motives

Social maintenance motives

Principal centrality

Level of intelligibility

Level of enforcement

Extent of breach severity

Expected reciprocity motives

Network sanctions motives

Social maintenance motives

Principal centrality

Level of intelligibility

Level of enforcement

Extent of breach severity

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A Conceptual Model of Social Capital-Related Influences on Contractual Enforcement in an Industry Network

The model in Figure 1 concerns an agent-firm and a principal-firm, which has contracted to buy the agent-firm’s products and/or services. The dependent variable is the level of contractual enforcement by the agent-firm when the principal-firm fails to meet the contract terms (e.g., about timing and volume of purchases). Typically, contracts specify the financial penalty that a principal-firm must pay for a contract breach. Legal and marketing scholars often depict contractual enforcement in dichotomous terms, to indicate that a contract is or is not enforced. Yet, it is not unusual for an agent-firm to not fully enforce a breach and to allow a principal-firm to pay less than full amount stipulated in the contract. Antia and Frazier (2001) recognize this reality in their work on contract enforcement by a principal. We use a similar perspective in this model. Level of enforcement is the percentage of the stipulated financial penalty that an agent-firm requires the principal-firm to pay for not meeting the terms of the contract.

The independent variables are motives (expectations) that relate to the industry network in which the agent-firm and principal-firm are members. For example, in rail transportation, both railroad firms and shippers are members of networks that are commodity-based (e.g., the Lumber Association of California and Nevada includes both railroads and lumber companies) or geographically-based and include both railroad firms and shippers of all types of commodities (e.g., SWARS, the Southwest Association of Rail Shippers).

In particular, the independent variables are the agent-firm’s general motives regarding expected reciprocity, network sanctions, and social maintenance. They reflect previously noted insights about the nature, operation, and effects of SC. Expected reciprocity motives lead a firm to assist another member-firm due to benefits that it may receive from other member-firms in the industry network (and not necessarily from the same actor who was originally helped; Portes and Sensenbrenner 1993). Thus, it differs from a dyadic notion of reciprocity that involves the idea that people should help, and not injure, those who help them (Gouldner 1960). Network sanctions motives lead a firm to avoid penalties and ostracism that it may receive from the industry network for not aiding or treating another member-firm in a positive manner. Social maintenance motives involve consummatory expectations (value introjection and bounded solidarity) that relate to the welfare of the industry network as a whole. They lead a firm to deal another member-firm in accordance with the industry network’s norms and rules to help the network to continue to operate in an effective manner.

The proposed model deals with how agent-firms’ enforcement levels are likely to be influenced by these three general SC-related motives and how such influences are apt to be moderated by situational factors. Our concern here is not with how agent-firms may differ in their general views about expected reciprocity, network sanctions, and social maintenance. Likewise, our focus is not on possible antecedents that may underlie such differences (e.g. agent-firms’ histories and characters). These important issues are beyond the scope of this paper.

The model’s moderating variables are principal centrality, level of contract intelligibility, and extent of breach severity. Principal-firms’ centrality differs, due to their size, status,
connections, etc. “[C]entrality makes an organization crucial to the resource acquisition of other agencies” (Benson 1975, p. 233). Therefore, firms with more centrality wield more influence than other firms within a network. Arguably, the conception of principal centrality that is most relevant to contract enforcement by an agent is based on the agent’s perception of the principal rather than measures of a principal’s number of contacts (Swaminathan and Moorman 2009) or the density of such contacts (Van den Bulte, Lievens et al. 2004). Level of contract intelligibility is the degree to which a contract’s contents are apt to be understood by signatories, due to factors such as standardization and verbosity. Extent of breach severity is to the degree to which a principal-firm’s breach negatively impacts the agent-firm’s business.

**Propositions**

Expected reciprocity motives lead a firm to assist another member-firm due to benefits that it may receive from the industry network. Despite competition, expected reciprocity seems to be an important element in B2B networks. Arguably, while referred to as roundabout reciprocal arrangements, the concept was applied in legal matters at least as early as 1970 in the U.S. vs. E.I. DuPont de Nemours and Co case. DuPont was tried for attempting to increase sales of explosives by using their relationship with General Motors to influence the publishing company that carried GM advertisements, to influence the company that supplied their printing paper, to influence the coal company for whom the printing company was a customer to buy explosives from DuPont (Moyer 1970). This complex web of ties is an example of how expected reciprocity may extend beyond only firm-to-firm dealings.

Enhanced reputation is likely to be an expected reciprocity issue. For example, a firm may weigh the amount of stipulated damages from a contract breach less litigation costs against the potential benefits of enhancing its reputation in the industry by not fully enforcing a breach (MacLeod 2007). That is, an instrumental basis for an agent-firm’s apparent benevolence in enforcement may be a view that its actions will reap added benefits in future interactions with other member-firms in the network, e.g., new customers, more sales from existing customers, etc. These and other possible benefits are incentives for an agent-firm to less than fully enforce a breach. This reasoning is consistent with the following proposition.

\[ P_1: \text{The magnitudes of agent-firms’ expected reciprocity motives are negatively related to the extent to which they enforce contract breaches by principal-firms.} \]

Potential network sanctions may also impact the level of contractual enforcement. For example, as noted in other contexts, “sellers who do not satisfy their customers become the subject of discussion in the gossip exchanged by purchasing agents and salesmen, at meetings of purchasing agent’s associations and trade associations, or even at country clubs or social gatherings” (Macaulay 1963, p. 64). An implication of this observation is that network sanctions can emerge as a result of dealings between an agent and principal. The resulting ostracism can have substantial adverse consequences for an agent-firm. Network sanctions may safeguard exchanges, since members fear group reprisals if they violate the network’s norms, values, and goals (Jones, Hesterly, and Borgatti 1997). The possibility of network sanctions may deter sellers from enforcing contracts if they think the network may have a negative view of their actions and discipline them in some way (Noorderhaven 1992).
\[ P_2: \text{The magnitudes of agent-firms’ network sanctions motives are negatively related to the extent to which they enforce contract breaches by principal-firms.} \]

The effects of network sanctions are not merely the converse of the benefits of expected reciprocity. Expected reciprocity is a potential incentive to a seller due to the possibility that it may generate incremental business from new and existing sources. Networks sanctions imply the possibility of loss of existing business. As prospect theory indicates, “losses loom larger than gains” (Kahneman and Tversky 1979, p. 279). Since loss of existing business is apt to be markedly less palatable for selling firms, it is likely that agent-firms’ enforcement tendencies are affected more by anticipated network sanctions than by expectations about reciprocity from the network.

\[ P_3: \text{Agent-firms’ network sanctions motives have more influence on the extent to which they enforce contract breaches by principal-firms than their expected reciprocity motives}. \]

Firms’ understanding and observance of rituals and norms can be critical to their success (Deal and Kennedy 2000). Such norms operate on varied levels and dimensions, so that inter-firm norms may relate to particular types of behavior (Heide and John 1992) and, arguably, to particular pairs of firms. An industry network as a whole also often benefits from member-firms’ observance of the industry’s norms and rules. As a result, for consummatory (value introjection and bounded solidarity) and social maintenance reasons, member-firms may try to solidify the norms from which they and other firms in their industry network benefit. For example, agent-firms may support norms in matters involving contractual agreements and want other firms to do the same, to promote the welfare and effective operation of the industry network. Thus, agent-firm’s social maintenance motives may lead them to more fully enforce contract breaches by principal-firms. This logic is compatible with the following proposition.

\[ P_4: \text{The magnitudes of agent-firms’ social maintenance motives are positively related to the extent to which they enforce contract breaches by principal-firms.} \]

Our focus in this paper differs from extant marketing research in that it parses out consummatory (social maintenance) from instrumental (expected reciprocity and network sanctions) influences on contractual enforcement. Prior work on contracts and governance blends consummatory and instrumental considerations (cf. Noorderhaven 1992; Gundlach and Achrol 1993; Cannon, Achrol, and Gundlach 2000). For instance, it views influential factors “…. as a multidimensional phenomenon that consists of different behaviors pertaining to the expectations of mutuality of interest, essentially prescribing stewardship behavior” (Gençtürk and Aulakh 2007, p. 97). In contrast, our perspective is that while motives about value introjection, group solidarity, and cohesion affect enforcement levels, their influence is weaker than the instrumental influences of expected reciprocity motives and network sanctions motives. Our view is that despite agent-firms’ possible interest in the good-of-the-whole network, they are likely to have instrumental rather than consummatory biases due to their bottom-line and profitability orientations. This logic is consistent with the following proposition.
P5: Agent-firms’ social maintenance motives have less influence on the extent to which they enforce contract breaches by principal-firms than

P5a: their expected reciprocity motives and
P5b: their network sanctions motives.

Moderators

Research suggests that agent-firms’ network centrality is inversely related to contractual enforcement by principal-firms (Antia and Frazier 2001). Principal-firms are more reluctant to alienate more central agent-firms than less central agent-firms. Compared to less central agent-firms, agent-firms that are more central are apt to be more well-connected, more influential, and able to give negative reports to more contacts in the industry. As a result, principal-firms’ transaction costs are apt to rise more if they enforce contracts with agent-firms with more versus less centrality. Thus, principal-firms do not always have more power than agent-firms in these relationships. Agent-firms can hold more power than principal-firms when market conditions are favorable, e.g. there are few sellers, many buyers, and low-importance items (Cowley 1988).

We apply this logic to our model. However, our focus is on the impact of principal-firms’ centrality on the extent of enforcement by agent-firms rather than the converse relationship mentioned above. While the idea of the agent-firm coming to the principal-firm on bended knee does not always hold, agent-firms are generally expected to cultivate ties and be responsive to principal-firms. Even if principal-firms are not as dominant as Wal-Mart (Bloom and Perry 2001), their power in these relationships usually is not negligible. Some factors increase principal-firms’ relative power, such as the option to select from among alternative agent-firms when they buy products and services. Centrality also elevates principal-firms’ power.

Compared to less central principal-firms, principal-firms that are more central are apt to be more well-connected, more influential, and able to give reports to more member-firms in the industry network about what happened when their firm breached contract terms with an agent-firm. These differences in connectedness, influence, and ability to communicate with other member-firms are likely to moderate the previously noted effects of SC-related motives on agent-firms’ enforcement of contractual breaches by principal-firms. It seems logical that the effects will be more pronounced when the principal-firm is more central to the industry network and less pronounced when the principal-firm is less central to the industry network. This reasoning is consistent with the following propositions.

P6a: The dissuasive influences of agent-firms’ expected reciprocity motives on agent-firms’ enforcement levels are greater when the principal-firms have more centrality than when the principal-firms have less centrality.

P6b: The dissuasive influences of agent-firms’ network sanctions motives on agent-firms’ enforcement levels are greater when the principal-firms have more centrality than when the principal-firms have less centrality.

P6c: The positive influences of agent-firms’ social maintenance motives on agent-firms’ enforcement levels are greater when the principal-firms have more centrality than when the principal-firms have less centrality.
The legal literature recognizes that a contract’s intelligibility affects views about the equity of contract enforcement. It also notes that standardization and verbosity influence intelligibility. In many industries, standardization in contracts is needed due to the prohibitive costs of writing customized contracts for each agreement (Goodchild, Herring, and Melosevic 2000). Thus, it is necessary for selling firms to have at least some standardization in their contracts. Its extent ranges from inclusion of a few standard clauses to an essentially fixed form with a few minor modifications. Contracts may be customized to suit the situation, but include a standardized component known as a boilerplate. A boilerplate is “slang for provisions in a contract, form or legal pleading which are apparently routine and often preprinted” (Hill and Hill 2009).

Boilerplates and level of standardization affect views about the equity of contract enforcement. Legal scholars note the dubious nature of boilerplates and report that most parties signing contracts with boilerplates do not read them (Macaulay 1963; Gilo, Porat, and Aviv 2005). As a result, contracts enforced on the basis of a boilerplate violation are less apt to be successfully litigated (Gilo, Porat, and Aviv 2005). Thus, member-firms in an industry network are apt to take a more positive view of an agent-firm’s enforcement actions when a contract seems clearer and more intelligible due to lack of standardization and boilerplate. In contrast, they are likely to have a less positive view of such enforcement actions when a contract is more standardized and, arguably, less intelligible.

Typically, contract verbosity reduces intelligibility. Contracts in the US are long relative to those in other nations. The average length of US purchasing contracts is 3,800 words, of which only 550 refer to terms of business (Lundmark 2001). Over 3,000 words are devoted to definitions and boilerplate language. As a result, the verbosity of contracts is likely to affect views about the justification for and equity in enforcing them. Member-firms in an industry network are apt to take a more positive view of an agent-firm’s enforcement actions when a contract seems more intelligible because it is less verbose. Conversely, they are apt to have a less positive view of enforcement actions when a contract is more verbose and less intelligible.

Therefore, contract intelligibility is likely to moderate the impact SC-related motives on agent-firms’ enforcement of contract breaches by principal-firms. Agent-firms are apt to expect that member-firms in an industry network will regard enforcement of breaches as more acceptable when contracts are more intelligible than when they are less intelligible. Thus, an agent-firm’s motives regarding reciprocity and sanctions from member-firms in the industry network are likely to have a greater bearing on the agent-firm’s level of enforcement when contracts are less intelligible than when they are more intelligible.

\[ P_{7a}: \text{The dissuasive influences of agent-firms’ expected reciprocity motives on agent-firms’ enforcement levels are greater when contracts are less intelligible than when contracts are more intelligible.} \]

\[ P_{7b}: \text{The dissuasive influences of agent-firms’ network sanctions motives on agent-firms’ enforcement levels are greater when contracts are less intelligible than when contracts are more intelligible.} \]
In addition, an agent-firm’s social maintenance motives are likely to have a greater bearing on its level of enforcement when contacts are more intelligible than when they are less intelligible. This is apt to occur because level of enforcement is a potential signal to the principal-firm that breached the contract and to other principal-firms in the industry network. It indicates the need to uphold contractual agreements and penalties for not doing so. The signal is likely to seem clearer and stronger when contacts are more intelligible and enforcement seems more justifiable than when the opposite is true. As a result, social maintenance motives are likely to play a larger role in level of enforcement when contracts are more versus less intelligible.

\[ P_7c: \text{The positive effects of social maintenance motives on agent-firms’ enforcement levels are greater when contracts are more intelligible than when contracts are less intelligible.} \]

Agent-firms’ contractual enforcement decisions are likely to be affected by the amount of injury from a breach which depends on the nature of the transaction. For instance, there may be less damage if the contract concerns sales of unspecialized items and the agent-firm can readily sell output intended for one buyer to other buyers (Williamson 1981, p. 555). Damage may also be lower if the market prices for such items are equal to or greater than the contract prices. However, the damage to the agent-firm may be greater if, among other things, the agreed contract price is higher than the market price, the contract pertains to specialized items that the agent-firm cannot sell to other buyers, and the agent-firm has incurred costs in advance to provide the items in question to the principal-firm.

The amount of injury to an agent-firm from a principal-firm’s breach is likely to change the effects of SC-related motives on the agent-firm’s level of enforcement. Matters of benefits and sanctions from the industry network are likely to be factored into all enforcement decisions. Still, as the severity of the breach increases, the dissuasive effects of expected reciprocity and network sanctions on the agent-firm’s level of enforcement are apt to decrease. Agent-firms are more likely to base their enforcement actions on motives regarding benefits and sanctions from the industry network when breaches are less severe, whereas such motives are not likely to be as influential when the damages from a breach are more substantial.

\[ P_{8a}: \text{The dissuasive influences of agent-firms’ expected reciprocity motives on agent-firms’ enforcement levels are greater when the contract breaches are less severe than when the contract breaches are more severe.} \]
\[ P_{8b}: \text{The dissuasive influences of agent-firms’ network sanctions motives on agent-firms’ enforcement levels are greater when the contract breaches are less severe than when the contract breaches are more severe.} \]

In contrast, the positive effects of social maintenance motives on the agent-firm’s level of enforcement are likely to increase as the severity of the breach increases. Social maintenance motives are apt to have more bearing on an agent-firm’s level of enforcement when breaches are more severe than when they are less severe. When agent-firms deal with more severe breaches, they are likely to be particularly sensitive to the need to respond in ways that influence the principal-firm that breached the contact and other principal-firms in the industry network to uphold their contractual agreements in the future. They are less apt to be as concerned about such
matters when the breaches are less severe. Moreover, agent-firms are more likely to regard their actions as strong signals to principal-firms in the industry network when more severe rather than minor damages are involved. Therefore, motives to maintain the network’s norms and limit the possibility of additional breaches in the future are likely to have a greater influence on an agent-firm’s enforcement actions when breaches are more rather than less severe.

\[ P_{sc}: The \text{positive effects of social maintenance motives on agent-firms’ enforcement levels are greater when the contract breaches are more severe than when the contract breaches are less severe.} \]

Discussion and Research Implications

This paper highlights the roles of SC-related motives in situations involving agent-firms’ enforcement of contract breaches by principal-firms. In doing so, it seeks to clarify the concept of firm-level SC and expand our insights about governance in B2B marketing systems. In addition, it parses out the instrumental and consummatory bases for SC, which is essential to understand multi-relational influences and how SC may operate and affect firms in an industry network. On a more specific level, it focuses on expectations that relate to particular consummatory (value introjection and bounded solidarity) and instrumental (expected reciprocity and enforceable trust) bases of SC. This more detailed treatment helps to distinguish different SC-related expectations that may underlie enforcement decisions and the synergies and tensions among them. In the process, it adds depth to the contract enforcement literature by analyzing the perspective of the agent-firm. This contrasts with the more typical, principal-focused literature on enforcement. These considerations and the moderators in the proposed model (principal centrality, level of intelligibility, and extent of breach severity) underscore the need for scholars to consider social, legal, symbolic, and economic elements of enforcement and governance in marketing systems.

The conceptualization in the proposed model may be enriched in a number of ways. It may be useful to include other relational elements in the model besides SC-related and network factors. For example, interpersonal and dyadic matters may affect enforcement, such as relationships between persons who represent the agent- and principal-firms and their firms’ short- and long-term history of commercial transactions (Antia and Frazier 2001). Level of enforcement may also be influenced by the strength of ties (Granovetter 1973, 1983), trust (Geyskens, Steenkamp, and Kumar 1998), and trust and commitment (Morgan and Hunt 1994) between agent-firms and principal-firms. In addition, it may be impacted by agent-firms’ relationship marketing orientations and efforts (Gronroos 1995; Gummesson 2002). Moreover, transparency issues may be examined. The model implicitly assumes that other network member-firms observe or can be made aware of the contract terms and agent-firm’s actions toward the principal-firm. It may be useful to investigate two issues in this regard. First, confidentiality clauses in B2B contracts may prohibit principal-firms from disclosing contact terms and enforcement actions to other firms in the network. Second, principal-firms’ informal communication with other firms in the network may evade or subvert this formal limitation.

It may also be beneficial to explore the phenomenon of creative enforcement of breached contracts from both the agent-firm’s and principal-firm’s perspectives. This seems to be a
neglected research topic. Agent-firms may choose to enforce contract breaches by principal-firms in an indirect rather than direct manner. For example, they may leverage their positions as the injured parties in contract, by securing incremental business or pricing as an exchange for a breach. For instance, an agent-firm may agree to forgo the prescribed damages in a contract in exchange for an increase in its market share of business with that principal-firm. Therefore, it may be revealing to investigate two types of level of enforcement: level of enforcement of restitution as stated in the contract and level of enforcement through creative measures.

The value of what the agent-firm obtains from enforcement through creative measures may be less than, equal to, or more than the value specified in the contract in the event of a breach. For instance, a principal-firm may agree to grant an agent-firm ten million dollars in future incremental business in exchange for non-enforcement of a contract with prescribed damages of two million dollars. If the agent-firm anticipates a five million dollars profit from the added business, the benefit from such creative enforcement may exceed the amount of restitution prescribed by the contract. Moreover, the creative measure may also be beneficial to the principal-firm if the added expenditures from the change in vendors (due to differences in the price of the purchased items or services, transaction and logistic costs, etc.) are minimal or less than the damages specified in the contract. The managers who operate the business unit of the principal-firm that breached the contract may also look favorably on such a creative enforcement measure. They also may benefit internally within their organization, since, a two million dollar cash outlay (the amount stipulated in the contract for a breach) is likely to draw the negative attention of top management while a minor change in sourcing cost may be unnoticed. In such cases, creative enforcement may lead to a win-win rather than a zero-sum result. Research on these and the previously noted issues will expand our knowledge about contract enforcement, governance, and the workings of B2B marketing systems.

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Willingness to Pay and Socially Conscious Consumerism

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Social issues and concerns such as sustainability, the natural environment and corporate social responsibility are currently at the forefront of academic research and management thinking. As such, the study of consumer behaviour in the context of these issues has become increasingly essential. This paper focuses on the influence of the Dominant Social Paradigm on the research methods used to study socially conscious consumerism. Specifically, the limitations of the willingness-to-pay approach for this context are argued and qualitative research to support this line of reasoning is presented. Future research considerations for the study of socially conscious consumerism are presented, including the consideration of consumer assumptions and expectations, as informed by the DSP, as well as the importance of environmental attitudes, confidence and product type.

Introduction

Marketers are increasingly being caught in an ecology/market choice debate that is affecting the way many goods and services are being marketed (Cotte and Trudel 2009). Consumers are a key part of this debate, and their willingness to reward firms for positive social actions with price premiums or increased purchases has been studied frequently in marketing, environmental, and economics literatures. Consumers’ willingness to pay an ethical premium has been examined by both industry and academics. However, this measure of behavioural intentions fails to include a consideration of the role that the Dominant Social Paradigm (DSP) plays in forming and reinforcing consumer’s actions. This paper will discuss the influence of the DSP on the study of socially conscious consumerism and will argue that the overreliance on the willingness-to-pay construct has often overlooked the larger context in which socially conscious consumerism exists. The paper will present qualitative research that demonstrates the need to consider more than cost/benefit analyses. In particular, the role of the DSP in forming consumer assumptions and expectations and the importance of environmental attitudes, confidence, and product type in consumer purchase decisions.

Theoretical Background

Sustainability and Corporate Social Responsibility

In the wake of recent ethical scandals and an ever flattening world (Friedman 2006) firms are facing greater competitive pressures and demands from a wider range of stakeholders. In addition to remaining profitable, firms are expected to exhibit ethical behaviour and moral management (Lantos 2001). Mainstream media and academics alike recognize that businesses have the potential to make positive contributions to social goals and aspirations and the
expectation that firms demonstrate ‘corporate social responsibility’ (CSR) is growing (Carroll 2000; Jones et al. 2006). As the intermediary between the firm and the consumer, marketers “have a primary interest in, and should take a major role in, defining and implementing their firm’s corporate social responsibility efforts” (Lantos 2001, 595). CSR has been linked to a number of positive outcomes, including: differentiation from competition (Fombrun and Shanley 1990); creating an emotional bond between firms and consumers (Sen and Bhattacharya 2001); engendering employee commitment (Peterson 2004); favourable publicity/countering negative publicity (Vanhamme and Grobben 2009); and, building corporate reputation and brand loyalty (Marin, Ruiz and Rubio 2009). Each of these outcomes may positively impact corporate financial performance (Orlitzky, Schmidt and Rynes 2003).

There is a fundamental premise that sustainable practices represent the maintenance of a persistent system (Costanza and Patten 1995). Corporate practices are thought to strive for long-term viability in three areas: environmental ( ecological), social (ethical), and financial (economic) dimensions of business practice (Bridges and Wilhelm 2008; DesJardins 2007). These three components have been called the triple bottom line (Elkington 1997), as it expands the traditional financially focused accountability to include social and ecological dimensions. While sustainable practices do not view profit as the sole motive, this is not antithetical to business success; instead, they require a fundamental shift from a focus on immediate unfettered growth (the aim to get big) towards longer-term development (the aim to get better) (Daly 1996).

With the increasing societal interest in sustainability, and the growth in corporate social responsibility initiatives, in the past decade academics have exhibited a renewed interest in socially conscious consumerism. Even though this topic has seen over forty years of research, the work is scattered across a wide range of disciplines, and there is little consistency in the terminology and definitions used. Terms such as socially responsible consumers (Antil 1984); green consumers (Peattie 2001); environmental consumers (Kashmanian 1991); and, pro-social consumers (Osterhus 1997) have been used to address consumer behaviours in socially charged contexts. This paper seeks to maintain some consistency in the research domain, and thus follows the lead of the Network for Sustainable Business, as authored by Cotte and Trudel (2009) in using the term “socially conscious consumerism,” originally coined by Anderson and Cunningham (1972). Our belief is that this term focuses on the implications of and for consumers, and can incorporate various areas of social concern, including the environment.

**The Dominant Social Paradigm and Willingness to Pay**

The dominant social paradigm (DSP) has been defined as “the values, metaphysical beliefs, institutions, habits, etc. that collectively provide the social lenses through which individuals and groups interpret their social world” (Milbrath 1984, 7). It is described as a social construction that is so widely held that people are only vaguely aware of its underlying logic and the direction it gives to our behaviours (Perlmutter and Trist 1986). However, the paradigm is not dominant as a result of being held by a majority of individuals, but rather because dominant social classes use the DSP to perpetuate the status quo (Cotgrove 1982). Therefore, the DSP represents a commonly held ideology that drives cultural decisions and practices. The current DSP, for much of the Western World, is predicated upon the existence of free markets in which individuals exercise their preferences for goods, and our society is motivated primarily by self-interest and economic growth (Kilbourne, McDonagh and Prothero 1997). The dominant social
paradigm has perpetrated the ‘tragedy of the commons’ where self-interest drives individual decision-making that is negative for society as a whole (Hardin 1968).

The DSP influences the way that firms, consumers, and academics interpret society, including the relationships we have with each other and with nature. Such influences are evident in the context of socially conscious consumerism, where there is a small but developing area of research that has examined the relationship between the DSP and the environment (Cotgrove 1982; Milbrath 1984). It is clear that a paradigm that is founded in short-term motivations will not engender sustainable practices and it has been demonstrated that those who hold attitudes consistent with the DSP are less concerned with environmental sustainability (Kilbourne, Beckmann and Thelen 2002). Moreover, there is also a negative relationship between the DSP and both environmental attitudes and willingness to change, an effect that serves to encourage environmentally negative actions that align with the DSP (Kilbourne 2002). These findings accordingly reveal that the DSP is an important influence to be considered in the context of socially conscious consumerism.

A second implication of the DSP is the significant role it plays in influencing the discipline of marketing. Traditional marketing seeks to maximize consumer welfare (consumption) as efficiently as possible, accepts continuous growth in consumption, and predicated the use of certain research methods (Kilbourne, McDonagh and Prothero 1997). This has been described as ‘economic reductionism’ whereby complex socio-political situations are reduced to technical problems through the assignment of monetary value (England and Bluestone 1972). Such reductionist methods conform to the DSP by suggesting that economic criteria ought to take precedence in decision-making. The willingness-to-pay (WTP) construct is one illustration of the influence of the DSP. In the context of marketing, willingness-to-pay has been described as the maximum amount of money a customer would be willing to spend for a product or service (Cameron and James 1987), often called the reservation price (Monroe 1990). WTP is increasingly used to elicit the economic value of goods in a variety of disciplines, including marketing (Laroche, Bergeron and Barbaro-Forleo 2001), tourism (Hudson and Ritchie 2001), and economics (Moon et al. 2002). The most common procedure for measuring WTP is the contingent valuation method, where individuals are presented with a real, or more often, hypothetical situation and asked for their maximum WTP for the good or service involved (Voelckner 2006). The theoretical foundation of the technique is based on the assumption that consumers will be willing to pay more for preferred goods.

WTP has been used frequently to gauge and understand socially conscious consumerism in the fields of marketing (Strahilevitz 1999), economics (Wiser 2007), environmental sustainability (Blaine et al. 2005), and tourism (Hudson and Ritchie 2001) to estimate the value to consumers of various products and services. Based on the theoretical basis of WTP, this line of research has thus assumed that those persons who hold a preference for socially conscious goods and services will therefore be willing to pay more for them. However, as sustainable practices are gaining mainstream visibility, consumers are beginning to wonder whether they should be made to pay more for these practices.

The long-standing assumption that consumers should and will pay more for socially conscious products is rooted in the dominant social paradigm. With a societal focus on consumerism and unlimited economic growth, the perception that ethical goods cost more is likely grounded in the separation of economics and nature (Kilbourne, McDonagh and Prothero
Ecosystem services have never been fully captured in commercial markets or consumer goods, where the dominant ethic treats nature as a commodity designed to be exploited by humans. Moreover, it is difficult to quantify these resources using anything more than economic reduction (Costanza et al. 1997). Traditional accounting methods, informed by the DSP, have failed to account for either the use of natural resources or the life cycles of products. Firms and consumers accordingly often view social consciousness as an ‘extra’ and therefore a perception has developed that we should expect to pay more for products and services that employ such considerations. A growing awareness among the public of the inadequate accountability of firms in the past, along with a developing interest and concern for our natural environment, now means that many of the reasons that firms were able to charge a premium for socially conscious products and services are no longer necessarily valid. In fact, socially conscious people may view such actions as mandatory and thus avoid certain products that neglect sustainable considerations rather than reward firms for sustainable practices. Research confirms this argument, showing that no direct association is often found between the price participants are willing to pay for ‘green’ product and the level of environmental concern (Xia 2009).

As WTP tends to diminish the environment to economic utility and assumes that socially consciousness consumer decisions are based strictly on a cost/benefit analysis, it does not capture the unique character of environmental problems (Kilbourne, McDonagh and Prothero 1997). Because of the multidimensional nature of socially conscious consumerism, and its subjectivity to conflicting interests and ideologies, traditional reductionist marketing measures cannot capture the complexity of the problems. The use of WTP as a behavioural intention thus means that the full context in which socially conscious consumerism operates is often not considered.

The primary objective of this research was to examine the context of socially conscious consumerism through a deeper sense of understanding than the WTP allows. The researchers sought to explore the thought processes of socially conscious consumers in order to gain insight into the multidimensional nature of the context. Specifically, we sought to identify factors beyond the cost/benefit analysis that are playing a role in participants’ consideration of sustainable product choices (or lack thereof) and subsequent purchase decisions.

**Data Collection and Interpretation**

In April 2009, interviews were conducted to explore the influence of sustainable marketing practices on large purchase decisions made by consumers. The specific context of this study was respondents who had purchased weeklong family vacations to a ski resort in the prior 6 months. The context was of particular interest, as ski resorts have recently struggled with negative media attention regarding their role in environmental degradation, and managers are particularly interested in understanding the effect such business practices have on their consumers. More than a decade ago Hudson (1996) argued that there could be an opportunity for ski resorts to gain a competitive advantage by positioning themselves as environmentally responsible, as customers will reward resorts with their business as a result of sustainable actions. Industry management does not seem to have bought into this argument however, as many resorts have demonstrated significant investment in sustainable practices (i.e., developing renewable power sources at Whistler Blackcomb) and yet remain cautious about leveraging such actions in marketing strategy. Further, little research on socially conscious consumerism has been conducted using large-scale purchase decisions in the tourism industry. This context offers a fruitful sample of consumers however, as research has demonstrated that 98% of skiers care...
about the natural environment, and of these, 77% let environmental aspects of a product influence their purchase decisions (Hudson and Ritchie 2001). In this purchase context, those who purchase family ski trips (2 adults and 2 children) will spend approximately $4,000 - $6,000 US for 7 nights and 6 days of skiing (Ski Canada 2010).

The research was oriented around two primary thematic objectives: first, to gain an understanding of the decision-making process consumers engage in when making large scale tourism travel decisions, and second, whether or not these decisions are influenced by sustainable business practices. These objectives and the nature of the question suggested that a grounded theory methodological approach would be most appropriate. The study was specifically formed around the following research question: ‘How can the resort choices of skiers and snowboarders be understood and explained, and what considerations/justifications are given with regards to the sustainable business practices of resorts?’

Data were collected through written narratives from three participants. Written responses permit participants to think about what they wish to share with the researcher (Speziale and Carpenter 2007). They also provide an opportunity to eliminate the time required for transcription. While written narratives have been criticized for lacking spontaneity, credibility, and authenticity, their growing popularity suggests the strategy has proved an effective means for collecting data (James and Busher 2006).

Participants were selected through purposive sampling (Bickman and Rog 2009). We selected participants who had recently returned from ski/snowboard holidays and showed positive attitudes towards social and environmental issues. The three participants were adults (two male, one female), who had recently spent a week on a family ski vacation. They all resided in Ontario, Canada. This area was targeted for the research, as it is a major ski vacation market for resorts in both Canada and the US. Participants were located through mutual acquaintances. It is assumed that the participants were willing to spend the time on the research as a result of the personal connection to the researchers, as well as an inherent interest in the sport of skiing and the notion of sustainability.

Participants were asked a series of structured questions via email related to their environmental/social behaviours, and the role that sustainable business practices play when they are deciding which resort to visit. The questions changed very slightly from the first to subsequent participants; reflecting the necessity of different information as concepts emerged and required further consideration. Interpretation of the data followed an iterative process of coding and analysis employing a grounded theory ‘constant comparison’ (Locke 2001). The findings were constantly compared to other data by assigning and comparing codes, which allowed concepts, themes, relationships, and eventually theory to emerge from the data. The data in this study were coded by microanalysis and assigned initial categories. Axial coding was used to relate these categories to respective subcategories, and selective coding was used to integrate and refine the theory. In the final stage categories were abstracted to transcend the descriptive data and discover theory that can be generalized within the given areas (Strauss and Corbin 1998). Overall, each of these processes ensured that the overall interpretation reflected persistent themes in the data.
Findings

Four main themes emerged from the data for developing a substantive level theory of the impact of sustainable practices on purchase choice. These include environmental/social attitudes, confidence, product type, and consumer assumptions. The theme of consumer assumptions represents the relevance of the dominant social paradigm in socially conscious consumer research, as consumers are being shaped by the dominant ideology. The other themes demonstrate the importance of moving beyond the reliance on willingness to pay as a behavioural intention, as each of these variables is demonstrated as influential in socially conscious consumerism. The following section focuses on using existing literature to support each of the themes.

Consumer Assumptions

Persons with positive environmental and social attitudes are not always influenced by sustainable practices in their product choice. They are more likely influenced by their own underlying assumptions and expectations. This concept is the central category relevant to the influence of sustainable practices on product choice. Participants in the research study had the expectation that resorts were meeting certain sustainability standards. This industry, as outlined earlier, is inherently dependent on the natural environment within which it operates, and for this reason participants assumed (wrongly) that reasonable standards were in place and adhered to in terms of industry impacts.

“There is an expectation that the resort owners/managers are bound by and comply with laws & regulations, and that these regs are appropriate and rigorous in protecting the environment. Perhaps this expectation is unfounded” (Participant 1).

One such opportunity to examine these assumptions and expectations is through the lens of Herzberg’s (Herzberg, Mausner and Snyderman 1959) two-factor theory, which differentiates between hygiene and motivating factors, originally developed in the study of workplace motivations. Hygiene factors are those things that are considered necessary, they do not add further value or satisfaction but if you remove them they dissatisfy. Motivating factors on the other hand are extras that add value and motivate a consumer, and if they are removed it won’t dissatisfy. The two factors are thus not on a continuum where as one increases the other diminishes, but rather are independent phenomena. The data in this study suggest that persons who have positive environmental attitudes may be considering sustainable practices to be a hygiene factor, something that resorts need to be doing, rather than as an ‘extra’ motivator to gain a competitive advantage. When asked whether an awareness of poor sustainability practices at a resort would affect their purchase decision participants revealed:

“If the resort was shamed enough or centred out in a legitimate, public and believable way we would shun it; nobody wants to be part of a pariah and people truly want to be part of a solution” (Participant 1).

“If I were aware of poor practices, I would be inclined not to go to that particular place” (Participant 2).

Such assumptions and expectations are certainly informed by the DSP. However, the current dominant social paradigm may not always be the prevailing force. The emergence of
global environmental problems as major policy issues in countries around the world symbolizes the growing awareness of the difficult relationship between modern industrial societies and the natural environment (Stern et al. 1992). This growing awareness has resulted in a re-evaluation of the underlying view of the world that up until now guided our relationship with the physical environment (Milbrath 1984). The suggestion that a more ecologically sound worldview is emerging in our society has gained particular credibility in recent decades (Dunlap and van Liere 1978; Olsen, Lodwick and Dunlap 1992). The New Ecological Paradigm (NEP) has been proposed as a measure of one’s degree of pro-environmental orientation (Dunlap et al. 2000). This new paradigm essentially represents the opposite spectrum from the DSP, with endorsement of NEP negatively related to endorsement of the DSP (Dunlap et al. 2000). Creyer and Ross (1997) suggest that the emerging shift towards an NEP orientation in society will have drastic implications for the relationship between firms and consumers, as consumers’ willingness to reward ethical behaviour and punish unethical behaviour is influenced by the importance placed on the ethicality of a firm’s behaviour and also by their expectations of how a firm should behave.

With this shift towards a new paradigm occurring, it is possible that consumers are beginning to view social consciousness by firms as a hygiene factor, rather than an ‘extra’ or motivator, and thus those firms that fail to engage in such practices will not meet the standard expectations set by consumers. Using Herzberg’s (Herzberg, Mausner and Snyderman 1959) two-factor theory therefore offers an opportunity to examine consumer assumptions and expectations through incorporating an understanding of a shift in the macro level construct of the DSP.

Environmental/Social Attitudes

According to Ajzen’s (1985) theory of planned behaviour, the causes of behavioural intention are related to a person’s attitude towards a specific behaviour (positive or negative). Research on social and environmental concern however has revealed a disconnect between the concern for such issues and actual behaviours (Wearing et al. 2002) which may occur because price, quality, convenience, and brand familiarity are still the most important decision criteria (Carrigan and Attalla 2001; Vermeir and Verbeke 2006; Weatherell, Tregear and Allinson 2003). Despite this, it is important to consider individual attitudes in the study of socially conscious consumerism. It is clear that the participants have positive attitudes towards environmental and social issues, and while these positive attitudes may often be translated into purchasing decisions this is not occurring when they choose a resort destination.

For instance, when asked what kinds of environmental/social actions they engage in at home, all three participants offered many examples that reveal pro-social tendencies, including: recycling, composting, purchasing low packaged material, using and promoting renewable energy (i.e. Bullfrog Power) and charitable work/giving. When asked what aspects they view as important when choosing a ski vacation, however, none of the participants included the sustainable practices of the resort on their list. When prompted with whether the environmental/social actions of a resort ever play a role in their decision-making, two participants admitted no, while one revealed, “yes but relatively farther down the priority list” (Participant 1).
While consumers are typically motivated by individual needs, socially conscious consumers also incorporate social values into their behaviours and are driven by the overall consideration of oneself, other people, and the natural environment (Lee and Holden 1999). The reality, however, is that even for people who are highly concerned about the environment, socially responsible motivation will often be superseded by more pragmatic concerns in the consumption context such as price, functional requirements, and product quality.

**Confidence**

Consumers need to feel that their actions are making a difference. It is difficult to see the impact that simple actions can have on larger environmental concerns. This notion has been developed in socially conscious consumer literature. ‘Perceived consumer effectiveness,’ is the extent to which a single consumer can have an impact (Kinnear, Taylor and Ahmed 1974) or similarly ‘confidence’ is the level of confidence an individual has that the action taken will make a difference (Peattie 2001). This concept emerged from the data as relevant in purchase choice, explicitly evident when one participant questioned whether their decision would ultimately have an impact due the large scale of social and environmental problems.

“perhaps it is matter of scale of the footprint – these operations have huge footprints on the land (resort buildings bolted into generally hard to get at locations, immediately surrounding lands, outdoor pools & hot tubs – in the winter no less, lift systems, snowmaking, cleared hills etc) so that anything a single individual can do will be a drop in the ocean and not change the mess that’s already there” (Participant 3).

This concept is crucial to behavioural change as people who feel they have the ability to influence environmental situations are more committed to pro-environmental behaviours (Hines et al. 1987), and consumers must feel that their decisions will make a difference (Cotte and Trudel 2009).

**Product Type**

The participants in this study demonstrated an existing tendency to engage in a range of positive social and environmental behaviours in their daily tasks and purchases. None, however, explicitly considered the practices of firms when making their large-scale purchase decisions. The general reasoning for this ‘gap’ between their attitudes and behaviours seemed to be reiterated in the reality that they were purchasing a holiday, a significant ‘extra’ in their life, and it therefore wasn’t relevant.

“we’re spending a lot of money to get here and do these snow sports so we don’t need to be concerned with this other stuff (like we’ve somehow done our part by paying big bucks), or, we’re on vacation and are absolved of being responsible for that period of time” (Participant 1).

Thus it appears that the participants abandoned their normal social and environmental concerns in this purchase context. This behaviour might be explained through the view of utilitarian versus hedonic product types. Some of the common motivations for engaging in tourism include the desire to escape from the everyday and to relax (Cohen and Taylor 1976; Crompton 1979), and participants used these elements to justify their lack of environmental and social responsibility in resort choice. It would seem that the context of tourism shows the
possibility of a hedonic consideration that becomes prominent when choosing a destination and during the holiday period.

Research that explores the extent to which the utility of the product can contribute to an understanding of how consumers interact with products in the social consumerism context has not yet been developed. Generally established in marketing, however, is that different types of products can evoke different affective states in consumers (Hirschman and Holbrook 1982). A particular distinction has been made between hedonic products and services that are pleasure-oriented in their consumption and motivated mainly by the desire for sensual pleasure, fantasy and fun, and utilitarian products or services, which are goal-oriented and motivated mainly by the desire to fill a basic need or accomplish a task (Strahilevitz 1999). In a similar social context, Strahilevitz (1999) examined the effects of product type on willingness to pay more for a charity linked brand and found a main effect for product type. Consumers assigned to hedonic products chose the charity-linked brand more often. Two possible explanations are suggested by Strahilevitz (1999), including that increased pleasure is derived from giving, and that consumers feel guilty from frivolous purchasing. This research demonstrates the opposite effect however, where in the context of hedonic products participants chose not to consider the social implications of their decision – seemingly explained by the fact that in a hedonic purchase situation they were absolved from the responsibility of such considerations. The utility of the product can thus be seen as an important area of research for socially conscious consumerism.

Conclusions and Future Research Directions

Far too often, researchers in the context of socially conscious consumerism have neglected to consider the macro level societal constructs and have instead assumed that ecological level problems can be studied from a micro marketing perspective (van Dam and Apeldoorn 1996). The vast majority of consumer research in the socially conscious consumer domain has neglected to consider the important role that the DSP plays in informing, influencing and enforcing research approaches and consumer decisions. The above research highlights one example of such neglect, how the use of WTP as a behavioural intention has meant that the full context in which socially conscious consumerism operates is often not considered. The findings support the need to consider how consumer assumptions, as informed by the DSP, are influencing purchase decisions. Further, the research exhibits a call for socially conscious consumer research to incorporate considerations of environmental attitudes, confidence, and the type of product.

The capability of the WTP construct, which is to assign monetary value, is simply too narrow of an approach to achieve the lofty goal for which researchers have been using it, to develop an understanding of socially conscious behaviours. WTP research has assumed that cost is the most important factor in socially conscious consumerism. However, there are many other variables that should be given consideration. A multi-dimensional approach is required if researchers want to move beyond willingness to pay and towards a greater understanding of what motivates behaviours. Kilbourne, McDonagh and Prothero (1997) support this perspective, arguing that the complexity of environmental issues warrant different methods. Future research that continues with a qualitative approach might seek to understand what aspects of this context are unique from traditional consumption experiences. Such characteristics as the level of involvement with social issues, the presence of guilt, and an individual’s sense of social responsibility could be explored further.
Recognizing its insufficiencies for understanding socially conscious consumerism, future research therefore needs to address the over-reliance in this domain on the construct of willingness-to-pay. This construct is valuable for designing optimal pricing policies and estimating demand for new products (Voelckner 2006), however, a stream of research has inappropriately used this construct as a dependent variable that attempts to place a monetary value on socially conscious products and services. To gauge the value of the social aspect in products and services, incorporating more conjoint analysis techniques into this research context may offer an alternative. Such a technique would, rather than rely on a specific ‘value,’ rank product attributes to determine where trade-offs are being made by consumers (Voelckner 2006). Such research could offer practical information to marketers on how consumers value social concerns relative to conventional considerations, and insight into what type of balance firms should try to achieve in their offerings. Traditional attributes such as price, quality, and functionality have been explored to some extent (Cotte and Trudel 2009) however opportunities exist to incorporate more product specific attributes. While practical methods like conjoint analysis may satisfy the needs of practitioners, academics have a greater responsibility to understand the processes that underlie the motivations of socially conscious consumerism, and therefore the further value of qualitative work as discussed above should be explored. A deeper understanding of the processes behind the motivations in this context will result in a greater ability to explain, predict, and influence consumer decision-making.

Finally, moving forward to a quantitative approach from the above qualitative work is the next stage for this specific line of research. While literature exists in the domain of socially conscious consumerism to support the importance of the themes of environmental attitudes and confidence, there is much to be developed with regards to consumer assumptions and product type. There is a strong need for quantitative work in this field that incorporates the role of the DSP in shaping and forming consumer assumptions and expectations, and thereby behaviours. Future work in this area might therefore examine the proposed paradigm shift towards the NEP direction, perhaps through needs theories as discussed earlier. To do so would require a much more thorough analysis of the process through which paradigms change and are formed than this paper has provided. Further, using the established marketing literature surrounding the concept of product type seems to offer a fruitful opportunity to examine a moderator to the hygiene/motivator framework (Herzberg, Mausner and Snyderman 1959), as consumer decisions are likely to alter with regards to the type of purchase being made.

References


Why We Value What We Own: Instrumental vs. Terminal Materialism

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American society has been criticized because of its materialistic values which have been linked to negative outcomes such as well-being. Because of these damaging effects of the materialistic lifestyle on society, changing these values may be desirable. The current research examines two different types of materialism: instrumental and terminal and the effects of each on different outcome constructs. Instrumental materialism was defined as the importance of material possessions as resources to accomplish tasks and terminal materialism was defined as the importance of material possessions in gaining status classification among others. Based on a national adult population, results revealed that while terminal materialism was negatively related to self-esteem, instrumental materialism was positively related to self-esteem. These findings suggest that valuing possessions for accomplishing tasks should be promoted in society while valuing possessions for status reasons should be devalued. Because forgoing material consumption completely is unlikely, promoting the right reasons for consuming may increase the quality of life for society.
The Personal and Social Influences of Charity Donations

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The critical research question pondered in this paper is whether donation intentions can be predicted by general attitudes toward giving or helping. Using findings from the literature review and several focus groups, the authors propose a conceptual framework of charity donation intentions and test it with data from a sample of 313 survey respondents. Partial least squares regression was used to estimate the model and results indicated that while general attitudes towards helping others are influenced by altruism and collectivism, it does not predict donation intentions to a specific charity organization. The authors conclude that donation intentions to a specific organization is organization- or context-bound and that global predictors, such as personal and social characteristics, may not be as helpful in explaining donation behavior. The authors also call for more research in this area.

Introduction

Much has been written on charity donation behavior (e.g. Bendapudi et al. 1996; Burnett and Wood 1988; Guy and Patton 1989; Herzlinger 1996; Sargeant 1999; Sargeant and Woodliffe 2007; Schlegelmilch et al. 1992) but the body of knowledge in this area is too fragmented to construct a comprehensive model that can explain charitable behavior. Since the Global Financial Crisis, many charities have reported an increase in demand for their services; yet the amount of donations has fallen dramatically. For example, the National Kidney Foundation in Singapore received $8.1 million less in donations in the 11 months from July 2008 to May 2009 compared to the same period last year (Tan and Sim 2009). In the midst of economic recovery, it is opportune for research in marketing to pay more attention to gaps in the literature in this area.

The literature is scattered across a range of disciplines including sociology, psychology, economics and marketing. However, there are relatively few empirical studies that have combined factors from across these disciplines in a single study of the determinants of donation behavior. Admittedly, there are many conceptual studies proposed by marketing authors including the seminal work of Burnett and Wood (1988), Bendapudi et al. (1996), Guy and Patton (1989) and Sargeant (1999). These authors have explicited the role of brand, the charitable organization’s image, promotional material, message vehicle, and other marketing variables in shaping donation behavior. The emphasis of empirical studies in marketing has thus far been on demographic, socioeconomic and psychographic factors that influence charitable giving and differentiate donors from non-donors (e.g. Harvey 1990; Schlegelmilch 1988) leaving other pertinent factors unexplored. As noted by Webb et al. (2000) “little research exists on how individuals of different cultures perceive donating to charity as a means for the better of society in which they live.” This study aims to extend the empirical findings in this area to include some factors overlooked in the marketing discipline such as collectivism and social capital.
Another aim of this study is to determine whether donation intentions can be predicted by general attitudes toward giving or helping. Webb et al. (2000) defined this construct as “global and relatively enduring evaluations with regard to helping or assisting other people”. Such a construct would be useful to charitable organizations in identifying and targeting potential donors. Is it possible to predict an individual’s donation intentions from general personality traits measured by constructs such as personal norms, altruism and social capital? Is there such a notion of an individual who is simply philanthropic regardless of the cause, charity, or event? Or are donation intentions mitigated by context-specific factors such as the image of the charitable organization, the individual’s mood and attention at the time of the request as well as the media context of the charitable appeal (Bendapudi et al. 1996)? Marketing managers can expect to utilise some of these findings in the areas of market segmentation, promotion and positioning.

**Literature Review and Conceptual Development**

Helping behavior has been researched in several forms: giving money, time, blood, organs, etc. Previous studies have also looked at actual behaviors and behavioral intentions. The scope of this study covers behavioral intentions (willingness to donate and intended donation amount) of donating money to a specific organization. The authors have included donors and non-donors to study their intentions in the future.

The task of explaining buyer behavior for a good or service is quite formidable let alone an unsolicited good such as charitable donations. The authors sought guidance from the existing literature, not limited to marketing, to determine these factors. Most studies have focused on the motivation to donate based on individual characteristics: differences in demographic, socioeconomic and psychographic factors (for a review, see Schlegelmilch et al. 1992). Findings on individual and social factors are useful; nonetheless, the picture is still incomplete.

Several studies in marketing have contributed to our understanding of the role of the charitable organization’s image (e.g. Ranganathan and Henley 2008; Webb et al. 2000) and the efficacy of the appeal message (e.g. Basil et al. 2006; Bennett 1998; Bozinoff and Ghingold 1983) on donation intentions. The findings are piecemeal and a comprehensive study that completes the picture is yet forthcoming. Authors such as Burnett and Wood (1988), Bendapudi et al. (1996) and Sargeant (1999) propose their respective conceptual models, incorporating a more comprehensive list of dimensions that might influence both behaviors and behavioral intentions relating to charitable donations. Alas, the dearth of literature since the explication of their models might imply that there are more dimensions than practicable for empirical testing. The current study does not attempt to provide support for all of the suggested dimensions; nonetheless the scope of this empirical study is wider than most others in recent years. This study will be investigating how donor behavioral intentions are influenced by the following factors: altruism, collectivism, social capital, attitudes toward helping others, attitudes toward the charitable organization, and financial constraints.

**Altruism**

Altruism describes the values and behaviors of an individual “motivated mainly out of a consideration for another’s needs rather than one’s own” (Piliavin and Charng 1990). According
to Smith (2006), there are four aspects of altruism: altruistic love, altruistic values, altruistic behaviors and empathy. This study is concerned with empathy because as Batson (1998) has noted “the most frequently proposed source of altruistic motivation has been an other-oriented emotional response congruent with the perceived welfare of another person – today usually called empathy.”

Empathy originated from the German term, *einfühlung*, and describes the situation where observers project themselves “into” the subject under observation, usually some physical object of beauty (Davis 1994). Although there are many definitions of empathy, this study will use Davis’ (1994) because it is the most comprehensive: empathy is broadly defined as a set of constructs having to do with the responses of one individual to the experiences of another. These constructs include the processes taking place within the observer and the affective and non-affective outcomes which results from those processes. Specifically this study is concerned with affective responses defined as emotional reactions experienced by an observer in response to the observed experiences of the object. Davis (1994) developed a seven-item scale that assesses the tendency to experience feelings of sympathy and compassion for unfortunate others (e.g. “I often have tender, concerned feelings for people less fortunate than me.”).

It is reasonable to predict that individuals who are empathic are more likely to help others or engage in behavior “acting with the goal of benefiting another” (Piliavin and Charng 1990). Smith (2006) used the Davis (1994) empathy scale in a study on the level, nature and associates of empathy in American society using a national sample of adult Americans. The scales were reliable, returning a Cronbach coefficient alpha of 0.75. Results showed empathy is only moderately, positively associated with altruistic behaviors including past donations to charity (i.e. actual behavior). Moreover, they are better predictors of helping behaviors involving those close to the helper rather than more "random acts of assistance" directed mostly towards those without ties to the helper. This study proposes that altruism, or more precisely, empathy, will have a positive effect on attitudes toward helping others.

*H1: Altruism/empathy is positively associated with attitudes toward helping others.*

**Collectivism**

Research on social capital might suggest that an individual’s norms on charitable giving may be influenced by his/her orientation towards a group or society. Okunade et al. (1994) noted that charitable contributions are viewed as payments in exchange for intangible personal rewards of self-esteem or group membership. Eckstein (2001) observed that in a community, it is groups rather than individuals that initiate, inspire, and oversee acts of generosity and those individuals participate in these acts because of their ties to the group. In most contexts, donations presume a sense of obligation and reciprocity, approval, interest, and a feeling of inclusion in society. The community culture of giving builds on commitment to family, kin and group. It is reasonable to surmise that someone who is collectivist or group-oriented may exhibit a greater inclination to give because of his/her perceived expectations of referent groups about helping other members (LaTour and Manrai 1989). Parboteeah et al. (2004) found that social collectivism is manifested in higher degrees of formal volunteering. Moorman and Blakely (1995) also provide additional
support for the relationship between collectivism and helping behavior. We propose in this study that:

\[ H2: \text{Collectivism is positively associated with attitudes toward helping others.} \]

**Social Capital**

Even though social capital is not a common construct in the marketing literature, authors in sociology have utilized it to represent the extent of ‘closeness’ of a community (e.g. Coleman 1988; Portes and Sensenbrenner 1993; Putnam 2000). Bourdieu (1983, p.248) defined social capital as the “aggregate of the actual or potential resources which are linked to possession of a durable network of more or less institutionalised relationships of mutual acquaintance and recognition”. In other words, the level of social capital in a particular group or community varies with the level of interconnectedness between its member individuals.

Studies have documented the ability of social capital to generate benevolent and cooperative behaviors. In his study of Italian villages, Banfield (1958) noted that villagers who were more engaged and had spent more time with one another were also more likely to cooperate in community projects and participate in the political process. Other studies have provided empirical evidence of the association between social capital and charity donations (Brown and Ferris 2007; Paxton 1999; Wang and Graddy 2008). Recent research by Wang and Graddy (2008) found that people who trust others more and those who feel connected to the community give more to charitable causes.

In the present study, we employ Putnam’s (2000) conceptualization of social capital. It features two dimensions of social capital civic engagement and trust in the community, both of which are pertinent to understanding an individual’s charitable disposition. A donor entrusts the recipient to utilize the donation funds to improve their well-being; accordingly, Paxton (1999) and Wang and Graddy (2008) found that interpersonal trust is positively associated with donation amounts. Civic engagement also helps explain charitable behaviors. Putnam (2000) reasons that an individual who is more involved with voluntary associations has more chances of being asked to donate to a charity organization. Volunteering may also be indicative of a belonging or connectedness to the community, which in turn, increases a volunteer’s charitable feelings for the community. The evidence substantiating this claim includes volunteerism/involvement in secular organizations and religious congregations (Brown and Ferris 2007; Hoge and Yang 1994; Wang and Graddy 2008).

Putnam (2000) and Uslander (2002) suggest that social capital promotes a sense of empathy, which in turn, promotes charitable attitudes and behaviors. Hence, we propose that a high level of social capital would give rise to a more favorable attitude towards helping others:

\[ H3: \text{Social capital is positively associated with attitudes towards helping others.} \]
Attitudes toward Helping Others (AHO)

The concept of social norms has been used to explain altruistic or helping behavior but Schwartz and Howard (1981) argue there are several problems with this. For example, in a given situation:

1. Different and even conflicting social norms may be relevant simultaneously
2. Individuals differ in which social norms they believe are relevant
3. Even if individuals agree which social norms are relevant, they will disagree which are more important than others

Essentially, social norm theories cannot account for specific situations because social norms are conceptualized in general terms. In other words, when faced with the decision to donate or not donate, the donor requires so much information about the cause, etc that the decision to help maybe based on situational influences rather than by social norms.

To overcome these problems, Schwartz and Howard (1981) proposed a normative decision making model of helping behavior that includes the concept of personal norms. Personal norms are “situated, self-based standards for specific behavior generated from internalized values during the process of behavioral decision making” (Schwartz and Howard 1981). Internalized values are social values that have become personal values. There are various theories which explain how social values become internalized but they share two common elements:

1. People will have different internal values as a result of different socialization experiences e.g. one person may donate blood because of peer pressure, another is motivated by internalized values while a third donates in response to perceived social norms but returns from a sense of internalized obligation.
2. Once internalized, a value is used as a standard to evaluate one’s own behavior as a basis for punishing or rewarding oneself i.e. self-reinforcement.

When an individual is faced with the choice to donate or not donate, they assess the consequences of their actions by applying the relevant set of internalized values. This process results in the generation of personal norms, feelings of moral responsibility to donate or not donate. Personal norms include a cognitive component of self-based expectations (social expectations that have become self-expectations) directing behavior and an emotional component of anticipated self-satisfaction or dissatisfaction. Thus personal norms are the link between general internalized values and specific self-expectations in concrete situations. Schwartz (1970) found that those with strong personal norms regarding bone marrow donation and high scores on attribution of responsibility to self were significantly more likely to volunteer to join a marrow donor pool.

Webb et al. (2000) conceptualized personal norms as attitudes toward helping others (AHO) and defined it as “global and relatively enduring evaluations with regard to helping or assisting other people”. They found individuals with positive AHO were likely to make donations to charities representing different causes (e.g. health, education, human services, etc.)
but AHO did not have an effect of the level of donations. The conceptualization of AHO suggests it is a construct describing individuals’ general attitudes toward helping others, rather than a specific attitude towards a specific target or object. In turn, AHO is hypothesized to have a positive effect on donation intentions. We examine donation intentions rather than actual behavior because it is difficult to obtain data from charities and previous studies have examined intentions (e.g. Hibbert et al. 2007; Ranganathan and Henley 2008). The present study will examine a specific organization, the Red Cross. Therefore, the following hypothesis is proposed:

**H4: Attitudes toward helping others is positively associated with donation intentions.**

**Attitudes toward the Charitable Organization (ACO)**

Normative models of helping behavior proposed by Burnett and Wood (1988), Bendapudi et al. (1996), Sargeant (1999) and Sargeant and Woodliffe (2007) highlight the influence of the charitable organization’s image on an individual’s donation decision process. A charity’s image is important because charities are intermediaries promising to act on behalf of donors by reliably delivering help to the needy (Bendapudi et al. 1996). In agency theory, donors are principals who rely on charities to act as their agent in disbursing help. Some agents may end up “detracting from the plight of the recipient and negating donation possibilities” while others “may prove to be an excellent facilitator who is able to effectively market the recipient’s cause” but in either case, “the role of the agent may prove far more important than the recipient” (Burnett and Wood 1988). Schlegelmilch (1988) examined differences between donors and non donors for the Scottish Council for Spastics. He found that donors had a more positive image of the organization than non-donors. In Singapore, donations to The Ren Ci Hospital plunged when it was revealed that authorities were investigating Ren Ci for financial irregularities. Donations fell from $9.8 million during the 2007 financial year to just $2 million in its last financial year (Anonymous 2009).

Bendapudi et al. (1996) argue that a charity’s image may be the most important element of its promotional strategy “because it may determine whether the first step of the helping decision process – perception of need – is initiated.” For perception of need to result, potential donors must first believe the charity’s appeal. Donors are more likely to believe the charity’s appeal when the organization is perceived to be familiar than when they are not. A charity’s image is also a function of its efficiency and effectiveness (Bendapudi et al. 1996). Efficiency is measured by the proportion of donations that goes to the recipient compared with the amount spent on activities such as administration and fundraising. Effectiveness is measured by the charity’s perceived success in achieving its mission.

Several empirical studies lend support to one or more of these three dimensions of a charitable organization’s image (i.e. familiarity, efficiency and effectiveness) used by donors. In the USA, Harvey and McCrohan (1988) demonstrate increases in the level of donations as the donor’s belief in the level of efficiency increases. Furthermore, the threshold level was 60%, that is, once respondents thought 60 cents in every dollar went to the beneficiary there were significant increases in the amount donated. Later, Harvey (1990) found messages from charities perceived to be familiar, efficient and effective resulted in greater perceptions of need and greater helping behavior. In a UK study, Sargeant et al. (2000) found non donors had a
negative image of charitable organizations compared to donors. Specifically, non donors were significantly more likely to agree that charities were wasteful or dishonest and were also less likely to agree that charities performed a useful function or were successful in helping the needy. Webb et al. (2000) developed and tested scales for validity and reliability that measured attitudes toward charitable organizations (ACO) defined as “global and relatively enduring evaluations with regard to the not for profit organizations that help individuals.” These scales were comprised of items that measured familiarity, efficiency and effectiveness and tests showed the scales provided reliable and valid measures for use in future practice and research. Respondents were asked whether or not they had donated to charities during the past year and the dollar amount donated. Results demonstrated individuals with positive perceived familiarity, efficiency and effectiveness were likely to make donations to charities and determined how much was actually donated. In 2004, Sargeant and his colleagues reported donors’ perceptions of the effectiveness of the charity sector influenced the level of donations and the lifetime of the donor-charity relationship (Sargeant et al. 2004). Hibbert et al. (2007) found an individual’s perception of a charity’s efficiency and effectiveness had a positive effect on guilt aroused in response to guilty charity appeals and thus intention to donate. Ranganathan and Henley (2008) used ACO scales developed by Webb et al. (2000) and found ACO was positively correlated with behavioral intentions for a fictitious charity. In summary, these studies demonstrate a positive image of the charitable organization has a positive effect on intention to donate and in some cases, the level of donations. Therefore, this study proposes that a positive image of the charitable organization, in this case the Red Cross, will have a positive effect on willingness to donate.

H5: Attitudes toward the charitable organization is positively associated with donation intentions.

Budget Constraints

While individuals may have favorable attitudes toward helping others, there are many situational factors that impede individuals’ attempts to actually donate. Some of these situational factors include the person’s abilities and this includes physical, financial or psychological resources (Bendapudi et al. 1996). This study focuses on budget constraints which Burnett and Wood (1988) refer to as an individual’s economic situation – past, current or predicted. They explain that “a person being hounded by creditors is unlikely to donate money to charities, while an individual needing a tax write-off or expecting a large tax return would likely donate (Burnett and Wood 1988).

Many studies have looked at the relationship between the level of income and the amount donated. Schlegelmilch et al. (1992) reviewed determinants of charity giving from the sociology, psychology, economics and marketing literature. When it comes to income, studies from both the marketing and economics literature show increased income increases donations. Furthermore, the proportion of income donated decreased when income increased. However, no one has yet looked at budget constraints – why is it that as income increases, the percentage donated to charity decreases – is it because of budget constraints? We propose that when an individual is faced with a donation request that budget constraints would be a pertinent consideration at that time. Therefore, the following hypothesis is proposed:
H6: Budget constraints is negatively associated with donation intentions.

The conceptual model is illustrated in Figure 1 below:

![Figure 1. Conceptual Model](image)

**Methodology**

From the literature review, the authors identified several variables and accompanying measurement scales that will be used to test the conceptual model among donors and non_donors in Singapore. Since most of the variables in the model related to values and attitudes, a survey was selected as the most appropriate research method and the questionnaires were administered using trained interviewers to increase response rates and limit missing values. While most of the measurement scales used in the research instrument were of a general nature, items for attitudes toward the charitable organization and donation intentions were adapted to refer to the Singapore Red Cross, which is a highly recognizable non-denominational organization in Singapore.

**Research instrument**

The empathy measure is sourced from the seven-item scale developed by Davis (1994) and administered by Smith (2006) on random halves of the 2002 and 2004 General Social Surveys (GSSs). The collectivism measure is taken from Hui (1988) who developed and validated several facets of collectivism through six studies. The social capital dimensions –
interpersonal trust and civic engagement – were measured by Wang and Graddy (2008) using questions sourced from the 2000 Social Capital Community Benchmark Survey (SCCB). The conceptualization of interpersonal trust in this study is similar to the variable social trust used by Wang and Graddy (2008). The authors used a single-item measure – “Generally speaking, most people can be trusted” – to measure interpersonal trust. Civic engagement is measured by the total number of organization types the respondent is involved with, which is based on a list of formal organization types presented in the SCCB questionnaire. To measure attitudes toward helping others and attitudes toward the charitable organization, we utilise Webb et al.’s (2000) AHO and ACO scales, respectively. We use Urbany et al.’s (1996) scale to measure budget constraint. Finally, to measure donation intentions, we use two single-item questions: the first is the likelihood of donating to the Singapore Red Cross, and the second is the dollar amount that the respondent is likely to donate to the Singapore Red Cross. All items are measured on a 5-point Likert scale and negatively-worded items are later reverse-scored. The measurement items are listed in Table 1 below.

**Sampling**

The questionnaire was pilot-tested to improve on clarity and questionnaire length. A convenience sample was obtained from Singapore using trained fieldworkers conducting personal interviews. The time of completion varied between 10-15 minutes and data collection took over a month. Since personal interviews were used, missing values were minimized and a total of 313 completed and usable questionnaires were obtained. Data entry errors were corrected and missing values, which comprised less than 5% of total responses, were replaced with the mean for corresponding variables.

**Data Analysis**

Exploratory data analysis was conducted to assess normality; subsequently, descriptive statistics, histograms and P-P plots revealed that these assumptions were not seriously violated (Hartwig and Dearing 1979; Tabachnik and Fidell 1996; Tukey 1969). Partial Least Squares (PLS) estimation procedure is used to evaluate the nature of the relationships in the proposed model (Fornell and Cha 1994; Lohmoeller 1989; Wold 1981). This technique is used to ‘circumvent’ the necessity of large sample sizes and ‘hard’ assumptions of normality required by the global maximization methods such as LISREL. A PLS model is formally specified by two sets of linear relationships: the measurement model (relationships between measurement and latent variables) and the structural model (relationships between latent variables). SmartPLS, as developed by Ringle et al. (2005), was used to estimate the parameters of the measurement and structural models using PLS path modelling with a path weighting scheme for the inside approximation. The psychometric properties of the latent variables were assessed with the construct reliability and average variance extracted calculations (Chin 1998; Fornell and Larcker 1981). The non-parametric bootstrapping procedure was also performed as described by Chin (1998) and Tenenhaus et al. (2005) to obtain standard errors of the estimates. 500 replications were specified for the bootstrapping procedure. Results pertaining to the measurement model are listed in Table 1 below.
### Table 1. Psychometric Properties of Latent Variables

<table>
<thead>
<tr>
<th>Latent Variable</th>
<th>Indicator</th>
<th>Loading</th>
<th>t-statistic</th>
<th>CR</th>
<th>AVE</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Altruism</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I often have tender, concerned feelings for people less fortunate than me</td>
<td>0.35</td>
<td>2.20</td>
<td>0.77</td>
<td>0.34</td>
</tr>
<tr>
<td></td>
<td>Sometimes I don’t feel very sorry for other people when they are having problems (R)</td>
<td>0.56</td>
<td>2.14</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>When I see someone being taken advantage of, I feel kind of protective towards them</td>
<td>0.56</td>
<td>3.38</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Other people’s misfortunes do not usually disturb me a great deal (R)</td>
<td>0.55</td>
<td>2.05</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>When I see someone treated unfairly, I sometimes don’t feel very much pity for them (R)</td>
<td>0.57</td>
<td>2.27</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I am often quite touched by things that I see happen</td>
<td>0.68</td>
<td>5.84</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I would describe myself as a pretty soft-hearted person</td>
<td>0.72</td>
<td>5.27</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td><strong>Social capital</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Many of the people who are important to me expect me to donate money to charities or community service organizations</td>
<td>0.65</td>
<td>1.91</td>
<td>0.69</td>
<td>0.42</td>
</tr>
<tr>
<td></td>
<td>The number of charities and community service organizations respondent has been involved with in the past 12 months</td>
<td>0.71</td>
<td>1.85</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Generally speaking, most people can be trusted</td>
<td>0.58</td>
<td>4.53</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Attitudes toward the Red Cross (ACO)</strong></td>
<td>The money given to this charity goes to a good cause</td>
<td>0.79</td>
<td>12.51</td>
<td>0.87</td>
<td>0.60</td>
</tr>
<tr>
<td></td>
<td>Much of the money donated to this charity is wasted (R)</td>
<td>0.26</td>
<td>1.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>My image of this charity is positive</td>
<td>0.87</td>
<td>21.56</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>This charity has been quite successful in helping the needy</td>
<td>0.87</td>
<td>21.09</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>This charity performs a useful function for society</td>
<td>0.88</td>
<td>23.45</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Attitudes toward helping others (AHO)</strong></td>
<td>People should be willing to help others who are less fortunate</td>
<td>0.72</td>
<td>7.96</td>
<td>0.86</td>
<td>0.61</td>
</tr>
<tr>
<td></td>
<td>Helping troubled people with their problems is very important to me</td>
<td>0.82</td>
<td>15.06</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>People should be more charitable towards others in society</td>
<td>0.84</td>
<td>22.85</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>People in need should receive support from others</td>
<td>0.74</td>
<td>11.20</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Collectivism</strong></td>
<td>It is reasonable for a son to continue his father’s business</td>
<td>0.37</td>
<td>1.78</td>
<td>0.64</td>
<td>0.26</td>
</tr>
<tr>
<td></td>
<td>I would not share my ideas and newly acquired knowledge with my parents (R)</td>
<td>0.45</td>
<td>2.33</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I practice the religion of my parents</td>
<td>0.60</td>
<td>3.31</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I would help, within my means, if a relative told me that he/she is in financial difficulty</td>
<td>0.76</td>
<td>6.16</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Each family has its own problems. It does not help to tell relatives about one’s problems (R)</td>
<td>0.09</td>
<td>0.40</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I can count on my relatives for help if I find myself in any kind of trouble</td>
<td>0.54</td>
<td>3.08</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Budget constraint</strong></td>
<td>I frequently have problems making ends meet</td>
<td>0.89</td>
<td>2.53</td>
<td>0.89</td>
<td>0.73</td>
</tr>
<tr>
<td></td>
<td>My budgeting is always tight</td>
<td>0.82</td>
<td>2.19</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>I often have to spend more money than I have available</td>
<td>0.85</td>
<td>2.72</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Donation intentions</strong></td>
<td>Amount of money likely donated to the Red Cross when the opportunity arises</td>
<td>0.53</td>
<td>5.46</td>
<td>0.73</td>
<td>0.59</td>
</tr>
<tr>
<td></td>
<td>I am likely to make a donation to the Red Cross in the future when the opportunity arises</td>
<td>0.95</td>
<td>32.42</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(R) indicates item is reverse-scored

1bootstrapping critical t-ratio

2construct reliability

3Average Variance Extracted
Results

Results in Table 1 indicate that the adequacy of the measurement model is mixed. Several items had a factor loading lower than the typically recommended benchmark of 0.7 (e.g. Chin 1998; Churchill 1979; Nunnally and Bernstein 1994). Three items were of particular concern because its standardized loadings were lower than 0.4 and may warrant exclusion in the trimmed model or future research (Churchill 1979). These items were “Much of the money donated to this charity is wasted (Attitudes toward the Red Cross)”, “It is reasonable for a son to continue his father’s business” (Collectivism) and “Each family has its own problems. It does not help to tell relatives above one’s problems” (Collectivism). Only four latent variables - “Attitude towards the Red Cross”, “Attitude toward helping others”, “Financial constraint”, and “Donation intentions” – proved to be internally consistent with a composite reliability score of greater than 0.7 (Nunnally and Bernstein 1994). Only these four latent variables also possessed convergent validity with an average variance extracted of at least 0.5 (Fornell and Larcker 1981); nonetheless, discriminant validity between the latent variables was demonstrated using the Fornell-Larcker criterion. The inspection of the cross-loadings, which are small compared to the loadings, provides additional support for discriminant validity (Fornell and Bookstein 1982). The reliability and validity indicators of the other latent variables, namely “Altruism”, “Social capital”, and “Collectivism”, suggest that the construct may not be unidimensional and/or particular measurement items are problematic.

Table 2. Partial Least Squares Results for the Structural Model

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Predictor Variable</th>
<th>Predicted Variable</th>
<th>Path</th>
<th>t-statistic</th>
<th>$R^2$</th>
<th>Hypothesis Testing</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1</td>
<td>Altruism</td>
<td>Attitudes toward helping others (AHO)</td>
<td>0.30</td>
<td>3.08</td>
<td>0.30</td>
<td>Supported</td>
</tr>
<tr>
<td>H2</td>
<td>Collectivism</td>
<td>Attitudes toward helping others (AHO)</td>
<td>0.32</td>
<td>3.17</td>
<td></td>
<td>Supported</td>
</tr>
<tr>
<td>H3</td>
<td>Social capital</td>
<td>Attitudes toward helping others (AHO)</td>
<td>0.12</td>
<td>1.28</td>
<td></td>
<td>Not Supported</td>
</tr>
<tr>
<td>H4</td>
<td>Attitudes toward helping others (AHO)</td>
<td>Donation intentions</td>
<td>0.14</td>
<td>1.53</td>
<td>0.47</td>
<td>Not supported</td>
</tr>
<tr>
<td>H5</td>
<td>Attitudes toward the Red Cross (ACO)</td>
<td>Donation intentions</td>
<td>0.63</td>
<td>8.21</td>
<td></td>
<td>Supported</td>
</tr>
<tr>
<td>H6</td>
<td>Budget constraint</td>
<td>Donation intentions</td>
<td>0.01</td>
<td>0.08</td>
<td></td>
<td>Not Supported</td>
</tr>
</tbody>
</table>

Average variance accounted for 0.39

Nonetheless, the latent variables with its original measurement items were used to estimate the structural model. The results are displayed in Table 2 above. The mean proportion of variance explained for the endogenous variables is 0.39 and the individual $R^2$ are greater than the recommended 0.10 for all the predicted variables (Falk and Miller 1992); therefore, it is appropriate and informative to examine the significance of the paths associated with these
variables. The bootstrap critical ratios were generated from 500 replications and only two paths were found to be significant at the 5% level. The first significant path coefficient is for the positive relationship between collectivism and attitude towards helping others (0.45, $R^2=0.20$); thus, supporting Hypothesis 1. The results also provided support for Hypothesis 4: attitude towards the Red Cross is positively associated with donation intentions. The data did not support the hypothesized relationship between attitude toward helping others and donation intentions (H2). The results also showed that altruism (H3), social capital (H5), and financial constraint (H6) were all not significantly related to donation intentions. The $R^2$ for donation intentions is 0.48 and given that five exogenous variables (four of which are not significant predictors) are used to explain this endogenous variable, the structural model is arguably moderate at best (Chin 1998). What is evident is that only attitude towards the Red Cross can be used as a predictor of donation intentions.

Table 3. Inter-correlations of the Latent Variables

<table>
<thead>
<tr>
<th></th>
<th>Altruism</th>
<th>Attitudes toward the Red Cross (ACO)</th>
<th>Social capital</th>
<th>Attitudes toward helping others (AHO)</th>
<th>Collectivism</th>
<th>Financial constraint</th>
</tr>
</thead>
<tbody>
<tr>
<td>Altruism</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attitudes toward the Red Cross (ACO)</td>
<td>0.28</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Social capital</td>
<td>0.18</td>
<td>0.24</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Attitudes toward helping others (AHO)</td>
<td>0.43</td>
<td>0.31</td>
<td>0.25</td>
<td></td>
<td>0.45</td>
<td></td>
</tr>
<tr>
<td>Collectivism</td>
<td>0.33</td>
<td>0.24</td>
<td>0.25</td>
<td>0.45</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial constraint</td>
<td>-0.08</td>
<td>-0.10</td>
<td>0.03</td>
<td>-0.03</td>
<td>-0.06</td>
<td></td>
</tr>
<tr>
<td>Donation intentions</td>
<td>0.30</td>
<td>0.67</td>
<td>0.24</td>
<td>0.33</td>
<td>0.23</td>
<td>-0.10</td>
</tr>
</tbody>
</table>

The inter-correlation of the latent variables is displayed in Table 3 above. These results, coupled with information about the psychometric properties of the measurement model, provide some guidance for the estimation of a trimmed model. A trimmed measurement model was estimated by dropping the three problematic items that had an original factor loading of less than 0.4. The structural model was revised by removing non-significant paths and specifying a positive relationship between altruism and collectivism, as well as, a positive association between attitudes toward helping others and attitude towards the Red Cross. The trimmed measurement model showed minor improvements in the reliability and validity of the altruism, social capital, and collectivism constructs, but not enough to exceed the well-established benchmarks (Fornell and Larcker 1981; Nunnally and Bernstein 1994). The paths for altruism-collectivism and attitudes toward helping others-attitude towards the Red Cross were not significant. The model was trimmed further to exclude attitudes toward helping others, and a comparison of differences in $R^2$ indicated that we were no worse in predicting donation intentions. The small effect size ($f^2$ is less than 0.20) for the model without attitudes toward helping others would suggest that it is not helpful in predicting donation intentions.

Discussion

Given the challenging economic times and increase in demand for the services of charitable organizations, there are relatively few empirical studies investigating the determinants
of donation intentions. The emphasis of empirical studies in marketing has thus far been on demographic, socioeconomic and psychographic factors that influence charitable giving and differentiate donors from non-donors, leaving other pertinent factors such as collectivism and social capital unexplored. This study will extend the empirical findings in this area to include these factors previously overlooked in the marketing discipline. This study also aims to determine whether it is possible to predict an individual’s donation intentions from general personality traits measured by constructs such as personal norms, altruism and social capital or are donation intentions mitigated by context-specific factors such as the image of the charitable organization and the individual’s mood and distractions at the time of the request as well as the media context of the charitable appeal (Bendapudi et al. 1996).

Measures of altruism, collectivism, and social capital did not meet acceptable standards of scale reliability and validity. One of the causes is the low factor loading among negatively-worded items, which has been proven to be problematic for construct unidimensionality (Herche and Engelland 1996). Herche and Engelland (1996) suggested six different theoretical explanations and six variables for this phenomenon based on whether it is respondent-related or item-related. Other low-loading items such as the collectivism item “It is reasonable for a son to continue a father’s business” also appear to lack relevance in the contemporary context. These issues, among others, will need to be addressed in future studies because the operationalization and measurement of these constructs have not been consistent in past studies. While the results of the present study show significant paths between altruism and attitudes toward helping others, as well as, collectivism and attitudes toward helping others, measurement issues may weigh upon the findings. Hence, we are circumspect in drawing any conclusions about the nature of these relationships.

Nonetheless, other constructs were adequately measured. ACO and AHO items taken from Webb et al. (2000) displayed internal consistency, as well as, convergent and discriminant validity; thus, being consistent with their results. The measures for budget constraint and donation intentions were also acceptable. It could be rationalised that the non-significant association between budget constraint and donation intentions was due to the use of intended behavior as a dependent variable, rather than actual behavior. It is likely that a budget constraint would only be effectual either upon their decision to donate and/or actual donation amounts. We would still recommend the inclusion of budgetary constraints as a pertinent construct in future studies of charitable behaviors.

The positive relationship between ACO and donation intentions was confirmed and consistent with previous studies (e.g. Ranganathan and Henley 2008; Webb et al. 2000) that have found individuals who have a positive image of the charitable organization are more willing to donate. Therefore individuals are more likely to donate when they are familiar with the charitable organization, when they believe the charity is efficient in the use of donated funds as well as effective in achieving its mission (Bendapudi et al. 1996).

Unlike Webb et al. (2000) the present study did not find a positive relationship between AHO and donation intentions. This could be due to the different levels of analysis between the two studies. Webb et al. (2000) examined whether respondents had donated to six different types of charities whereas the present study specified the Red Cross as the charitable
organization. AHO is a construct describing general attitudes whereas ACO is a construct describing attitudes toward a specific target or object, in this case, the Red Cross. Although the budget constraint scale items displayed reliability and validity, the lack of evidence supporting a positive relationship between budget constraints and donation intentions is a concern.

Only ACO can predict donation intentions which raises the issue of whether we can predict an individuals’ willingness to donate using general personality traits such as altruism and social capital. According to Bendapudi et al. (1996), there are factors that moderate the effect of charity appeals on donor behavior such as the donor’s mood state (e.g. whether the donor is in a good mood), attention (e.g. whether distractions in the environment prevent attending to the appeal) and media context (the message and the vehicle). In the future, it would be worth retesting these general characteristics of individuals and their influence on donation intentions.

**Implications and Conclusion**

Our findings support the notion that individuals high in collectivism are likely to have a positive AHO and those with positive ACO are likely to make monetary donations to charities. Furthermore, monetary donations to charities need to be investigated in the context of a specific charitable organization. The authors hope this will motivate further research aimed at understanding donation behavior and their implications for non-profit marketing managers in their efforts to attract and retain donors.

Charities should target cultures high in collectivism because someone who is collectivist or group-oriented may exhibit a greater inclination to give because of his/her perceived expectations of referent groups about helping other members. Simultaneously, governments should encourage the establishment of groups (i.e. not-for-profit organisations) that assist the needy by offering greater tax incentives and other concessions.

Our finding that a charitable organisation’s image can influence donation intentions has important implications for charities and society. Marketing managers should be aware that a charitable organisation’s image is a function of familiarity, efficiency and effectiveness. Charities need to perform activities that improve awareness of the organisation, its perceived efficiency as an agent in delivering funds to the needy and its perceived effectiveness in achieving its mission. This could improve a charity’s performance and therefore allow them to have a greater positive impact on society. Charities need to analyse their operations to determine where administration costs can be minimised and therefore direct more donated funds to their intended target market. Also, charities need to demonstrate they are making a difference to the needy by reporting their performance against measurable objectives.

Context specific factors such as the individual’s mood state, media context (e.g. message and media vehicle) and level of attention should be investigated as this study found general personality traits cannot predict donation intentions. However, the authors acknowledge the difficulty of asking respondents to recall their mood and attention level at the time of the request which may explain why there is a dearth of empirical studies into a comprehensive set of factors that determine helping behavior. Nonetheless, a comprehensive model of determinants of
donation behavior incorporating collectivism and ACO as well as context-specific variables is needed to better predict donation intentions.

References


Consumer research has much to contribute to the understanding of consumption’s potential to change, enhance, and even transform lives. The present research examines less privileged consumers, using data from privileged consumers as boundary conditions in South Africa. We find that the key circumstances and process associated with transformation constitute a composite variable we refer to as transformation readiness. Transformation readiness is the disposition of a consumer toward believing a consumption opportunity is associated with life-changing potential, and acting on it. We find that transformation readiness varies along two dimensions: the consumer’s economic capital, and social capital that grants access to other resources of value. We explicate a general model of the transformation readiness process used by all consumers and then describe the nuanced and systematic differences in how transformation readiness is experienced by those less privileged and those more privileged with respect to economic capital and social capital.
Alternative Trade Organization and Subjective Quality of Life: The Case of Latin American Coffee Producers

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Stephanie Geiger-Oneto, University of Wyoming, Laramie, WY, USA

In alternative trade organizations (ATO), principles of social justice and/or environmental stewardship preside over mission-based marketing transactions. The primary goal of fair trade ATOs is to transfer a larger share of benefits in the marketing channel to commodity producers in the global south. Recently they have been critiqued for failing to provide such benefits. The present research uses data from one such ATO, TransFair USA, to examine the impact of Fair Trade marketing practices on the well-being of coffee producers in Latin America. Sales of TF coffee account for a relatively small share of world trade but have rapidly risen in the past decade. In 2005, sales worldwide reached more than US$1.5 billion, and fairly traded coffee sales increased 14% in 2008 over 2007 sales to 66 million metric tons, (Fairtrade Foundation 2009; Fair Trade Labeling Organization [FLO] 2006; Sick 2008, p. 196). In this context, the aim of this study is two-fold. First, we aim to assess whether producer participants in the Latin American fair trade coffee channel derive improved quality of life benefits from their participation as proponents of ATOs claim. Second, we make a modest contribution to the extensive quality of life literature by assessing the effect of participation in marketing activities on producer rather than consumer quality of life among poor producers in the global south.

In order to ensure a balanced and representative sample, a stratified cluster sampling plan was used to select the respondents in this study. TF cooperatives were first stratified into 3 groups based on the size of the cooperative: small, medium, large. A random selection of cooperatives from three Latin American countries (using simple random sampling) was chosen using a proportionate allocation. Results show that after holding income and gender constant, producers belonging to TransFair USA report a greater sense of well-being and a more positive outlook for the future as compared to non-members. These findings support the idea that ATOs provide additional benefits to the producers of Fair Trade coffee that are not economic in nature. In order to truly measure the impact of these organizations, researchers will need to include measures like emotional wellbeing and quality of life in future studies.

References


Social Strain as an Antecedent of Innovativeness among Subsistence Consumers

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Carlos Andrés Trujillo, Universidad de los Andes, Bogotá, Colombia

Strain theory is used to understand the innovative efforts of subsistence consumers and subsistence consumer merchants. Based on ethnographic research (observation and long interviews) the motivations and behaviors of subsistence innovators are documented, along with positive and negative outcomes from such behaviors. Policy and practice implications of such innovative pursuits for consumers, business and society are discussed.

Research into positive and negative aspects of consumer innovativeness (e.g., Hirschman 1980; Ram and Jung 1989, 1994; Price and Ridgway 1983; Ridgway and Price 1994; Burroughs and Mick 2004; Moreau and Dahl 1995) gives us insight into the antecedents and consequences of innovation. Consumer innovativeness involves using products and services for purposes beyond their original intended use and generating new outcomes (positive and negative) that solve consumption related problems. While this kind of experimentation may yield valuable outcomes, it may also place consumers and those around them at risk. One explanation for this risky behavior is that subsistence consumers may be using their innovations to achieve goals which would not normally be available to them. The purpose of the present research is enhance the existing literature on innovativeness by studying this phenomenon through a sociological lens, specifically focusing on the perspective and insights provided by Strain Theory (Merton 1938; Agnew 1992).

Strain theory seeks to identify causes and mechanisms that lead to some groups within a society being more likely to engage in deviant behaviors than others (Merton 1938; Agnew 1992). Deviance is defined as behavior falling outside socially accepted norms, regardless of whether it leads to positive or negative outcomes. The theory has evolved to argue that individuals in certain groups (e.g. low status groups) may experience pressure to achieve socially sanctioned goals (e.g. financial success) without having the necessary means or resources to achieve those goals, and that such pressure may lead to deviant behaviors. For example, a head-of-household may feel pressure to attain home ownership without having access to socially-approved means such as stable employment and adequate income, and consequently engage in borrowing from questionable mortgage brokers and misrepresenting their economic status. Alternatively, a young boy may feel pressured to own a bicycle but lack the money to purchase a new one, and may hence engage in cobbling a bicycle from scavenged components that violates aesthetic principles but proves to be highly effective. In general strain theory predicts that members of social groups under pressure to achieve socially-sanctioned goals but lacking access to socially-approved means will under some circumstances resort to deviant behavior to relieve
the strain felt from not being able to achieve desired goals. In the context of modern strain theory, deviant behaviors need not be criminal or dysfunctional; they are simply violations of dominant social norms.

Modern social strain theory provides a typology of responses to social strain that we adapt to study subsistence consumer innovativeness. Our overarching goal is a more detailed understanding of the factors that cause subsistence consumers to engage in deviant innovative behaviors, as well as the consequences associated with such behaviors. Specifically, we focus on one class of deviant behaviors-- the use of artifacts (purchased or discarded by others) in ways that fall outside the shared usage expectations held by producers and consumers (social norms) in order to improve both the functionality of the product and the consumer’s standard of living. Poor consumers who scavenge balsa wood templates to construct decorative lamps, for example, or who purchase basic chemicals to produce soaps and shampoos in their kitchens for reselling would be considered “deviant” according to strain theory because they use products (e.g., wood templates, chemicals) in innovative (deviant) ways as means to achieve socially sanctioned goals (e.g. increased financial resources, a nicer looking home).

According to strain theory, while individuals may experience many types of strain (i.e. economic, environmental, and emotional) during the course of their lives, innovative behavior is more likely to be observed from individuals who believe that their current undesirable state is due to circumstances beyond the control they can exert through socially endorsed means. For example, some subsistence consumers who adopt specific goals (i.e. financial stability, education for children) resort to innovative behaviors that push existing technologies in new directions because they see themselves as having no other options (Agnew 1992). They work around the established social system because they believe the system will not provide them with opportunities to advance their social status.

In order to gain a better understanding of innovativeness among subsistence consumers and the influence of social strain, exploratory ethnographic studies were conducted in several countries, in both rural and urban contexts. Participants were selected through referral or snowball sampling. Once interviewed, participants were asked to identify other members of their communities who displayed innovative behaviors. As innovative consumers were identified, they were interviewed and their creations and idea development processes were documented. The interview process included gaining information about their inspirations and motivations. Through these interviews, the experimentation process by which they create their products and services to sell in the marketplace was identified.

The research reveals that many consumers report having experiences that are transformational in nature. However, while some consumers are positively transformed, others report negative transformation as a result of their innovative pursuits. According to strain theory (Merton 1938; Akers 2000), individuals who engage in unsuccessful innovative behaviors are likely to respond to social strain by becoming ritualistic – repeating sometimes detrimental behaviors without engaging in objective assessments of their value. In our study, we find that some consumers fixate on pursuits that are proving unsuccessful and engage in unproductive and sometimes risky behaviors. Instead of assessing the productive process and identifying possible flaws, for example, they repeat the process and simply increase or alter the inputs (e.g. force, energy, raw materials) expending precious resources on activities doomed to failure. Such
efforts take them further away from meeting their goals, and negatively impact their well-being. In extreme cases, respondents exhaust the few resources they hold, and endanger or lose their health and the support of family and friends.

The research also reveals that not all instances of transformative consumption and innovativeness are positive at the level of community, in part because the innovation process among subsistence consumers is inextricably social (Sridharan and Ritchie 2007). Poor consumers engage in innovation to benefit their families directly or to create transformative experiences they can sell to others, and the boundaries between being a producer and a consumer are fuzzy. To improve their creations, innovators rely on a continuous flow of conversation with customers and family. These conversations may be used to discuss existing products, possible new products, or to generate transformative problem solutions. Suggestions arising from conversations are quickly tested but seldom documented, and the outcomes are better remembered than the process that yields them. In addition, experimentation is seldom conducted in controlled environments and lacks safeguards. New ideas are tested on family members, and when new product concepts prove to be ineffective or harmful, it is those closest to the innovator who may pay the price because they are often forced to use substandard products to avoid waste. Moreover, the disposal of experiments gone awry is often done with the same abandon as the experimentation, contaminating home environments and those of neighbors, and further eroding the already fragile health of some.

This research and its findings have several macromarketing implications. First, we show that social strain among subsistence consumers can have significant consequences both at the individual level and on the larger community. Consumer innovators who are experiencing a moderate level of strain can be highly innovative and develop products and services that are both profitable and well-suited to the needs of others living in subsistence conditions. However, innovators who are experiencing high levels of strain are more likely to take inordinate risks in their experimenting; risks that can easily translate into harm to themselves or others in their communities. In addition, by using sociological theory to explain the innovative behavior of subsistence consumers we provide a meso-level unit of analysis that has not been previously explored. This theoretical perspective adds to our understanding of innovativeness and allows researchers to understand the significance of this behavior within a larger social structure. Finally, research on subsistence consumer innovators may lead to policies that allow their inventions to be used on a larger scale to solve many of the significant health and welfare problems that face developing countries. Through regulation, innovative consumers can be encouraged to innovate through a more careful application of external and internal rewards. The marketing of both innovative practices and outcomes from subsistence consumer innovativeness can generate significant benefits at the level of communities, countries, and regions.

References


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Human trafficking is a global macromarketing system that has been in existence for over 2,000 years. The system has continually evolved during this time, depending on the economic systems and government policies in place. The nodes of the system through which trafficking takes place, including victim recruitment, transportation, labor exploitation, and victim disposal (Pennington et al. 2009) have changed over time. Consider, for example, the recruitment node. In Roman times, trafficked victims were obtained as prizes of war, or a citizen could become enslaved if they did not report for a census (Louis 1927). In the 1700s, trafficked victims were often recruited by kidnapping (Falconbridge 1788). In current times, a common recruitment method is trickery by promising a better job overseas. Victim transportation, labor exploitation, and victim disposal have also changed over the centuries. Although the macromarketing system for human trafficking has evolved, there are key questions that need to be answered about any trafficking system in order to understand it.

One of the most serious questions that must be answered about any human trafficking system is, “How large is it?” Governments must be able to calibrate their responses to the problem, spending an appropriate amount on the most effective anti-trafficking efforts. Current estimates of the world-wide number of enslaved human beings range from 27 million (Bales 2005) to far higher figures. All estimates so far are at best, impressionistic, based on the experience of law enforcement officers and researchers, who are well aware they have observed non-representative samples of slaves, freed slaves, and the loved ones of freed slaves. In any national or regional area, where much public policy is formulated and executed, estimates are known to be crude and possibly very wrong. Using Ukraine as our primary example, we show with the use of multiple probability-sample survey research techniques with different types of key informants (not the trafficked persons, but those who would probably know they have been trafficked) that it is possible to develop more accurate estimates of the extent of human trafficking. We show that official statistics grossly underestimate the amount of out-migration trafficking, and that the stereotype of the Ukrainian victim as a young woman trafficked into the sex industry is a false stereotype that ignores the majority of actual victims from Ukraine. We call for more rigorous research into the nature and extent of the marketing system for enslaved human beings.

References


Consumer Targeting: Purpose, Promise, Pitfalls, and Prospects*

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Targeting is commonly advocated as a marketing strategy that benefits both consumers and sellers. This paper examines that strategy from the distributive and social justice as well as managerial perspectives and challenges it under some circumstances. Targeting implies the exploitation of unusual opportunities within the larger spectrum of demand by promising particular values sought by members of particular market segments. However, when those segments reflect limited knowledge or other vulnerabilities, the distribution of benefits tends to be skewed to sellers while consumers may incur significant costs. Some newer technologies facilitate targeting based on compromising privacy without consent and warrant concern. Targeting also implies a preference for one or more segments over others. When all sellers exhibit that preference, the result is limited opportunity or increased cost for those segments that are ignored or avoided. The exploitation of vulnerabilities, compromised privacy, and the general avoidance of economically unattractive segments result in reduced overall market performance and social as well as individual consumer cost. These outcomes are viewed from a macromarketing perspective as well as the lens of justice principles. Some approaches to remediation conclude this analysis.

Introduction

The adoption of the strategy of market targeting, focusing marketing efforts on opportunities presented by especially attractive demand segments, was the inevitable response to the shortcomings experienced with mass marketing strategies, particularly in the wake of World War II, as documented by Wendell Smith (1956). Given the increasing availability of and the scale economies associated with mass production, mass merchandising, and mass media, consumer marketers, seeking to increase sales in an environment of growing prosperity and mobility, viewed demand for their goods and services as essentially homogeneous. Product development, distribution, pricing, and promotion programs were based on appeals thought to be nearly universal. The effect was the widespread adoption of a strategy of product differentiation. This was a concept generally attributed to Edward Chamberlin (1933) and developed more fully by Joe Bain (1959) whereby marketers sought a competitive advantage by claiming improvements in value assumed to be attractive to the majority of potential consumers.

*This paper is a significant revision of a previous presentation to the Marketing and Public Policy Conference, Washington, DC, May 2009. The contributions of three anonymous reviewers of that presentation are gratefully acknowledged.
Marketers urged consumers both inside and outside of that majority to see those improvements as meriting patronage, thus attempting to “bend demand curves” to match what they supplied. This was a competitive era of “bigger, faster, cleaner – new and improved” in which innovations were matched continuously such that real inter-brand differences were mostly cosmetic and minimal and, not infrequently, illusory.

In this historical context, Smith proposed the alternative strategy of market segmentation, which recognized that demand was, in fact, heterogeneous – comprised of groups of consumers who valued benefits or perceived costs not valued or perceived by others. From this perspective emerged opportunities to dominate segments of demand, presumably ignored by competition – and, by implication, ignore segments of demand that were less attractive in terms of matching supply capabilities with demand requirements. Indeed, as one reviewer of the early version of this presentation pointed out, all marketers target segments of market potential presenting the greatest potential for purchasing their products or services. For an obvious example, advertising marina services makes more sense in Michigan or Florida than in Nebraska or Wyoming. While many marketers have chosen to serve multiple segments and, as it turned out, product differentiation strategies have survived both at the mass-market level and within segments that attracted competition, the targeting of particular demand segments has become the foundation for contemporary consumer marketing strategy.

**Conventional Wisdom**

What is the impact of this development? Whether pegged to benefits sought, psychographic or life style characteristics, behavioral patterns, or demographics, consumers are more likely to obtain the products and services they prefer in terms of price levels, qualities, and convenience through marketing programs that focus on those preferences, which tend to be segmented, than from programs that approach potential buyers as if they were homogeneous in their wants and needs.

From a seller’s perspective, targeting reduces buyer resistance, promotes customer loyalty, and allows for the optimum exploitation of value, as consumers are likely to pay more for products and services that most closely fit their needs. Targeting also serves as the basis for competitive strategy as marketers seek out underserved and emerging segments with a potential interest in attributes that differ from those available from alternative sources. While targeting sometimes imposes offsetting costs in production and logistics, depending on available technology and scale economies, these may be less than the benefits noted above and, in any event, have provided incentives for cost-reducing operational developments such as flexible manufacturing and containerization.

Finally, when examined at the industry level, the presence of multiple targets is assumed to encourage specialization across industry members such that all meaningful segments enjoy the benefits of this strategy.
Altogether, this appears to be a “win-win” development. A more extensive examination of this phenomenon, however, particularly in the context of contemporary communications technology, discloses some troubling clouds in this otherwise sunny appraisal.

**Vulnerable Consumers**

The concept of consumer vulnerability has been explored in some detail in a recent issue of the Journal of Macromarketing (Vol. 25, No. 2, December 2005). By way of introducing the question of targeting vulnerable consumers, it seems useful to recognize the introductory article by Baker, Gentry, and Rittenburg (2005), which defined the “domain” of this concept. Their review of prior literature on the subject revealed such definitions as persons “…whose idiosyncratic sensitivities … contributed to … injuries” (Morgan, Schuler, and Stoltman 1995, p. 267); “… who have diminished capacity to understand the role of advertising, product effects, or both” (Ringold 1995, p. 584); and “… who are more susceptible to … harm … because of characteristics that limit their ability to maximize their … well-being” (Smith and Cooper-Martin 1997, p. 4). Smith and Cooper-Martin extend this analysis to consider the intersection of more and less harmful products (e.g. hamburgers vs. high alcohol content malt liquor) and more and less vulnerable targets (e.g. above average income consumers vs. those with a less than high school education). Their (Baker, Gentry, and Rittenburg) contribution builds on these foundational understandings to identify factors (for the most part, also based on their review of the literature on the subject - including some articles that deal with targeting) that tend to increase vulnerability, e.g., immigrant status (lack of familiarity with language or marketing practices), psychological maturity (susceptibility to personal improvement and social esteem claims), disability and poor health (e.g. susceptibility to claims of relieving pain), age and lack of experience (young people buying a first car or home), self esteem, economic status or assets (limited alternatives), family stability (absence of supporting advice), and discrimination based on race or ethnicity. My own contributions to this already extensive list (including some based on personal experience) would include dementia, intoxication, access to and willingness to accept advice, and such external factors as natural disasters and emergency circumstances (where options are limited and needs are urgent) and occasional pressures from peers or circumstances of urgency that prompt behaviors that would otherwise be viewed as less than rational. Altogether, these are factors that can lead to compromises in personal autonomy (Taylor 2006), the ability to exercise rational independent judgment in settings where internal or external forces reduce some combination of independence or rationality.

Of course, these factors do not automatically translate into self-defeating marketplace behavior; we can only speak of tendencies and statistical likelihoods. And the domain described above might be pushed beyond reasonable limits to define every self-defeating consumer act as the result of a vulnerability that warrants some protective regulatory intervention. Nonetheless, it can be argued that the exploitation aspect of targeting is too often deliberately carried to identifiable segments of the market - vulnerable populations such as children and adolescents, the elderly, immigrants, people suffering from disease, or in circumstances where better
alternatives are not readily available – in promising benefits that cannot be realized (except, perhaps, psychologically) or that cannot otherwise be justified by prices charged, but that have special appeals that correspond to their vulnerabilities.

Privacy Concerns

The emergence of unobtrusive data gathering technologies during the past decade - e.g. spy ware, CRM technology, and surveillance devices - raises important new questions, particularly for those in the research and communications industries as well as for marketers that subscribe to their services (Kakalik and Wright 1996). Even when the application of findings is to large groups, gathering personal information in the absence of informed consent may be viewed as a violation of privacy. As a platform for unwanted promotional messages via spam, pop-up ads, “phishing,” and direct mail and telemarketing (not to mention identity theft), these technologies pose a consumer cost in nuisance and inconvenience that can be quite significant. When those applications are individualized in so-called “one-on-one marketing,” these effects can be especially troubling. In extreme examples, those costs can be quite tangible, e.g. price discrimination or limited choice. While one reviewer argued that these data mining activities might not be considered targeting per se, the obvious and sole purpose of data mining is to provide informational support to the implementation of a targeting strategy. Because of its clear potential for substantial mischief, it would be naive to exempt it from the concern expressed here.

Ignored Segments

The assumption that various industry members will target the range of meaningful segments is regularly violated in practice as competitors focus their attentions on the same most attractive segments in terms of access and buying power. The most convenient example is television programming and clothing store merchandising that focuses on the same 18-35 year old middle-income consumer, leaving the rest of us searching fruitlessly for something that is watchable or wearable. For a more telling example, D’Rozario and Williams (2005) have discussed the phenomenon of “retail redlining,” the policy of closing and avoiding locations surrounded by low income and minority populations. More recent is a concern with “rural redlining” in telecommunications whereby companies are withdrawing service to rural areas where low population density implies lower revenues and higher average costs in favor of extending broadband service to “higher value” markets in big cities and suburban areas (Early 2007). Some other examples might be noted. A reviewer observed that wealthy people have ample choices among both general and specialty physicians while low income rural residents have neither and that financial service providers court successful businesses and high income individuals while low income urban residents are targeted by pay-day loan companies charging exorbitant interest rates. These examples surely make economic sense, but also may be viewed as less than ideal fractures in market structures.
While regulatory intervention may stem that particular tide, a form of rural retail redlining has now persisted for decades, the result of the mass marketing phenomena described in the opening section of this paper. Retailing historians may recall that the rural countryside used to be dotted with general stores that provided neighbors with groceries, meat and produce (though the lettuce got to be a little wilted just before the weekly Thursday delivery), clothing, and hardware, even toys and a neighboring Santa in the run-up to Christmas. Rural consumers valued the convenience of this institution, partially due to its social value, but also because the alternative required a trip of many miles to the nearest city over poor roads to visit retailers that offered only a little better selection or prices than existed near their homes. Fast forward to the Fifties and Sixties - to suburban sprawl, better roads, and the emergence of large-scale supermarkets, discount stores, and department store branches and we see the comparative appeal of that convenience waning. Meanwhile those general merchandise retailers “morphed” into convenience stores, ultimately closed when the proprietor retired or died, and became footnotes in township history pamphlets. As a result, lower income rural residents and others with limited mobility are deprived of convenient access to goods and services or otherwise are forced to travel farther or pay more to obtain what may be more in line with the preferences of consumers in metropolitan areas or with higher incomes.

To be sure, it is difficult to argue against the economic progress represented in modern retail institutions. And it is only fair to note that Wal-Mart’s interest in smaller communities and catalog and online retailing have filled much of the gap left by the demise of those general stores. And, as several reviewers of an earlier version of this paper noted, it is hard to imagine any general legal framework in which marketers should be forced to serve economically unattractive market segments. (The article by Early (2007) suggests an exception to that understanding.) Yet it is only accurate to note that these so-called “progressive practices” as defined in terms of managerial economics do incur costs on the members of the ignored or avoided segments.

**Macromarketing and Justice Perspectives**

These concerns discussed above – targeting vulnerable consumers, facilitation of targeting via new technologies, and withdrawing from or avoiding economically unattractive market segments - amount to examples of market failure that generate externalities, spillovers, or social costs that may be difficult or impossible to control by consumers who are disadvantaged, violated, or ignored. Accordingly they raise both ethical and, particularly when the populations affected are large and defenseless, public policy questions. In this section, I wish to bring the light of macromarketing and justice perspectives to these concerns.

Shelby Hunt (1981) provided an early understanding of the macromarketing perspective, identifying some level of aggregation of market participants and the interaction between marketing activities and society, each on the other, as the three dimensions that define our sub-discipline. The concerns outlined in this paper certainly fall within the domain of this definition and warrant at least the attention given here. A judgment of market failure, a concept originating
from economics, also fits within this domain as examined in detail by Harris and Carman (1983). While the specific issue of targeting was not given explicit attention in that study, it seems clear that the kinds of injury associated with the cases described deviate from the outcomes associated with the assumption of competitive markets and fully informed participants. Finally, the exhaustive retrospective by Layton and Grossbart (2006) bring the ethical dimension into this domain and, hence, the justice perspective discussed below. Since targeting involves relationships between market participants, has become a dominant aspect of strategy across consumer marketers in general, and has social as well as economic implications, it is a proper concern for macromarketing study. However, before considering the justice perspective from a critical viewpoint, it should also be noted that the mutually beneficial outcomes most often associated with targeting, i.e., the conventional wisdom detailed earlier, are properly viewed as evidence of a satisfactory level of market performance, not market failure, even though the conduct that generates those outcomes would be viewed by some economists as “monopolistic” and, therefore, troublesome.

The ethical dimension of targeting practices is best examined from the perspective of justice. Apart from the legal context in which that concept is applied, i.e. as procedure and judgment in disputes between parties or where criminal conduct is alleged, a loose understanding of the justice concept tends to arise from some assessment of the fairness of a situation or action. While that understanding might be sufficient here, some clarifying definitional remarks seem to be called for.

Justice is a relational virtue that calls for parity or equity in dealings or transactions between or among parties (Fagothey 1953, pp. 235-37).** Commutative justice is between parties presumed to be equal in the context of specific relationships. In a commercial context, it is the basis of voluntary contracts. Equality is assumed in the initiation of a contract and is realized when the contracting parties fulfill their contractual obligations. The absence of that fulfillment is termed an incomplete transaction, is an example of market failure, and may have social consequences (Nason 1989). Injuries resulting from a defective product and a promise or reasonable expectation of performance that is not fulfilled would be examples of incomplete transactions, thus, market failure and, depending on the scope of impact, would represent social as well as individual cost as well as a violation of commutative justice. Outside the context of voluntary contracts, any injury of one party by another causes a comparable inequity, violating commutative justice, and requires restitution to restore the presumed equality that existed before the injury occurred. Targeting is a violation of commutative justice at the individual level when explicit or implicit promises are not kept and rises to a level of grave concern when a nontrivial injury results.

Ferrell and Ferrell (2008) argue that distributive justice offers a proper normative framework for considering the ethical content of events and situations with macromarketing implications. Distributive justice pertains to relations between unequal parties, e.g. a state or community and its members or an organization and its employees or other primary constituents.
In marketing, this concept of justice is sometimes applied to conduct and outcomes associated with channel relationships such as occur between a manufacturer and its dealers or customers (here considered as a group or in the aggregate, to use Hunt’s dimensional terminology). Terms such as “fair trade” and “preferential treatment” suggest the presence or absence of distributive justice. Some accounting of what a superior party owes its inferior or dependent stakeholders (in this case, customers) and how that is shared among them is the basis for that determination. Targeting is a violation of distributive justice when it results in the failure of marketers to properly share the costs and benefits associated with a marketing relationship among its customers. A strict interpretation of this understanding implies that concentrating benefits or imposing costs on any segment and not on others is a violation of distributive justice. However, a kind of restitution occurs in a market setting if those benefits or costs are offset by other participants, as when all meaningful segments are adequately served by one or another member of the same industry or trade. When that “restitution” is not forthcoming, e.g. when all food retailers converge on suburban locations and abandon urban and rural segments of their market, distributive justice is violated. Since formal restitution is difficult, perhaps impossible, once that has occurred, some other form of remediation is called for.

Another justice concept is that of legal justice, which pertains to the obligations of a member of a community to that community, to contribute to the common good. That certainly includes law-abiding conduct, but extends beyond that minimum requirement to include other actions that benefit the community. Also, social justice combines this broadened understanding of legal justice with distributive justice “… whereby each one both contributes to and receives back from society his proper share” (Fagothey 1953, p. 237). Finally, corrective justice provides for restitution when injury is experienced as a result of violations of the dictates of justice (Lippke 1999). These perspectives have implications for targeting to the extent that the common good may be enhanced or diminished by targeting policies and, if diminished, there may be a claim on the larger community.

Possible Remedies

A common response to the problems cited above is a call for greater vigilance by consumers and, it seems fair to observe, the public disclosure of at least some of these practices has probably encouraged that. The justice perspective examined above also calls for marketers to abstain from practices that exploit consumer vulnerabilities and/or to be more proactive in their information policies and product and distribution strategies.

However, the continued presence both of consumers who are situationally or constitutionally unable to exercise adequate vigilance and of predatory marketers that pursue their economic interests at the expense of these vulnerabilities – in the spirit of corrective justice - raises the question of whether additional measures are called for. These are systemic deficiencies identifiable from a macromarketing analysis that provide opportunities for remediation. Corrective responses to these deficiencies should vary - depending on the particular
practice, population affected, or injury – and might include industry-level self regulation, consumer boycotts, the establishment of cooperative institutions, information services or mandates, rules requiring or prohibiting certain practices, subsidies that encourage improved access or affordability, mandatory redress provisions, and civil or criminal penalties calibrated to respond to the severity or duration of the cost experienced.

This menu of possible remedies to the costs sometimes imposed by targeting calls for greater specification, which also provide opportunities for research. Could industry-wide standards that prohibit targeting vulnerable populations with advertising for potentially harmful products be established? Or is this the job for government regulation and enforcement? Could rural or urban consumer cooperatives provide services to residents that retailers avoid or have abandoned? How effective are consumer education programs administered through high school curricula or senior citizen programs? The approach proposed here is to consider specific concerns together with a range of apparently feasible alternative approaches to addressing each and to weigh their predictable costs and benefits in comparison with the observable situation. Relevant historical comparatives should also be instructive in answering these questions.

Conclusion

While one could more fully examine these potential remedies in conjunction with the specific concerns identified, the objective of this treatment is far more modest. The usual experience with targeting strategies indicates net benefits for both buyers and sellers and, as one reviewer stated, “Some level of targeted exploitation seems inevitable in a capitalist society.” However, targeting can be seen to sometimes exploit consumer misfortune, leads to invasions of consumer privacy, and often results in wholesale “redlining” of less attractive segments. Such events amount to market failures and transcend the boundaries of buyer-seller dyads. To the extent that they imply avoidable harm in relationships, an examination from a justice perspective is called for, both to assess the harm generated and to propose and evaluate correctives that would, ideally, prevent their occurrence in the first place or, alternatively, restore the equity called for in just relationships in markets.

References


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Counterfeiting Purchase Behavior: Antecedents of Attitudes and Purchase Intentions

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This study offers insights into factors underlying consumers' intentions to purchase counterfeit products. Based on existing literature in the field, we posit that intention to buy is influenced by consumers' attitudes towards counterfeited products, moral intensity (expectation of consequences for the society at large) and risk perceptions. The hypotheses are tested with data from a random sample of adult consumers using structural equations modeling. Implications of different patterns of results identified are discussed.

Keywords: Counterfeiting, consumer behavior, intention to buy a fake product

Introduction

There has been a long tradition of academic and industry led-research on the supply and the demand side of counterfeiting. However, there is a general absence of agreement in the literature with respect to the scope and magnitude of this problem, its actual social and economic impacts, and the effectiveness of anti-counterfeiting measures (BASCAP 2008; Eisend and Schuchert-Gueler 2006; Huang, Lee, and Ho 2004; OECD 2008). On the other hand, researchers and analysts consent that the phenomenon is global in nature and that an in-depth understanding of the factors driving counterfeiting activities are a pre-requisite for national, industry or policy-driven actions. In light of the gaps identified in the academic literature, this study focuses on the demand side of counterfeiting, examining factors underlying the purchase of non-deceptive counterfeit products. Unlike deceptive counterfeiting where consumers believe they have purchased a genuine product (when in fact it is a fake), the non-deceptive counterfeits refer to situations when consumers are fully aware (based on price, quality and the type of outlet from which the product is purchased) that they are buying a knock-off at the time of purchase (Grossman and Shapiro 1988; Chakraborty, Allred, and Bristol 1996).

Previous literature identified various issues to be addressed in future empirical studies to advance existing knowledge of the counterfeiting phenomenon, particularly the lack of consistent frameworks to guide empirical efforts and the dearth of focus on consumers outside the US and Asia (Eisend and Schuchert-Gueler 2006; Veloutsou and Bian 2008; Wilcox, Kim and Sen 2009). Identifying the social psychological foundations underlying the counterfeiting behavior is critical if efficacious public policy strategies are to be developed, implemented and controlled to persuade individuals to attenuate or reject this practice. These issues, along with the calls for examinations of existing consumer behavior models in different and novel cultural settings, including those of emerging countries in the expanded area of the European Union.
(Steenkamp and Burgess 2002), prompted us to design a study that aims at exploring the antecedents of consumer attitudes and intention to buy counterfeit products. We first develop a theory based conceptual model and then apply path analyses to test the system of structural relationships.

Theoretical Background and Conceptual Framework

While various theories and models attempt to explain ethical behavior in a marketing context, studies specifically addressing determinants of illegal and inappropriate consumer behavior are scarce and scattered (e.g., Ferrell and Gresham 1985). Overall, two streams of theoretical underpinnings can be identified in the literature: (1) the Theory of Reasoned Action (TRA) (e.g., Shoham, Ruvio, and Davidow 2008) or the Theory of Planned Behavior (TPB) (e.g., de Matos et al. 2007), and (2) theories of ethical decision making, such as Jones’ issue-contingent model (e.g., Tan 2002), Hunt and Vitell’s model of ethical decision making (e.g., Shang, Chen, and Chen 2008), or the Ferrell and Gresham’s contingency framework (e.g. Simpson, Banerjee, and Simpson 1994). Despite the paucity of theoretical guidance, recent empirical studies seem to suggest that various individual characteristics and situational factors motivate people to willingly engage in the purchasing of fake branded products (Bian and Moutinho 2009; Dubinsky, Nataraja, and Huang 2005; Veloutsou and Bian 2008). Price advantages of counterfeits relative to genuine products play a major factor in consumer enduring demand for counterfeit products (Bloch, Bush and Campbell 1993; Stoettinger and Penz 2003). Other factors underlying consumer counterfeiting behavior include a) the penalty and sanctions associated with criminal behavior, b) direct or indirect social pressure (e.g., whether the person is conducting illegal behavior in the presence or absence of others), c) personality traits and characteristics of individuals, and d) the ability of participants to rationalize their behaviors (Albers-Miller 1999; Ang, Cheng, Lim and Tambyah 2001; Simpson et al. 1994).

According to TRA, the intention to perform a behavior is a function of two basic determinants: (1) the individual’s positive or negative evaluation of adopting a behavior, i.e., attitude toward the behavior, and (2) the person’s perspective of what others think, i.e., a subjective norm (Fishbein and Ajzen 1975). TRA has been previously applied to various research contexts, including counterfeiting (e.g., Shoham, Ruvio, and Davidow 2008) and piracy (e.g., Peace, Galleta and Thong 2003; Goles et al. 2008). A valuable feature of this theory is its flexibility in allowing the inclusion of other theoretically relevant variables (Ajzen 1991). Yet, overall attitudes alone are usually poor predictors of behaviors (e.g. Cobb-Walgren et al. 1995; De Pelsmacker and Janssens 2007). Several studies in the counterfeiting and piracy literature found other constructs predicting the intention better, e.g., perceived behavioral control in the study by Chang (1998). In addition, TRA presents a cognitively driven assessment of behavior, and does not directly account for emotional commitment (Eagly and Chaiken 1993). Shaw et al. (2005) conclude that a substantial amount of variance in buying behavior remains unexplained by traditional models based on TRA and that other relevant variables should be included.

The other stream in the counterfeiting and piracy research relies on the theories of ethical decision making, since counterfeiting and piracy are, depending on the situation, considered as illegal and/or unethical practices (Simpson et al. 1994). Rest (1979) suggested a four-component
model which stipulates that an individual must (1) recognize the moral issue, (2) make a moral judgment, (3) establish moral intent, and (4) implement moral actions during the ethical decision-making and behavior process. Jones (1991) used these foundations to propose the issue-contingent model extended with the concept of moral intensity. The basic premise of ethical decision making models is that a person must be able to recognize a moral issue. Yet, some studies suggest that many individuals do not perceive software piracy as a moral or ethical issue (e.g., Solomon and O’Brien 1990). In this respect, the ethical research stream offers an insightful starting point for identifying the relevant variables of buying counterfeit goods behavior.

Against this background, we propose a conceptual model of consumer attitudes and intention to buy a fake product. The relationship between these two constructs is further extended with the concepts of (1) moral intensity and (2) perceived risk. Moral intensity and perceived risk can be regarded as two sets of perceived consequences of counterfeit purchases. Moral intensity elicits the expected consequences for the society at large. Perceived risk assesses the perceived consequences for the individual who buys counterfeit products. By including the moral intensity construct into the TRA model, the issue-contingent model for the ethical decision making is integrated into the framework. As discussed earlier, the essential component of the issue-contingent model is moral intensity (Jones 1991). Integrating the two theoretical streams responds to Loe, Ferrell and Mansfield (2000) call that ethics issues need to be more thoroughly integrated into various fields of research.

**Figure 1. The Conceptual Model for the Study**

Similar dependent variables in examining consumer ethical issues were used in recent studies (e.g., Al-Rafee and Cronan 2006; Chiou et al. 2005; Tan 2002). Consumer **Intention** to buy refers to the intent to knowingly purchase a counterfeit product. The second variable, consumer’s **Attitude** toward knowingly purchasing counterfeit product, is defined as an individual’s predisposition toward purchasing counterfeit products. Next, **Moral intensity** construct is defined as the extent of issue-related moral imperative in a situation of knowingly purchasing counterfeit products. The fourth component of the proposed model, **perceived Risk**, involves the perceived negative consequences of knowingly purchasing counterfeit products.

The first set of hypotheses focuses on the impact of moral intensity on consumers' attitude and intention to buy counterfeit products. The moral intensity concept has been
previously investigated mostly in business contexts, suggesting its significant effects on components of the ethical decision making, e.g., moral intent and moral behavior. Tan (2002) showed that two dimensions of moral intensity, magnitude of consequences and social consensus, negatively affect the intention to purchase pirated software. Among the six components of moral intensity, the perceived magnitude of the societal consequences and social consensus were consistently found to significantly affect individuals' moral judgment (e.g., Tan 2002). Based on the inherent properties of moral judgment, it can be noted that the attitude is the closest construct. These two constructs have been previously used to explain intention/behavior, both are judgments or evaluations about a particular behavior and both lead to intention, which in turn results in behavioral outcomes (Al-Rafee and Cronan 2006). On the other hand, Chiou et al. (2005) provided empirical evidence for the negative impact of moral intensity on general positive attitudes of unauthorized music download/duplication. The testing of the hypotheses stated below provides an opportunity to examine the power of integrating the two theoretical streams discussed earlier and resolve the controversy related to the role of moral intensity in shaping consumer attitudes toward knowingly purchasing counterfeit (CF) product.

H1a: Moral intensity positively influences unfavorable Attitude toward purchasing CF products.

H1b: Moral intensity negatively influences Intention to buy a CF product.

In line with our conceptual model, perceived risk is another independent variable hypothesized to affect consumer’s attitude and intentions. Several studies have established evidence that perceived risk decreases consumer’s intention to buy counterfeit products or pirate (e.g., Bian and Moutinho 2008; Tan 2002), as well as diminish consumer’s favorable attitude toward buying counterfeit product or pirating (e.g, de Matos et al. 2007; Chiou et al. 2005). Consequently, we hypothesize:

H2a: Perceived Risk positively influences unfavorable Attitude toward purchasing CF products.

H2b: Perceived Risk negatively influences the Intention to buy a CF product.

The link attitude-behavioral intention has been extensively studied in the marketing literature. Consequently, there is a bulk of evidence in favor of positive relationship between attitudes and behavioral intentions. In the counterfeiting context, quite many authors provided support for this relationship, including Ang et al. (2001), de Matos et al. (2007), Penz and Stoettinger (2008), Wilcox et al. (2009), and Wee, Tan and Cheok (1995). Hence, we posit:

H3: Consumer’s unfavorable Attitude toward purchasing CF products negatively affects Intention to buy a CF product

Research Methodology

The conceptual model proposed in Figure 1 was investigated on a sample of 1211
consumers in Slovenia. This country offers an appealing site for research on counterfeiting for the following reasons: a) general absence of research investigating consumer ethical issues in transitional economies (Al-Khatib et al. 2004); b) purchasing of counterfeit goods continues to represent a global rather than regional problem (e.g. Wilcox et al. 2009); and c) considering the size of the country, the results render a reasonable external validity of the study.

This research was conducted as part of a broader multi-country study aiming to explore consumer attitudes and motivations related to the consumption of counterfeit goods, and to conduct a comparative analysis of consumption of counterfeits (CF) across states and sectors. A self-administered mail survey was sent to an initial sample of 10,000 consumers. This sample was acquired from the National Statistical Office, and was representative with respect to age, gender, region and type of settlement. While the total number of the returned questionnaires was 1523, several questionnaires were eliminated due to missing or incomplete data. Hence, 79.5% of the returned questionnaires were included for the analysis in the present study. Our sample of 1211 individuals consisted of more female than male respondents (56.1 % females) with an average age of 42 years (SD of 16.5). The majority of the sample (73.9 %) attained college education, and just over half of the sample (52.4 %) was employed, either on a part-time or full-time basis.

Three constructs, perceived Risk, (unfavorable) Attitude and Intention to buy CF products were measured on 5-point Likert type scales ranging from 1 (Strongly Disagree) to 5 (Strongly Agree); the construct of Moral intensity was measured on a 5-point semantic differential scale. Construct measures were derived from existing literature, but carefully adapted to the cultural context with additional testing of reliability in this study. We examined measures used in studies focusing either on counterfeiting or piracy; both present forms of illicit trade which denotes a variety of illegal or non-contractual activities (Staake et al. 2009). The measure of CF purchase Intention was assessed using a three-item scale developed by Taylor and Todd (1995) which has been applied in the recent study on softlifting (Goles et al. 2008). To capture the Attitude toward purchasing CF products, items relating to the overall favorableness of pirating digital media based on Cronan and Al-Rafee, (2008) and items referring to the evaluation of counterfeit products by de Matos et al. (2007) were used. Moral intensity scale items were adapted from Singhapakdi, Vitell, and Kraft (1996) and McMahon and Harvey (2006). Items for perceived Risk were derived from Hennig-Thurau's et al. (2007) scale.

In the process of developing the survey instrument and modifying the scale items for a cross-cultural adaptation, the guidelines for conducting international consumer research were closely followed (Craig and Douglas 2000). In the first step of this iterative process, the instrument was constructed in English and then double-blind translated into Slovenian and back into the original English. Next, a group of multilingual researchers carefully inspected measurement items derived from international literature to a) eliminate items with limited conceptual equivalence and b) ensure the translation is decentered from the literal language translation (Douglas and Nijssen 2003). As a final step, the questionnaire was pretested on a convenience sample of consumers, after which only minor modifications were required.
Data Analysis and Findings

The analysis, using structural equation modeling, was conducted in two steps. After an Exploratory Factor Analysis to check for constructs’ uni-dimensionality, the measures were submitted to a Confirmatory Factor Analysis (CFA). The results of the CFA are summarized in Table 1 showing that the four constructs display adequate reliability and average variance extracted (AVE). The fit indexes of the measurement model indicate a good fit of the model to the data.

Table 1. Construct Reliability and Item Estimates - Results of CFA

<table>
<thead>
<tr>
<th>CONSTRUCT</th>
<th>Loadings</th>
<th>Reliability</th>
<th>AVG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Moral intensity: <em>Singhapakdi, Vitell, and Kraft (1996), McMahon and Harvey (2006)</em></td>
<td></td>
<td>.78</td>
<td>.55</td>
</tr>
<tr>
<td>If you bought counterfeit goods what kind of impact do you think it would have on society? (1-Very Negative Impact to 5-Very Positive Impact)</td>
<td></td>
<td>.69</td>
<td></td>
</tr>
<tr>
<td>How likely is it that this impact would be felt? (1-Highly Unlikely to 5-Highly Likely)</td>
<td></td>
<td>.84</td>
<td></td>
</tr>
<tr>
<td>What would the nature of this impact be? (1-Very Short Term to 5-Very Long Term)</td>
<td></td>
<td>.68</td>
<td></td>
</tr>
<tr>
<td>Perceived Risk: <em>Hennig-Thurau et al. (2007), Bian and Moutinho (2009)</em></td>
<td></td>
<td>.73</td>
<td>.53</td>
</tr>
<tr>
<td>Buying counterfeit goods is risky because…. (1-Strongly Disagree to 5-Strongly Agree)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>They might not work properly</td>
<td></td>
<td>.56</td>
<td></td>
</tr>
<tr>
<td>They are generally of poor quality</td>
<td></td>
<td>.86</td>
<td></td>
</tr>
<tr>
<td>They are not as durable as the real products</td>
<td></td>
<td>.84</td>
<td></td>
</tr>
<tr>
<td>They might not be safe</td>
<td></td>
<td>.61</td>
<td></td>
</tr>
<tr>
<td>Attitude: <em>Cronan and Al-Rafee (2008), de Matos et al. (2007)</em> (1-Strongly Disagree to 5-Strongly Agree)</td>
<td></td>
<td>.79</td>
<td>.55</td>
</tr>
<tr>
<td>Buying counterfeit goods would make me feel anxious</td>
<td></td>
<td>.76</td>
<td></td>
</tr>
<tr>
<td>Buying counterfeit goods rather than legal ones is wrong</td>
<td></td>
<td>.83</td>
<td></td>
</tr>
<tr>
<td>There are moral reasons not to buy counterfeit goods</td>
<td></td>
<td>.63</td>
<td></td>
</tr>
<tr>
<td>Intention to buy: <em>Taylor and Todd (1995), Goles et al. (2008)</em> (1-Strongly Disagree to 5-Strongly Agree)</td>
<td></td>
<td>.77</td>
<td>.55</td>
</tr>
<tr>
<td>I intend to buy counterfeit goods in the future</td>
<td></td>
<td>.83</td>
<td></td>
</tr>
<tr>
<td>I do not plan to buy counterfeit goods within the next six months (R)</td>
<td></td>
<td>.44</td>
<td></td>
</tr>
<tr>
<td>If the need or opportunity arises within the next six months, I would buy counterfeit goods</td>
<td></td>
<td>.87</td>
<td></td>
</tr>
</tbody>
</table>

Fit Indexes for the Measurement Model

\[ \chi^2 = 180, \text{ d.f.} = 58, p = .00; \text{ GFI} = .98; \text{ NFI} = .97; \text{ TLI} = .97; \text{ CFI} = .98, \text{ RMSEA} = .042 \]
The results of the analysis of the structural model are summarized in Table 2 (see results for Mediated Model). The model displays good fit indexes and all the hypotheses are supported except H1b. The direct impact of Moral intensity on Intention to buy CF product is non-significant in this model.

### Table 2. Hypothesis Testing and Results

<table>
<thead>
<tr>
<th>Hypothesis</th>
<th>Link</th>
<th>Path Coefficients ($t$-Value*)</th>
<th>Mediation</th>
</tr>
</thead>
<tbody>
<tr>
<td>H1a Moral Intensity $\rightarrow$ Attitude</td>
<td>.41 (11.9)</td>
<td>.39 (11.1)</td>
<td>-</td>
</tr>
<tr>
<td>H1b Moral Intensity $\rightarrow$ Intention</td>
<td>-.29 (-8.2)</td>
<td>-.06 (-1.7)</td>
<td>Full</td>
</tr>
<tr>
<td>H2a Risk $\rightarrow$ Attitude</td>
<td>.37 (11)</td>
<td>.36 (10.7)</td>
<td>-</td>
</tr>
<tr>
<td>H2b Risk $\rightarrow$ Intention</td>
<td>-.27 (-7.9)</td>
<td>-.08 (-2.3)</td>
<td>Partial</td>
</tr>
<tr>
<td>H3 Attitude $\rightarrow$ Intention</td>
<td>-</td>
<td>-.50 (-11.2)</td>
<td>-</td>
</tr>
</tbody>
</table>

### Fit Indexes for Direct Model

$\chi^2 = 316$, d.f. = 59, $p = .00$; GFI = .96; NFI = .95; TLI = .94; CFI = .96, RMSEA = .06

### Fit Indexes for Mediated Model

$\chi^2 = 180$, d.f. = 58, $p = .00$; GFI = .98; NFI = .97; TLI = .97; CFI = .98, RMSEA = .04

* Significant at $p \leq 0.05$ if $|t| \geq 1.96$.

As this non-significant result could be due to a mediating effect of Attitude on the impact of Moral intensity on purchase Intention, we decided to conduct a mediation test (Baron and Kenny 1986; Shrout and Bolger 2002). Thus, we ran a second structural model without the link corresponding to H3 (see Direct Model Table 2). The large chi-square difference of 136 (with a difference in degree of freedom of 1) indicates that the mediated model (corresponding to our conceptual model) is a much better fit with the data. The comparison of the results for H1b and H2b in the direct and the mediated model (see Table 2) indicate respectively a full and a partial mediation of Attitude on the impact of Moral intensity and Risk on purchase Intention.

### Conclusions and Future Research

This study attempted to generate new insights into non-deceptive counterfeiting by focusing on consumer behavior in order to provide foundations for relevant public policy implications. In reviewing the consumer behavior literature and recent empirical studies, we
identified two variables (Moral intensity and Risk) that influence consumer attitude toward counterfeiting and three variables (Attitude, Moral intensity and Risk) that affect consumer Intention to buy CF products. By focusing on the topic of counterfeiting we respond to the notion expressed by Cornwell and Drennan (2004) that many dark issues have not been addressed in the consumer behavior, including piracy and counterfeiting. In addition, by exploring counterfeiting in the context of a young EU member state of Slovenia we also fill the gap identified by Staake et al. (2009), that is, to address the influence of counterfeiting activities on emerging markets more systematically and gain knowledge on the mechanisms and structure of the illicit market.

Our findings suggest that the Intention to buy CF product is influenced by consumers' attitude towards counterfeiting and their perceptions of Risk involved. As hypothesized, negative predisposition toward purchasing counterfeit products (Attitude) reduces consumer’s Intention to engage in knowingly buying a CF product. The importance of individual’s attitudes as drivers of consumer purchasing behavior is highlighted in this study as we demonstrate that Attitude mediates the respective links between Moral intensity, perceived Risk and Intention to buy. In addition to offering a country- and situation-specific setting for the study, the findings in our study are in line with previous empirical work. Attitude is found to be one of the most consistent predictors of intention to purchase in the existing literature, including in the counterfeiting context (e.g., Ang et al. (2001), de Matos et al. (2007), Kwong et al. (2003), Phau and Teah (2009), and Wilcox et al. (2009). Our finding related to Risk as a significant determinant of the Intention is also consistent with other studies (e.g., Albers-Miller 1999; Bian and Moutinho 2008; Wang et al. 2005), although the range of types of risks covered was quite different. While the current study focuses on technical risk, other studies included various combinations of criminal, social, financial, performance, technical and prosecution risk.

On the other hand, the hypothesized direct impact of Moral intensity on purchase Intention was not confirmed in this study. Although the literature on the relationship between moral intensity and intention is rather scarce, it still provides a relatively uniform evidence of a negative relationship, i.e. moral intensity reduces the intention to purchase counterfeit or pirated products (e.g. Chia and Mee 2000; Tan 2002). However, in this specific research setting, the relationship between the Moral intensity and the Intention was fully mediated by the Attitude construct, which indicates that the Moral intensity can only affect the Intention to purchase CF products through changing the Attitude. One possible explanation for this outcome might lie in the similarity of Moral intensity construct with the behavioral belief in TPB. Both are referring to the beliefs about consequences of engaging in a certain behavior, and according to TPB, the path from behavioral beliefs to behavioral intention is fully mediated by the attitude toward behavior (Ajzen 1991).

Another distinction between this and other studies relates to the structure of the moral intensity construct. While according to Jones (1991), moral intensity is composed of six dimensions, existing empirical studies applied various combinations of these dimensions. The Moral intensity construct in our study tapped into three facets, i.e. magnitude of consequences in terms of valence of the impact (negative-positive) and likelihood of feeling the impact (likely-unlikely), and temporal immediacy (short/long term nature of impact). Conceptually, our
construct related to consequences to the society as a whole, including various stakeholders, e.g. consumers, producers, and governments.

In addition to examining the determinants of the intention to buy counterfeit products, we also tackled the issue of attitude formation. In our analysis, two important determinants of unfavorable Attitude toward purchasing counterfeits were identified: Moral intensity and perceived Risk. To the best of our knowledge, the previous literature on counterfeiting has not explicitly included the two determinants in a single study. On the other hand, Chiou et al. (2005) empirically validated the negative influence of moral intensity and perceived prosecution risk on the behavioral intention toward music piracy in the piracy context. Our findings indicate that the two constructs explain almost the same amount of variance in Attitude. This means not only do people form their attitudes based on how they perceive consequences of purchasing counterfeits for themselves, but also based on consequences for the society as a whole.

The macromarketing literature with the focus on the broader social role of marketing combines the traditional micro-oriented consumer research emphasizing the managerial perspective, with a macro orientation which studies the broader marketing system (Shultz 2005; Layton 2009). Thus, understanding factors underlying CF purchase behaviour with its dysfunctional impact on the workings of legitimate markets is relevant, particularly from the public policy perspective. As manufacturers, wholesalers, retailers and consumers have experienced increasing problems stemming from the proliferation of CF products in the market during the past few decades, the mitigation of these phenomena requires special attention. The enforcement of any particular intellectual property right (IPR) is a complex and important area of public policy that touches on personal privacy, civil rights, freedom, social and economic development, and plethora of other issues (TACD 2009). The range of public policy activities extends from legislative efforts aimed at protecting IPR, promoting public awareness to encouraging new knowledge creation. When addressing the consumers as stakeholders in the process of counterfeit trade, it is important to understand that shaping demand for CF products along with consumer education constitutes a major leverage to confine illicit market activities (Staake et al. 2009). Indeed, the lack of awareness on the part of consumers facilitates a conscious demand for infringements (OECD 2008).

One of the ways to manage the demand side is to influence consumers’ attitudes and intentions to purchase CF products. Based on the findings in this study, two powerful areas may prove effective in changing an individual’s attitudes and intentions: the perception of consequences for oneself (i.e. perceived risk) and perception of consequences for others (i.e. moral intensity). We demonstrate that both significantly affect people’s predisposition toward knowingly purchasing counterfeit products. A compelling reason why understanding factors underlying attitudes is important lies in the fact that attitudes can be changed through persuasion and other means (Olson and Zanna 1993). As identified by Wood (2000), three central motives generate attitude change and resistance: concerns with the self, with others and the rewards/punishments. Perceived Risk and Moral intensity in our study both touch upon concerns with the self and with others. Hence, an inclusion of the two sets of potential consequences may increase the effectiveness of communication strategies employed by the rights holders and governments.
In addition to public policy makers, international marketers and investors have an increasing need for understanding consumer attitudes and their behavioral patterns. It is our contention that any strategy aimed at managing the counterfeit problem should include ways to reduce the demand for fake goods. In order to accomplish this, managers need a strong cognizance of the most effective means of communication to be directed at the right target audience. Studies such as this one can facilitate this understanding.

References


Towards a Hierarchy of Ethical Consumption

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Ben Wooliscroft, University of Otago, Dunedin, New Zealand

This paper proposes a hierarchy of ethical consumption choices, as defined by subjects, based on exploratory research. Links between the proposed hierarchy and the stages of change model of behavior change are made, suggesting a multi-staged approach to modifying consumers' consumption behavior with sustainable consumption and quality of life the ultimate goal.

Introduction

The issue of ethical consumption is important in a world struggling to feed its population and an environment that appears to be unable to cope with the current consumption behavior of humans (Newholm and Shaw 2007; Shaw, Newholm, and Dickinson 2006). At the same time, there is evidence that consumers report wishing to be more ethical in their consumption (c.f. De Pelsmacker, Driesen, and Rayp 2005; Devinney, Eckhardt, and Belk 2007; Carrigan, Szmigin, and Wright 2004; Auger and Devinney 2007). The question follows, ‘how do we help consumers make more ethical consumption choices?’ and ‘is there an underlying hierarchy of ethical decisions that consumers are making?’ in New Zealand.

Ethical Consumption

There is considerable overlap between the terms ethical consumption, non-consumption, anti-consumption and others. If non-consumption decisions are made on ethical grounds, non-consumption can be seen to be a subset of ethical consumption. Similarly, if anti-consumption is an ethical choice, anti-consumption is a subset of ethical consumption. Ethical consumption has been conceptualized as choosing not to consume (Stammerjohan and Webster 2002), and not trying or trying not to try Gould, Houston, and Mundt (1997). Non-consumption has also been described as:

- ethical consumption (Cooper-Martin and Holbrook 1993)
- consumer resistance (Penaloza and Price 1993)
- disloyalty (Englis and Solomon 1996)
- self actualization (Kozinets and Handelman 1998)
- voluntary simplicity (Shaw and Newholm 2002)
- counter-cultural movements (Zavestoski 2002)
- anti-consumption (Lee, Fernandez, and Hyman 2009)

The focus of this research is ethical consumption, as defined by the subjects, choices made by consumers on ethical grounds (or justified afterwards as ethical choices). If consumers are to become more ethical, in line with other changes in behavior, we are best to help them move to the next stage in their ethical development. This parallels the stages of change research, which
shows the need for consumers to pass through a number of stages on the way to changing behavior, such as smoking cessation, obesity reduction, or exercise/activity increase (c.f. Nigg, Burbank, Padula, Dufresne, Rossi, Velicer, Laforge, and Prochaska 1999; Prochaska and DiClemente 1986, 1992; Prochaska, DiClemente, and Norcross 1993; Prochaska, Velicer, Rossi, Goldstein, Marcus, Rakowski, Fiore, Harlow, Redding, Rosenbloom et al. 1994; Prochaska and Velicer 1997; Prochaska and Norcross 2001; Craig Lefebvre and Flora 1988; DiClemente, Prochaska, and Gibertini 1985; DiClemente and Hughes 1990; DiClemente, Prochaska, Fairhurst, Velicer, Velasquez, and Rossi 1991; Glanz, Patterson, Kristal, DiClemente, Heimendinger, Linnan, and McLerran 1994; Greene, Rossi, Rossi, Velicer, Fava, and Prochaska 1999).

It appears reasonable to extend this connection to suggesting that consumers will not change from ‘normal’ consumption to a high level of ethical consumption without going through intermediate stages. And, for each of those stages it can be expected that the consumer will go through the stages of change:

1. precontemplation,
2. contemplation,
3. preparation,
4. action, and
5. maintenance (Prochaska, DiClemente et al. 1983)

In this manner a consumer may be in the maintenance stage of one ethical choice(set), in preparation for the next step, contemplating for an even higher step, and precontemplating a choice which they may never make.

If the staged model of ethical consumption development is accepted, it is also of interest to policy makers and pressure groups to understand which ethical consumption choices are difficult for consumers to make, relative to each other, especially.

This research proposes the stages, or hierarchy, of ethical consumption through exploratory research in one cultural context, New Zealand.

Method

In seeking to capture the full range of ethical consumption choices ten subjects were purposefully selected for their level of commitment to ethical consumption, low through to extreme ethical consumption, and were interviewed. The subjects included three males and seven females and ranged in age from mid-20s to late 50s.

During a semi-structured interview each subject was asked which ‘ethical consumption choices’ they made frequently or always. Interviews typically lasted an hour and all took place in the wider Dunedin area. As exploratory research the interviewer avoided prompting subjects about certain choices or areas of choices. We wished to understand which choices consumers made that they consider ethical, not to prompt them with a series of choices — each of which has obvious social desirability in the context of an interview on ethical consumption choices. There
was, however, remarkable consistency in the choices covered during the interviews, see Figure 1.

The ethical choices identified in the interviews were collated and a pseudo Guttman scalogram was completed on them. The Guttman (1950) scalogram involves sorting rows and columns to uncover the order, or hierarchy, of a phenomenon. Originally used with fear, items included sweating, shaking, vomiting, etc. The theory behind the Guttman scalogram is that when there is a real order to a phenomena, like the physiological responses to fear, the order will become apparent when a selection of individuals who are at different intensities of that phenomena are input to a scalogram.

As can be seen in Figure 1 through the double sorting the scalogram uncovers both an order of the ethical choices and an order of the subjects from those making the least number of ethical choices through to the subject making the most ethical choices.

Results

Figure 1 shows the hierarchy of ethical consumption choices from reduced plastic bag use to no mainstream supermarkets.

A number of the ethical consumption decisions were not mutually exclusive, i.e. reduced vehicle use, fuel efficient car and no motor vehicle, but they were identified as discrete choices by the interview subjects. This leads to a number of gaps in the scalogram (see Figure 1), i.e. the subject who has no motor vehicle cannot also have a fuel efficient car. There are also gaps where the subjects did not raise that choice and it is not possible to ascertain whether they make that choice.

There are also tensions in the hierarchy, between, for example, fair-trade products and support local suppliers or NZ made products. This tension does not represent mutually exclusive choices, rather we see subjects buying locally when they can and buying fair-trade when they have to purchase imported products.

It is possible to see the Guttman scalogram as not a simple continuum but rather as stages of development. Like consumption/brand constellations (Englis and Solomon, 1996) it makes sense to consider ethical choice constellations (Hogg, 1998). One, somewhat speculative, categorization is shown in Table 1.

<table>
<thead>
<tr>
<th>Stage</th>
<th>Ethical Consumers Identified</th>
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<tbody>
<tr>
<td>Stage One</td>
<td>Early Ethical Adopters</td>
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<td>Stage Two</td>
<td>Comfortable Ethical Followers</td>
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<tr>
<td>Stage Three</td>
<td>Ethical Enthusiasts</td>
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<tr>
<td>Stage Four</td>
<td>Ethical Loyalists</td>
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<tr>
<td>Stage Five</td>
<td>Ethical Leaders</td>
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<tr>
<td>Stage Six</td>
<td>Ethical Extremists</td>
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</tbody>
</table>
Reduced plastic bag use
Recycling
Reduced Vehicle use
Avoid excessive packaging
Fair-trade products
Avoid products/service on basis of companies’ reputation
Farmers’ Market
Support local suppliers
Avoid products/service on basis of companies’ reputation
Fair-trade products
Avoid excessive packaging
Reduced Vehicle use
Recycling
Reduced plastic bag use

Figure 1. Pseudo Guttman Scalogram Result
The stages in the scalogram, from which these stages are based, are shown in Figure 2. It can be seen that the first stage in this categorization is largely passive, or requires little time or resource commitment from the subjects. The second stage includes having a vegetable garden and composting.

The third stage requires a higher level of commitment including a vegetarian diet, and reducing clothing purchases. The fourth level includes “minimal purchase of new clothing”. The degree to which this required a commitment is not apparent in the scalogram, but was clear from the interviews.

The fifth level requires significant financial commitment, and sees subjects making their housing sustainable, choosing their power supplier on the basis of the company’s power generation profile (percentage of power generated in a renewable manner) and not using of airlines (for two of the three categorized in stage 5). The single subject categorized as level six, and selected because of his known extreme ‘ethical’ lifestyle, not only uses no airlines, but also no motor vehicle, subscribes to a “low carbon diet”, and does not shop in mainstream supermarkets. This subject featured in a local newspaper article about eating food from supermarket trashcans.

**Discussion**

Why should we care about the order of consumers’ ethical choices? There is widespread agreement that the developed world’s consumption patterns are not sustainable for; the climate, the environment, and ultimately humanity.

At some point in time society/government will be required to decide what level of ethical consumer choice is required for sustainability. It will then be a matter of moving consumers along the continuum to that minimum point, so that the quality of life of society may be maintained. Unless we understand how hard/easy various ethical choices are for consumers we cannot effectively promote those choices.

This is exploratory research providing only the first stage in research into ethical consumption choices across cultures in a generalisable manner. Research we hope to report at a later seminar.
<table>
<thead>
<tr>
<th>Subject</th>
<th>Stage</th>
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<tbody>
<tr>
<td>No mainstream supermarkets</td>
<td>6</td>
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<tr>
<td>No motor vehicle</td>
<td>5</td>
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<tr>
<td>Low carbon diet</td>
<td>4</td>
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<tr>
<td>Fuel efficient vehicle</td>
<td>3</td>
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<tr>
<td>No airline use</td>
<td>2</td>
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<tr>
<td>Careful selection of power provider</td>
<td>1</td>
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<tr>
<td>Sustainable housing</td>
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<td>Organic diet</td>
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<tr>
<td>Minimal purchasing of new clothing</td>
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<tr>
<td>Purchase selected products from an Organic supermarket</td>
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<tr>
<td>Vegetarian Diet</td>
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<td>No meat purchased from supermarket</td>
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<td>Free range meat</td>
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<td>NZ made products</td>
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<td>Reduced clothing purchases</td>
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<td>Vegetable garden</td>
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<td>Selected Organic products</td>
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<td>Free range eggs</td>
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<td>Composting systems</td>
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<td>Support local suppliers</td>
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<td>Farmers' Market</td>
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<td>Avoid products/service on basis of companies' reputation</td>
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<td>Fair-trade products</td>
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<td>Recycling</td>
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<td>Reduced plastic bag use</td>
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<th>Subject</th>
<th>Henry</th>
<th>Felicity</th>
<th>Richard</th>
<th>Philippa</th>
<th>Sandra</th>
<th>Hannah</th>
<th>Candice</th>
<th>Ester</th>
<th>Nicole</th>
<th>Jonathon</th>
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<td>No mainstream supermarkets</td>
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<td>Low carbon diet</td>
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<td>Fuel efficient vehicle</td>
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<td>Careful selection of power provider</td>
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References


Deception in Market Exchange: Structure and Processes of Moral Reasoning in a Sales Negotiation Context

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Scott K. Radford, University of Calgary, Calgary, AB, Canada

This research reveals the structure and processes surrounding deception in sales negotiations. Specifically, researchers examined the role of deception in the social structure of sales negotiations and the processes through which salespeople judge the morality of their actions. An empirical study was conducted in the context of a student sales project. Drawing on qualitative methodologies, interpretation of data revealed two key themes that governed moral reasoning in the sales negotiations: deception as accommodation and interaction as moral code. The analysis is interpreted in light of extant literature on deception.

Introduction

Since early in the history of studying markets, scholars have maintained an interest in the use of deceptive practices in market exchanges (Boush, Friestad, and Wright 2009; Deighton and Grayson 1995; Zinbarg 2001). Much of the deception research appearing in consumer and marketing journals is grounded in the idea that the business exchange context differs fundamentally from everyday life. Specifically, research by practical ethicists suggests that characteristics of the business context engender a certain degree of deception. Tacit rules of the game are often justification enough for violating fundamental ethical tenets such as the golden rule or the categorical imperative (Kavka 1983; Schweitzer et al. 2005). Much of the work in business ethics that deals with deception begins with Carr’s (1968) contention that the rules of business are more akin to the rules of a poker game, rather than rules of everyday life. He argues that bluffing in negotiations is perfectly acceptable because exchange partners acknowledge that such activity takes place merely by entering the negotiating arena.

Extant deception research tends to view roles of exchange partners from a functionalist perspective asking questions such as, what are the motivational mechanisms driving deceptive practices? who is harmed by deceptive practices? and how can marketers’ deceptive practices be controlled and/or counteracted by consumers (Boush, Friestad, and Wright 2009). Specifically, research on marketplace deception tends to address issues such as the potential vulnerability of consumers to be deceived by advertising (e.g. Barone et al. 2004; Burke et al. 1988; Johar 1995) and public policy to protect consumers from deceptive marketing practices (e.g. Burke et al. 1997; Ford and Calfee 1986). With respect to deception in negotiated exchange, little research attention has been given to the formation and creation of the normative rules of the game. This paper explores the structure and strategic use of deception in negotiated exchanges between buyers and sellers. Specifically, we empirically address the question, “what is the role of deception in negotiated exchanges?”
At its most basic level deception involves a deliberate act by one party that is intended to produce a belief in another party that is inconsistent with what the first party believes to be true. This conscious misrepresentation of the truth may include lies, half-truths, distortions, exaggeration, cheating, stealing, and hiding behavior (Lippard 1988), omission (Schweitzer et al. 2005), obfuscation, and dissimulation (Bristol and Mangleburg 2005). These practices may seem at odds with a fundamental premise that consumers have the right not to be deceived (Laczniak and Murphy 2006). However, focusing exclusively on the detrimental outcomes of deception may not provide a complete picture of the ethical landscape of negotiated exchanges.

It is difficult to dispute the notion that it is unethical for sellers to deceive buyers about the features of a product – elements that are objectively knowable and verifiable by either party. However, settlement conditions surrounding a negotiation, such as preferences regarding the terms, conditions, or timing of a transaction, are non-verifiable dimensions (Dees and Cramton 1991). Some ethicists view settlement issue deception as ethically acceptable if the deceptive act is not offensive, that is, not intended as a strategy to harm the other party (Kavka 1983).

In this study, deceptive practices are examined from a perspective of moral neutrality. That is, behaviors that potentially violate established social norms, are examined impartially to illuminate their social role in sales negotiations. As such, this research departs from extant deception research grounded in a functionalist perspective that views buyers’ and sellers’ roles as rigid prescriptions or obligations for their actions in a negotiation. A brief review of extant literature on deception and sales negotiations supports the adoption of symbolic interactionism and ethical neutrality as perspectives to frame the present study. Next a thorough description of the research setting details the context in which the study’s data are developed. Next, a descriptive analysis illustrates the social locations, meanings, and processes germane to deception in the study’s context. Finally, an interpretive analysis reveals two themes that emerged from the data – deception as accommodation, and interaction as moral code. A discussion of the analysis illustrates how policy efforts to educate consumers may be better directed at recognizing and responding to deception rather than at preventing deception, and how researchers studying deception in sales negotiations may benefit from incorporating a symbolic interactionist perspective.

Background and Procedures

Conceptual Grounding

Deception, while often perceived as a violation of established social norms, is not inherently unethical (Boush, Friestad, and Wright 2009). Studies adopting this perspective have examined neutralization strategies used to justify deception (Aquino and Becker 2005), acceptability of standard bargaining tactics (Lewicki and Robinson 1998; Robinson, Lewicki, and Donahue 2000), cross-cultural differences in the perceptions of ethics in negotiations (Volkema 2004; Volkema and Fleury 2002) and obligations for information disclosure (Holley 1998). A common theme throughout this body of research is that judgment of an act as deceptive should not be confounded with judgment of an act as unethical.

Deceptive practices may be more socially acceptable in market negotiations than in other social exchanges. Kotler (1972) specified that market negotiations are exchanges between two
parties where each party is free to enter or exit the negotiating process. This is a fundamental premise that is crucial to Carr’s (1968) contention that the choice to enter a negotiation neutralizes the ethical issues surrounding deceptive practices. The conditions of market negotiations are somewhat different than, for instance, the conditions of labor negotiations where the parties do not have the same freedom to exit the negotiation. This is an important distinction. The literature on negotiation tends to rationalize deceptive actions not from the ‘rules of the game’ perspective, but instead by suggesting that deceptive bargaining tactics such as bluffing do not really constitute lies (Carson, Wokutch, and Murmann 1982).

In negotiated exchanges, there tends to be extensive interaction between the parties, and therefore ample opportunity to deceive. Moreover, the negotiator is typically in a position where they are serving as an agent of another party. So in addition to having an obligation to conduct themselves morally in the negotiation, they also have an obligation to their principal to achieve the best possible outcome without violating any laws (Friedman 1970). However there is often limited supervision by the principal. And principals often reward agents for outcomes and praise them for being shrewd negotiators (Dees and Cramton 1991; Robertson and Rymon 2001; Tenbrunsel 1998).

**Research Context**

Participants were drawn from a sales management class at a large Canadian university. The central component of this class involved a semester long sales management exercise which included sales training, sales management, and sales negotiations with prospects. In this project, student teams of 5-6 members were tasked with selling professional quality cutlery from one of the largest manufacturers of cutlery in North America. As new sales representatives, students received a demonstration set of knives and one full day of sales training. Throughout the semester student salespeople were involved in in-class discussions of sales tactics, sales demonstrations, and ethical issues surrounding sales. All of the money raised by the students was donated to the Children’s Wish Foundation.

Each team was responsible for selecting a sales manager who would coordinate the team’s selling efforts and manage the budget. Each team was also provided with a budget of $100 which they could use to facilitate sales. Teams varied in the way that they chose to use this money, from hosting sales demonstrations, to printing promotional materials, to providing bonuses to the top performing sales person in the group. Student sales groups were encouraged to be creative and resourceful. To that end, some groups planned lavish events by leveraging existing relationships with local businesses. For instance, one group hosted a wine and cheese event sponsored by the restaurant where one of the students worked as a waiter.

Students’ grades in the class were partially based on their sales performance. Each student was responsible for performing at least 5 sales demonstrations over the course of the 8-week selling period. These presentations varied considerable in their execution and their outcomes. Some sales representatives were ambitious and focused on B2B sales to corporate customers and generated thousands of dollars in sales. However, these types of sales were the exception rather than the rule. Most sales representatives relied heavily on their own personal network of friends and family to generate sales calls. Sales representatives’ performances were assessed by the number of sales presentations they made and the outcomes of those sales.
presentations. Students received bonus points for the amount of money they earned for the charity. As such, the assessment system reflects typical sales assessment systems grounded in both behavioral-based controls and outcomes (Anderson and Oliver 1987).

Sales incomes were based on the margin earned by the sales representative. While the company provides a catalogue with prices, individual sales representatives were able to offer discounts or promotions based on a point discount system. Effectively, each product had a fixed cost and the catalogue price for the products was made up of the fixed cost plus a seller’s margin. This contribution margin was broken down into points that represented dollars. By giving away the points as incentives to the customer in the form of additional products, sales representatives were able, in effect, to discount the products. However, any discounts given to customers reduced the amount of money donated to the charity. Students were given the same flexibility to discount products as the company sales representatives. However, the net effect of these discounts reduced the charitable donation (Hicks 2009) and diminished the outcome-based evaluation for their final grade.

In sum, students in the sales class were graded based on traditional behavioral and outcome-based reward systems. They were given flexibility over the benefits and discounts they could offer potential customers. And they were given extensive training in sales management, sales techniques, and ethical sales practices.

Data Collection

Data were collected from five focus groups of student salespeople and sales managers as described above. Since the students were highly involved with the charity, researchers offered to donate $20 to the charity for each student who agreed to participate in the study. As an added incentive, the donation would count towards the student’s individual sales total. In all, 25 junior and senior level student salespeople were interviewed (21 female, 4 male).

Focus group discussion points included: (1) surprises and things participants learned during their sales experiences, (2) participants’ most successful sales close, (3) their least successful sales close, and (4) instances where they felt they may have crossed an ethical line in closing a sale. Conversations with focus group participants were kept at the experiential level (Thompson and Haytko 1997). To this end, the protocol was designed so that the researchers used informal, colloquial phrasing to address the discussion points of interest. For example, when asking the participants about activities that crossed an ethical line, the researchers asked participants when they felt that there was an ‘ick’ factor to their selling techniques.

Although students were drawn from two separate sections of the course, many of the students often knew one another through other classes or the shared training session. So while the questions being asked were somewhat intrusive, this familiarity tended to generate a more comfortable environment (Patton 2002). Once students were seated and received ethics consent forms they were asked to select their own pseudonym. Focus group leaders made it clear that participants would be referred to by this pseudonym throughout the discussion and in subsequent publications to ensure confidentiality and anonymity. The participants took the process of selecting a name as a shared task that was discussed amongst themselves. As a result several of the focus groups selected their names based on shared themes: celebrity names (Demi, Tom,
Paris), Flowers (Rose, Lily, Violet), and Disney Movie Character names (Aladin, Ariel, Belle). We did not discourage students from interacting to select their pseudonym, in fact we found that this shared experience acted as a device to create a more comfortable and conversational environment and a sense of community.

Previous studies on deception either have focused on more philosophical logically grounded theory building and prescriptions (see Laczniak 2006), or have attempted to quantify deception through surveys (Bristol and Mangleburg 2005), experiments (Barone et al. 2004; Schweitzer et al. 2005), and scale development (Robertson and Rymon 2001). Given that researchers have tended to prescribe response categories through quantitative methodologies, it is not surprising that a more impartial view of the role of deception in market exchanges has been overlooked. Focus groups allowed us to explore the role of deception in sales negotiations as it was experienced by student sales people. In discussions about deception, participants responded to questions in their own words and were free to generate their own categorizations and perceived associations (Bickman and Rog 2009).

Additionally, focus groups were chosen over other open response format methods, such as depth interviews, because of the desire to encourage interaction among participants. The interaction among participants was desirable because it allowed respondents to build upon and react to the responses of other group members. This interaction among group members was particularly useful as it often pushed respondents to address related ideas and moral conflicts that may not have emerged in individual interviews. For example, since each respondent was essentially acting as an independent salesperson, focus groups provided a discussion forum where participants could compare their moral decisions with decision experiences of other participants.

Two issues with respect to focus groups are often cited in marketing literature as limitations that impede the advancement of theory: the lack of generalizability and potential for respondents to influence one another’s attitudes (Fern 1982). However, our aim is to unbundle the role of deception in a specific market context. As such, we do not intend to generalize our findings. Further, we do not attempt to measure individual attitudes. In fact, the attitudinal influence among respondents and the possibility that attitudes may change during focus group discussions, likely produce a richer account of participants’ experiences. Morgan (1997, pg. 10) points out that group interactions in focus group settings provide “direct evidence about similarities and differences in the participants’ opinions and experiences as opposed to reaching such conclusions from post hoc analyses of separate statements from each interviewee.”

Data Analysis

The unit of analysis is participants’ sales role identities. While there are nearly as many approaches to the study of business ethics as there are theories, they tend to hold a few things in common. First, most studies tend to look at the individual actor in some sort of decision event (Fernando et al. 2008). Second, the actor typically draws from explicit or implicit personal rules or ethical norms (Strudler 1995). Finally, ethicists often attempt to prescribe some rules for action that can serve the actors in dealing with moral decision making (Laczniak and Murphy 2006). It is much less common to recognize that the same actor may be entitled to act in a different way as prescribed by the context. While ethical relativism would prescribe that the
same actor may vary their moral action in different cultural contexts (Donaldson and Werhane 1996; Ferrell and Gresham 1985), this work has not been extended to the same actor in different marketing contexts. By using sales role identities as the unit of analysis, we illuminate the role of deception within the negotiation process itself rather than within the normative structure of any individual or firm.

“Roles are consensual prescriptions, behaviors expected of those occupying a particular position in Society, and in that sense they partition a society. Identities, in contrast, partition a person” (Kleine, Kleine, and Kernan 1993, pg. 212). Therefore, role identity is an appropriate unit of analysis because it reflects social identity salient in a focus group setting. Further, identities reflect the cultural knowledge enacted when giving reasons for actions (Briley, Morris, and Simonson 2000), such as establishing moral boundaries for sales tactics.

Consistent with procedures suggested by Thompson (1997), three levels of data analysis were completed. First, transcripts from the five focus groups were analyzed independently. Cultural domains relevant to the strategic use of deceptive practices were listed with quotes and contextual references. Next, coded data were compared across the different focus group sessions. Finally, emergent themes were interpreted in light of literature on negotiated exchanges, ethical relativism, and deception in exchange.

**Descriptive Analysis**

Table 1 summarizes a descriptive analysis of the data. The descriptive summary reveals the social structural role of deception in the present context. Participants’ reflections on using sales tactics during negotiations revealed the structural elements and relationships germane to their moral reasoning about those sales tactics. Specifically, points of negotiation, consequences, and their sellers’ relationships to prospects were important elements in establishing moral boundaries regarding the use of certain sales tactics.

Respondents’ moral reasoning often centered around points of negotiation. Negotiation points may be classified as points of fact or as settlement issues (Dees and Cramton 1991). Points-of-fact include features or benefits of the product itself – elements that are objectively knowable and hence verifiable by both parties to an exchange. In contrast, settlement issues are non-verifiable dimensions including one’s preference regarding the terms, conditions, and timing of a settlement (Dees and Cramton 1991). Specifically, points-of-fact included product performance issues such as the strength of the handle, the sharpness of the blades, etc. Respondents reported little flexibility in their moral reasoning regarding points-of-fact. Settlement issues included such things as the timing of a transaction, and the point discount system. Respondents were more flexible over withholding information regarding settlement issues than they were about points-of-fact.

In addition to points of negotiation, respondents’ moral reasoning also centered around the consequences of using certain sales tactics. Consequences included affective/emotional outcomes such as feelings of guilt and financial outcomes such as financial hardship for a buyer or a reduced contribution to the charity. In making moral judgments about sales tactics, respondents focused on consequences for themselves, the beneficiary charity, the company, and the prospect.
<table>
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<th>Social-Structural Element</th>
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| Points of negotiation     | Points of fact vs. settlement issues: price, timing, product performance, point discount system | One person at my work, was going to buy the big set, but she didn’t see the price, $3700. So I was kind of pushy like that, but she didn’t get it in the end, and I thought, “Well, maybe I shouldn’t have been so pushy.” [Belle, focus group 1]  
You can stretch the truth with [this company] and the points. You can say, “Oh, you bought three hundred dollars, so you can get thirty points. You can say that, because they don’t know.” [Caitlyn, focus group 3]  
[Ariel] One [of this company’s] knives that we own, I don’t know how, but the handle melted on it, and that’s supposed to be something that doesn’t happen with those handles. …we were taught, these handles are so good that they don’t melt, they don’t chip, but ours did. So, I think that my perception on it kind of made my presentations a little harder. I couldn’t really say those things, because I can’t stand by it. [Interviewer]: So, when conversations about the handle came up? [Ariel] Well, I generally, wouldn’t even bring that up. [Ariel, focus group 1] |
| Consequences              | Emotional and financial outcomes for buyer, seller, company, and charity | I didn’t even mention [the point discount] to them. I said, “If this is all you can afford, that’s fine. I’m not throwing anything else in because it feels bad; I feel like I’m stealing from the Children’s Wish Foundation; it makes me feel funny inside” [Paris, focus group 4]  
I didn’t want them to say, “Oh, don’t give it to me for free if it deducts from the Children’s Wish.” I didn’t want them to feel guilty. [Ashley, focus group 5]  
Yeah, I didn’t push on a lot of my prospects, because after I listened to the conversations I was like, “No, I don’t want to do this, because if it makes you in hardship right now, I don’t want to do this.” Even if it was for a good cause, I’d rather have them keep their money, and make sure that they’re O.K. versus them be in trouble financially. [Demi, focus group 5] |
| Relationships             | Personal relationship between seller and prospect | I think that it’s a lot easier to do an assumptive closing to someone you don’t know, rather than a family member or family friend, then it’s kind of endangering your relationship with that person, because then after they may feel like, “Oh, that was kind rude of them to pressure me so much.” [Sonny, focus group 2]  
When you’re real close, I feel like you can guilt them a little bit more…by pouting and making them feel guilty, and begging them to buy it. [Rose, focus group 2] |
Respondents’ pre-existing relationships with buyers were important factors in judging the morality of sales tactics. Student sellers often relied on their personal network and/or their parent’s personal and professional networks to generate sales leads. As such, the nature of that relationship was a common issue raised when respondents discussed the ethicality of sales tactics. Interestingly, the closeness of the relationship between the buyer and the seller was mentioned both as a reason to avoid and a reason to justifying using high-pressure or deceptive sales tactics.

In sum, the descriptive analysis illustrates the position of deception in the social structure of the current research context. That is, the analysis shows where deception resides among the various elements and relationships germane to the overall social framework of sales negotiations. Deception occurred with respect to various negotiation points and with various potential consequences. And sellers tended to orient their moral judgments about deception according to the nature of their relationship to the prospect. Having illuminated the position of deception in the social structure of the current context, it is possible to explore richer interpretations of the processes through which moral judgments about deception occurred.

Findings and Interpretation

Overview of Findings

Interpretation of data revealed two key processes which underlie the establishment of ethical boundaries in sales negotiations. Ethical boundaries for the use of sales tactics are established through the accommodative role of deception and through interactive processes between buyers and sellers. These beliefs about deception and interactive processes orient exchange parties to the negotiation process and shape the behaviors, opportunities, and outcomes for both buyers and sellers. In other words, the ethical boundaries regarding sales tactics are not fixed by broad societal norms or prescribed role mandates, rather they are dependent upon the exchange context and the interactions between buyers and sellers. Descriptions of the two key themes illuminate how ethical boundaries are established between buyers and sellers and why these context-dependent beliefs and interactive processes are essential elements that shape the outcomes of negotiated exchanges.

Deception as Accommodation

Theme one illustrates how beliefs about deceptive selling practices provide reference points that facilitate cooperative action between buyers and sellers. Beliefs about deception in broad market contexts provide boundaries for establishing ground rules in a particular negotiation. That is, sellers draw on past experiences and their knowledge of both the particular negotiation context and other market contexts to establish ethical boundaries for acceptable sales tactics. These ethical boundaries serve as the rules of the game that frame sellers’ ethical judgments of specific sales tactics. These rules of the game acknowledge and sanction tolerance for a degree of deception in sales tactics.

Further, acknowledgement of and sanction for a degree of deception serves as a central point around which negotiation occurs. That is, buyers and sellers recognize that without some deception, negotiation processes would have no meaning. Consider the position of a seller.
engaged in a negotiation over price with a prospect. The seller’s role-mandated objective is to sell the product at the highest price possible. As such, the seller is free to negotiate within a range from full price to a price equal to the seller’s cost. The prospect, on the other hand, has a primary objective of getting the most value. The ideal price for the prospect would be the price equal to the cost paid by the seller. Thus realization, but not disclosure, of the seller’s profit margin creates the purpose for the seller to engage with the prospect in the first place. By providing a point over which to negotiate, the deception facilitates cooperative action between sellers and prospects.

Rules of the Game. Student salespeople spoke of a strong, mutual understanding between buyers and sellers of the rules of the game that include the acceptance of and expectation for deceptive sales tactics. In making ethical judgments about specific sales tactics, respondents referenced other market contexts to form their evaluations. These references operated independently of broad societal norms with respect to deception. Respondents drew on market-specific codes such as “buyer beware,” in justifying their rules of the game for negotiations. Respondents also drew on perceived ethical codes for specific product categories to formulate rules of the game in their interactions with prospects.

In the following quote, a respondent reflects on her perceptions of the ethical rules of auto sales and housing markets to establish ethical boundaries for the sales tactics she employed. She believes that in both auto sales and housing contexts deceptive practices are commonly used to prompt a sale or to push a prospect over the line to make a purchase. Her belief about practices in specific product categories served as a reference point to justify the role of deception in facilitating the timing of a sale in her interactions with prospects.

I think it depends on the product, too... with cars you expect to negotiate. And with houses, you know other people are going to be purchasing on it. I have dealt with a lot of people selling new houses. I’ve never come across an incident where [a salesperson] specifically was lying and said, “Someone is offering this.” I know that actually happens, but it’s just used to stop you from stalling. It’s just like, “I’ll give you a free gift if you buy today, and if you’re not interested, then you’re not interested and their tactic didn’t work. But otherwise, you’ll probably get it. [Kitty, focus group 3]

By prompting a sale, Kitty’s interpretation of the rules of the game, as anchored in the reference points of auto and real estate negotiations, can be seen as facilitating cooperative action between buyers and sellers.

In the following quote, a respondent states that because exchanges are voluntary (i.e. parties are free to enter or exit any given transaction – a condition of the free market) the rules of the game for sales negotiations tolerate a certain level of deception. It is this voluntary nature of market transactions that allows the respondent to release himself from broader societal norms thus justifying the use of deceptive practices in negotiated exchanges.

I wouldn’t say [not telling a prospect about the point system] is lying; I think maybe it’s a bit deceptive, because technically a discount isn’t throwing anything in for free; it’s giving them a percent off... The products are priced a certain way; they offer a certain value, and they can
choose to accept that price or not accept it. So, I don’t think it’s morally wrong to not give them the free thing. [Sonny, focus group 2]

In the following exchange between two respondents regarding the morality of the assumptive close tactic, Sonny did not consider assumptive closes to be unethical because they are not outright lies. As such, Sonny expresses a belief that if deception centers around a settlement issue (in this case, the timing of the transaction), it is justifiable in order for a seller to come to terms with a prospect over more substantive issues such as performance, quantity, etc. (i.e. points of fact). This provides a good example of deception providing a reference point that facilitated cooperative action between two parties with otherwise conflicting ideological positions. In contrast, Simon relies on a principle of reciprocity to state his belief that the assumptive close technique crosses an ethical line.

[Simon]: I don’t know if I’d say [the assumptive close technique] is deceptive. But I would treat someone the way I would like to be treated...I would never want a guy at Best Buy to say to me, “So, you are taking this computer, today.” I would never want that. So I didn’t feel right using [assumptive close].

[Interviewer]: O.K., so what makes [assumptive closes] not feel right?

[Sonny]: I don’t think it is deceptive unless...you’re applying pressure in a false way, like saying “It’s the last week to order when it isn’t.” Then you’re lying...But, if you’re using assumptive close [to put pressure], it’s not lying. [Simon and Sonny, focus group 2]

Social Order. In addition to reliance on the contextually-bound rules of the game, salespeople acknowledged a structural purpose of deceptive practices in negotiated exchanges. Individuals claimed an understanding that the rules of the game that permit deception in sales negotiations are vital to the interactive process between buyers and sellers. Buyers and sellers “…engage in what is best thought of as adversarial cooperation” (Boush, Friestad, and Wright 2009, pg. 3). The relationship between sellers and prospects is adversarial because sellers seek an outcome that is mutually exclusive and diametrically opposed to the outcome sought by prospects. Sales negotiation is a zero-sum game. Sellers seek to maximize profit, meet sales quotas, and act in accordance to the cultural norms of the firm they represent. Prospects seek to maximize their value, satisfy their needs, and meet their buying objectives. Despite the fact that sellers and prospects seek antipodal outcomes, they must interact cooperatively to achieve their desired outcomes. Indeed it is precisely because they seek opposing outcomes that they must cooperate. Sellers and prospects are akin to rival football teams playing a game, “…some cooperation [is] a necessary prelude and aftermath to the [exchange]” (Lidz and Walker 1980, pg. 109).

The following quotes reflect awareness of the structure created by deception. In the first passage, Kitty and Agnes both acknowledge that without the deception, there would be no negotiations; all sales would simply be retail. In the second quote, Lily uses the women’s dress product category as a reference point to establish her boundaries for general disclosure from a salesperson regarding their cost. She goes on to state that if the rules of the game were such that sellers had to disclose their cost, there would be chaos. Together, these comments illustrate Kitty’s, Agnes’s, and Lily’s awareness of the accommodative role of deception.
[Kitty]: If the salesperson wasn’t hiding something or keeping something back, there would be no sales. The price would be this price. Come in an buy it at that price; there would be no [negotiation].

[Agnes]: So, obviously, it’s the nature of the business that’s it’s O.K. if you know stuff that the customer doesn’t, and you’re going to reveal that information as needed. [Agnes and Kitty, focus group 3]

[Interviewer]: Should [sellers] have to tell [prospects] what their cost is?

[Lilly]: Probably not...They don’t tell you that at the store. I don’t know how much the dress actually costs. That’s company information, and if customers knew that, there would be chaos. [Lily, focus group 2]

Interaction as Moral Code

Neither individuals’ personality characteristics nor the social structure of the negotiation context – points of negotiation, ethical boundaries, and consequences – alone are sufficient to inform sellers of the morality of their actions. In addition to the relatively stable role mandates, to evaluate the morality of their actions, sellers must rely on the dynamic social activities that take place between a buyer and a seller during a negotiation. Theme two illustrates how interactive processes provide sellers mechanisms to neutralize mandates of their seller roles and to release themselves from the moral obligations inherent in those roles. Sellers’ deceptive sales tactics are not always employed to improve the seller’s negotiation position nor are they exclusively used to leverage an outcome more favorable to the seller. Moral boundaries, established through real-time interactions with prospects can draw on empathy for the counter-position and they can be employed in a manner that favors the prospect at the expense of the seller.

Emergent Rule-making. Neither the ethical boundaries for sales tactics nor salesperson’s actions themselves were predictable merely from the sellers’ role mandates. Salespeople read each situation uniquely, drawing on their interactions with prospects to judge the morality of their actions. Construction of a framework, or unifying perspective, provided references from which an interpretation of the particular situation was made and action, deemed appropriately ethical given the interpretation of that situation, was taken. The following verbatim quotations illustrate how moral boundaries concerning certain sales tactics were established in real-time, face-to-face interactions between buyers and sellers.

In the following quote, a respondent determined how much information to reveal about the point discount system by cuing into signals from his prospects. For this respondent, if a prospect was “on the fence,” he withheld information about the point discount system. However, if a prospect signaled that a discount would potentially cause the prospect to purchase, the respondent offered a free item. As such, this respondent suggested that he determined the degree to which he withheld information only through real-time interaction between himself and his prospects.

I really thought of the point discount as a closer if they were anywhere on the fence or anything like that, I didn’t even mention the point system. If that was really important, I would be
like, “Oh, O.K., if you do it now, I’ll throw in the vegetable peeler…It was a good technique if they’re on the fence or just to close the sale. [Tom, focus group 5]

In the following quote, a respondent explains that she made decisions about how much information to disclose in real-time interactions between herself and the prospects – even basing her moral judgment upon prospects’ facial expressions. The extent to which she explained the details of the company’s sharpening program depended upon how prospects reacted to the initial disclosure that the knives had to be shipped back to the company to be sharpened. If prospects did not appear concerned about the sharpening program, this respondent chose not to disclose the program details. But if she read in a prospect’s facial expression that they were concerned about shipping costs to have the knives sharpened, she expanded how frequently the knives needed sharpened and she disclosed more information about how the program worked.

I kind of remember seeing when people asked. When I mentioned, “You have to send it to [the company] for it to be sharpened.” I could see them backing away from that, because they have to pay the shipping there, and enclose the money for [return shipping]…You can judge by a person’s facial expression like, “Oh, I have to send it back.” Shipping and handling is like the worse thing in the world, because something that’s ten bucks will cost you twenty…If people didn’t have an expression of resistance, then I wouldn’t say it. But, if they looked like, “Oh, this is not going to work out for me, because I don’t want to ship it back every time.” Then, I would explain the story, “you don’t have to ship it every year. You ship once in ten years.” [Audrey, focus group 5]

In the following quote, Samantha, like Audrey, suggested that she established moral judgments based on real-time interactions with prospects. However, Samantha took real-time rule-making a step further than Audrey. In stating that salespeople “need to ask questions,” she implies that real-time assessment of prospects’ financial situations should be routine procedure for all salespeople in determining the morality of certain sales tactics. That is, rather than simply offering a descriptive interpretation of her actions, Samantha offered a prescriptive interpretation of how all salespeople should evaluate the morality of their actions.

...you really need to ask questions to find out what their resources are and what their specific needs are. Because if you are going in there knowing their financial situation, but not knowing their specific needs, you may end up crossing a line of being pushy and trying to sell them something that they really don’t need and they really can’t afford…So asking questions definitely is good. [Samantha, focus group 1]

Empathy for the Prospect. The establishment of ethical rules by salespeople was not always guided by the interests of the seller or of the charity. Comments by some student salespeople suggested they determined the morality of their actions by empathizing with prospects’ circumstances. In some instances, sellers cited their personal relationship with the prospect as the reason to empathize with the prospect’s circumstances. And sellers used feedback from their interactions with prospects to incorporate into their moral reasoning shared feelings for the prospect. In other instances, sellers symbolically assumed the role of prospect by recalling their own experiences as buyers. Whether through mechanisms of personal relationships, interactions with prospects, or symbolic role-play, sellers’ comments about their moral reasoning suggested that sellers occasionally released themselves from the moral
obligations inherent in their salesperson roles and reasoned through the morality of their actions based on empathy for prospects’ circumstances.

In the following quote, Samantha cites her personal relationship with the prospect as the guiding factor in determining how aggressively to pursue the sale. Samantha’s morally boundary was guided by a personal ethic rather than a role-prescribed ethic. Specifically, Samantha determined the degree of sales pressure to apply based on a desire to protect the prospect from an unfavorable financial outcome. From this it cannot be inferred that Samantha would have treated a buyer with whom she did not have a personal relationship differently. However, the quote provides a good example of the importance of interaction and empathy in moral reasoning. Similarly, in the second quote, Belle cites her knowledge of the prospect’s financial limitations as the principle guiding her actions in the negotiation.

*I think I didn’t have any ethics problems with any of my presentations. The only thing I was kind of unsure about was just like this one presentation I had. I know that the price range was kind of high for this customer, so it was kind of hard, because I would want to raise money for the charity and all this stuff. But, it seemed at the time, I didn’t want to push too hard, because I know her range of income and her expenses. So, that was kind of hard.* [Samantha, focus group 1]

*Because, I know this guy, and he has like bad gambling problems, and he really buys things in excess. So, if he came to me, I might sell him one thing, but I wouldn’t let him buy twenty sets of knives. It would be what he would have done.* [Belle, focus group 1]

In the following quotes, Lily and Belle drew on their understandings of their own vulnerabilities as buyers to empathize with prospects. While still empathizing with the prospect, Lily and Belle do so guided by an assumption of the roles of buyers in general rather than an assumption of the role of a particular prospect. So the catalyst for empathy does not have to be a personal relationship with the prospect. In both instances, sellers used symbolic role assumptions to empathize with prospects’ circumstances. Lily’s past experiences as a buyer prompted her to take the position that assumptive closes cross an ethical line. Similarly, in the second quote, Belle relied on her personal belief about the cost of the knives to justify her empathy for the prospect.

*I guess I’m one of those people. If somebody tells me, “Oh, like what size are you going to get then?” And, I’m like, “Oh, no; I just feel like I can’t get out of it. I’m probably just like one of those people. I try something on, and I feel like I have to buy it. I just think like it’s right on the line, like assumptive closings are on the line, deceptive or non-deceptive, because you feel pushed to do it.* [Lily, focus group 2]

*I personally thought that was a lot to spend on knives, so putting myself in that situation, I wouldn’t have wanted her to buy it and regretted it later.* [Belle, focus group 1]

**Adoption of Counter-Position.** Interactions between sellers and prospects sometimes resulted the seller pursuing an outcome more closely aligned with the interests of the buyer than the interests of the seller. In some instances, personal knowledge of and empathy for a buyer’s circumstance resulted in sellers pursuing a course of action intended to benefit the buyer. In
other instances, sellers acted to benefit buyers as a means of reconciling the conflicting interests of multiple allegiances. That is, when contemplating the best course of action to pursue in a negotiation, some sellers expressed being conflicted between acting to benefit the company, themselves, the charity, or the prospect. Verbatim quotations reveal that sometimes, those interactions resulted in occasions where sellers acted in a manner intended to benefit the buyer.

In the following quotes, Angelina and Belle drew on their personal relationship with potential buyers to justify declining an opportunity to do a product demonstration. Angelina empathized with the financial limitations of her sister and brother-in-law. Her empathy was more than a metric by which to judge the morality of her negotiation tactics. Drawing on her empathy, Angelina declined the opportunity to conduct a sales demonstration. Thus, in an effort to improve the outcome of a potential buyer, Angelina forewent opportunities to complete a demonstration and to secure a likely sale, both criteria upon which her performance was evaluated. Similarly, Belle drew on her personal relationship with and her empathy for the buyer to decline an opportunity to conduct a sales demonstration. For both Angelina and Belle, each sacrificed an outcome in the best interest of their salesperson role to secure an outcome in the best interest of a prospect.

My sister and my brother-in-law, they’re newly married, and so they’re on a very tight budget. My sister was telling me about how they’re very short on cash and they’re just really being careful about their spending. I know that my brother-in-law is really drawn into demos and infomercials...So like during Thanksgiving, I had the knives on the table for them to use. And he was like, “this is a really good knife; how much is it?” And I said, “Well, you know, it’s a little bit over your budget.” I know he wanted to buy it, and I knew he wanted to help me out, but I knew that they couldn’t, so I said, “Maybe not, maybe I can buy it, and maybe you can use it sometime, because it was my responsibility to be a good family member, too, and to watch out for their needs.” [Angelina, focus group 4]

I had this one opportunity. There’s this guy at my work [who] buys lots of stuff randomly...His room apparently is full of everything, and they’re trying to get me to sell to him. But I know that he has like thirty thousand dollars of credit card debt, because he just can’t stop buying. So, I didn’t [do a sales demonstration], because I like him, and I knew him and I said, “I know he’ll buy it; he’ll buy packs, but he will put them on his credit card and can’t afford them. So, I didn’t even tell him about them.” I thought selling him was crossing the line. [Belle, focus group 1]

The following quotes from Demi and Paris indicate that they also declined opportunities to do demonstrations in an effort to improve the outcomes for prospects. Rather than drawing simply on empathy for the prospect, Demi and Paris expressed being conflicted over whose interests they should serve in their interactions with buyers. The benefit to themselves, the company, the charity, or the buyer largely depended upon how Demi and Paris conducted themselves during the course of negotiations. Their quotes suggest that both Demi and Paris pursued courses of action favoring the prospect as a means to reconcile conflicting interests among multiple allegiances. The end result for Demi and Paris was the same as that for Angelina and Belle. They compromised their personal outcome in the interest of protecting the prospect.
Yeah, I didn’t push on a lot of my prospects, because after I listened to the conversations. I was like, “No, I don’t want to do this, because if it makes you in hardship right now, I don’t want to do this.” Even if it was for a good cause, I’d rather have them keep their money, and make sure that they’re O.K. versus them be in trouble financially. [Demi, focus group 5]

Because, it’s either that they spend a grand and get another set that they’re not going to use, and then three hundred of that is going to go to Children’s Wish, or they can spend a thousand dollars, and all of it goes to Children’s Wish and they get a tax receipt. [Paris, focus group 4]

Discussion

The interpretive analysis reveals two primary themes that governed the structure and processes of moral reasoning in the present context of sales negotiations. Table 2 summarizes these themes and the sub-categories of phenomena observed in this research. First, our interpretive analysis suggests that some forms of deception may accommodate sales negotiations. Salespeople, in reasoning through the morality of sales tactics, drew on references to other market contexts in forming their judgments. Those market references were independent of references to broader societal norms concerning deception. And those references seem to acknowledge that the rules of the game for sales negotiations tolerate a degree deception. Further, there was an awareness among salespeople of the social order facilitated by the tolerance of certain degrees of deception in sales negotiations. Often the points over which one party deceived another were precisely the points about which the two parties were negotiating. That is, to a certain extent, negotiating is deceiving.

Table 2. Summary of Interpretive Analysis

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<tr>
<th>Key Theme</th>
<th>Summary</th>
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<tbody>
<tr>
<td>Deception as Accommodation</td>
<td>Ethical judgments in sales negotiations were governed by ethical norms unique to market contexts. Awareness of and tolerance for deceptive practices provided social order around which sales negotiations were structured.</td>
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<tr>
<td>Rules of the Game</td>
<td>Ethical boundaries in sales negotiations were established in real-time through interactions between sellers and prospects. Moral judgments were not guided simply by the role mandates of sellers. Rather they were guided by empathy for the prospect and often resulted in actions that favor the prospect over the seller.</td>
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<tr>
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<td>Adoption of Counter-Position</td>
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Second, sellers’ role mandates alone did not explain their moral reasoning. That is, sellers’ objectives and hoped-for outcomes were not sufficient prescriptions for the tactics they employed in negotiations with prospects. Instead, they relied on ethical rule-making that emerged through real-time, face-to-face interactions with prospects. Through those interactions, rewards for performance and benefits to the charity informed, to a degree, moral judgments of
salespeople’s actions. However, when justifying the morality of their actions, salespeople also expressed empathy for prospects as a guiding principle. Empathy for prospects released sellers from the moral obligations inherent in their salesperson roles allowing them to adopt a negotiating positions aligned with the interests of prospects. Further, this empathetic reasoning occasionally resulted in sellers pursuing courses of action that benefited the prospect at the expense of the seller, the firm, or the charity.

The aim of this study was to illuminate the role of deceptive practices in sales negotiations in a more holistic manner than currently reflected in extant literature. Our interpretations are consistent with research that supports an interactionist perspective (Olekalns and Smith 2009) and research that acknowledges the inherent link between deception and sales negotiation (Boush, Friestad, and Wright 2009; Miller and Stiff 1988). However, we employ a qualitative methodology in an attempt to unbundle, in a more value-neutral manner, the role of deception in sales negotiations. By doing so, we extend extant research in at least a couple of ways.

First, our interpretation suggests that deception in sales negotiations, at least in part, accommodates interactions between buyers and sellers. Moral judgments regarding negotiation tactics may be framed by normative rules of market exchange independent of broader societal norms for deception. And deception gives structure and meaning to negotiation processes. As such, attempts to educate consumers to avoid marketplace deception may be ill-informed. Instead, perhaps consumer education efforts would be better if focused on consumer self-reliance. Training consumers and salespeople alike to recognize deception and to parcel out forms of deception that may harm parties to a negotiation and forms of deception that are more benign, simply inherent components of the negotiation process itself.

Second, our interpretation suggests that examining conflicting role mandates between buyers and sellers may not sufficiently describe the processes by which normative rules of the game are established in sales negotiations. At least in certain negotiation contexts, buyers and sellers define the parameters for ethical behavior jointly through social interactions. Studies grounded in a functionalist roles perspective can explain some factors driving deceptive behavior. Role-specific attributes such as power and trust, may explain circumstances where deception is likely to occur or even the type of and degree to which deception will be employed. However, they may fall short of capturing many nuances of the normative social dynamic that emerges between buyers and sellers. As such, our study frames the explanatory limits of the functionalist perspective. Efforts to study ethics in sales negotiation contexts should incorporate a symbolic interactionist perspective.

References


The Darker Side of Digital Identity: Implications for Social Networks

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This paper presents the idea of a person’s unwanted digital second self through the ‘Doppelgänger’ concept drawn from German folklore. We begin our discussion of the ‘Data Doppelgänger’ with a brief description of the nature of the Doppelgänger and its use in the literature based on the work of Webber (1996). We then classify the conceptual premises developed by Webber into three categories which we discuss in relation to the challenges associated with interlinked social networking sites. For illustrative purposes, we use and perpetuate the example of an Internet user with disparate interests who wishes to maintain multiple online personae. Through the development of the case study we show how the Doppelgänger metaphor acts as a platform to initiate a debate on the dark side of digital identity and suggest that the concept uncovers a paradox in buyer-seller interactions. Instead of contributing to a better understanding of consumers, the availability of large amounts of personal data about them also has the potential to confuse when firms interact with a consumer’s unwanted digital self.

Introduction

The last two decades have seen the remarkable evolution of the World Wide Web (Web) with businesses and consumers interacting in many and varied ways; anonymous marketing has been replaced with a truly targeted approach (Cate 2001; Deighton 2003). Such targeting and active engagement of consumers requires the appropriate application of knowledge within buyer-seller interactions (Woodruff and Flint 2006), which in turn necessitates access to detailed information about individuals (Achrol and Kotler 1999). Assisted by new technologies, firms can now create detailed profiles about individuals “that combine behavioral, psychological, and social information” (Montgomery 2007, p. 217). These profiles have become valuable business assets (Thelen, Mottner and Berman 2004).

Tim Berners-Lee, one of the creators of the Web, has warned of the need for consumer protection in his recent critical analysis of current technology which tracks online activities (Cellan-Jones 2008). Others have questioned the apparently benign collection, processing and analysis of personal data (e.g. Culnan and Armstrong 1999; Langenderfer and Cook 2004). Concerns have also been raised as to the possible implications of contemporary market environments on the privacy of individual consumers (Culnan and Milberg 1999; Goodwin 1991; Tapscott 2009).

The development of ‘Web 2.0’ is particularly significant to this discussion with its further convergence of technological and social networks (DiNucci 1999; Kleinberg 2008; O'Reilly
Technically ‘Web 2.0’ provides a connection of applications and services, which in turn supports social user involvement by providing an architecture of participation (O’Reilly 2007). This architecture of participation, facilitated by technology allows for an increasingly complex network of aggregated relations between individuals (Howe 2009; Shirky 2009). Participation in networks can even affect the privacy of those who have not chosen to participate directly. For example, some web-based contact management services invite users to disclose personal data about others, such as their friends and business contacts, often without their consent (Clarke 2004; Cohen 2008).

The relationship of a social group is always complex and ‘Web 2.0’ is no exception as increasing knowledge within a group is accompanied by a loss of individual privacy. This has implications for an individual’s ability to perform different roles in society and to manage these roles consciously. A common perspective on the performance of different roles in society is Goffman’s (1959) distinction between ‘frontstage’ and ‘backstage’. While the performance takes place on the frontstage, “the impression fostered by the performance is knowingly contradicted as a matter of course” at the backstage (Goffman 1959, p. 114). The backstage supports the performance by providing a space where elements presented on the frontstage can be adjusted and where the performance can be rehearsed. The usefulness of this distinction was recently challenged on the basis that online and offline worlds merge and different roles become visible simultaneously as a consequence (Palfrey and Gasser 2008). Such merging raises the question of whether people in general and young people in particular using social networks, “fully understand the long-term consequences of sharing intimate information about themselves with the world” (Tapscott 2009, p. 71).

The nature of the trade-off between ‘participation’ versus ‘identification’ is the basis for the argument of this paper, the central tenet of which is that a loss of privacy has been identified as “perhaps the most obvious shadow side of technological cooperation systems” (Rheingold 2002, p. xxi) and “a huge and unresolved issue on the Internet” (Tapscott 2009, p. 295). The discussion also has implications for marketing. If individuals lose their ability of context-specific self portrayal, marketers might be able to describe them better, but it is unclear whether this will make it easier for them to engage with customers. Instead, it could be argued that firms will find it more difficult to engage with customers on the basis of personal data that is either outdated or ‘unauthorized’ in the sense that it perceives consumers in ways they do not want to be perceived.

A premise of this discussion is that the potential conflict between the demand for personal data and the desire of consumers to seek protection for this data would appear to be a major obstacle for organizations seeking to benefit from newly emerging social trends on the Internet or effective co-creation of value with consumers. This conflict is exemplified by the recent debate surrounding changes to the privacy policy of social networking service Facebook (e.g. Bankston 2009; Kirkpatrick 2010; Stone and Stelter 2009), which were designed to encourage users to make more personal information available to the wider public (Cashmore 2010).

In this paper we explore how the convergence of technological and social networks might impact on the management and ultimate control of personal data through the metaphor of a person’s digital double. We address the darker side of digital identity through a concept drawn
The term ‘Doppelgänger’ (double) is derived from German folklore, and has been widely used as a literary device and for understanding behavior in psychoanalysis. The Doppelgänger has a life of its own beyond the control of the person who initiated it or from whom it derived and this metaphysical double offers an interesting metaphor through which we may visualize the potential that comprehensive data dossiers and data sharing practices might have on an individual’s life. According to a definition proposed by Webber (1996, p. 1) on the basis of “a case-history of subjectivity in German writing in and around the nineteenth century”, the Doppelgänger is outlined in a series of premises. Against each of these premises we have identified how the literary may cross over to the digital.

**Premises of the Data Doppelgänger**

We have classified Webber’s (1996) nine premises into three categories which we discuss in relation to the challenges associated with interlinked social networking sites (see Table 1) originally introduced by Chew, Balfanz, and Laurie (2008). For illustrative purposes and in line with the “case-study of subjectivity” of the Doppelgänger, we use and perpetuate Chew et al.’s example of ‘Bob’, an Internet user maintaining multiple personae such as “would-be bounty hunter at the gun club, and amateur horticulturist at the rose garden” (Chew et al. 2008, p. 2). Given his disparate interests, Bob does not wish his fellow members of the gun club to learn about his other hobby, while he does not mind if his horticulturists friends learn about his weapons collection (see also Chew et al. 2008).

**Table 1. Challenges of Interlinked Social Networking Sites According to Chew et al. (2008)**

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<td>1</td>
<td>Activity stream: Users of social networking sites do not always exercise full control over the publication of the collected events associated with their profile.</td>
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<tr>
<td>2</td>
<td>Unwelcome linkage: Links on the Internet may reveal information about the person that they had not intended to reveal.</td>
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<tr>
<td>3</td>
<td>Merging the social graph: Anonymously provided information can be “de-anonymized” by comparison of personal information across networks (see also Backstrom, Dwork and Kleinberg 2007).</td>
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The original premises of the Doppelgänger proposed by Webber (1996) are here classified into three categories: (1) emergence of the Doppelgänger, (2) the resulting struggle between host and double, and (3) how life of the host may be affected by living with the Doppelgänger.
Emergence of the Doppelgänger

Webber (1996, 3) defines the Doppelgänger as “above all a figure of visual compulsion” where the self-seeing subject “beholds its other self as another, as visual object, or alternatively is beheld as object by the other self”. He continues to say “the subject may not so much have as actually be the Doppelgänger by seeing itself. The visual double-bind provides the model for the general divisive objectification of the subject in the case of the Doppelgänger”.

The analogy of visual compulsion in social networks is an individual’s participation where the collection, storage and use of personal data results in the creation of a digital representation. These representations may involve cartoons, photographs or other artwork, and some of them even attempt to create animated digital representations, such as in the online community Second Life. What is important, however, is not how the digital representation looks, but how it appears to others when the subject turns into “a visual object” for others to see.

Because some social networks, such as Facebook, permit users to maintain a single identity (MacMillan 2009), it is difficult for Bob to present both his hobbies there. As a result, Bob has to make a choice between limiting either his circle of friends or the information he makes available. Because Bob does not mind his fellow horticulturists knowing about his weapons collection, he decides not to publish information related to his horticulturist hobby on Facebook. Instead, he uses ‘Google Reader’ to keep track of news stories about his hobby and also maintains an anonymous account on the public website of his on horticulturist society where he frequently publishes articles. Over time, Bob creates a digital representation of himself on Facebook, including images, articles and brief comments on his recent activities, that turns into “a visual object” for others to see, and into which he can step in and out.

The Doppelgänger “operates divisively on language” and “echoes, reiterates, distorts, parodies, dictates, impedes, and dumbounds the subjective faculty of free speech” through “the condition of repetitive speech disorder” (Webber 1996, p. 3).

In the digital world, this may be mirrored through how information about an individual can be echoed and reiterated but in some cases is incorrectly used and returned to the individual or others in a distorted form. The intended representation in a social networking site, both visually and verbally, may be corrupted through the intervention of another. Data may be used, combined with other data (such as comments from friends) and re-presented as something other than we would recognize as ourselves.

The ‘auto-post’ feature of many websites exemplifies this, which allows instant publishing of content across several online destinations. For example, Bob publishes a text on his weblog (‘blog’) and the auto-post function adds parts of the text automatically to his Facebook and Twitter activity streams. Bob’s friends comment on the post within the boundaries of Bob’s social circle on Facebook. But the comments are also automatically posted back to the original blog entry that is located outside of the network’s boundaries. Bob’s activity on his public weblog triggers members of his private social circle on Facebook to make information about themselves and possibly about Bob publicly available. This has the potential to alter Bob’s digital representation and over time may result in him perceiving his digital representation “as
another, as visual object” that no longer corresponds with his perception of himself. Ultimately, this may lead to the divisive objectification between subject and digital double, such that the digital representation emerges as a Doppelgänger over whom Bob has no control.

Over time, recordings of a user’s activity stream combined with unwelcomed linkages create a digital representation that has the ability to ‘talk’ to others, which is reflected in Elmer’s (2004, p. 77) application of the metaphor of dialogue between database and individual, where he points out that “consumer databases [...] speak to individuals”. In the case of the digital double, a digital representation that consists of pieces of data stored in a variety of databases across the Internet ‘speaks’ to those who view the information. Consequently, it has the potential to ‘echo, reiterate, distort, parody, dictate, impede, and dumbfound the individual’s faculty of free speech’ (see Webber 1996). Moreover, as a “figure of visual compulsion” operating “divisively on language” this ability of the Doppelgänger allows it to perform as the host.

The Doppelgänger “is an inveterate performer of identity, indeed it could be said to represent the performative character of the subject. Selfhood as a metaphysical given is abandoned here to a process of enactments of identity always mediated by the other self” (Webber 1996, 3).

Performative utterances characterize expressions that are also actions, which means that by existence the Doppelgänger not only mediates the subject but also has the potential to act as the subject.

For example, as an amateur horticulturist, Bob contributes his expertise to a website dedicated to the subject, carefully presenting himself as an expert of a particular cultivar of roses. At the same time, another horticulturist believes he remembers a comment Bob made during a recent meeting of the horticulturist society, which he feels conflicts with Bob’s representation as an expert. Without Bob’s knowledge, he adds a critical remark to one of Bob’s publications on the website, which is then added to the news feed of the website that allows readers to automatically receive updated content from the website. After a personal debate, Bob and the other horticulturist agree that the accusation was unjustified and the critical comment was deleted from the website. But because it had already appeared in the news stream of the publication, snippets of Bob’s original publication and the critical comment have already been distributed and consequently published on other websites. The comment therefore has the potential to alter Bob’s digital representation as its distribution is beyond his control. Luckily for Bob, who tries to maintain an anonymous identity on the website, the comments by his colleague did not contain any personal information that would allow Bob’s identity to be revealed. In this sense, a passive data profile can be perceived as becoming an active Data Doppelgänger performing and interacting on Bob’s behalf. This becomes problematic if, at one point, information is added to the profile that was not authorized by Bob, such as the aforementioned critical comment by a fellow horticulturist.

More generally, the activity of the double is triggered by the difficulty associated with controlling one’s activity stream in social networks, combined with the possible ‘de-anonymization’ of social network data. Even though the subject originally performs most activities recorded in an activity stream, it is the subsequent distribution (and, potentially,
combination) of data which can be seen as a performance of the double acting independently of the subject.

**Struggle with the Doppelgänger**

The Doppelgänger demonstrates the ambiguity between ego and alter ego, which results in a power-play between host and double with future actions of the subject influenced or confounded by past actions of the digital representation. This struggle is exemplified by the tension between the cognitive and the inquisitive aspects of a person.

*The Doppelgänger’s challenge “to received ideas of identity turns upon a double-bind between cognitive and carnal knowledge. It embodies the stake which epistemology and sexuality have in each other. As the Doppelgänger contests in both vision and language any unequivocal attempts at cognition (and more particularly the singular recognition of identity), so it subjects its host to an ambivalent sexual agency. The Doppelgänger recurrently introduces voyeurism and innuendo into the subject’s pursuit of a visual and discursive sense of self” (Webber 1996, pp. 3-4).*

While the cognitive self may act as a reminder that the existence of a virtual second self may be undesirable, the inquisitive or carnal element of ourselves responds with natural curiosity and desire to learn more about others and engage in different relations whether commercial or social. While we are aware of risks involved in the creation of digital persona, we also seek out further engagement. Here, the double bind is between the desire to participate in social networks and the danger of the information produced by such activity creating a ‘life of its own’.

For example, after overhearing a patronizing remark by one of his friends from the gun club about his ‘wimp’ neighbor who enjoys gardening, Bob begins to worry about his friends learning of his horticulturist hobby. Back home, he therefore quickly conducts a couple of Google searches to reassure himself that no information about his hobby is publicly available beyond the closed circle of his horticulturist friends. Nevertheless, Bob realizes that it may just be a matter of time before some of his horticulturist friends provide a comment on his Facebook profile that exposes his interests to others.

This results in Bob trying to maintain a separation of these two different identities, which is time consuming, but above all becomes increasingly difficult once more and more information becomes publicly available. With reference to the Doppelgänger, this leads to a constant power play between host and double.

*A constant power play between ego and alter ego exists, where power “is always caught up in exchange, never to be simply possessed as mastery of the self, of the other, or of the other self” (Webber 1996, p. 4).*

This indicates that the virtual second self can influence the way the subject is perceived by others. The constant power play emerges from the desire of the subject to control his or her digital representation, even though he or she does not possess such power. Instead, actions
triggered by the profile may have to be reacted to, which therefore creates the Data Doppelgänger.

If Bob, for example, wishes to maintain separate audiences for his two hobbies, he has to ensure information is kept separately. This also makes it necessary for him to juggle different aspects of his social life online, such as participation vs. identification, becoming increasingly dependent on the support and good will of others that know about his disparate interests. While his Data Doppelgänger emerges over time with the potential to become increasingly ubiquitous, it is Bob’s responsibility to react to his Doppelgänger’s actions.

The idea of power play also introduces the problem of giving up power once the data profile has been created. Once we have provided data, say to a government agency, we cannot be sure how that data will be used and are unable to control its future life. We may be able to correct misunderstandings but passing on even small pieces of information to the creation of the digital double means the loss of some power.

Webber describes the Doppelgänger as operating “as a figure of displacement. It characteristically appears out of place, in order to displace its host”. The Doppelgänger “is also temporally out of place, appearing at the wrong time; the time-warp of the carnival, with its suspension of social conversions, it is favoured scene” (Webber 1996, p. 4). As a historical figure, it represents past times, but as an anti-historical phenomenon, the Doppelgänger also resists “temporal change by stepping out of time and then stepping back in as revenant” (Webber 1996, p. 10).

A similar displacement occurs when the data subject feels that the digital representation is never ‘quite right’, particularly as it may include outdated or irrelevant data. Information that is asked of us online presents only certain aspects of our identity. We may feel that other elements may be more important and question the need for some of the information required. The constant power play between subject and Doppelgänger causes the Doppelgänger to appear “out of place” for the subject, but also the subject to be displaced when others relate to him on the basis of a digital representation that is not ‘quite right’.

Life and the Doppelgänger

The Doppelgänger “returns compulsively” and its “performances repeat both its host subject and its own previous appearances. [...] This function of return will be read as ‘unheimlich’ – uncanny – in the Freudian sense” (Webber 1996, p. 4), which “applies to everything that was intended to remain secret, hidden away, and has come into the open” (Freud 2003, p. 132). This can be related to the displacement of time, when the Doppelgänger returns as a revenant “to the present in order to displace it into the past” (Webber 1996, p. 11).

This return and repetition reflects the mismatch in our data identities between that which is secret or hidden away and that which is made public. We do not necessarily expect others to know even simple facts about us such as our birthday but these may be quite easily found from data and returned to us in some other form such as a face-to-face conversation. Data profiles are used by others to make public data about the subject that they may not want disclosed.
For example, Bob regularly uses ‘Google Reader’ to keep up to date with news stories related to his different hobbies. When he found out, however, that the program automatically shares the stories he reads with his Google email contacts (see Cohen 2008), Bob begins to worry that his friends from the gun club will become suspicious about the large number of gardening stories that Bob reads. A publicly available data profile results in the Doppelgänger motivating others to ‘act’ and these acts are beyond the control of the subject and therefore may be perceived as ‘unheimlich’.

Webber (1996, p. 4) describes the Doppelgänger host and visitant as “axiomatically gendered as male”. He goes on to say that the Doppelgänger also “subverts gender as the most essential specification of an essentialized idea of identity”.

While it is difficult to identify how the masculine relates to our extended metaphor, more interesting is the idea of gender as being some kind of essential of identity as being subverted. It is a reminder that digital identity has the opportunity to completely subvert gender, age, socio-economic class etc. Ultimately the digital identity requires the input of data that may or may not reflect the physical identity of the subject. The potential of the Doppelgänger to act as “a pantomime of the scenario of sexual dispossession” (Webber 1996, p. 14) can also be related to the potential for infinite storage whereby recorded activities in online environments may return to the host (and others).

For example, Bob finds it increasingly difficult to keep his two disparate digital personae separate and the task is further complicated by his curiosity in both subjects, which leads him to explore various websites and to participate in a variety of different newsgroups. The constant recording of his activity stream, in combination with the establishment of unwanted linkages and the merging of his social graph, all contribute to Bob’s challenge. Evidence that “the Internet does not forget” (Mayer-Schönberger 2007; cf. Spiekermann and Cranor 2009, p. 72) raises the question whether Bob will be able to maintain separate digital personae in the future, or whether there will be a point where these personae have to merge.

The uncertainty associated with this is related to the idea of “a broken home” in the Doppelgänger literature that rejects stability and reminds us that there is no ‘safe harbor’ in which the subject can remain in control.

The Doppelgänger is “typically the product of a broken home. It represents dysfunction in the family romance of structured well-being, exposing the home as the original site of the ‘unheimlich’” (Webber 1996, p. 4).

In the past we have all had to pass on some part of our identity when interacting with others but now the process is accelerated by the fact that data may be stored indefinitely. We cannot be sure what is stored and by whom, thus undermining our own certainties such that the ‘family’ or ‘home’ cannot provide shelter and protection.

In Bob’s case, neither the sites of his horticulturist society nor the gun club can be perceived as a ‘safe harbor’ anymore, because his fellow members may have access to information available on the Internet. Generally speaking, once we are in cyberspace we become
fair game and ‘real’ lives can be impacted, such as the rising number of victims of what has become known as ‘cyber bullying’ in social networks (Kowalski, Limber and Agatston 2008; Patchin and Hinduja 2006). In this scenario, the ‘home’ does not provide comprehensive protection as it may have done in the past and is consequently seen as the original site of the ‘unheimlich’, where physical safety is intertwined with the uncanny threat of external abuse originating from cyberspace.

Conclusion

Over the past two centuries, the idea of the Doppelgänger has been used as a vehicle for thinkers and writers to investigate identity, deception, and the concept of multiple selves. From the romanticism of the nineteenth century to the psychoanalytic achievements of the twentieth century, the Doppelgänger has been used to illustrate the nature of identity, the analysis of subjectivity, and strategies to access another self. Through the development of the case study of Bob we have shown how at the beginning of the 21st century, with the rise of the network economy and emerging social networks, the Doppelgänger metaphor acts as a platform to initiate a debate on the dark side of digital identity.

To aid the further investigation of this phenomenon, we propose the concept of the ‘Data Doppelgänger’ that builds on Webber’s nine premises of the Doppelgänger. It is visible to others representing the host, but also visible to the host as a distinct object (double vision). The Data Doppelgänger acts as the subject, therefore representing the performative character of the host (performance). By acting as the subject, the Doppelgänger mirrors and distorts its host’s messages (double talk). Combined with the tension between the cognitive and the inquisitive (double bind), this results in a constant struggle between host and double that leads to both sides influencing the other (power play). To the host, this struggle leads to the perception that the Data Doppelgänger appears to be out of place (displacement), which means that through the perception of others, it has the power to displace its host and to return compulsively without authorization by the host (return and repetition). The eighth premise (masculine) reminds us that the Doppelgänger may act as “a pantomime of the scenario of sexual dispossession” where “it is frustrated desire which is expropriated, past absence rendered present again” (Webber 1996, p. 14). Transferred to the concept of the Data Doppelgänger, this reads as a reminder of the fact that, in online environments, actions are recorded which creates what Westin (1967) coined a ‘data shadow’. The Data Doppelgänger can be described as this shadow developing a life of its own, repelling the desire of the host to maintain control over it. While the eighth premise therefore reminds us of the ability of the Data Doppelgänger to limit the host’s free specification of identity, the ninth premise (product of a broken home) underlines the disconcerting conclusion that no ‘safe harbor’ exists for the host that provides ultimate protection from the possible dangers associated with the Data Doppelgänger.

Following the notion that humans beings “are social creatures – not occasionally or by accident but always” (Shirky 2009, p. 14), our discussion has demonstrated how the double sided nature of the concept is evidenced in modern digital life. The double sided nature includes both (mis)interpretation by others and (mis)representation by an individual. In our discussion, we have emphasized the digital data trail of an individual that can develop a ‘life of its own’, most likely through (mis)interpretation of selective pieces of data taken out of context, which we
believe provides the foundation for further research opportunities when ‘(mis)interpretation by others’ is accompanied by ‘(mis)representation by the individual’.

Digital communication technologies, such as text messaging and email provide an individual with additional tools to separate different identities. The network character of online services and the fact that digital data can be stored – at least in theory – infinitively, means, however, that the individual looses the power to control the separation of different identities as it becomes much easier for others – consciously or by accident – to relate the different identities of an individual to each other (Table 1). All it may take is just a web-link that relates one pseudonym to another.

In conclusion, the Data Doppelgänger concept uncovers a paradox in buyer-seller interactions. Instead of contributing to a better understanding of consumers, the availability of large amounts of personal data about them also has the potential to confuse when firms interact with the consumer’s unwanted digital self and therefore opens the gate to a darker – an unwanted – side of consumer identity.

References


Volunteering and Quality of Life of the Older Age Population

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The contribution of volunteers to society and economy is substantial. The participation in voluntary work is on the increase, particularly by the over 55 age group. Given the aging of the Australian population, this growth has an important social consequence. The aim of this conceptual study is to review the influences of older age Australian volunteering practice, its growth pattern and the types of voluntary work undertaken. The study uses the expectancy theory of motivation to argue that volunteers participate for the perceived benefits they get from their interaction with others, by experiencing self-esteem from being useful, being connected, gaining self-satisfaction, and by focusing on giving. It reviews the issue of quality of life (QOL) in relation to voluntary social engagement and suggests that there is an association between the older age group voluntaryism and improvement in their QOL. The role of policy makers in further motivating larger participation by the older age groups and the social benefits emerging from this strategy is briefly reviewed.

Key words: Voluntarism, Volunteering, Quality of life, Well-being, Expectancy theory of motivation

Introduction

This study reviews the trends in volunteer participation in Australia with a focus on the older age (over 55 years old) group of volunteers. It suggests a framework to investigate the relationships between formal voluntary work and quality of life (QOL) for this group. It discusses the benefits that the society gains from promoting, organising and rewarding volunteering for the older Australians as a cultural value that supports the production of social goods and reduces costs to the society by reducing, delaying, or preventing some of the undesirable consequences of aging.

Formal volunteering has been defined as ‘long-term, planned, pro-social behaviours that benefit strangers and occur within an organizational setting” (Penner 2002, p. 448). Volunteering is a social investment (Lodi-Smith and Roberts 2007). It is considered to be an activity which takes place through not for profit organisations or projects and is undertaken to be of benefit to the community for no financial payment (Volunteering Australia 2009).

Participation of people of all ages in non-paid work is deep-rooted in human activity. It can range from cooperation in neighbourhood and community activities to charity works and assisting others in need, either as carers on a regular basis or extending a helping hand to people...
in distress. This human need to assist and be assisted is a fundamental social engagement. It creates relationships, establishes networks and provides support in a way that binds together a society with the sense of mutual dependency. In an environment where economic gains have achieved indication of success and in cultures where economic success is the indication of success in life, non-paid social engagement highlights a fundamental human need to give to others. This, potentially, indicates that social sensitivity and willingness to contribute, and social voluntary transactions are a part of human desire to contribute.

Quality of life (QOL) of citizens at an older age has become important in recent times because of the growing number of people and the aging of population. While there is no generally accepted definition of QOL, it is considered, in this paper, to be an individual’s subjective assessment of, and extent of satisfaction with, one’s well-being. The concerns related to QOL for older ages are different from the general population (Netuveli and Blane 2008). The difference is in terms of social contacts, dependency, health, material circumstances and social status of the older age group of citizens.

The motivation to engage in voluntary work is a complex issue. It incorporates a range of inter-connected issues such as individuals’ needs and desires, cultural and social backgrounds, role characteristics in a volunteering opportunity, desire for seeking stronger sense of community, physical and mental health, capacity, and knowledge, as well as personality variables, just to mention a few (Anderson and Moore 1978). However, judging from the large number of people participating in volunteer work, it appears that there is a virtual universal commonality of will and need to contribute. Giving seems to be a fundamental human need (Briggs, Peterson and Gregory 2009).

The benefits of volunteering time and skills by people can be viewed in terms of (1) society’s gains from people’s social interaction and improved public health, (2) corporate gains from non-paid for work contributed, and (3) individual’s gains from social engagement in terms of improvement in longevity, physical and mental health, self-esteem, belongingness, and the overall quality of life (Briggs, Peterson and Gregory 2009; Dolnicar and Randle 2007).

Benefits of Volunteering

Volunteers are enthusiastic individuals, concerned about various aspects of life and enjoy a relatively balanced existence. They can be characterised by having better physical health, more sociability, being more altruistic and more interested in religion than non-volunteers (Ganguli, Lytle, Reynolds and Dodge 1998).

The effect of volunteering, judging from those general characteristics, therefore, may be considered to be in terms of better general health and longevity and prevention of and/or resistance to disease (Oman, Thorsen and McMahon 1999). It may be suggested that the act of helping others provides tangible benefits to those helped and to those who volunteer to provide help. Volunteering, consequently, may be of substantial benefit to the aging population. The protective effects from such volunteering may be linked to life satisfaction and the benefits that come from increased self-esteem and feeling useful. In comparison, researchers have found
evidence that volunteers enjoy reduction in mortality by about 44 percent, only second to the reduction associated with not smoking (49 percent) (Oman, Thorsen and McMahon 1999).

There is evidence of relationship between volunteering and health. Poor health may limit a person's ability to participate in some voluntary activities and good health may lead to continued service in volunteering (Laverie and McDonald 2007). Studies have also indentified that volunteering can lead to improved physical and mental health (ABS 2008)

**Volunteers’ Contribution**

Formal and informal volunteers make a valuable contribution to society in both social and economic terms. They provide free services as carers to the frail and disabled relatives or associates (informal) and/or to various not-for-profit organisations (formal). In the absence of volunteers, these services would have to be provided by the taxpayer funded assistance, private donations or through employing the skills required or leave the work undone (ABS 2008). Volunteering contributions make it possible for organisations to allocate their often limited finances elsewhere.

The effect of volunteering on the functioning and connectedness of communities is increasingly being recognised. Through their contribution to a wide range of organisations, volunteers help to build social networks, participate in generating shared values and better social cohesion (Randle and Dolnicar 2009). The value of the work contributed by volunteers to non-profit institutions in 1999-2000 was estimated to be AU$8.9 billion (1.4 percent of the GDP) (ABS 2008).

**Trends in Volunteering**

There has been a consistent growth in the number of people volunteering over the years in Australia. The proportion of the population who volunteered at least once in a 12 month period increased from 24% in 1995 to 32% in 2000 and 35% in 2006. This increase occurred for both men and women across most age groups. However, while the total annual hours contributed by volunteers increased, the amount of time contributed by each volunteer decreased from 74 hours (1995) to 56 hours (2006) (Australian Social Trends 2008).

The rates of regular volunteering were highest among people aged 35-44 years and 45-54 years. The rate of regular volunteering and the type of organisation a person volunteered for varied as people moved through different stages in their lives. Among the selected life stages, people with a child aged less than 15 years were the most likely to volunteer regularly. While people with young children had higher rates of volunteering (weeks) than people in other life stages, on average they spent fewer hours per week volunteering than did people with older children or older people living without children.

In 2006, people who described their own health as excellent or very good were more likely to be regular volunteers (23%) than others. Women in part-time employment had the highest rates of regular volunteering (29%), followed by those who were unemployed (25%).
In total, regular volunteers contributed 646 million hours to their communities in the 12 months prior to the 2006 survey in Australia. Importantly, regular volunteers aged 55 years and over in a couple only relationship contributed the most hours among the selected life stage groups, with an average of 6.4 hours per person per week. Lone persons aged 55 years and over contributed an average of 5.5 hours per week. The 55 years and over age groups contributed 224 million hours of voluntary work or 34.7 percent of total, which was the highest contribution among all other groups in the survey (ABS 2008) (Table 1).

<table>
<thead>
<tr>
<th>Selected person's life stage</th>
<th>Rate of regular volunteering %</th>
<th>Average weekly hours</th>
<th>Total annual hours million hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lone person aged less than 35 years</td>
<td>14.8</td>
<td>3.3</td>
<td>7.4</td>
</tr>
<tr>
<td>Couple only, aged less than 35 years</td>
<td>17.2</td>
<td>2.5</td>
<td>21.3</td>
</tr>
<tr>
<td>Couple with youngest child aged less than 15 years</td>
<td>28.6</td>
<td>2.8</td>
<td>151.5</td>
</tr>
<tr>
<td>Couple with youngest child aged 15 years and over</td>
<td>18.6</td>
<td>4.8</td>
<td>67.0</td>
</tr>
<tr>
<td>Lone parent with youngest child aged less than 15 years</td>
<td>26.5</td>
<td>3.6</td>
<td>21.6</td>
</tr>
<tr>
<td>Lone parent with youngest child aged 15 years and over</td>
<td>17.4</td>
<td>4.2</td>
<td>14.4</td>
</tr>
<tr>
<td><strong>Couple only aged 55 years and over</strong></td>
<td><strong>19.9</strong></td>
<td><strong>6.4</strong></td>
<td><strong>170.3</strong></td>
</tr>
<tr>
<td><strong>Lone person aged 55 years and over</strong></td>
<td><strong>17.6</strong></td>
<td><strong>5.5</strong></td>
<td><strong>53.8</strong></td>
</tr>
<tr>
<td>All persons aged 18 years and over</td>
<td>20.5</td>
<td>4.0</td>
<td>645.9</td>
</tr>
</tbody>
</table>


**Types of Voluntary Work**

People volunteer regularly for a variety of works in various organisations. The type of organisations people choose to work for as volunteers differs between men and women and varies according to their stages of life.

In Australia, over half (52%) of men who volunteered regularly did so for a sport and physical recreation organisation. Women who volunteered regularly spread their time between sporting organisations (26%), education and training organisations (26), religious organisations (22%) and community or welfare organisations (20%). The voluntary work undertaken by parents was mostly related to their children’s education and their extracurricular activities.

People aged 55 years and over, whether in a couple only relationship or living alone, were more likely to volunteer for welfare and community organisations (31% and 39%) or religious organisations (25% and 29%).
The most common activities performed by regular volunteers were fundraising, preparing and serving food, teaching, coaching and/or refereeing. Among regular volunteers, over half of both women (55%) and men (49%) regularly participated in fundraising and sales activities.

Preparing and serving food was a more common activity among regular female (48%) than regular male volunteers (29%). Around half (48%) of all regular male volunteers coached, judged or refereed compared with around one-fifth (21%) of regular female volunteers. Men were also more than twice as likely as women to regularly participate in repairing, maintenance and gardening activities (35% and 15% respectively).

Of regular volunteers, 6% volunteered for emergency and community safety activities and just fewer than 7% volunteered for activities involving environmental protection.

Given below, the expectancy theory of motivation is presented as a framework for explaining the association between formal volunteering by the older age groups and their quality of life.

**Theoretical Framework**

The major proposition of the expectancy theory of motivation is that the strength of the tendency to act in a certain way depends on the strength of the expectation of the desirable outcome and the value of that outcome to the individual (AMA 2010).

The expectancy theory of motivation is generally accepted for explaining work motivation. The theory indicates that people contribute [as volunteers] in order to gain psychological outcomes or payoffs (Anderson and Moore 1987; Steers, Mowday and Shapiro 2004). This expectation may be in terms of both economical (opportunities) and psychological gains. The motivation to participate, the expected benefits, and the extent to which this expectation is realised may result in the continuation of the participation by the volunteer in the future. This will depend on the nature of the satisfaction experienced.

It has been suggested that, frequently, it is the volunteer who benefits most from the helping relationship resulting from the act of participation. The extant literature is rich with investigations related to the motivation of people volunteering (Clary and Snyder 1999; Dolnicar and Randle 2007; Briggs, Peterson and Gregory 2009) and factors that drive an individual to undertake volunteering activities. The drive to volunteering range from personal characteristics to issues related to the external environment and influences of other associates. The most frequently reported reasons for volunteering include humanitarian motive (to help others) and the desire to feel useful and needed. The volunteers may like to see themselves as contributing to the happiness and well-being of their fellow human beings. Other reasons include opportunities for self fulfilment and personal development, as well as entertainment. Companionship and friendship were also indicated as possible motives, though they were less frequently stated reasons (Anderson and Moore 1978). These benefits may be grouped as need for self development, social interaction, experiencing self esteem, sense of altruism, and satisfaction from an inherent need for giving. Different types of individuals have different sets of motives for becoming volunteers.
With respect to informal volunteering, the literature documents that it is not conducive to positive mental outcomes as is the case for formal volunteering and might even be detrimental to carer’s mental health (Borgonovi 2008).

Formal voluntary work also includes corporate participation as volunteers when employees are required, encouraged or allowed to engage in voluntary work during work hours, availability of resources permitting (Laczniak and Murphy 2006). The benefits of corporate voluntarism are twofold. (1) The company benefits from developing the market positioning of being a socially oriented, philanthropic organisation, motivating their employees to participate as volunteers and, (2) the employees who volunteer benefit from their personal social contribution and interaction. Corporate volunteering also assists in further instilling the cultural value of voluntary work, as a social responsibility among their employees and the general public they are in contact with.

Decision to volunteer, therefore, is made, either consciously or unconsciously, on the assessment of the totality of the situation influencing the behaviour of that individual and the perception of the benefits to be gained from it.

The extent of realising the perceived benefits may influence the quantity, quality and the types of voluntary work that the individual undertakes. The quantity of volunteerism refers to the number of hours, the length of engagement, and the number of organizations in which an individual volunteers. The quality of volunteerism refers to completion of volunteering duties, quality of performance as rated by supervisors, attendance of volunteering activities, and commitment to the volunteer institution (Lodi-Smith and Roberts 2007).

It is expected that the realisation of the perceived benefits of volunteering may contribute to the volunteer’s QOL. As related to the older volunteers (55 years and older), these benefits would, in part, add to the individual’s longevity, less health problems, happier and more meaningful personal satisfaction, better self-esteem, and improved sense of belonging. It is anticipated that the older volunteers participate more (in terms of hours given) because they have more discretionary time at their disposal.

Quality of Life

The quality of life (QOL) is an elusive concept. There have been many attempts to define and measure QOL. There is no general agreement on one definition (Felce and Perry 1995). The QOL for the older people has been defined both in terms of objective and subjective measures. The objective QOL refers to measurable indicators such as educational achievements, income, occupation, etc. The subjective QOL represents the psychological view, a self assessment by the individual judging the relevant aspects of life representing the extent of satisfaction of well-being perceived (Lawton et al. 1999; Lee and Sirgy 2004; Peterson and Ekici 2007).

The subjective QOL encompasses many aspects of individual’s life conditions, such as physical and mental health, cognitive processing, and social participation. It has been defined as a sense of (perceived) well-being that is based on the extent of satisfaction or dissatisfaction with
the areas of life that are important to the individual (Ferrans and Powers 1985). Moreover, the subjective report of well-being is considered to be based on the perceptions developed on some relatively objective criteria. Therefore, the subjective QOL is the individual’s experience and reaction to the objective environment and life condition.

In this paper QOL is considered to be a measure reflected by the perception of well-being. It is a construct that incorporates perceptions of one’s physical well-being, material well-being, social well-being and emotional well-being (Felce and Perry 1995) (Figure 1). It covers the individual’s overall assessment of satisfaction with life as experienced and perceived, given the characteristics, attitudes, expectations, sensitivities, and the value system (culture, religion) that form the individual’s dominant personality.

**Figure 1. Conceptual Model of Volunteering and Quality of Life**

<table>
<thead>
<tr>
<th>Motivation</th>
<th>Engagement</th>
<th>Outcome</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self development</td>
<td>Participation</td>
<td>Quality of life</td>
</tr>
<tr>
<td>Social interaction</td>
<td>formal volunteering</td>
<td></td>
</tr>
<tr>
<td>Self esteem</td>
<td></td>
<td>Social well-being</td>
</tr>
<tr>
<td>Altruism</td>
<td></td>
<td>Emotional well-being</td>
</tr>
<tr>
<td>Need for giving</td>
<td>Physical well-being</td>
<td></td>
</tr>
<tr>
<td>Organisational reputation</td>
<td>Material well-being</td>
<td></td>
</tr>
</tbody>
</table>

The motivations for engaging in voluntary work used in the model (Figure 1) include the individual’s need for self development, maintaining social interaction, self esteem, sense of altruism, and need for giving. Moreover, the reputation of the not-for-profit organisation has been included as an element that would motivate the selection of the placement.

**Discussion**

This paper conceptualises that volunteering, given the volunteers’ satisfaction of the participation, may in various ways contribute to the improvement of the volunteer’s QOL. If this is the case, then there are fundamental social and personal benefits that can be gained from citizen’s volunteering. As such, the important issue is that the social structure needs to provide the opportunity and the facilities for its citizens to become more productively involved through volunteering. The social structure should also remove the restrictions from participation. It needs to systematically identify the opportunities for volunteering, facilitate the social recognition of volunteering, and promote the social desirability of engaging in voluntary work.
The concerns are the aging population and the well-being of the older age groups and how the social structure and the government policies can facilitate the improvement of QOL through voluntarism.

In this review QOL is presented as a measure of general well-being reflecting four dimensions of physical (health), material (means of comfort) social (connectedness) and emotional (stability) aspects. It argues that formal and informal volunteering associate with this measure of QOL.

The satisfactions of the internal needs that motivate an individual to become a volunteer can contribute to the personal sense of fulfilment. These factors can cause the feeling of usefulness and generate the satisfaction of having done the right thing. This self-satisfaction is the expected reward of voluntary participation. Therefore, the realisation of this expectation motivates an individual to engage in voluntary work. This overall satisfaction of oneself, the contentment for having fulfilled the human obligation cannot be achieved through paid employment.

The understanding of the role of the social structure and government policies in relation to providing and motivating voluntarism is important. The process of volunteerism including the three stages of antecedents, experiences, and consequences need to be taken into account by identifying how communities and psychological sense of community encourage people to volunteer and connect with others (Omoto and Snyder 2002). In addition, public policy initiatives can provide the motivation for older age groups to engage in long term volunteering practice. The social benefits would be in terms of lower cost of health care and the economic benefits that would result from more efficient available public resources.

Discussions of the QOL for the older age groups thus need to focus on how to activate and promote resources and unused potentials, how to prevent or delay age-associated declines, and how to introduce therapeutic interventions that compensate age-related losses and thus maintain longer-lasting citizens’ usefulness, competence and mental health.

Moreover, attention needs to be given to managing older age volunteers not only to encourage and facilitate their participation but to train them and maintain them as volunteers to avoid substantial drop outs (Eisner et al. 2009).

**Conclusions**

The present study has used the expectancy theory of motivation to propose that people participate in voluntary work for the perceived benefits they obtain from their participation. These perceived benefits may include improved self-esteem and self-image resulting from the experience of being useful to the society, from being connected to a social cause, from developing and maintaining association with the wider community, and from gaining overall self-satisfaction.
Moreover, the paper suggests that participation in voluntary engagements may impact on an individual’s QOL. QOL is defined as a measure of individual’s subjective assessment of own well-being, as perceived, reflecting physical, material, social and emotional conditions. Therefore, QOL represents the individual’s overall assessment of satisfaction with life as experienced and perceived. The paper proposes that there is an association between participation in voluntary work and improvement in an individual’s QOL.

The Australian population is aging and the number of people in the older age groups is increasing. The aging population gradually changes the population mix of Australia. It brings with it new issues related to providing for the specific needs of this segment of the population. The health and satisfactory maintenance and the QOL of this growing segment of the population would be a key concern for the policy makers. This study suggests that policy makers can assist the older age members of the society by providing for, and by facilitating, their extended useful and productive life, through voluntary work.

A model is prepared to demonstrate the expected association between participation in voluntary work and QOL. The model serves as a preliminary step for further investigation.

References


Australian Social Trends 2008. Voluntary work. Catalogue No. 4102.0


When Consumer Well-Being Meets Small Business Ownership: Transforming Financial Service Systems to Eradicate Disparate Treatment and Discrimination

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Glenn L. Christensen, Brigham Young University, Provo, UT, USA

Consumers at an increasing rate are starting small businesses in pursuit of the “American Dream” to avoid barriers that come with traditional jobs. Lacking essential resources to start and grow businesses, many of these entrepreneurial consumers turn to the financial service sector (e.g., banks, loan sharks) for help (e.g., loans, credit loans). Due to the inherent complexity and divergence in these service systems (Shostack 1987), entrepreneurial consumers face increased risk of disparate and discriminatory treatment (Bone and Mowen 2010). These threats are exacerbated for consumers in a racial-minority group who (out of necessity) seek credit and capital financing for their businesses. Recent reports suggest that minority-owned businesses are substantially and significantly more likely to be denied credit than are white-owned businesses (Snowe 2007; Wainwright 2007). In this paper we seek to disentangle the socio-cultural barriers that hinder minority consumers from obtaining fair and equal access to business credit and small-business capital financing. We employ the Zaltman Metaphor Elicitation Technique (i.e. ZMET; see Zaltman 1997), a semi-structured, in-depth interview format that focuses on uncovering the informants’ emotions, beliefs, and values, to investigate the plights and pilgrimage of consumers seeking to improve their quality of life through small business ownership. We contrast interviews conducted with the “White” majority to those conducted with minority consumers (African-American and Hispanic). Interpretive analyses use historical, political and sociological ideology perspectives to inform the comparison of White versus African-American and Hispanic consumer experiences. We identify compelling differences in the barriers and conditions encountered in capital-seeking marketplace exchanges, factors that increase the likelihood of vulnerability in this service system, and coping mechanisms employed to protect from disparate and discriminatory treatment. We argue that transformative service research can stimulate dialogue and intervention strategies to provide greater access to business credit and capital financing for racial/ethnic minority consumers, who out of necessity, start their own businesses.

References


Consumer Sovereignty in Healthcare: Fact or Fiction?

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We argue in this presentation that consumer sovereignty in the healthcare market is more of a fiction than a fact. The world of healthcare is increasingly responsible for undermining the opportunity, ability, and motivation of healthcare organizations to compete. Similarly, the same changes in the healthcare market are equally responsible for undermining the opportunity, ability, and motivation of patients to make utilitarian decisions (adopt medical treatment and services that are high quality and low in price). We conclude that we cannot rely on consumer sovereignty as an ethical concept to justify the business model of healthcare.

Introduction

Economic competition among for-profit healthcare organizations has been the foundation for the healthcare economy in the U.S. The healthcare system is structurally set up to encourage healthcare enterprises to compete with one another to build a "better mousetrap at a lower price." The system treats patients as "sovereign." That is, patients use their economic votes to reward for-profit healthcare organizations that bring to the market a better healthcare good or service at a lower price. Healthcare firms that have a record of being innovative and driven to deliver high quality healthcare goods and services at lower prices, thrive in a free economy. Conversely, healthcare organizations that do not innovate, and are not cost efficient, are not likely to do well in such a system. The laws and regulations of the economic system in the U.S. are established to create and reinforce structural competition among healthcare organizations. For example, the antitrust laws in the U.S. are designed to break up monopolies, because monopolies are regarded as anti-competitive. The ideal state of an economy is "perfect" or "pure" competition, where large as well as small healthcare enterprises are provided the opportunity to compete fairly for sales and market share. The underlying assumption here is that economic competition among healthcare organizations leads to higher quality healthcare goods and services at lower prices. Capturing a bigger chunk of the market rewards successful healthcare organizations. Thus, they increase their profits.

Similarly, U.S. laws and healthcare industry regulations are designed to enhance consumer sovereignty. That is, specific laws and regulations are created and enforced to enhance patient's ability to use their economic votes wisely, and therefore reward healthcare organizations that offer higher quality healthcare goods and services at lower prices. For example, specific FDA (Food and Drug Administration) laws and regulations are created to ensure that pharmaceutical drug advertising is not deceptive, that drug health benefit claims are substantiated, that any adverse effects associated with the use of the advertised drug are disclosed, and so on. These structural efforts are designed to ensure that patients would reward healthcare organizations that offer better quality healthcare products at lower prices.

In sum, the
current state of affairs in the U.S. healthcare industry is a structure that supposedly encourages competitive behavior among healthcare firms and discourages anti-competitive behavior.

The economic environment in the healthcare was never dominated by many small and medium-size healthcare clinics and other healthcare businesses. The healthcare industry is dominated by large hospital systems, multinational pharmaceutical organizations, mega-health insurance organizations, network of healthcare clinics run either the large hospital systems or the mega health insurance organizations. The largess of these healthcare firms does not foster the motivation to compete to develop better "mouse traps" at lower prices. The playing field has hardly ever been "even" for the most part. In other words, the economic environment is nowhere close to what economists refer to as "perfect competition." The vast majority of the goods and services provided by healthcare organizations are highly complex, and U.S. patients are not in a good position to judge quality and price. That is, American patients are not in a position to make informed decisions about whether a healthcare brand of a particular healthcare good or service is of high quality and low price. The playing field in the healthcare industry is dominated by a handful of very large healthcare firms. Large healthcare firms have enormous advantages over smaller ones. In sum, today's economic environment in healthcare is characterized in ways that increasingly violate the basic assumption that economic competition in healthcare benefits society. The argument against economic competition in healthcare can be understood in light of a discussion of the factors that make economic competition in the healthcare market benefit society.

What are the Factors that Make Economic Competition Benefit Society in the Healthcare Market?

Consumer sovereignty, by its very nature, is removed from a planned economy in which people’s wants, preferences, and opportunities are divorced from market dynamics. However, whether a free economy can truly benefit society through a market mechanism driven by consumer sovereignty in healthcare has yet to be demonstrated.

The principle of consumer sovereignty is based on two basic assumptions: consumer rationality and freedom of choice (Kohn 1986; Penz 1986). In essence, rationality is established when consumers’ revealed preferences reflect the optimal allocation of their dollar votes to a specific range of market products. The resultant market mechanism is said to determine what is produced, how it is produced, and how it is distributed, leading to the maximization of utility and consumer welfare. Obviously, consumer rationality requires not only access to products varying in quality and price, but also consumers’ willingness and motivation to seek and process information about quality and price. We argue in this presentation that consumer sovereignty is more of a fiction than fact in the healthcare market. This is due to the fact that patients lack the opportunity to be exposed to objective information about the quality and prices of competing healthcare goods and services; and they also lack the ability and motivation to process this information.

Furthermore, economic competition in the healthcare industry has served to concentrate rather than disperse market share of healthcare firms, enhancing monopoly and producer sovereignty—a negation of consumer sovereignty. This process seems unfortunately inevitable, facilitated in an ever-increasing world of technology and the marketing of high-tech healthcare.
products. Economic competition fails because in an increasingly technological world, most small healthcare organizations are likely to find themselves in a position to lack the opportunity, motivation, and ability to compete against large healthcare firms. Thus, economic competition in the healthcare market dominated by high levels of capital assets involving high tech healthcare goods and services will continue to undermine, rather than strengthen, those factors that make economic competition benefit patients at large. These factors are summarized in Table 1.

Table 1. Classification of the Arguments against the Notion That Consumer Sovereignty Works to Benefit Society in Healthcare

<table>
<thead>
<tr>
<th>Healthcare Organizations</th>
<th>Ability</th>
<th>Motivation</th>
<th>Opportunity</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>• Resource advantages</td>
<td>• The profit motive trumps the motive to innovate and be efficient.</td>
<td>• Opportunities for innovations require large resources.</td>
</tr>
<tr>
<td></td>
<td>• Scale advantages</td>
<td>• Competition is based on other factors beside quality and price.</td>
<td>• Opportunities for innovations require programmatic and team effort.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Firms seek a market niche to avoid competition.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Market orientation is not a significant factor in profitability.</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• The life span of technological advantages diminishes over time.</td>
<td></td>
</tr>
<tr>
<td>Patients</td>
<td>• Patients lack technical know-how.</td>
<td>• Patient behavior is motivated by utilitarian and expressive needs.</td>
<td>• Most patients cannot easily identify good options.</td>
</tr>
<tr>
<td></td>
<td>• Patients lack information processing capacity.</td>
<td>• Patients seek to minimize cognitive effort.</td>
<td>• Most patients do not have easy access to information about medical treatments and services.</td>
</tr>
</tbody>
</table>

Conclusion

Since the dawn of free market, the primary goal of the free enterprise for over two centuries has been the maximization of profit premised on a “better mousetrap at a lower price” in a perfect competitive marketplace. In recent years, this self-interest-centered marketing strategy or the iron rules of free enterprise, as advocated by Adam Smith, has been strongly criticized of its strategic and moral myopia (e.g., Charkham 1995; Goyder 1993; Jacobs 1991;
Kay 1995; Mitroff 1983; Plender 1997; Wheeler and Sillanpaa 1997). The same can be said in relation to healthcare. The rules of free enterprise completely understate the human and social dimensions of economic decision-making in healthcare. And yet, as mocked by some authors, Adam Smith’s “invisible hand” has proven so random in its moral effects that it has been likened more to an "invisible elbow" (Jacobs 1991)--an “invisible kick by the elbow” more like it.

It is interesting to note that many social scientists in Great Britain are mortified by the “commodification of healthcare” and the health economics discourse in the 1990s (Keaney 1999). Treating the patient as “consumer” is a far cry from the notion of a patient-clinician partnership that characterizes much of the healthcare landscape in Britain and other industrialized economies. Michael Keaney makes a call to action by posing the following question: “How can advances in healthcare be to the benefit of individual and society, as opposed to becoming another commodity manufactured and purchased for invidious display? These and other pressing issues require urgent, close attention” (p. 700). Keaney believes that the commodification of the healthcare system in Britain will set the system back in terms of (a) denying access to care to those in lower income strata; (b) altering very basic notions of health and healthcare; and (c) putting in place disincentives to professional cooperation, including teaching and learning. He concludes by saying, “Thus our consumption of healthcare will have achieved an effect analogous to that of untreated tuberculosis” (p. 700).

Society cannot achieve a high level of economic and social well-being in the absence of an effective healthcare system. The economic well-being of the U.S. is predicated on a productive and healthy workforce. A work force that is besieged with health problems cannot be productive. Social well-being is predicted on health too. In sum, the quality of life of Americans is based foremost on health. Health is assured by an effective healthcare system.

The United States spends more than 14% of its gross domestic product on health care, yet more than 41 million Americans are uninsured (Ruger 2008a). Healthcare cannot cater only to rich Americans, those who can afford the high cost of healthcare goods and services. Access to healthcare has to be provided to all Americans, not only the privileged few. Healthcare should be treated as a basic human right guaranteed to all American (Ruger 2006). Let us replace the antiquated, unethical current healthcare system with a system that works for all. The reader might ask: What system? It is beyond the scope of this presentation to suggest a workable system that is ethically viable. However, we are particularly impressed with the work of Jennifer Prah Ruger (2008b). Professor Ruger of the Yale University School of Medicine has argued strenuously for a system that provides universal healthcare insurance coverage based on shared health governance and evidence-based decision-making. We recommend the reader to become familiar with her ethics-based approach to healthcare reform.

References


We look at sustainability issues through an investigation of heuristics underlying the mindset of the American consumer. That the US, with 5% of the world’s population, uses over 20% of the world’s energy is indicative of the failure of American consumers to conserve limited resources. We briefly discuss three heuristics underlying American consumer culture (Bigger is Better, More Expensive is Better, and Newer is Better) before focusing on the last of the three. We argue that marketers are in part responsible for the general acceptance of this heuristic through efforts which have engrained planned obsolescence into consumer psyches. We discuss what might be done to encourage consumers to rely less on this heuristic.

Introduction

Sustainability may be investigated from the view of many stakeholders. While the emphasis in both analysis and prescription in the past has focused on production and technology (Connolly and Prothero 2003), we will focus on a consumer perspective. One alternative is to develop, from a societal perspective, public policy affecting consumer choices so as to improve the chances of developing sustainable levels of consumption. In general, public policy mandating good behavior has been more effective than marketers’ persuasion attempts to encourage such behavior willingly. For example, in drought conditions, attempts to persuade consumers not to water lawns are generally unsuccessful, while fining a few people who violate watering bans has been found to reduce the watering of lawns at noticeable levels. Historically, government imposed measures that reduce choice have not had much success (Frank 1999). Thus, we will investigate sustainability from the perspective of the consumer, with some limited hope that people may be persuaded to consume better.

Recently Geisler, Luedicke, and Thompson (2009) discussed the need to change mainstream consumers’ ideologies to conform to the long run best interests of society. Their discussion was a bit unusual (the focus on mainstream ‘ideology’), as most discussions of ‘ideologies’ involve discourses from the perspective of a minority group. For example, Kozinets and Handleman (2004) discussed the ideologies of consumer movements. What made Kozinets and Handleman’s approach somewhat unique, was that they discussed the issues raised against the business elite and went on to discuss critiques of American consumers in general. They noted that consumer movements have classified consumers as robotic sleepers, entranced couch potatoes, wicked and selfish individuals, and foolish idiots. Thus, consumer movements assert that not only are the marketing system and marketers evil, but consumers are as well because they are “complicit carriers of the culture of consumption, perpetuators of marketized evil, and unwitting pawns of corporate overlords.” At a less superficial level, Barack (2008) blamed some of the current financial problems on consumers’ tendencies to categorize improperly, for
example, failing to recognize that new cell phones and costly cosmetic surgeries are not necessities. These views coincide with Soper’s (2007, p. 221) observation that “consumer culture can also be said to be hedonistically repressive in its commitments to a productivity and work ethic that are unfriendly to both human beings and the environment.”

Giesler et al. (2009) carried this perspective further, investigating owners of Hummers, which they identify as extremely deviant consumer purchases from a green perspective. Further, Luedicke, Thompson, and Geisler (2010) found that even Hummer owners see themselves as “moral” as they portrayed themselves as heroic defenders of the greater good and sacred values and ideals. We will take this line of thinking (the tendencies shown by mainstream American consumers that are inconsistent with sustainability goals) even further to investigate the basic heuristics underlying American consumers’ apparent immunity to the negative impact of their excessive purchasing and insufficient consumption behaviors (Schor 2008). Luedicke et al. (2010) refer to this “immunity” as the “ideology of American exceptionalism.”

When looking at American consumers, we observe tendencies that indicate beliefs in “bigger is better” (SUVs, meal size, homes, etc.), “more expensive is better” (Frank 1999), and “newer is better” (Schor 2008). “Bigger is better” has already reached heuristic status (Silvera, Josephs, and Giesler 2002) alongside availability, representativeness, and anchoring and adjustment.

We will focus our research on the “newer is better” heuristic. Schor (2008) makes the strong case that Americans do not consume enough, as they get rid of still usable products at an extremely alarming rate. For example, the tonnage levels of still usable second-hand apparel shipped abroad are incredible (Schor 2008). While marketers are guilty of reinforcing the “bigger is better” heuristic with “supersize me” strategies, we perceive that marketers may be even more guilty of reinforcing the “newer is better” heuristic through planned obsolescence. “Planned obsolescence” is attributed to marketers who wish to have continuously high levels of demand (Loudon 1932; Stewart 1959). For example, Ostberg’s (2009) perception of the apparel industry asserts that “the idea that something allegedly new constantly has to overtake something allegedly old lies at the heart of the contemporary fashion marketing systems.”

The American Consumer Mindset

As noted above, the term ‘Ideology’ has normally been used to represent principled minority perspectives that advocate mainstream change. In vague terms, we are advocating changes in mainstream consumer ideology. More commonly, though, in a consumer context, ideology has been investigated in terms of consumer movements with the mission of changing consumption behaviors in society (Kozinets and Handleman 2004). Hilton (2004, p. 118) argues that this moralistic critique evolved from a 19th century Puritan world view into the current condemnation of “the cheap luxuries of the mass markets….” This view was expressed by Arendt (1958) over a half century ago, “That … consumption is no longer restricted to the necessities of life…harpors the grave danger that eventually no object of the world will besafe from consumption and annihilation through consumption.” Cross (2000) noted that moral critiques of consumers have frequently invoked charges of wastefulness, personal irresponsibility, and selfish disregard for the collective good. Macromarketers too have
suggested the need for changes in societal consumption. For example, Droge et al. (1993) discussed criticisms of excessive consumption, largely from a “moral” perspective, including the Puritan ethic that many goods are morally wrong. Earlier, Rassuli and Hollander (1986) discussed criticisms of “Consumer Culture,” which they defined (p. 10) as a mindset of getting and spending that results from the perception that others are generally so engaged.

In order to get terms straight, we will represent the American mainstream by the Dominant Social Paradigm (DSP), a phrase that Kilbourne and colleagues (Kilbourne et al. 2009; Kilbourne, McDonagh, and Prothero 1997) have established within Macromarketing. Further, we will focus on only one component of the DSP, Consumer Culture. In addition to the criticisms of Consumer Culture described above, others have been made in a wide variety of disciplines (including, but obviously not limited to Schor 1996, 2002, 2008; Soper 2007; and Zukin and Maguire 2004). For instance, Schor (2002, 2008) discussed the textile industry, noting that a German study found that 30% of Germans suffer from textile-related allergies triggered by dyes and that 100 liters of water are needed in order to process one kilogram of textiles. In 2000, the US imported 1265 billion pieces of apparel (about 48 items per American). Rather than “wearing out” these clothes, many are contributed to Goodwill (and other thrift stores); in the 1990s, contributions to Goodwill increased more than 10% annually. Ironically, many tons of apparel are eventually sent back to countries where they were originally manufactured. While American consumers may not have a monopoly on waste, it is generally acknowledged that we are worse than our European counterparts (Seitovosky 1992).

There are those who see criticisms of Consumer Culture as coming from American “do-gooders,” and that they lack substantive bases (Dolan 2002; Miller 2004). In fact, Miller (2004, p. 237) goes as far to write, “Could it be that such apparently well-meaning, morally upright papers might at another level be largely self-serving, condescending, or even racist forms of academic production that primarily project the interest of middle-class American academics?” Miller further questions whether Americans are the only people with a right to claim an authentic membership in modern consumer culture. Dolan (2002) noted that those who critique Consumer Culture ignore the positive social and cultural meanings of consumption practices.

As American academics, our concern with American Consumer Culture may reflect our Puritan roots; at the same time, it seems obvious that global resources are too limited for global per capita consumption to reach the levels of Americans’. We will not try to be overly moral in condemnation of consumers; however, at the same time, at this point in history, American consumers are still being modeled by consumers in developing countries (see Ger and Belk 1996, p. 270 for vivid examples of counter-intuitive adoptions of American products). Connolly and Prothero (2010, p. 288) suggest that “the philosophy of ‘consume, consume, consume’ [is] presented as the ‘dream’, the ‘idyllic’, the good-life and happiness personified with no negative consequences; while those of non-consumption are those who are missing out on ‘real-life’.

Further, a study presented by Fitzmaurice and Comegys (2006) illustrates that increased spending behaviors (focused on materialists) are encouraged by social consumption motivation, which induces a social identity on the part of the consumer. We suggest that, while this philosophy can be seen throughout the developed world, it is most obvious among American consumers.
Thus, we are going to focus on the possibilities of changing American Consumer Culture, focusing on the Newer is Better heuristic. In part, Marketing’s promulgation of Planned Obsolescence would seem to have been instrumental in locking it into consumer mindsets, and thus it behooves Marketers to try to undo that to the extent possible.

Planned Obsolescence

This section will review the notion of Planned Obsolescence and make the case that marketers have aided its acceptance by consumers, leading in part to the Newer is Better belief. Loudon (1932) apparently was the first to write about the idea, with his pamphlet, “Ending the Depression through Planned Obsolescence.” Loudon (1932) focused on the use of products, and advocated fining those frugal consumers who use their products past an expiration date. Think food expiration dating, but with a penalty.

I would have the Government assign a lease of life to shoes and homes and machines, to all products of manufacture, mining, and agriculture, when they are first created, and they would be sold and used within the term of existence definitely known by the consumer. After the allotted time had expired, these things would be legally ‘dead’ and would be controlled by the duly appointed governmental agency and destroyed if there is widespread unemployment. New products would constantly be pouring forth from the factories and marketplaces, to take the place of the obsolete, and the wheels of industry would be kept going and employment regularized and assured for the masses (Loudon 1932).

A more recent example is seen in the Obama administration’s Cash for Clunkers program. Here, a modified version of the Loudon plan was used, only it was incentive-laden, optional, and positioned as being pro-environment.

The next major citing of Planned Obsolescence was a speech at an advertising conference in Minneapolis with that title made by Brooks Stevens in 1954. It seems as though that speech had more influence, as consumers in the 1950s apparently understood the construct’s gist. The first major academic sighting of the concept was Stewart (1959), who wrote (p. 15) that planned obsolescence had three different meanings:

* the practice of holding back product improvements in new models to induce consumers to turn in their old models.

* a heavy reliance on superficial product changes, styling, or prestige selling appeals to induce consumers to buy a new model before the old model is worn out.

* a policy of producing products with an unnecessarily short functional life so as to require premature replacement.

While critics of Marketing have argued for all three interpretations, we argue that the nature of competition in a free market makes the first and third ones somewhat irrelevant. Thus, the second interpretation, which we will call the “new and improved” strategy, would seem to be
the chief culprit if one is looking to indict marketers. It is especially apparent in the apparel and automobile industries, but can be found easily across the product realm.

More specifically, our criticism focuses on new products that are, at best, labeled as continuous innovations and not those that are dynamically continuous or discontinuous in nature. Further, we argue that most “new” product offerings on the market are not even continuous innovations as, though they are new to the manufacturer’s product lines, they are often just me-too variants on a competitor’s continuous innovation. We argue that the resulting brand proliferation, which also raises some critics’ ire, and the associated “new and improved” promotional efforts help instill the presumption that newer is better in the consumer’s mind set.

Some economists, as well as Philip Kotler, have argued that planned obsolescence may be a necessary condition for the achievement of technological progress (Choi 1994; Economist 2009; Fishman, Gandal, and Shy 1993). Not surprisingly, given that a lack of agreement among economists is commonly noted, some also argue planned obsolescence has only a negative effect on social welfare, since it decreases the evaluation of an older model (Utaka 2006). This is a relatively mild criticism compared to those made by members of consumer movements. For example, Smith (2009) wrote,

From disposable cameras to disposable diapers, few products marketed to consumers are made to last. But what many consumers don’t realize is that this throw away world was largely made by design….Building low quality products also results in higher profit margins for manufacturers. Most consumers are so acclimated to the process that they don’t even think about it. After all, advertising has taught us that new is good and that old isn’t.

On one hand, your study acknowledges the common perception that most human beings like having new things (the mean agreement in our student sample discussed later was 5.9 on a seven-point scale). At the same time, it is difficult to argue against the claim that American consumers waste too much and fail to get full use from many of their purchases. The realistic ideal point is somewhere between two extremes, and the mystery needing solving is how to move the consumer mindset to that level.

A Possible Solution: Demarketing

OK, demarketing is not a new idea, as Kotler and Levy (1971) first proposed it nearly 40 years ago. And, admittedly, its application has not had a rich history of success. In times of shortages, consumers do refrain from consumption, but there is very little evidence to indicate that marketers had persuaded them to do so. When petroleum becomes very expensive, we see shifts in demand to more economical cars, but marketers are stuck selling the gas guzzlers that their firms had overproduced. The industry can argue that it was producing what consumers wanted (not to mention the higher profit margins), but they do not have much of a case for trying to lead demand in a direction better suited for sustainability.

Such a strategic direction would be somewhat in tune with Kotler and Levy’s (1971) definition that marketing functions to regulate the level and shape of demand so that it conforms
to the organization’s current supply situation and its long-run objectives. If these long-term objectives include survival in a sustainable environment, then Demarketing would certainly be an alternative approach to consider when combating the Newer is Better philosophy.

One apparently successful Demarketing campaign was conducted in Modesto, CA (Gnepa 2007), with the goal of reducing residential water consumption. Residents in the area were consuming twice as much water per capita as the national average. Educating consumers as to how to conserve water (sweeping their driveways rather than washing them off) was deemed to lead less water usage. What’s noteworthy is how Gnepa altered the definition of Demarketing to mean that one actively discourages the unbridled consumption of a product or service, in the pursuit of higher societal interests. While this definition may be more attractive to macromarketers concerned with issues of sustainability, its deviation from the for-profit marketer stakeholder perspective leaves quite a gap. For demarketing to work in changing consumer culture, both the consumer mindset must be altered as well the acceptance by marketers of the incorporation of sustainability concerns in their long-run profit visions.

Next, we will discuss our modest attempts to ascertain the nature of the consumer mindset and to see if alternative positionings of related issues might have potential to alter that mindset in a pro-sustainability direction.

Survey

We developed a preliminary questionnaire to capture student views toward issues of sustainability. The survey was distributed in four classes at the University of Nebraska, with the response rate being quite high in the classes in which extra credit was used as an incentive. Ninety-eight responses were obtained.

One finding supports our choice of the Newer is Better heuristic as the focus of our investigation, as students were more likely to agree with that item (mean=4.4, with 4 as the mid-point on the seven-point Strongly Disagree to Strongly Agree scale) compared to Bigger is Better (mean of 3.1) or More Expensive is Better (mean of 3.0). Note that, overall, students disagreed with the last two heuristics (means below the neutral agreement point), while they agreed somewhat with the Newer is Better heuristic.

On the other hand, the Newer is Better item had the third largest variance in response of all the items in the survey. The item with the greatest variance was a specific item about waiting for one’s cell phone to wear out before getting a new one; maybe promotional efforts should focus on more general views toward using products fully rather than to mention specific items. For example, some respondents may not own a cell phone, inconceivable as that might be. The item with the second highest variance dealt with enjoyment of shopping, easily explained by sex differences. The relatively high variance in the Newer is Better item indicates that this item is seen quite differently by the student population; hopefully, the varying perceptions indicate that there is more room for changing attitudes in a more sustainable direction.

Besides agreement with the three heuristics, the survey included 32 other items dealing with sustainability and shopping issues. The 35 items were factor analyzed; after rotation, nine factors were generated (shown in Table 1). The first factor had 11 items with factor loadings
over .60. The item with the highest loading was “As the developing world begins to consume more like American consumers, global sustainability issues will become more and more serious.” In general, this factor represents the politically correct view of sustainability, including the item “Americans consume too much.” Thus, we are encouraged that there seems to be awareness among Nebraska students about sustainability issues.

The second factor is more interesting as it included all three heuristics (newer, bigger, and more expensive is better) along with two other items: “An individual consumer’s purchases have virtually no influence on sustainability issues” and “Nothing that I can do (or stop doing) as a consumer will affect global sustainability.” Thus, it appears that belief in the three heuristics is associated with issues of efficacy (or, at least they use efficacy to excuse their beliefs in the heuristics). This finding would argue that a campaign with the goal of reducing belief in all three heuristics might utilize a “You can make a difference” type of appeal.

We also found it interesting that Newer is Better did not load with items such as “I want to have the latest technology,” “I feel behind the times when I don’t have the most updated product on the market,” “I enjoy shopping for the fun experience,” and “I love the feeling of buying something new.” We view this as a positive non-finding, as convincing consumers that they can make a difference in terms of sustainability would seem to be a much simpler task than convincing them that shopping is bad or that one should not covet “new products.”

One purpose for conducting the survey was to see if different phrasing of essentially the same concept could generate different responses, possibly providing direction for subsequent demarketing campaigns. Some differences were seen. For example, the mean response to “I love the feeling of buying something new” was 5.9, whereas “When I see an ad for a new product of interest, I immediately (want to) buy it” was 3.9. Clearly, demarketers should avoid imagery associated with the experience of buying new products and should possibly deal with advertising’s manipulative role in society by making “new” less attractive.

Items dealing with attitudes toward using products more from a personal or a societal perspective are shown in Table 2. The most notable observation is that there is much greater agreement that Americans in general should use products more before throwing them away. The respondents were less keen about doing so themselves. This finding is not unexpected, and would seem to be consistent with the need to deal with efficacy issues, so that individual consumers can perceive that their behavior can make a difference.
Table 1. Factor Analysis Results

<table>
<thead>
<tr>
<th>Factor 1</th>
<th>Loadings</th>
</tr>
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<tbody>
<tr>
<td>As the developing world begins to consume more like American consumers,</td>
<td>.789</td>
</tr>
<tr>
<td>global sustainability issues will become more and more serious.</td>
<td></td>
</tr>
<tr>
<td>The world cannot sustain itself if its entire people consume at the same</td>
<td>.753</td>
</tr>
<tr>
<td>rate as Americans.</td>
<td></td>
</tr>
<tr>
<td>American consumers throw away too much that is still usable.</td>
<td>.693</td>
</tr>
<tr>
<td>Americans ignore the fixed nature of global natural resources when</td>
<td>.689</td>
</tr>
<tr>
<td>consuming.</td>
<td></td>
</tr>
<tr>
<td>Americans do no have the right to over-consume at the rate that they do.</td>
<td>.681</td>
</tr>
<tr>
<td>Americans consume too much.</td>
<td>.663</td>
</tr>
<tr>
<td>Using products longer can help with issues of sustainability.</td>
<td>.662</td>
</tr>
<tr>
<td>American consumers should try to get their products repaired first before</td>
<td>.614</td>
</tr>
<tr>
<td>replacing them.</td>
<td></td>
</tr>
<tr>
<td>American consumers need to use products longer before they get rid of</td>
<td>.611</td>
</tr>
<tr>
<td>them.</td>
<td></td>
</tr>
<tr>
<td>Americans should follow the consumption behaviors of other countries.</td>
<td>.609</td>
</tr>
<tr>
<td>If American consumers would delay purchasing new versions of products,</td>
<td>.602</td>
</tr>
<tr>
<td>it would help battle issues of sustainability.</td>
<td></td>
</tr>
</tbody>
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<table>
<thead>
<tr>
<th>Factor 2</th>
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<tbody>
<tr>
<td>An individual consumer’s purchases have virtually no influence on</td>
</tr>
<tr>
<td>sustainability issues.</td>
</tr>
<tr>
<td>Nothing that I can do (or stop doing) as a consumer will affect global</td>
</tr>
<tr>
<td>sustainability.</td>
</tr>
<tr>
<td>More expensive is better.</td>
</tr>
<tr>
<td>Newer is better.</td>
</tr>
<tr>
<td>Bigger is better.</td>
</tr>
<tr>
<td>Factor 3</td>
</tr>
<tr>
<td>---</td>
</tr>
<tr>
<td>When I buy a new product, I choose the most environmentally friendly option available.</td>
</tr>
<tr>
<td>I do what I can to protect issues of sustainability.</td>
</tr>
<tr>
<td>Sustainability is important to me.</td>
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<table>
<thead>
<tr>
<th>Factor 4</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>I want to have the latest technology.</td>
<td>.798</td>
</tr>
<tr>
<td>I feel behind the times when I don’t have the most updated product on the market.</td>
<td>.704</td>
</tr>
<tr>
<td>When I see an ad for a new product of interest, I immediately (want to) buy it.</td>
<td>.564</td>
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<tr>
<th>Factor 5</th>
<th></th>
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<tbody>
<tr>
<td>I would cut back on creating waste if I knew there were penalties for doing so.</td>
<td>.839</td>
</tr>
<tr>
<td>I would cut back on creating waste if there was an incentive to do so.</td>
<td>.770</td>
</tr>
<tr>
<td>If American consumers would weight product’s durability higher and use products until they wear out, global sustainability would be better</td>
<td>.525</td>
</tr>
</tbody>
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<table>
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<tr>
<th>Factor 6</th>
<th></th>
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<tbody>
<tr>
<td>I enjoy shopping for the fun experience.</td>
<td>.796</td>
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<table>
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<tr>
<th>Factor 7</th>
<th></th>
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<tbody>
<tr>
<td>My delaying of purchasing a new version of a product with help improve sustainability</td>
<td>.882</td>
</tr>
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<tr>
<th>Factor 8</th>
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<tbody>
<tr>
<td>I love the feeling of buying something new.</td>
<td>.761</td>
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<tr>
<th>Factor 9</th>
<th></th>
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</thead>
<tbody>
<tr>
<td>I wait to buy a product I want until I actually need it.</td>
<td>.678</td>
</tr>
</tbody>
</table>
**Table 2. Attitudes toward Using Products More**

<table>
<thead>
<tr>
<th>Personal Perspective</th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>I will wait for my current cell phone to wear out before I buy a new one.</td>
<td>4.3</td>
<td>2.1</td>
</tr>
<tr>
<td>I want to buy a product I want until I actually need it.</td>
<td>4.2</td>
<td>1.5</td>
</tr>
<tr>
<td>I go shopping to buy what I want, rather than what I actually need.</td>
<td>4.2</td>
<td>1.4</td>
</tr>
<tr>
<td>I will buy a product even if I have a workable one already.</td>
<td>4.1</td>
<td>1.4</td>
</tr>
</tbody>
</table>

**Societal Perspective**

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std Dev</th>
</tr>
</thead>
<tbody>
<tr>
<td>American consumers throw away too much that is still usable.</td>
<td>5.6</td>
<td>1.2</td>
</tr>
<tr>
<td>Americans need to use products longer more before they get rid of them.</td>
<td>5.2</td>
<td>1.4</td>
</tr>
<tr>
<td>Americans should try to get their products repaired first before replacing them.</td>
<td>4.6</td>
<td>1.5</td>
</tr>
</tbody>
</table>

Finally, we cross-tabbed our very limited set of demographics (sex, year in school, US nationality or not, and family of origin income) with agreement with the three heuristics and items with high factor loadings. Some demographics [year in school (most were seniors) and nationality (only eight international students)] were too homogeneous to provide insight in terms of explaining differences in agreement levels. On the other hand, sex and family income did relate to agreement that Newer is Better. Less than one-third of the female respondents (n=46) agreed, whereas over two-thirds of the males (n=52) did. There was an inverted-U relationship with family income as 60% of those with family of origin incomes over $100,000 (n=35) agreed, compared to less than one-third of those with incomes between $75,000 and 100,000 (n=28) and just under half of those with incomes less than $75,000 (n=35). One other significant cross-tab was the association between sex and agreement with “I want to have the latest technology;” males (over 80%) were more likely to agree than females (55%). Most previous work has found women to be more “green” than men, and apparently that generalizes to “sustainable.”

**Conclusions**

This paper looks at sustainability issues from the perspective of the consumer. We argue that most American consumers use the heuristic “Newer is Better,” leading to behaviors generating great amounts of discarded but still usable “waste.” Schor (2008) argues that consumers should consume more and that they should get more use out of their existing...
products. The question becomes how to combat the Newer is Better heuristic, which marketers are responsible for, in part, through past planned obsolescence strategies.

Thaler and Sunstein (2009), based on a very solid behavioral decision theory base, argue that public policy makers should use “choice architecture” to design policies with default conditions that benefit individuals and society as a whole, but with the possibility of opting out. Their argument is based on work on the endowment effect (also referred to as the status quo effect). If one wanted to generate policy to combat the “Bigger is Better” heuristic, it would likely result in restrictions of choice if size limitations were created by legislation. Using Thaler and Sunstein’s Nudge approach would take much creativity. However, combating the Newer is Better heuristic should be able to take advantage of the status quo; consumers have functioning products and have to overcome inertia to get new ones. Arguing that consumers keep the products and use them further, while not restricting them from buying new alternatives, would maintain the status quo. Similarly, the endowment effect leads consumers to value their existing products in somewhat unrealistic manners (at least to economists). Promoting the endowment ties associated with existing possessions should also be relatively straightforward.

A possible promotional theme would be, “Why change if it works?” But, why would a marketer demarket the purchase of a new version? One interpretation of the no-change message is the encouragement of the consumer’s repurchase of the same brand, which should fit with most brand managers’ perspectives. A second, more product-based interpretation would be the message to keep using the product as long as it works. Potentially, the endowment effect associated with ownership may grow the longer one owns and uses the product. We suggest that this premise should be investigated empirically: does the endowment effect grow as one owns a product longer? If so, a logical extrapolation would be greater satisfaction with the brand and, thus, increased intentions to repurchase the same brand. This type of campaign has apparently been used in the Race Against Waste campaign in Ireland, where advertising urged people to “reduce, reuse, and recycle” (Connolly and Prothero 2008).

As noted above, one clear obstacle to these attempts to reduce the dominant presence of Newer is Better would be their reduction of consumer demand. Even firms dedicated to Corporate Social Responsibility efforts might find it difficult to demarket the purchase of new products. Macromarketers may well need to try to make a long-term perspective more salient to firms, explicitly attempting to encourage the relative importance of durability and quality as compared to inexpensive and convenient.

Connolly and Prothero’s (2003) results led them to conclude that Irish consumers are not linking consumption itself with environmental degradation. Our findings reflect a higher level of awareness in 2010 of the consumption/sustainability interface among college students. Further, the findings from our exploratory data collection lead us to speculate that consumer-oriented sustainability campaigns might stress efficacy concerns, that one’s delaying of buying the “new and improved” can make a difference in terms of sustainability. Connolly and Prothero (2008) found that Irish consumers felt they had an obligation to address environmental issues, but that they were uneasy as to what actions to take. This could reflect doubts about the efficacy of their modified consumption, a sentiment also expressed by the students in our study. More research is needed to investigate the potential for a campaign trying to increase perceptions of efficacy.
What may actually be occurring is what Miller (1995, p. 28) referred to as the “other consumption” phenomenon: one’s personal consumption is meaningful, but there is a failure to see other people’s consumption in a comparable light. Future work should investigate this possible explanation as well as trying to find what might make a “you can make a difference” campaign more effective. Our findings also indicate that young consumers are already aware of “Bigger is Better’s” potential harm, more so than finding fault with “Newer is Better.” Further research is needed to validate this finding.

One might argue that convincing consumers to use more of what they have and to cut back on “new” consumption will reduce consumer happiness. For example, Connolly and Prothero (2003, p. 282) suggest that “consumers’ quest for well being [is] so firmly entrenched in the philosophy of consumption that any notion of non-consumption … is a ‘colder, darker’ place.” However, Czikszentmihalyi (2000, p. 270) noted that consuming beyond a certain point contributes little to a positive experience. “Contrary to popular opinion, things that can be bought do not enhance happiness by much….A number of studies show beyond a rather low threshold, material well-being does not correlate with subjective well-being.” Thus, it would seem that, while reducing consumer choice may be antithetical to Americans, many consumers might be just as “happy” if they purchase less.

We argue that American marketers helped create the overconsumption occurring in North America, and thus that they should now help reduce the pervasive influence of the Newer is Better heuristic that permeates consumer culture. Czikszentmihalyi (2000, p. 271) argued that the American consumer mind set is “To buy – even if one does not have the means and has to fall deeper in debt – is a patriotic act.” All consumers need a more macro perspective that incorporates the sustainability of a reasonable quality of life for all humans.

References


Consumer Resistance to Green Innovations
Developing a New Scale and an Underlying Framework

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The development and marketing of green innovations provide great potential to reduce carbon emissions, ease fossil fuel dependency and stabilize energy costs. The diffusion of many green innovations among consumers, however, remains low and they are often referred to as resistant innovations. Consumer resistance to green innovations is a generally under-researched area and empirical evidence is scarce. The objective of this study is therefore twofold. Building on recent advances in the literature, the study firstly aims to operationalize and empirically validate a measure of consumer resistance to green innovations. Secondly, the research aims to anchor this measure in a theoretically grounded model based around status quo bias theory (Samuelson and Zeckhauser 1988) and empirically test the relative influence of factors leading to consumer resistance to green innovations. The research presented in this study is based on a large scale study of homeowners in the Republic of Ireland. The proposed scale and framework are both empirically validated via structural equation modeling techniques, providing valuable information for marketers and policymakers.

Introduction

With the United Nations Climate Change Conference in Copenhagen 2009 having failed to deliver any internationally binding targets, the development and marketing of sustainable and low-carbon technologies has become ever more important. Green innovations like solar panels or electric vehicles provide great potential to contribute to the reduction of CO2 emissions, ease fossil fuel dependency and stabilize energy costs. For these technologies to have a significant impact on the macro level, however, it requires the aggregate actions of individuals to undertake investments into these innovations. Yet, despite marketing and public policy efforts to encourage consumers to invest into microgeneration, in most European countries and the U.S. the uptake of green innovations remains low and they are often referred to as resistant innovations. Unlike receptive innovations, many resistant products face protracted take up times as they require consumers “to alter existing belief structures, attitudes, traditions or entrenched routines significantly” (Garcia, Bardhi, and Friedrich 2007, p. 83).

The built environment provides one of the greatest potentials for energy efficiency and CO2 emission reductions. Recent technological developments have made it possible for individual households to generate their own electricity and heat from renewable sources by the use of microgeneration technologies (European_Commission 2008). Microgeneration
technologies include solar panels, micro wind turbines, solar water heating, biomass boilers, heat pumps and combined heat and power generation (CHP).

In this study we take a closer look at consumer resistance towards green innovations in the context of microgeneration technologies. Theoretically, resistance to (green) innovations has been a traditionally under-researched area within the diffusion of innovation literature (e.g. Laukkanen et al. 2007). One reason for this is that consumer resistance has been lacking a clear definition and rigorous conceptualization. Further, few attempts to develop operational measures of resistance exist and empirical evidence is scarce (Kleijnen, Lee, and Wetzels 2009).

The objective of this study is therefore twofold. Building on recent advances in the respective literature, the study firstly aims to operationalize and empirically validate a measure of consumer resistance to green innovations. Secondly, the research aims to anchor this measure in a theoretically grounded model based around the status quo bias theory (Samuelson and Zeckhauser 1988) and empirically test the relative influence of factors leading to consumer resistance to green innovations.

The study was conducted with homeowners in the Republic of Ireland in November and December 2009 and the findings will ultimately inform marketing and public policy campaigns aiming to promote the uptake of microgeneration technologies and help Ireland meeting its renewable energy targets.1

Theoretical Background

Resistance to Green Innovations

The majority of studies available to date have estimated people’s willingness to pay (WTP) (e.g. Banfi et al. 2008; Batley, Fleming, and Urwin 2000; Borchers, Duke, and Parsons 2007; Hansla et al. 2008; Nomura and Akai 2004; Wiser 2007; Zarnikau 2003) or consumers’ intention to adopt2 green innovations and renewable energy (e.g. Bang et al. 2000; Nyrud, Roos, and Sande 2008; Schwarz and Ernst 2008; Voellink, Meertens, and Midden 2002). Most of these studies address resistance to green innovations only indirectly as non-adoption or as no or low willingness to pay. As a result, diffusion of innovation studies have often been accused of neglecting “the fact that innovations mean change to consumers, and resistance to change is a normal consumer response that has to be overcome before adoption may begin” (Laukkanen et al. 2007, p. 420). The majority of homeowners, for example, are likely to be satisfied with their existing heating and electricity system and have no intrinsic desire to change. Existing research suggests that consumer resistance cannot simply be treated as the opposite of adoption or WTP, but should be researched as a distinct behavioral response (e.g. Garcia, Bardhi, and Friedrich 2007; Kleijnen, Lee, and Wetzels 2009; Ram 1987; Ram and Sheth 1989). One can even ask if consumers’ resistance is not the more common and maybe more rational response to (green) innovations (Sheth 1981)?

2 The two most commonly employed frameworks in research around adoption of innovation are the theory of planned behaviour (Ajzen, 1991) and the technology acceptance model (Davis, 1989).
Although psychological antecedents of resistance to change have been widely explored (e.g. Oreg 2003), consumer resistance as an actual behavioral response has, until recently, been lacking a clear conceptualization. Based on a comprehensive literature review and qualitative research in form of focus groups, Kleijnen et al. (2009) identified three distinct resistance behaviors towards innovations: postponement, rejection and opposition. Although this classification is not intrinsically new and is broadly in line with previous research (Bagozzi and Lee 1999; Coetsee 1999; Fournier 1998; Garcia, Bardhi, and Friedrich 2007; Garrett 1987; Gatignon and Robertson 1991; Greenleaf and Lehmann 1995; Herrmann 1993; Lapointe and Rivard 2005; Martinko 1996; Nabih and Bloem 1997; Penaloza and Price 1993; Ram 1987; Ram and Sheth 1989; Ritson and Dobscha 1999; Rogers 2003; Sen, Gürtan-Canli, and Morwitz 2001; Szmigin and Foxall 1998) Kleijnen et al. addressed the lack of consistent terminology, thorough conceptualization and varying definitions across previous resistance studies.

Kleijnen et al. (2009, p.9) defined postponement as “an active decision to not adopt an innovation at that moment in time.” Their definition is similar to Nabih and Bloem (1997, p. 191) who argue, that “(...) the consumer may escape from the dilemma between adoption and rejection by postponing the decision.” It also seems to be broadly in line with what Bagozzi and Lee (1999, p. 219) referred to as consumers’ indecision, meaning that consumers “will most often continue information processing until the perception of opportunity and/or threat are subjectively addressed to satisfaction.”

Rejection is defined as “an active decision to not at all take up an innovation” (Kleijnen et al. 2009, p. 9). Rejection is the most commonly used term in the relevant literature and has often been used interchangeably with resistance. Martinko (1996, p. 321), for example, analyzed resistance to information technologies, classifying consumers’ behavioral responses into acceptance, rejection and reactance. In the definition however, Martinko uses resistance instead of rejection. Szmigin and Foxall (1998) also distinguish rejection from postponement and opposition, but do not provide any clear definition of rejection as a behavioral response to innovations. Rogers’ (2003, p. 177) definition of rejection “as the decision to not adopt an innovation” therefore appears to be the closest to the one suggested by Kleijnen et al.

Finally, opposition is defined as an “actual active behavior directed in some way towards opposing the introduction of an innovation” (Kleijnen et al. 2009, p. 10). They further argue that opposition behavior can range from verbal complaints to negative word of mouth or even result in protest action. In earlier studies such opposition behavior has often been referred to as ‘consumer boycott’. Gatignon and Robertson (1991) for example point out that “a variety of responses are available to consumers’ including ’exit (refusal to buy), ‘voice’ (complaining actions) and ‘loyalty’ (continued patronage in hope of change).” Further Coatsee (1999, p. 159) distinguishes between consumer complaint, boycotts as well as “(...) consumer resistance which directly communicates [consumers’] resistance and rejection of a particular marketing organization.” Because of the variety of behavioral responses associated with ‘opposition’ we felt that its definition was too vague. Also, opposition is least likely to be experienced in relation to green innovations or renewable energy and was decided to be excluded from any further analysis.

Following the discussion above, in this study resistance is understood to stretch from postponement (i.e. weak resistance) to rejection (i.e. strong resistance), constituting the two endpoints for the measurement of resistance.
Antecedents of Consumer Resistance

The reasons for consumer resistance are manifold and often lie in complex interactions between consumers, the characteristics of the innovation and the social context. Numerous studies have tried to disentangle the various influences that lead to consumer resistance. Garcia et al. (2007, p. 82) point out that resistance may arise “because the innovation conflicts with consumers’ ingrained belief structures, requires acceptance of unfamiliar routines or necessitates abandoning deep-rooted traditions.” Further, Ram and Sheth (1989) broadly distinguish between functional and psychological barriers. Functional barriers can include incompatibility with existing practices or habits, the actual value of the innovation and the risk associated with a new product. In their meta-review of resistance drivers, Kleijnen et al. (2009, p. 3) also distinguish between two broad types of antecedents, including factors which “(...) require a change in consumers’ established behavioral patterns, norms habits and traditions” and, secondly, factors which “(...) cause a psychological conflict or problem for consumers.” As for the latter, they identify ‘perceived product image’, ‘complexity’, ‘information overload’ and ‘perceived risk’ as factors influencing consumer resistance.

Despite the above mentioned attempts to classify antecedents to consumer resistance, the various factors appear to be lacking an integrating framework or overarching theory. However, one common underlying explanation for resistance appears to be that consumers are often satisfied with their current situation and, more importantly, might prefer the status quo over change brought by an innovation (e.g. Ram 1987; Sheth 1981). This perspective has recently been used to study user resistance to change in information systems in an organizational context (Kim and Kankanhalli 2009). In order to gain a more accurate understanding of how users evaluate change related to new information systems and what factors lead to resistance, the authors applied status quo bias theory (Samuelson and Zeckhauser 1988) to findings from the resistance literature. Following Kim and Kankanhalli’s approach, this research aims to discuss and research antecedents of consumer resistance to green innovation in the broader framework of status quo bias theory.

Understanding the motives for consumers’ decisions to postpone or reject a green innovation is crucial for macromarketers and public policy makers as it provides valuable information on how to promote the uptake and overcome resistance towards microgeneration technologies more effectively.

Proposed Framework and Hypotheses

The status quo bias theory assumes that most decisions have a status quo option. Homeowners, for example, not only have the option to choose between different microgeneration technologies, but also to maintain their current status and to resist an innovation. Samuelson and Zeckhauser (1988) showed in numerous experiments and over a wide range of decisions that individuals have a strong tendency towards the status quo when presented with this alternative. They classify explanations for the status quo bias in decision making into three categories: cognitive misperception, rational decision making, and psychological commitment.
Cognitive Misperception

Cognitive misperception refers to a phenomenon often observed in human decision making which is also known as loss aversion (Kahneman and Tversky 1974). Loss aversion implies that when making decisions, individuals often weigh potential losses higher than gains. Thus, the status quo alternative holds a natural decision advantage as perceived costs are likely to have a relatively higher influence than the perceived benefits (Samuelson and Zeckhauser 1988). This also applies to situations in which homeowners can decide to adopt or resist an innovation like microgeneration technologies. Taking the current heating or electricity system (i.e. status quo) as a reference point, homeowners are likely to weigh potential costs or losses from switching to a microgeneration system larger than they actually are. Cognitive misperception or loss aversion is therefore an important concept to keep in mind when trying to understand people’s rational decision making.

Rational Decision Making

As highlighted by Samuelson and Zeckhauser (1988) individuals do evaluate the relative costs and benefits of (e.g.) adopting a new product. Naturally, when overall costs of adopting a new product outweigh the benefits, consumers will resist the innovation i.e. retain the status quo. Samuelson and Zeckhauser identified two types of costs: transition costs and costs related to uncertainty. The former are costs that occur directly while adopting an innovation or as a result of it. In the context of resistance to green innovations these can be the initial capital costs required to adopt a new product (e.g. Darley and Beniger 1981).

**H1: Perceived initial capital costs have a positive effect on consumer resistance.**

Further, microgeneration technologies often require homeowners to significantly modify the existing infrastructure (i.e. house) to fit the new technology. These costs also include the level of disruption caused by potential building works and are likely to vary depending on the compatibility of the house (e.g. Schwarz and Ernst 2008).

**H2: Perceived compatibility-related costs have a positive effect on consumer resistance.**

Uncertainty costs can also lead to status quo bias and refer to the risk people associate with adopting new technologies. Perceived risk is also a well established concept in the resistance literature and various studies distinguish between four main types of risk including physical, economic, functional and social risk that consumers have associated with innovations (e.g. Dholakia 2001; Kleijnen, Lee, and Wetzels 2009; Peter and Lawrence 1975; Ram 1987; Stone and Grønhaus 1993). Physical risk refers to potential harm an innovation might cause to a person or property. Economic risk reflects the fear of wasting financial resources whereas functional risk refers to performance uncertainties of a new product. Finally, social risk reflects uncertainty about how adopting the innovation might be perceived by relevant others. In the case of microgeneration, performance and financial risk are two sides of the same coin, as the performance highly determines the financial viability of the technology. In this study, perceived risk thus refers to uncertainty related to the performance (e.g. reliability) of the technology.

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3 During this research physical risk did not appear to be an important factor and was therefore excluded from the analysis.
**H3: Perceived risk has a positive effect on consumer resistance.**

Understanding the relative influence of initial cost, cost related to compatibility and uncertainty cost is of great importance for policy makers and marketers and has been identified as an area for further investigation. Kim and Kankanhalli (2009, p. 580) for example state that “future studies could conceptualize switching costs as a multidimensional construct to examine in-depth effects of different dimensions of switching costs on user [and consumer] resistance. The subtypes of switching costs could also have different antecedents.”

As consumers weigh potential costs against potential benefits, perceived advantages need to be accounted for and have been addressed in adoption of innovation studies. According to Rogers (2003, p. 221) an innovation’s perceived relative advantage reflects the degree to which it is perceived as being better than its precursor. Moore and Benbasat (1991) researched perceived relative advantage as a one-dimensional construct in relation to information system adoption. However, in a more recent study Schwartz and Ernst (2008) evaluated the influence of multiple advantages on consumers’ intention to adopt water saving devices. In this study, three advantages have been included in the construction of the benefit measure, including energy savings, environmental benefits and independence from energy providers. Thus,

**H4: Perceived benefits have a negative effect on consumer resistance.**

**Psychological Commitment**

A third explanation for status quo bias is referring to people’s psychological commitment. In the context of innovation, three main factors affect psychological commitment: sunk cost, regret avoidance and efforts to feel in control. Sunk cost refers to people’s tendencies to “(...) justify previous commitments to a (perhaps failing) course of action by making subsequent commitments” (Samuelson and Zeckhauser 1988). Although maybe less relevant to resistance to microgeneration, one could imagine sunk cost in form of previously made investments into alternative energy saving measures like insulation.

A second factor leading to psychological commitment and hence status quo bias is regret avoidance. It refers to a phenomenon observed in decision making, where people more strongly regret negative outcomes from new actions (i.e. adopting an innovation) than equally bad outcomes stemming from inaction (i.e. resistance). Samuelson and Zeckhauser (1988, p. 38) further point out that “[regret avoidance] favors adherence to status quo norms or routine behavior at the expense of innovation, and it reinforces the individual’s inclination to conform to social norms.” This appears to be broadly in line with findings from the resistance literature which make an “(...) explicit distinction between conflicts with traditions and norms, which relate to a societally-related context, and conflicts with existing usage patterns, which refer to the personal routines and habits of individual consumers” (Kleijnen et al 2009). Both issues have been extensively discussed in the literature around compatibility (e.g. Taylor and Todd 1995; Tornatzky and Klein 1982) and, more recently, operational measures have been developed which allow distinguishing between compatibility with existing practices and personal values (e.g. Karahanna, Agarwal, and Angst 2006).

**H5: Perceived compatibility with existing routines and habits has a negative effect on resistance.**
**H6a:** Perceived compatibility with personal values has a negative effect on resistance.

Further, the literature around microgeneration and green electricity shows that values can be an antecedent of attitude and perceived benefits of the respective technology (e.g. Hansla et al. 2008). Perceived compatibility with personal values is therefore likely to positively impact on homeowner’s benefit perceptions.

**H6b:** Perceived compatibility with personal values has a positive effect on perceived benefits.

Another construct often discussed in relation to resistance are subjective norms, which reflect a person’s desire to act as others think one should act. Significant others can for example be friends, family, neighbors, political parties or religious organization and their opinion can be considered as a normative influence on a person’s level of resistance. Behavior that goes against the subjective norm may result in feelings of ‘shame and self-reproach’ (Pollard et al. 1999). Thus, homeowners who experience a strong support or favorable opinion for microgeneration among their friends and families are likely to have a lower level of resistance. Thus,

**H7a:** Subjective norms have a negative effect on resistance.

The respective literature further shows that normative influences can significantly impact on people’s perceptions of benefits and their attitudes (e.g. Paladino and Baggiere 2008).

**H7b:** Subjective norms have a positive effect on perceived benefits.

A third factor leading to psychological commitment refers to peoples efforts to feel in control or self efficacy. Individuals desire to control their situation and decisions can lead to status quo bias, given an unknown innovation like microgeneration technologies. Further, the more complex an innovation is perceived by consumers, the less people feel in control and the more likely they are to resist it. Complex innovations are perceived as difficult to use and understand (e.g. Moore and Benbasat 1991) and are therefore more likely to experience higher levels of consumer resistance.

**H8:** Perceived complexity has a positive effect on resistance.

Another construct often discussed in the adoption literature and closely related to control is trialability, which stands for the degree to which an innovation may be experimented with before adoption (e.g. Moore and Benbasat 1991). Most microgeneration technologies are impossible to try out before actually buying them. Yet, some homeowners might be able to see these technologies working at a neighbor’s or friend’s home or at a trade fare, allowing them to make a more informed decision.

**H9a:** Perceived trialability has a negative effect on resistance.

Perceived trialability and complexity both impact on person’s level of control and might also influence resistance indirectly through the perception of uncertainty costs. Homeowners who have the possibility to learn about the technology are likely to experience lower levels of uncertainty, thus reducing the perceived level of risk.
Perceived trialability has a negative effect on uncertainty cost.

Further, previous studies around green innovations show that product knowledge is likely to have an impact on people’s intention to buy (e.g. Nyrud, Roos, and Sande 2008; Arkesteijn and Oerlemans 2005), their risk perceptions (e.g. Klerck and Sweeney 2007), and perceptions of product benefits (e.g. Bang et al. 2000). In most studies around renewable energy or green innovations, knowledge is referring to subjective knowledge which can be defined as “(…) a person’s perception of the amount of information about a product class stored in his or her memory” (Klerck and Sweeney 2007, p. 174). Although the evidence around knowledge and the impact on product evaluation and buying decision is not conclusive, most studies in the area of renewable energy and microgeneration assume a positive relationship between knowledge and buying intention.

Knowledge has a negative effect on resistance.
Knowledge has a negative effect uncertainty cost perceptions.
Knowledge has a positive effect on benefit perceptions.
Knowledge has a negative effect on complexity perceptions.

The discussion above has shown that consumers, due to cognitive misperception and psychological commitments, often prefer the status quo and that resistance to (green) innovations can be a more rational behavioral response than adoption. The above discussed antecedents of resistance will therefore be integrated and added to the concepts of status quo bias theory and thus provide an integrative framework to research consumer resistance to green innovations as illustrated in Table 1. Again, consumer resistance is understood to stretch from postponement (i.e. weak resistance) to rejection (i.e. strong resistance), which constitute the two end-points of the resistance scale.

Research Methodology

To empirically test and validate the resistance measure, data were collected through a field survey of homeowners in the Republic of Ireland. Thanks to a substantial amount of external funding, a professional market research company was employed to carry out the data collection. After discussions with academics and representatives from the market research company, Computer Assisted Telephone Interviews (CATI) was chosen as the most appropriate mode of data collection. A preliminary study indicated low levels of awareness for Heat Pumps and Micro CHP among the Irish population (Claudy et al. 2010). Therefore, it was decided to focus on four microgeneration technologies: solar panels, micro wind turbines, solar water heating systems, and wood pellet boilers. Each respondent was only asked about one of the four technologies. The results presented in this paper stem from findings on micro wind turbines.

This is contrary to some of findings in the marketing literature which shows that in some cases knowledge can have a negative impact on benefit perceptions and preferences for a new product (e.g. Moreau, Lehmann, and Markman 2001).

5 Levels of awareness based on a nationally representative survey conducted study in March 2009: Micro CHP = 18%; Ground Source Heat Pumps = 45%; Wood Pellet boilers = 58%; Micro Wind Turbines = 66% Solar Thermal Heaters 75%; and Solar Panel = 80%
### Table 1. Integrative Framework to Research Consumer Resistance to Green Innovations

<table>
<thead>
<tr>
<th>Status Quo Bias Theory</th>
<th>Resistance/Adoption Theory</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Status Quo Bias</strong></td>
<td></td>
</tr>
<tr>
<td>Cognitive Misperception</td>
<td>Resistance to Innovation</td>
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<tr>
<td>Loss Aversion</td>
<td></td>
</tr>
<tr>
<td><strong>Rational Decision Making</strong></td>
<td>Initial Investment</td>
</tr>
<tr>
<td>Transition Costs</td>
<td>Compatibility</td>
</tr>
<tr>
<td>Cost related to Compatibility</td>
<td>Infrastructure</td>
</tr>
<tr>
<td>Uncertainty Costs</td>
<td>Risk</td>
</tr>
<tr>
<td>Benefits</td>
<td>Functional</td>
</tr>
<tr>
<td><strong>Psychological Commitment</strong></td>
<td>Relative Advantage</td>
</tr>
<tr>
<td>Sunk Cost</td>
<td>Energy Savings</td>
</tr>
<tr>
<td>Regret Avoidance</td>
<td>Environmental Benefits</td>
</tr>
<tr>
<td>Compatibility</td>
<td>Independence</td>
</tr>
<tr>
<td><strong>Control</strong></td>
<td>Subjective Norms</td>
</tr>
<tr>
<td>Knowledge</td>
<td>Existing Practices (Habits &amp; Routines)</td>
</tr>
<tr>
<td>Subjective Knowledge</td>
<td>Personal Values</td>
</tr>
</tbody>
</table>

Source: Adapted from Kim and Kankanhalli (2009)

### Target Population and Data Collection

The data was collected in the period from November to December 2009. Computer Assisted Telephone Interviews allowed us to utilize an adaptive survey design to identify the respective target population which were ‘homeowners in the Republic of Ireland, who are aware of the technology in question and who are partly or fully responsible for making financial decisions regarding the house they currently live in.’ Further, the newly developed resistance scale was only tested with respondents who stated they have no intention to adopt/buy the technology in question within the next 12 months. Using a quota sampling approach, the final sample of n=926 respondents (n=1012 including potential adopters) was split equally across the four technologies. The quotas were based on region, gender and age to ensure an overall approximation of the overall population and more importantly, comparability of the sub-samples (Table 2). The sub sample for micro wind turbines consisted of 234 interviews.
Table 2. Comparison of Sample with Population of Irish Homeowners, expressed in %

<table>
<thead>
<tr>
<th>Variable</th>
<th>Micro Wind Turbines (n=234)</th>
<th>Population of Irish Homeowners</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GENDER</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>51.2</td>
<td>50.0</td>
</tr>
<tr>
<td>Female</td>
<td>48.8</td>
<td>50.0</td>
</tr>
<tr>
<td>Total</td>
<td>100.0</td>
<td>100.0</td>
</tr>
</tbody>
</table>
| **AGE GROUPS**
| 15-24               | 3.0                         |                                |
| 25-34               | 20.1                        | 20.0                           |
| 35-44               | 19.7                        |                                |
| 45-59               | 34.6                        | 45.0                           |
| 60+                 | 22.6                        | 35.0                           |
| Total               | 100.0                       | 100.0                          |
| **REGION**          |                             |                                |
| Dublin              | 21.4                        | 24.0                           |
| Rest of Leinster    | 29.1                        | 28.0                           |
| Munster             | 29.5                        | 28.0                           |
| Connacht/Ulster     | 20.1                        | 20.0                           |
| Total               | 100.0                       | 100.0                          |

Source: Own Calculations

**Instrument Development**

*Resistance Scale*

In order to distinguish between consumers’ decisions to postpone or reject the respective technology, a ‘resistance-scale’ was developed and pre-tested in two pilot runs. First, three independent and experienced reviewers evaluated the initial pool of items and provided advice on face validity, ambiguous wording as well as double-barrelled and redundant items. An initial set of 8 items was then first pre-tested via CAT interviews with a sample 100 homeowners. The results led to major revisions of the scale and a second pre-test was conducted in October 2009 using a ‘snowball’ approach. Students in the United States and in Ireland were asked to recruit friends and family who own houses to participate in the survey and the final sample consisted of 83 responses. The technologies in both pre-tests were solar panels. In this second test, 9 items were tested, all formatted on a five point Likert-Scale stretching from ‘strongly disagree (1) to strongly agree (5)’. Respondents were asked questions like ‘you intend to find out more about the benefits of installing solar panels on your house in the near future’ or ‘if the cost of solar panels dropped significantly you would install them on your house tomorrow’. The results of the second pre-test were analyzed via exploratory factor analysis with oblique and orthogonal rotations, resulting in the exclusion of 4 items and a one factor solution. The remaining five

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6 The population data for homeowners in Ireland stem from the market research’s company’s own calculations and data from the Central Statistics Office (CSO) in Ireland. Further, the age categories for the population data are 35-54 and 55+ cannot be compared directly.

7 The pre-test was administered by the same professional market research company which conducted the final study.

8 The scale was later changed to very unlikely (1) to very likely (5) for the final questionnaire.
items explained about 53 percent of the variance and had a Cronbach’s alpha of .76. For the final survey two additional items were developed, leaving us with a final pool of 7 items.

**Antecedents**

All other constructs were adapted from existing measures (Appendix) and formatted on a five point Likert-Scale stretching from ‘strongly disagree (1) to strongly agree (5)’. They were also tested alongside the first pre-test. Based on the feedback from the market research company and the respective factor and reliability analysis, the items were revised accordingly and the final questionnaire developed in November 2009.

The survey also included a section on socio-demographic variables (i.e. age, gender, social class, education, household size, region, area) and the characteristics of the respondents dwelling (i.e. age, type, number of bedrooms, central heating and previous energy efficiency improvements).

**Instrument Validation**

**Resistance Scale**

Prior to conducting a confirmatory factor analysis for the measurement model, we assessed the descriptive statistics and inter-item correlation matrix for the new resistance scale. The results showed that the correlations of question 6 with all other items were below .4 (Hinkin 1998). Further, a common factor analysis with non-orthogonal rotation revealed a low factor loading of -.297 for this item\(^9\), which led to the decision to discard question 6 from any further analysis. Next we conducted a common factor analysis for the remaining 6 items (Appendix). First, the analysis was conducted across the whole sample (n=926). In a second step, the analysis was conducted for the Micro Wind Turbine sub sample (n=234) separately. The results from the common factor analysis suggest a one-factor solution for the entire sample and the subsample. Table 3 shows that all factor-loadings are higher than .6. Further, the Kaiser-Meyer-Olkin (KMO) criterion indicates that the degree of common variance among the six variables is meritorious for each sample. In the subsample for micro wind turbines, the 6 items explain about 60 percent of common variance. The inter-item reliability of the resistance scale also indicates sufficient results, with all Cronbach’s α of .87.

\(^9\) Item 6 ‘installing ___ in/on your house would be a great waste of money’ was formulated negatively and therefore reversed for the analysis.
**Table 3. Estimated Factor Loadings from Common Factor Analysis***

<table>
<thead>
<tr>
<th>Items</th>
<th>Factor Loadings</th>
<th>Across Subsamples (N=926)</th>
<th>Micro Wind Turbines (N=234)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>F1</td>
<td>F1</td>
<td>F1</td>
</tr>
<tr>
<td>RST1</td>
<td>.82</td>
<td>.83</td>
<td></td>
</tr>
<tr>
<td>RST2</td>
<td>.74</td>
<td>.76</td>
<td></td>
</tr>
<tr>
<td>RST3</td>
<td>.70</td>
<td>.67</td>
<td></td>
</tr>
<tr>
<td>RST4</td>
<td>.65</td>
<td>.62</td>
<td></td>
</tr>
<tr>
<td>RST5</td>
<td>.70</td>
<td>.65</td>
<td></td>
</tr>
<tr>
<td>RST7</td>
<td>.76</td>
<td>.80</td>
<td></td>
</tr>
<tr>
<td>Initial eigenvalue</td>
<td>3.56</td>
<td>3.61</td>
<td></td>
</tr>
<tr>
<td>% variance explained</td>
<td>60.9</td>
<td>60.2</td>
<td></td>
</tr>
<tr>
<td>KMO</td>
<td>.89</td>
<td>.88</td>
<td></td>
</tr>
<tr>
<td>Cronbach’s α</td>
<td>0.87</td>
<td>0.87</td>
<td></td>
</tr>
</tbody>
</table>

Source: own calculations

*Factor loadings were calculated with Oblique (Non-Orthogonal) rotation method.

**Measurement Model**

In a next step we assessed the above discussed antecedents alongside the new resistance scale in a confirmatory factor analysis (CFA). The measurement model was validated by assessing the convergent and discriminant validity of the individual latent constructs. The former was established by examining the standardized factor loadings, composite reliability (CR), average variance extracted (AVE) and Chronbach’s α. The confirmatory factor analysis was conducted in LISREL 8.8 and the results are presented in Table 4. All path loadings were significant at the 5% level and with only one exception for subjective norms (SN2 = 0.58) exceeded the threshold of 0.6. Further, the composite reliability for all constructs including the new resistance measure exceeded the critical value of 0.7. The only exception was trialability (TRIAL = 0.68) which was, however, close to the threshold. The average variance extracted (AVE) also exceeded 0.5 for all constructs, indicating that the variance explained by the underlying latent constructs is significantly larger than the variance explained by the error term. The only exception was again TRIAL (0.44). Despite not meeting the threshold value for compositive reliability and AVE we decided to not drop this construct as it was close to the threshold values and also showed significant and sufficiently high path loadings and chronbach’s α. The latter was also sufficiently high for all other constructs, exceeding the threshold of 0.7. Thus, the analysis generally confirmed the constructs’ convergent validity.
We further assessed the discriminant validity of the measurement model by comparing the square root of AVE with the correlations of each construct. Table 5 clearly shows that the square roots of AVE (diagonal figures) are greater than the correlations between the respective constructs (off-diagonal figures), indicating that discriminant validity can be confirmed.

### Table 4. Confirmatory Factor Analysis

<table>
<thead>
<tr>
<th>Std. Factor Loadings *</th>
<th>RST</th>
<th>BEN</th>
<th>COST</th>
<th>UNCOST</th>
<th>COMCOST</th>
<th>COMPH</th>
<th>COMPV</th>
<th>SN</th>
<th>TRIAL</th>
<th>COMPLEX</th>
<th>KNOW</th>
</tr>
</thead>
<tbody>
<tr>
<td>RST</td>
<td>0.77</td>
<td>0.76</td>
<td>0.83</td>
<td>0.84</td>
<td>0.6</td>
<td>0.74</td>
<td>0.91</td>
<td>0.87</td>
<td>0.8</td>
<td>0.74</td>
<td>0.78</td>
</tr>
<tr>
<td>BEN</td>
<td>0.84</td>
<td>0.75</td>
<td>0.89</td>
<td>0.71</td>
<td>0.83</td>
<td>0.84</td>
<td>0.84</td>
<td>0.58</td>
<td>0.64</td>
<td>0.6</td>
<td>0.73</td>
</tr>
<tr>
<td>COST</td>
<td>0.66</td>
<td>0.74</td>
<td>0.93</td>
<td>0.75</td>
<td>0.85</td>
<td>0.69</td>
<td>0.85</td>
<td>0.75</td>
<td>0.74</td>
<td>0.81</td>
<td></td>
</tr>
<tr>
<td>UNCOST</td>
<td>0.64</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMCOST</td>
<td>0.66</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMPH</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMPV</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SN</td>
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<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRIAL</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMPLEX</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>KNOW</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

CR

| AVE                    | 0.87| 0.79| 0.92 | 0.81   | 0.81    | 0.80  | 0.90  | 0.78| 0.68  | 0.75     | 0.86 |
|                        | 0.53| 0.56| 0.64 | 0.57   | 0.57    | 0.57  | 0.63  | 0.56| 0.44  | 0.52     | 0.58 |
| Chronbach’s α          | 0.87| 0.79| 0.91 | 0.81   | 0.84    | 0.9   | 0.76  | 0.73| 0.67  | 0.67     | 0.89 |

RMSEA = 0.034; X2/df = 1.35; CFI = 0.98; NFI = 0.90; GFI = 0.86; AGFI = 0.83

We further assessed the discriminant validity of the measurement model by comparing the square root of AVE with the correlations of each construct. Table 5 clearly shows that the square roots of AVE (diagonal figures) are greater than the correlations between the respective constructs (off-diagonal figures), indicating that discriminant validity can be confirmed.

### Table 5. Correlations between Latent Variables

<table>
<thead>
<tr>
<th>RST</th>
<th>BEN</th>
<th>COST</th>
<th>UNCOST</th>
<th>COMCOST</th>
<th>COMPH</th>
<th>COMPV</th>
<th>SN</th>
<th>TRIAL</th>
<th>COMPLEX</th>
<th>KNOW</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.73</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BEN</td>
<td>-0.56</td>
<td>0.75</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COST</td>
<td>-0.09</td>
<td>0.16</td>
<td>0.80</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UNCOST</td>
<td>-0.08</td>
<td>0.12</td>
<td>0.18</td>
<td>0.76</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMCOST</td>
<td>0.13</td>
<td>0.07</td>
<td>0.20</td>
<td>0.04</td>
<td>0.76</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>COMPH</td>
<td>-0.47</td>
<td>0.47</td>
<td>0.12</td>
<td>0.16</td>
<td>-0.17</td>
<td>0.75</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>COMPV</td>
<td>-0.60</td>
<td>0.62</td>
<td>0.18</td>
<td>0.11</td>
<td>0.02</td>
<td>0.67</td>
<td>0.79</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>SN</td>
<td>-0.54</td>
<td>0.41</td>
<td>0.12</td>
<td>-0.05</td>
<td>0.01</td>
<td>0.32</td>
<td>0.43</td>
<td>0.75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TRIAL</td>
<td>0.07</td>
<td>0.13</td>
<td>0.19</td>
<td>0.28</td>
<td>0.58</td>
<td>-0.16</td>
<td>-0.07</td>
<td>0.10</td>
<td>0.67</td>
<td></td>
</tr>
<tr>
<td>COMPLEX</td>
<td>-0.04</td>
<td>0.15</td>
<td>0.05</td>
<td>0.01</td>
<td>-0.01</td>
<td>0.21</td>
<td>0.14</td>
<td>0.12</td>
<td>0.07</td>
<td>0.72</td>
</tr>
<tr>
<td>KNOW</td>
<td>-0.08</td>
<td>0.01</td>
<td>-0.07</td>
<td>-0.12</td>
<td>-0.22</td>
<td>0.19</td>
<td>0.19</td>
<td>0.11</td>
<td>-0.42</td>
<td>0.28</td>
</tr>
</tbody>
</table>

Source: own calculations
(Note: Diagonal shows the squared root of AVE for each latent variable)

### Hypothesis Testing

After we established the validity and reliability of the measurement model, we examine the fit of the data to the model. The χ²/df measure of model fit is 1.40 and the RMSEA (0.037) is below the threshold of .05, indicating a good fit of the model. Comparing our specified model with the null model, the Comparative Fit Index (CFI = 0.97) and Normed Fit Index (NFI = 0.92) also suggests a good fit. The Goodness of Fit Index (GFI = 0.85), is lower than the recommended threshold (Schumacker and Lomax 2004), yet close enough to conclude that the model fits the data reasonably well. Taken together, the overall results show that the model fits the data reasonably well (Hooper, Coughlan and Mullen 2008) so that it is appropriate to examine the hypotheses within in the structural model.
The results presented in Figure 1 clearly show that perceived benefits (H4), perceived compatibility-related costs (H2), subjective norms (H7a) and perceived compatibility with personal values (H6a) all have a significant influence on resistance. Together they explain about 56 percent of the variance in homeowners’ level of resistance. Further, the analysis shows that subjective norms (H7b), knowledge (H10c) and compatibility with personal values (H6b) all had a significant influence on homeowners’ benefit perceptions, explaining about 43 percent of its variance. As expected, the model further shows that knowledge has a significant affect on perceived complexity (H10d) explaining 18 percent of its variance. However, some of the hypotheses (H1, H3, H5, H8, H9a, H9b, H10a and H10b) were not supported by the data.

**Figure 1. Proposed Model of Consumer Resistance**

\[ \chi^2/df = 1.40, \text{RMSEA} = 0.037; \text{CFI} = 0.97; \text{NFI} = 0.92; \text{GFI} = 0.85; \text{AGFI} = 0.82 \]

**Discussion of Findings**

In this study, home owners who have an intention to buy a small wind turbine in the next 12 months were not included in this analysis. One reason for excluding them was that they already had formed an intention and would not have to be persuaded by marketing or public policy campaigns anymore. The more interesting group in our opinion constituted resistant homeowners. Resistance was understood to stretch from postponement (i.e. weak resistance) to rejection (i.e. strong resistance).
Our model provides several significant findings. First, the study indicates that initial cost does not appear to have a significant effect on the level of resistance. This finding is contrary to what one would expect. However, one explanation might be that initial cost might provide an immediate barrier to buy, yet makes no difference to whether a homeowner postpones or rejects the technology completely. In other words, the decision to reject a green innovation completely is influenced by other factors than the upfront investment. Some of the other findings seem to support this view. For example, cost (e.g. disruption) associated with retrofitting the existing infrastructure (i.e. house) had a significant effect on resistance. This implies that homeowners who believe that a small wind turbine can only be installed at their home with major additional work are more likely to reject them. Perceived functional risk also had no significant impact on resistance. Like upfront cost, uncertainty related to product performance might not be an important issue for homeowners who have no immediate intention to buy.

Second, the results suggest that the perception of benefits has a significant impact on whether homeowners can generally see themselves buying a small wind turbine in the future or reject the technology completely. This is consistent with previous findings (e.g. Schwarz and Ernst 2008), showing that homeowners who perceive little benefits with an innovation are more likely to resist it. Also in line with previous studies (e.g. Paladino and Baggiere 2008), our findings show that normative influences had direct and indirect influences on resistance through the perceptions of benefits. Thus, homeowners who experience strong support for renewable energy and microgeneration in their immediate social environment are less resistant towards micro wind turbines.

Third, the findings show that resistance towards micro wind turbines is significantly affected by homeowners’ perceptions of the compatibility with their own value system. Further, we tested the influence of value compatibility on perceived benefits and the results also show a significant effect. Karahanna, Agarwal and Angst (2006, p. 788) for example state that “technologies that are consistent with one’s value system are likely to be perceived as helping foster and promote such values, thereby contributing to enhanced perceptions of instrumentality.” The findings indicate that innovations which help promote ‘green values’ (e.g. small wind turbines) are generally perceived as more beneficial by homeowners who care more strongly about the environment and green energy. Compatibility with habits and routines on the other hand did not have a significant effect on the level of resistance. One reason might be that once a wind turbine has been adapted, the actual production of electricity interferes very little with homeowners’ daily routines.

Fourth, factors which are likely to influence homeowners’ self efficacy (i.e. knowledge, perceived complexity and trialability) had no direct influence on the level of resistance. Knowledge and trialability both had no significant effect on the level of uncertainty associated with wind turbines. As one would expect, the results also show that knowledge does have a significant effect on the level of complexity associated with small wind turbines. The findings also reveal that knowledge has a significant impact on the perception of benefits. However, this effect was negative, contrary to our hypothesis. As shown in previous studies, the relationships between knowledge structures, different types of innovation and the perception of benefit are rather complex. Moreau, Lehmann and Markman (2001), for example, show that for discontinuous or radical innovations (e.g. digital cameras), experts in a related product category (e.g. analog cameras) often associate fewer benefits and have lower preferences for these
innovations. One explanation is that people with more knowledge around a particular product category (i.e. experts) ‘know what they don’t know’, often not appreciating the novelty of the innovation (see also: Mukherjee and Hoyer 2001).

Theoretical Implications

First, the study addressed the lack of operational measures in resistance research and empirically validated a measure of consumer resistance to (green) innovations. Further, by applying this newly developed measure via survey methodology, this study contributes to the relatively scarce empirical evidence in the area of consumer resistance (Kleijnen, Lee, and Wetzels 2009).

Second, the new scale was anchored in a theoretically grounded model, which combined constructs from both the innovation adoption and resistance literature under the umbrella of status quo bias theory (Samuelson and Zeckhauser 1988). Although a quite similar approach was applied by Kim and Kankanhalli (2009) in the area of user resistance towards IS implementation, as far as the authors are aware, this framework has never been tested before with consumers. The study therefore contributes to the theoretical understanding of consumer resistance towards (green) innovations.

Third, costs related to innovation adoption have so far been treated as one-dimensional constructs. In this study we looked at the various dimension of costs (i.e. investment, uncertainty, disruption) and thus provided a more holistic approach to the concept of cost in relation to green innovation resistance.

Practical Implications

The study offers suggestions to marketers and public policy makers about how to overcome homeowners’ resistance towards small wind turbines and promote these green innovations more effectively in consumer markets. First, the findings show that the level of resistance is significantly affected by homeowners’ perceptions of costs, which are related to potential disruption and retrofitting of the house. In order to change these perceptions, macromarketers could communicate the installation requirements for wind turbines more clearly to homeowners and demonstrate the application of wind turbines in densely populated areas to effectively illustrate the technology to homeowners.

Further, the study has shown that the perceived level of benefits associated with micro wind turbines significantly lowers the level of resistance. Emphasizing the advantages of these technologies in consumer markets is therefore likely to yield lower levels of resistance and higher rates of adoption. Arguments could highlight the energy saving aspect in relation to increasing oil and gas prices as well as issues around self-sufficiency. Although homeowners seem to reject micro wind turbines for other reasons than upfront capital cost, previous studies have shown that initial cost are a significant barrier when it comes to actual decision to adopt (e.g. Scarpa and Willis 2010). Offering new payment vehicles and micro financing options to homeowners are therefore important to alleviate the initial financial burden and increase consumer’s willingness to pay.
The study also shows that normative influences have a direct negative effect on resistance but also influence resistance indirectly through the perception of benefits (Ajzen 1991). Information campaigns that continue to appeal to people’s environmental responsibility are therefore likely to increase the normative pressure on homeowners, ultimately lowering levels of resistance. Further, manufacturer of wind turbines should also provide densely populated areas with showcase wind turbines to increase awareness, foster word-of-mouth and utilize normative social influences to lower levels of resistance.

The negative influence of knowledge on perceived benefits also needs to be addressed. The results indicate that homeowners who claim to know more about micro wind turbines, associate fewer benefits with them, and thus have higher levels of resistance. Knowledge therefore provides an important segmentation criterion for marketers and public policy makers. The findings, however, indicate that potential early adopters of micro wind turbines may have relatively little knowledge around renewable energies in general which is consistent with earlier findings around radical innovations (e.g. Moreau, Lehmann, and Markman 2001).

Limitations and Further Research

The findings of this study are subject to certain limitations. First, the data were collected in the Republic of Ireland and only focused on one particular green innovation, i.e. micro wind turbines. It would therefore be interesting to apply this framework to a different category of green innovations in order to test its robustness across different product categories. It would also be interesting to compare findings from Ireland with those from other countries in Europe or the U.S. Further, this study focused solely on homeowners. Although appropriate for this study, future research could include a wider target group, again, testing the robustness of the proposed model.

Whereas this research focused on the level of resistance among non-adopters, it would be useful to compare different subgroups like potential adopters and postponers more thoroughly. Adaptive survey designs therefore provide a valuable tool in research around resistance as they provide a relatively simple method to classify consumers. The findings further suggest some inconclusive results around knowledge and resistance and it would be useful to examine if this relationship holds for different product categories or among different consumer segments.

Conclusion

Building on recent advances in the field, this study provides a new measure to empirically research consumer resistance to green innovations. Further, the new scale was validated in a theoretical framework based around status quo bias theory (Samuelson and Zeckhauser 1988). In so doing, the research addresses an acknowledged lack of empirical evidence and contributes to a more comprehensive understanding of consumer resistance to green innovations. In particular, the findings highlight the importance of compatibility-related costs, the perception of benefits and normative social influences as key determinants of homeowners’ resistance towards micro wind turbines. It further highlights the direct and more importantly indirect influence of environmental values and subjective knowledge on resistance through benefit perceptions.
The study thus contributes to both the consumer resistance and innovation literature, by providing a more in-depth explanation of the underlying antecedents of non-adopters’ decisions to postpone or reject green innovations. The findings offer recommendations to macromarketers and public policy makers on how to overcome homeowners’ level of resistance and more effectively stimulate the uptake of green innovations in consumer market.

References


Appendix- Measurement Instrument

<table>
<thead>
<tr>
<th>Construct</th>
<th>Item</th>
<th>Question</th>
<th>Adapted From</th>
</tr>
</thead>
<tbody>
<tr>
<td>Resistance</td>
<td>RST1</td>
<td>You intend to find out more about the benefits of installing Small Wind Turbine on your house in the near future</td>
<td>Self-developed based on Kleijnen et al (2009)</td>
</tr>
<tr>
<td></td>
<td>RST2</td>
<td>You can see yourself installing Small Wind Turbine on your house at some stage in the near future</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RST3</td>
<td>If the cost of Small Wind Turbine dropped significantly, you would install them on your house tomorrow</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RST4</td>
<td>For you personally, the benefits of installing Small Wind Turbine in the near future would outweigh the costs</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RST5</td>
<td>If your house or roof needed renovations, you would consider installing Small Wind Turbine on your house</td>
<td></td>
</tr>
<tr>
<td></td>
<td>RST6</td>
<td>If the technology improves you will install Small Wind Turbine on your house</td>
<td></td>
</tr>
<tr>
<td>Initial Cost</td>
<td>COST1</td>
<td>You do not have the money to install Small Wind Turbine on your house</td>
<td>Porter and Donthu (2006)</td>
</tr>
<tr>
<td></td>
<td>COST2</td>
<td>You would find it a financial strain to install Small Wind Turbine on your house</td>
<td></td>
</tr>
<tr>
<td></td>
<td>COST3</td>
<td>The initial cost of installing Small Wind Turbine on your house would be too high for you</td>
<td></td>
</tr>
<tr>
<td>Uncertainty Cost</td>
<td>UNCOST1</td>
<td>When thinking about installing Small Wind Turbine on your house you would worry about how dependable and reliable they would be</td>
<td>Porter and Donthu (2006)</td>
</tr>
<tr>
<td></td>
<td>UNCOST2</td>
<td>When thinking about installing Small Wind Turbine on your house, you would worry about how much ongoing maintenance they would require</td>
<td></td>
</tr>
<tr>
<td></td>
<td>UNCOST3</td>
<td>When thinking about installing Small Wind Turbine on your house, you would be concerned that they would not provide the level of benefits you would be expecting</td>
<td></td>
</tr>
<tr>
<td>Compatibility</td>
<td>COMPCOST1</td>
<td>Small Wind Turbine would not fit with the existing infrastructure of your house</td>
<td>Schwartz and Ernst (2008)</td>
</tr>
<tr>
<td>Cost</td>
<td>COMPCOST2</td>
<td>Small Wind Turbine could only be installed on your house with major additional work</td>
<td></td>
</tr>
<tr>
<td></td>
<td>COMPCOST3</td>
<td>In order to install Small Wind Turbine on your house, you’d have to undertake some serious renovation</td>
<td></td>
</tr>
<tr>
<td>Benefits</td>
<td>BEN1</td>
<td>Installing Small Wind Turbine on your house would reduce your monthly energy bill significantly</td>
<td>Schwartz and Ernst (2008)</td>
</tr>
<tr>
<td></td>
<td>BEN2</td>
<td>By installing Small Wind Turbine on your house you would help to improve your local environment</td>
<td></td>
</tr>
<tr>
<td></td>
<td>BEN3</td>
<td>Installing Small Wind Turbine on your house would make you self-sufficient</td>
<td></td>
</tr>
<tr>
<td>Compatibility</td>
<td>COMPH 1</td>
<td>To use Small Wind Turbine would not require significant changes in your existing daily routines</td>
<td>Karahanna et al (2006)</td>
</tr>
<tr>
<td>Habits &amp; Routines</td>
<td>COMPH 2</td>
<td>Using Small Wind Turbine would be compatible with most aspects of your domestic life</td>
<td></td>
</tr>
<tr>
<td></td>
<td>COMPH 3</td>
<td>To use Small Wind Turbine you don’t have to change anything you currently do at home</td>
<td></td>
</tr>
<tr>
<td>Compatibility</td>
<td>COMPV 1</td>
<td>Using Small Wind Turbine would be in line with your own personal values</td>
<td>Karahanna et al (2006)</td>
</tr>
<tr>
<td>Values</td>
<td>COMPV 2</td>
<td>Using Small Wind Turbine fits the way you view the world</td>
<td></td>
</tr>
<tr>
<td></td>
<td>COMPV 3</td>
<td>Using Small Wind Turbine would be consistent with the way you think you should live your life</td>
<td></td>
</tr>
<tr>
<td>Subjective Norms</td>
<td>SN1</td>
<td>Most people who are important to you think that you should install Small Wind Turbine on your house</td>
<td>Ajzen et al (1992)</td>
</tr>
<tr>
<td></td>
<td>SN2</td>
<td>Many people like you will install Small Wind Turbine on their houses</td>
<td></td>
</tr>
<tr>
<td></td>
<td>SN3</td>
<td>The people in your life whose opinion you value most would encourage you to install Small Wind Turbine on your house</td>
<td></td>
</tr>
<tr>
<td>Trialability</td>
<td>TRIAL1</td>
<td>You know where you could go to satisfactorily see various types of Small Wind Turbine working</td>
<td>Moore and Benbasat (1991)</td>
</tr>
<tr>
<td></td>
<td>TRIAL2</td>
<td>You could draw on someone’s experience who has installed Small Wind Turbine already.</td>
<td></td>
</tr>
<tr>
<td>Complexity</td>
<td>COMPLEX1</td>
<td>Small Wind Turbine are very complex products</td>
<td>Moore and Benbasat (1991)</td>
</tr>
<tr>
<td></td>
<td>COMPLEX2</td>
<td>Small Wind Turbine would be difficult to use</td>
<td></td>
</tr>
<tr>
<td></td>
<td>COMPLEX3</td>
<td>Small Wind Turbine require a lot of knowledge</td>
<td></td>
</tr>
<tr>
<td></td>
<td>KNOW2</td>
<td>The installation requirements for Small Wind Turbine on your house?</td>
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<tr>
<td></td>
<td>KNOW3</td>
<td>Maintenance and servicing needs of Small Wind Turbine?</td>
<td></td>
</tr>
<tr>
<td></td>
<td>KNOW4</td>
<td>The cost-savings that Small Wind Turbine can make over the course of a year?</td>
<td></td>
</tr>
</tbody>
</table>
Consumer’s Understanding of Sustainability in Environmental Advertising

Shannon Cummins, University of Nebraska-Lincoln, Lincoln, NE, USA  
Timothy M. Reilly, University of Nebraska-Lincoln, Lincoln, NE, USA  
Les Carlson, University of Nebraska-Lincoln, Lincoln, NE, USA  
Stephen J. Grove, Clemson University, Clemson, SC, USA  
Michael J Dorsch, Clemson University, Clemson, SC, USA

This paper investigates sustainability in advertising. The authors introduce a definition of sustainable messages in advertising and conduct a content analysis of environmental advertising in print media. Importantly, this study utilizes entire messages as the unit of analysis, and thus differs from previous work that utilizes specific environmental claims within advertisements as the unit of analysis.

The authors investigate consumers’ perception of the depth of environmental advertising messages and ascertain if consumers can distinguish between sustainability and non-sustainability related advertising messages. The results reveal that consumers are able to distinguish between sustainable (greater environmental depth) and non-sustainable (less environmental depth) messages in advertising utilizing the developed definition.

This study also investigates the interaction between sustainable messages and the other aspects of environmental advertising messages through inclusion of existing environmental advertising typologies. Specifically, the paper extends the environmental advertising typologies proposed by Carlson et al. (1993) in their content analysis of environmental advertising claims. In their article, the authors utilize two claim typologies, one which analyzes the misleading or deceptive nature of the advertising claim, and the other which analyzes the focus of the claim. This paper adds an additional level of analysis by including a measure of the advertisements’ sustainability to the existing typologies.

The authors find that sustainable messages are perceived differently than non-sustainable messages in regard to both their clarity and focus. Messages deemed sustainable are more likely to be viewed as relating to the organization’s image, while non-sustainable messages are more likely to be viewed as relating to the product. Theoretical and managerial implications of these findings are discussed and calls for future research into sustainable advertising messages are made.

References

On Why Macromarketing Thought is Critical and Developmental in Disaster Management

Stacey Menzel Baker, University of Wyoming, Laramie, WY, USA
John D. Mittelstaedt, Clemson University, Clemson, SC, USA

The present research is driven by two fundamental questions: What do natural disasters have to do with marketing? And, what can Macromarketing thought offer to disaster management? These questions are relevant to Macromarketing scholars who study the effects of marketing systems on society and the effects of society on marketing systems (Hunt 1981), and whose research questions often are motivated by the desire to provide market-based “solutions in relation to the welfare of the stakeholders of a marketing system or systems over time” (Shultz 2007, p. 294).

In the decade between 1997 and 2006, 2.7 billion global citizens experienced substantial damage to their well-being—1.2 million human fatalities and US$ 800 billion in economic losses were directly attributable to natural hazard events (earthquakes, droughts, tornados). From the previous decade, the number of people impacted increased by 17%, the number of disasters grew by 60%, the death toll doubled, and the cost of real damage increased by 12% in 2006 prices (International Federation of Red Cross and Red Crescent Societies 2007). The point is this: the impacts of disaster on commercial, social, and ecological factors (key pillars of sustainability) were substantial, and the probability of future harm is great.

To address our research questions we must first understand what a disaster is. Scholars from geography, engineering, sociology, psychology, and business employ different definitions of disaster including: (1) disaster as caused by a hazard (fleeting event such as earthquakes, tornado, or hurricane); (2) disaster as equivalent to hazard (i.e., the earthquake is the disaster); and (3) disaster as created at the intersection of natural and social phenomenon (Perry 2007). A fourth and more recent definition of disaster is emerging which suggests disaster occurs at the intersection of ecological, social, and material phenomenon (Baker 2009). These definitions are not mutually exclusive, but the definition is important because it impacts how and to whom resources are allocated. We adopt the fourth perspective here.

What do disasters have to do with marketing? Markets and consumption are sources of meaning, relational connections, and freedom on the one hand and sources of risk, vulnerability, and social conflict on the other. Before a natural hazard event, shopping and material possessions may provide consumers with experiential and symbolic value. And, in the midst of disaster, losses of familiar shopping venues and treasured and mundane possessions expose previous levels of risk and induce vulnerability.

What role can macromarketing thought play in managing consumer risk and reducing vulnerability to enhance consumer welfare in disaster? Disaster management is generally
understood as occurring in phases. For sake of argument, we simplify those phases as (1) mitigation and preparedness and (2) response and recovery. There are two schools of thought within macromarketing which offer promise for disaster management. The developmental school perspective views markets as improving human lives, and the critical school sees any gains in human welfare resulting from markets and consumption as fleeting (Mittelstaedt and Kilbourne 2008).

Our presentation focuses on how these apparent contradictory perspectives of the market provide powerful theoretical tools to advance disaster management practices. We evaluate these perspectives and the practical responses which flow from these perspectives through the lenses of consumer risk, vulnerability, and resilience. A key takeaway from the presentation is a sense of how managerial macromarketing thought truly is (Mittelstaedt, Baker, and Mittelstaedt 2009).

References


The Changing Marketing Orientation During the Second Half of the 20th Century

A. Coskun Samli, University of North Florida, Jacksonville, FL, USA

During the fifty years of academic and practical experience the author identifies five key stages of American marketing strategy orientations. The educational practices roughly followed the same route. The paper would provide valuable direction for marketing history and marketing education disciplines.

Introduction

Marketing plays a very critical role in the prevailing quality of life and its possible changes. Whether it promotes certain life style or certain products makes, by definition, a major impact on the prevailing quality of life. Marketing’s broader orientation, according to this author, has changed significantly a few times during the half a century.

I have personally observed significant changes in the national market place as well as marketing education. This is a personal account of American marketing during the past fifty plus years. It is important to reiterate that if we don’t know how we got there we may not be able to move forward.

Marketing Orientation Types

As far as this author is concerned American marketing during the specified period has gone through five major stages or orientations that need to be identified. These are: negative, inactive, reactive, communicative, and proactive. A brief description is presented below:

Negative: in an era of total caveat emptor behavior American marketing acted in a very micro orientation. Much emphasis was put on products that were and are harmful. After all that, the buyer beware was the motto of the whole system. Products such as asbestos, cigarettes red dye number 2 were advertised without any questions about the harm they may cause. As long as consumers were free to market their own mind anything profitable was promoted and sold.

Inactive: moving away from negative was particularly related to the expansion of the markets. As national and international markets started expanding products particularly appealing to masses become more popular. Coca-cola, McDonalds other fast food products and soft drinks became more and more common. These products did not have any claims they did not particularly cause harm, they were neutral. This was still in the era of consumer sovereignty and rationality. Therefore companies felt free to promote and popularize their products.
Reactive: about mid 1960s to late 1960s a consumerism movement forcing manufacturers to do certain things. Not only markets started demanding certain consumer needs to be taken care of but also a movement from let the consumer beware to let the seller beware started emerging. Many product trends such as elimination of too fattening products too much work products or too low products became a reality. Competition among manufacturers became steeper.

Communicative: As competition became stronger, fighting for brand identity started taking place with much promotional efforts. About this time marketing services such as banking, financial services, healthcare services and legal services become competitive and national.

Proactive: as the first four types of orientation collectively impacted consumers, consumers also became more selective and questioning. They started questioning social values of products. Health related activities, diet-plans, pharmaceuticals started appealing to more mature and selective consumers. The same groups of consumers started questioning the social value and quality of life contribution of products. This is the current era. It is also emphasizing the environment friendly products, better utilization of scarce resources and sustainability of the current consumption patterns and levels. Here macromarketing and quality-of-life orientations are becoming more and more imposed upon the overall marketing practices.

Impact on Marketing Decision Making

It is difficult to establish causality but marketing decision making and marketing education have changed during the above discussed five specific orientation eras. Accordingly, Exhibit 2 displays this author’s perception of the nature of marketing decision making and its connection to marketing education. Again the five eras are connected to five orientation types.

**Negative:** unsophisticated marketing was geared to more local and regional market concentration. Attempts were geared to selling anything that sells. This seems to correspond with descriptive commodity orientation in marketing education.

**Inactive:** as volumes got larger, longer and more complex distribution channels were occupied. Much distribution channels related information and institutional description of marketing activity were the focus of marketing education.

**Reactive:** responding to market demand and moving caveat emptor to caveat venditor made it necessary to listen to market needs and respond accordingly. Functional and managerial marketing with some macromarketing emphasis became the focus of marketing education.

**Communicative:** as special efforts to promote brands and services through extensive promotional activity marketing started playing a more important role in corporate decisions. Corporate decision making has made more managerial. The managerial decision making started becoming more strategic and focused.

**Proactive:** the current status of marketing orientation can be described as more proactive. Both domestically and internationally marketing started listening more and more the
articulated needs by various markets and has been trying to be more proactive accordingly. More radical innovation based products started emerging. Almost in all cases concerns for the environment and quality of life implications have been taken into consideration very seriously. Accordingly, marketing decision making has become more managerial, strategic with much macro orientation. Greening has become a critical orientation. Similarly, marketing education has become more concentrating on strategies leading to quality-of-life and greening.

Conclusions and Future Research

In order for marketing to design more advanced decision making models to enhance the quality-of-life and reach out more efficiently to remote corners of the market it has to move forward and get involved in turf fights. Unfortunately marketing as an academic discipline is involved in some serious turf fights. Management discipline is trying to establish management based marketing rather than market based management. Logistics or supply chainers consider marketing as just a phase in the supply chain process. These major barriers are preventing marketing to do what it needs to do, that is connecting macro and micro marketing in the direction of generating a higher quality of life and delivering it more efficiently. Much research and thinking must go into the next phase of marketing which should be the “generative” aspect of higher quality of life.

<table>
<thead>
<tr>
<th>Orientation Type</th>
<th>Impact</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Negative</td>
<td>Harmful and misleading products promoted and sold</td>
<td>Asbestos, Red Dye No. 2</td>
</tr>
<tr>
<td>Inactive</td>
<td>Stimulating popular products such as sodas and hamburgers</td>
<td>Coca-Cola, McDonalds</td>
</tr>
<tr>
<td>Reactive</td>
<td>Responding to market demand and objections</td>
<td>Too fattening, too much work products disappeared</td>
</tr>
<tr>
<td>Communicative</td>
<td>Widespread advertising of certain products and services</td>
<td>Marketing of medicine, health care</td>
</tr>
<tr>
<td>Proactive</td>
<td>Some efforts leading to improve quality of life</td>
<td>Greening, recycling, disposing</td>
</tr>
<tr>
<td>Orientation Type</td>
<td>Educational Orientation</td>
<td></td>
</tr>
<tr>
<td>------------------</td>
<td>-------------------------</td>
<td></td>
</tr>
<tr>
<td>Negative</td>
<td>Descriptive Commodity</td>
<td></td>
</tr>
<tr>
<td>Inactive</td>
<td>Descriptive Institutional</td>
<td></td>
</tr>
<tr>
<td>Reactive</td>
<td>Functional, managerial</td>
<td></td>
</tr>
<tr>
<td>Communicative</td>
<td>Managerial Strategic</td>
<td></td>
</tr>
<tr>
<td>Proactive</td>
<td>Managerial Societal</td>
<td></td>
</tr>
<tr>
<td></td>
<td>Futuristic</td>
<td></td>
</tr>
</tbody>
</table>
According to the recent report from the UN Development Institute, the poorest half of the world population possesses just 1% of the global wealth. International business education had continued to ignore these not so well-off customers until lately. Recent textbooks by international business and business scholars have focused on innovative business solutions for the global poor. There are several universities offering social entrepreneurship classes in which students are encouraged to explore how businesses are run in these low income areas in Africa and other poor nations.

A historical study of population and monetary growth in different regions of the world provides a clear insight into the growth of inequality and the criteria for segmenting various levels of poverty. Traditional methods for economic reforms have been implemented by the United Nations, the World Bank, the International Monetary Fund (IMF) and many other international organizations over the years. Recently many social entrepreneurs have undertaken the responsibility to create sustainable solutions in ameliorating poverty. Here, we propose a holistic, two pronged approach in addressing poverty issues. First, we use a macro (top down) approach to address the needs of the poor by using international business principles and second a micro (bottom up) approach to uplift the poor out of poverty using the principles of social entrepreneurship while profiting from this huge market. These strategies are illustrated using case studies. Also catalytic factors in alleviating poverty for both approaches, such as investments in technology, education and capital are evaluated. Finally, a debate about which of the strategies is more effective is outlined with respect to the salient issues.
What If Marketing Principles Was a Macro Course?

Kenneth B. Yap, University of Western Australia, Australia
Terri L. Rittenburg, University of Wyoming, Laramie, Wyoming, USA

During the Macromarketing Education track at the 2009 Macromarketing Conference, Robert Mittelstaedt stated that, in his early days of teaching, the introductory marketing course was much more like a Marketing and Society course than what is typically taught today. His assertion led us to ponder the question, “What if all marketing students took a Marketing and Society course?”

It has been well-established that historical and current marketing curricula do not sufficiently emphasize the wider implications of marketing beyond its managerial aspects. Turnquist and his colleagues reported that in 1988 only 7 percent of 230 AACSB-accredited schools surveyed offered a Marketing Ethics and Social Issues course regularly with only one school making it a requirement for the marketing major. In the same survey, Marketing Channels was offered regularly in 32 percent of schools and was compulsory for a marketing major in only 11 percent of schools (Turnquist et al. 1991). DeMoss and Nicholson (2005) reported that only 3 percent of Marketing Principles textbooks covered sustainability issues and those are primarily limited to a general discussion of how important it is to be aware of such issues. Rundle-Thiele and Wymer (2010) cataloged ethics, social responsibility, and sustainability courses in universities in Australia and New Zealand and found that 21 percent did not offer a course dedicated to business and society issues. Nicholson and DeMoss (2009) found a significant gap between what is offered and normative levels of instruction on ethics and social responsibility in business school curricula.

Current marketing education focuses heavily on the 4Ps and technology that marketing managers use to make decisions and ignores the wider moral, political, and societal contexts of these decisions (Belk 1995; Grey 1996; Priddle 1994; Pride and Ferrell 1979). The limitations of the 4Ps as the predominant pedagogical paradigm have been identified by several authors (Bruner II 1988; Koch 1997; van Waterschoot and Van den Bulte 1992). Van Waterschoot and Van den Bulte (1992) pointed out at least three deficiencies of the 4Ps model: (1) it focuses on what marketers do to customers rather than what they do for them, (2) it takes a mechanistic view about markets, and (3) it assumes a transactional exchange rather than a relationship. Koch (1997) called for a pedagogical shift away from the 4Ps because traditional marketing thinking is heavily reductionist and does not portray actual environmental influences and management processes. As a consequence of such an approach, Ferrell and Gonzalez (2004) found that when first-day marketing students defined marketing to a friend, there was virtually no reference to distribution and pricing.

If we want to educate with critical thinking, then in our courses, students should be made aware of the larger social forces that influence their decisions, which include the effects of marketing activities (Benton Jr. 1985). Ferrell and Gonzalez (2004) argued that it is important that professors need to present a holistic vision of marketing from Day One of students’ marketing education. Typically, this view is not presented until the end of the marketing program (Feldman and Thompson 1990; Pamental 1987).
In order to explore the possible effects of a Marketing and Society course on students, we examined marketing curricula of the undergraduate marketing programs of the top 20 universities in Australia and the U.S. This study revealed that in Australia 16 programs offer a Marketing Principles course at the start of the degree (pre-major) and not one of the programs has an introductory Macromarketing course or its equivalent. Further, of the 20 Australian schools, only four have a Macromarketing- or Marketing and Society-type course (See Appendix 1). In the U.S., none of the schools offer, much less require, students to take a Marketing and Society course. Of the 20 U.S. schools, seven offer an ethics course for business and/or marketing students (see Appendix 2). Based on this information, it appears that the emphasis of top schools in the U.S. and Australia is a micro orientation.

Catterall et al. (2002) argued that political, moral, and societal issues permeate managerial decision making and cannot be considered simply as an add-on to the marketing curriculum. Appropriately, Koch (1997) proposed that a study of the Marketing Environment should be the opening topic of marketing courses. This course would serve to emphasize the dynamics of the marketing environment and the implications of various marketing contexts. He argued that any discussion of company relationships and strategic response options, which are typically discussed in a Marketing Principles-equivalent course, should be deferred to prevent students from oversimplifying and trivializing complex marketing relationships and processes (Koch 1997). Currently, it is still not common to have a course that presents students with the dynamics of the marketing system and environment at the introductory level; nonetheless, such a course can be well-justified.

The pedagogy of economic theory takes two forms: (1) microeconomics, which is a study of the economic decisions that are made by individual participants in the market; and (2) macroeconomics, which is a study of relationships between broad aggregates of economic activity (Brummer 1985). Microeconomics is prevalent in economic curriculum as educators use a standard set of assumptions and theories to demonstrate how economic decisions should be made; however, macroeconomics appears to be less ubiquitous and standardized as educators describe and explain observable economic phenomena that are actually happening. This two-pronged approach to teaching introductory economics is congruent with Hunt’s (1976) dichotomies of marketing study: micro/macro and normative/positive. Microeconomics is analogous to managerial or micromarketing in that the focus of both courses is to prescribe a range of choices in decision making based on the study of individual entities as the unit of analysis. The emphasis of macroeconomics curriculum would then be something that macromarketing scholars have aspired to in their marketing curriculum: a course that serves to describe the phenomena of transactions between aggregates of market participants and other stakeholders. The pioneers in macromarketing scholarship (e.g., Alderson, Slater, Hunt, Mittelstaedt, Shapiro) have already provided ample guidance for what this course should look like. It is hoped that such a course would provide a more comprehensive and accurate discourse in marketing beyond its managerial aspects.

This study represents a simple piece of work with many limitations. Small samples were used in only two countries as a preliminary attempt to collect information on course offerings. A larger sample of schools would be more representative. Further, we only looked at course titles and textbooks used to determine the nature of the courses. A more thorough study would need to examine the actual content of those courses.

Our contribution in this paper is to engender some discussion of whether some of these macro goals can be attained if a macromarketing course was pitched at the introductory level, perhaps even preceding the Marketing Principles course. Our proposition is that a course that discusses the interaction between marketing systems and society would be independent of managerial marketing and would not require any prior knowledge about the types of technologies involved in managerial marketing. For example, a meaningful discussion about the effects of junk food advertising targeting children would not require any assumed knowledge about market segmentation and promotional activities. Catterall et
al. (2002) argued that students may lack knowledge or experience in managerial marketing, but they all have enough experience as consumers to relate to the wider environment. Indeed, it is hoped that if such a course were to precede a Marketing Principles course, students would be predisposed to thinking more critically about the impact of managerial marketing decisions in due course. Using a stand-alone introductory course, educators with a “macro” orientation would have the opportunity to introduce students to the complexity of business and consumer decision making. Students would consider issues of interactions of marketing in society and effects on various stakeholders before focusing on specific approaches to marketing strategies and tactics. In courses that follow, educators with a “micro” orientation may find themselves contending with students questioning whether marketing managers have considered the interests of other stakeholders in their decisions. This is a challenge for those wedded to the dominant logic because the marketing concept assumes that the interests of organizations, consumers, and society converge (Catterall et al. 2002) and any ensuing discussion often does not consider any interactions between these stakeholders and the constraints that it places on decision making in marketing.

References


Appendix 1
Macro Courses at Australian Schools (Undergraduate)*

<table>
<thead>
<tr>
<th>University</th>
<th>Macro-related Courses Prior to Marketing Principles</th>
<th>Offers Macro-related Courses</th>
<th>Offers Macromarketing or Marketing &amp; Society Course</th>
<th>Offers Ethics Course (area noted)</th>
</tr>
</thead>
<tbody>
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<td>Australian National University</td>
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<td>Yes</td>
<td>Yes</td>
<td>Business</td>
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<td>Yes</td>
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<td>Wollongong</td>
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<td>Business</td>
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<td>No</td>
<td>No</td>
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<td>Murdoch</td>
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<td>RMIT</td>
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<td>No</td>
<td>No</td>
<td>Marketing</td>
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</tbody>
</table>

*2007 Australian University Rankings from the Melbourne Institute.
## Appendix 2
### Macro Courses at U.S. Schools**

<table>
<thead>
<tr>
<th>University</th>
<th>Macro-related Courses Prior to Marketing Principles</th>
<th>Offers Macro-related Courses</th>
<th>Offers Macromarketing or Marketing &amp; Society Course</th>
<th>Offers Ethics Course (area noted)</th>
<th>Marketing Principles Textbook</th>
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<td>Virginia</td>
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<td>No</td>
<td>Corporate</td>
<td>Niedermeier/Perreault (1)</td>
</tr>
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<td>Michigan</td>
<td>No</td>
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<td>No</td>
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</tr>
<tr>
<td>Brigham Young</td>
<td>No</td>
<td>No</td>
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Etzel – *Marketing*
Niedermeier – *Introduction to Marketing*
Perreault (1) – *Essentials of Marketing*
Perreault (2) – *Basic Marketing*
Nordhielm – *Marketing Management: Big Picture*
Kotler – *Principles of Marketing*
Armstrong – *Marketing: Introduction*
Grewal – *Marketing*
Cryder – *Principles of Marketing*
Lamb – *Marketing*
A Coke in the Afterlife: Exploring Meaning Transfer Between Cultures

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Globalization has taken hold of the world, and with it, nations are interacting in unprecedented ways. In particular, various brands, advertisements, and consumer goods are cropping up on foreign soil, spreading across the globe in rapid fashion. Culturally, these items are imbued with meaning drawn from the culturally constituted world; however, that culturally constituted world may be very dissimilar to any new nation that these items are introduced into. Some call this a form of cultural imperialism; however, it may be a much more complex process than that. The purpose of this paper is to dissect this process based upon McCracken’s (1988) model of meaning transfer, providing examples of how this process may be at work in China’s burgeoning consumer culture.

Introduction

Shanghai is a wonderfully electric, bustling metropolis that screams modernity as it continues to build itself into a truly global city while still maintaining the patina of its past. On one side of the Huangpu river is the familiar skyline with the Jing Mao Tower, the Shangri-La Hotel, and the TV Tower that looks like a giant Tesla coil. On the other side sits a row of European style buildings first erected more than a hundred years ago as several European countries attempted to establish a business foothold in China. Steaming down the middle of these two distinctive skylines is a huge barge supporting a gigantic video billboard. On that billboard is an advertisement for Budweiser; after a few moments, the King of Beers is replaced by an ad for Pepsi featuring a young, smiling, Western face.

Everywhere one looks, a veneer of Western culture sits atop one of the largest and most important cities in China. American fast food brands dot the landscape ranging from McDonald’s and Taco Bell to Kentucky Fried Chicken and Pizza Hut. Coca-Cola, Oreos, and Häagen-Dazs are sold everywhere from the backs of carts to gift shops in the Ming Tombs to the Wal-Marts that are springing up throughout the country. Various European brands are also making their mark. Omega, Gucci, Lancôme, Dior, Armani and hundreds of other brands are marking their territory amongst the Chinese, Korean, and Japanese brands that do business in the country.

As these brands proliferate in retail stores across Shanghai and, indeed, the rest of China, advertising and other promotions follow with them. Many of these ads feature Chinese citizens celebrating life, family, and all things that make China one of the most powerful economies and governments in the world. However, there are also many ads that seem to have been ripped straight from the pages of American magazines or off of American billboards. In fact, a Calvin
Klein advertisement decorating the wall of a retail outlet is the exact same advertisement one can find in an issue of Elle magazine. In many cases, even the language remains unchanged, extolling the Chinese citizens walking by to “Be the Icon” or “Treat Yourself” or “Stay Free.”

What affect does this have on the people of China and, consequently, Chinese culture? Russell Belk (1996) once stated that “with Ronald McDonald leading the way, multinational consumer goods corporations are now breaking down international barriers that have withstood armies, missionaries, crusaders, and politicians of the past” (p. 25). Some have referred to this phenomenon as cultural imperialism (i.e. Roach 1997; Rothkopf 1997; Tomlinson 1991) and many refer to it simply as globalization. However, some of these brands are being invited into the countries participating in the global economy. Many of the Western brands that decorate the Chinese landscape are there because the Chinese people wanted them there. Despite how or even why these brands and their advertisements gained a foothold in other nations, it seems that there should be an impact on the national culture.

For instance, Lee (2004) notes that the most popular form of plastic surgery in China is the double eye-lid surgery which widens and effectively “Westernizes” the eyes. Dong and Tian (2009) have explored the meaning and use of Western brands in relation to Chinese nation building; and others have shown how the youth of China are turning to Western brands as markers of the self (Gong, Zhan, and Tiger 2004; McNeal and Ji 1999). It appears that, at least in some ways, it is possible that the meaning developed in the culturally constituted world of one nation (McCracken 1988) may become attached to consumer goods in another nation, then transferring onto the citizens of that nation, ultimately altering the culturally constituted world in which they live.

Figure 1. McCracken’s Theoretical Model of Meaning Transfer

The purpose of this paper is to develop a conceptual framework that may provide insight into this phenomenon. Borrowing the meaning transfer model developed by McCracken (1986,
1988) and displayed in figure 1, we outline the possible ways in which meaning may transfer not just from the culturally constituted world onto consumer goods and then onto consumers in one static nation but also how it may transfer across cultures. Such a model may give researchers a lens through which to examine the effects of globalization on nations that participate in the global economy.

Meaning Transfer between Cultures

The theoretical model of meaning transfer as outlined by McCracken (1986, 1988) can provide a useful tool for examining meaning transfer and its impact on both global culture and individual national cultures participating in the global environment. McCracken provided this model in order to better understand the “unprecedented relationship” that culture and consumption have in the modern world, arguing that instead of simply producing the materialistic society which seems to dominate Western culture and what Cohen (2003) refers to as the consumer’s republic, consumption proved to be one of the “chief instruments of its survival, one of the ways in which its order is created and maintained” (McCracken 1986, xi). In other words, consumption is the way in which consumers organize, understand, and ultimately live in a particular culture, finding meaning in their own lives much like individuals used and use religion and spiritual pursuits to find meaning (Twitchell 1999).

The basic theoretical assumption that provides the foundation of this model is that meaning is mobile, moving from the culturally constituted world and onto consumer goods and then onto the individuals that consume those goods. As seen in figure 1, the model consists of three locations of meaning and two moments of meaning transfer along with a variety of instruments associated with that transfer of meaning. Essentially, this model provides an outline how meaning moves within a culture, but can meaning move between cultures and, if so, how might that happen? Figure 2 provides a model of how meaning may then move between one culture and that of another.

Figure 2. Theoretical Model of Meaning Transfer across Cultures
The Culturally Constituted World

According to McCracken (1988), the culturally constituted world is the “world of everyday experience in which the phenomenal world presents itself to the senses of the individual, fully shaped and constituted by the beliefs and assumptions of his or her culture” (pp. 72-73). Culture here is both the lens through which individuals experience the world and the blueprint providing information for how individuals should act in that world. Additionally, meaning is characterized through the cultural categories that organize the cultural world (i.e. time, space, person, etc.) and the cultural principles or the ideas and values and under which this organization is performed.

It would appear to be directly impossible to replace one culturally constituted world with another in any sort of direct fashion; however, for this cross-cultural transfer of meaning to occur on any kind of long-term basis, it would seem that one culture would have to be undermined in some way. For instance, China has had a variety of disruptions in its underlying structure since, at the very least, World War II. First, Mao’s desire to convert China into an industrial powerhouse led to an assault on rural culture via the Great Leap Forward and the Cultural Revolution (Fairbank and Goldman 2006; Xixhe 1986). This also helped to undermine the Confucian underpinnings of Chinese culture that had remained steadfast for 2500 years (Starr 1997). Additionally, the open door policy instituted by Deng Xiao Peng and the one child policy led to further changes in the underlying cultural categories and principles associated with the family, consumption, gender, etc.

This cultural flux may provide the basic foundation for the transfer of meaning from one culture into another. In essence, pre-existing conditions must be in place in order for any new meanings from other cultures to gain a foothold within the new culture. Otherwise, the culturally constituted world might simply carry too much weight to be moved in any new or unfamiliar direction. The cultural principles and categories would be too firmly entrenched to accept any major change.

Institutions of Meaning Transfer

As McCracken (1988) argues, the advertising and fashion institutions are just two of the means of moving meaning from the culturally constituted world and onto consumer goods. Advertising does so by bringing together the culturally constituted world and the consumer good in the form of an advertisement, in effect telling a story about the good by drawing upon the values, ideas, images, and other elements inherent within the culture. The fashion system also plays a part in moving meaning from the culturally constituted world onto consumer goods by a) aligning goods and meaning much like advertising does, b) by inventing new cultural meanings through opinion leaders, and c) radically reforming cultural meanings.

Meaning can also move from the culturally constituted world of another culture onto the consumer goods associated with another culture through the advertising and fashion system. For instance, the photographs of the advertisements shown in figure 3 were taken in China. In the first, a western perfume brand extols the consumer to “Be the Icon,” stressing—it would seem—the Western value of individualism in a nation that is known much more for its collectivist nature.
In the second, George Clooney poses as a model consumer of Omega watches in a mall in downtown Shanghai, bringing with him the air of a distant opinion leader who “by virtue of birth, beauty, celebrity, or accomplishment [is] held in high esteem” (McCracken 1988, p. 80).

Throughout China, advertising extolling Western ideals of beauty and fashion are everywhere, many of which can be found in cities across the United States. In other words, the ads have been created in a Western country like the U.S. and then simply transplanted, as is, into China. Is it possible that such an event can occur without altering Chinese culture in some fashion? Asked a different way, is it possible that Western ideals of youth and beauty are being transferred, via advertising, onto consumer goods in China? And are these ideals being adopted into the Culture itself? To some extent, we believe so given one very simple activity that has gained in popularity over the last decade. The most popular form of plastic surgery in China is the double-eyelid surgery which serves to widen the eyes, reducing if not completely removing the distinct Southeast Asian fold. As Lee (2004) argues:

Whether it’s career ambition or a desire to marry well that provides the motivation, the procedure’s popularity says a great deal about the shift in China’s ideal of beauty. To some, eyelid reconstruction caters to foreign ideals of beauty… and is nothing more than an attempt to ‘look Western.’ Those undergoing the operation typically deny that Audrey Hepburn is their goal, but it is hard to imagine what, if not the lure of looking a tad more European, makes wider eyes inherently more attractive than smooth lids (para. 4).

In sum, it would seem that in the global environment, advertising that draws upon the culture of one nation may have an impact on meaning in another nation when that advertising is simply transplanted as is into the new nation.

Consumer Goods

Meaning resides in consumer goods. As McCracken argues “clothing, transportation, food, housing exteriors and interiors, adornment, all serve as media for the expression of the cultural meaning according to which our world has been constituted” (p. 83). As such, consumer goods (and, we would argue, consumer activities) become integral parts of how individuals go
about constructing identity (i.e. Belk 1988; Holt 2002; Holt and Thompson 2004; Kozinets 2001) and how they situate their understanding of the world within a cultural context (Czikszentmihalyi and Rochberg-Halton 1981; Miller 2009; Twitchell 1999).

These goods, with meaning intact, may be transplanted into a foreign culture; however, this is not a guarantee that the meaning it carries will then be understood or even acknowledged by that culture. Furthermore, there is no guarantee that the good will be adopted into that culture. If it is, it may simply take on the meaning from the new culturally constituted world it finds itself in. For instance, the Pizza Hut brand (if one accepts the basic premise of a brand as a consumer good) has moved into China carrying with it meaning developed in the United States. However, that meaning appears to have been shed in China, as the brand is considered to be a high class brand where individuals make reservations and eat escargot alongside the pizza the brand is most known for. In other words, the product and brand meanings have been altered in the new context.

However, if that consumer good is coupled with advertising from the culture of origin and/or rituals from the culture of origin, it would seem that the meaning inherent within the product will move with it into the new culture. For instance, the white wedding dress is a staple of Western culture. Many of those wedding dresses are in fact made in China. By themselves, they would not seem to carry with them any meaning except for any developed within the culturally constituted Chinese world. However, advertisements and fashion magazines are moving meaning from the culturally constituted Western world onto the white wedding dress which is increasingly becoming a staple of the Chinese wedding, in many ways displacing the traditional red wedding dress as part of the wedding ritual.

**Rituals of Meaning Transfer**

Meaning then moves from consumer goods and into the lives of consumers through a variety of consumer rituals. These rituals are a type of symbolic social action that is “devoted to the manipulation of cultural meaning for purposes of collective and individual communication and categorization” (McCracken 1988, p. 84). Furthermore, rituals are a type of “body language” that facilitates interactions between individuals and other individuals and the goods that act as ritual artifacts (Rook 1985). Ultimately, rituals allow individuals to adopt meaning from the consumer goods they consume and absorb it into their own identity. According to McCracken (1988), the types of rituals involved in this process include exchange, possession, grooming, and exchange rituals.

For example, the Chinese wedding ritual has a long and, until recently, stable tradition. It involves a variety of activities that together symbolize the union of the man and woman who are married, their passage into adulthood, and the reinforcement of the connection to the family. These activities include the “hair dressing” of the bride and the “capping” of the groom, the kneeling rituals that parallel the wedding vows in Western culture, and the bride’s preparation of a meal for the groom’s family the morning after the actual wedding to demonstrate that she is well-nurtured (ChinBridal.com). However, many of these traditions are in flux or have simply been set aside in favor of new rituals, some of which have been adopted from Western culture.
Much as in Western nations, the modern Chinese wedding has adopted the civil ceremony and the white wedding dresses as symbolic activities that draw meaning from goods unto the individuals who participate in those rituals. Additionally, the couple to be wed may now spend an entire day taking professional photographs that are meant to resemble the wedding ads that appear in bridal magazines, many of which originate in Western cultures.

**Individual Consumers**

Finally, McCracken (1988) argues that once meaning is absorbed by the consumer “it has completed its journey through the social world. In other words, the various rituals that the consumer has participated in has transferred meaning from the good unto the self and there, as other rituals are enacted, it will reside until it either dissipates or is replaced by other meanings in a continual process. Unlike McCracken, however, we believe that the journey meaning has taken is not necessarily complete. We work under the assumption that meaning travels back through the process, either through the goods that consumers utilize or straight back into the culturally constituted world through the institution of mass media. In this way, change in meaning and the culturally constituted world may come from consumers and consumer groups that are developing new and interesting ways to consume.

Under that assumption, however, simply transplanting individuals from one culture into another is insufficient to actually cause a major or long-lasting disruption in the new culturally constituted world. Unless there is a wholesale move of a population from one culture into another like that of Chinese nationals immigrating into Malaysia or citizens of one culture moving concentrating in an area in another city such as the area of Shanghai where many Westerners choose to live, it would seem that the transplantation of individuals would need to be accompanied with a transplantation of cultural goods and rituals as well.

**Discussion**

What we have provided here is an attempt at understanding the method of meaning transfer across cultures. In sum, meaning transfer may occur between cultures or, at the very least, from one culture to another. In doing so, the meaning that originates in one culture is then brought into the foreign culture through an institution of meaning transfer such as advertising or fashion, through the consumer goods that may be brought into the culture in conjunction with the institution, and then pulled into the consumers themselves through the rituals that they participate in, either native to the culture or transplanted from the other culture. The cultural categories and principles located in the culturally constituted world of the foreign culture may then be changed as a result of the absorption of the new cultural dynamic.

Given such a theoretical model, we believe that marketers and practitioners alike will better understand the impact of globalization on individual nations as they enter into or become major participants in the global economy. We also believe that it will help researchers in a variety of disciplines delineate between cultural imperialism and other such meaning transfer contexts. We believe that if the meaning transfer is forced upon the other culture, this is cultural imperialism. For instance, if the United States were to demand commercials espousing American values such as democracy and consumption in Iraq without the country’s permission,
then we would consider that an attempt at cultural imperialism. However, given that China is inviting many Western brands and advertisements into the country, this might be better known as cultural absorption or cultural pollination. And if the two cultures are trading meanings back and forth, then perhaps this is cultural cross-pollination.

Regardless, researchers should pay attention to how meaning is transferred across cultures in order to better understand the impact of one culture on another. Additionally, we believe that it will help to better understand how the global culture is forming. We believe that this global culture is in its formative stages and will continue to grow and adapt as the global economy pulls it from the miasma of its birth. The question that is born from this remains: are, as Belk (1996) asserts, Ronald McDonald and other brands leading the development of this global culture, nurturing it under the auspices of the values they espouse? Future research should look deeply into this question and many others that surround it.

**Conclusion**

In the summer of 2009, we travelled to China and toured various areas of the country. On one fine summer day, we visited the Ming Tombs where the third Ming emperor was buried almost 600 years ago. In the center of this series of temples that lead from the front gate to the final resting place of the emperor Yongle, there is a small archway that serves as a gate, according to Chinese mythology, between heaven and earth. Individuals who cross through this gate are entering the afterlife. As the tour guide informed our group of this, one author noted a refreshment stand on the other side of this gate and quipped “it’s good to know that once you get to the afterlife, you can buy a Coke.”

The quip was met with several chuckles from members of the group, but it was also met with what appeared to be disdainful silence from other members of the group. It was as if these individuals saw Coca-Cola as inserting itself into their mythology and, indeed, the very fabric of their history. It was quite probably this same sense of disdain that led to the protest of the placement of a Starbucks in the Forbidden City and its eventual ouster. As marketers, we may be unwittingly (or perhaps knowingly) trampling upon the cultural values of other nations and other cultures as we push forward into the global economy. We need to be mindful of its consequences. What we have provided here is, we hope, a step forward in that direction.

**References**


Integrating Macromarketing Content in an Undergraduate Consumer Behavior Course Using Feature Films

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In the previous twenty-plus years movies have been utilized to unpack a variety of consumption and consumer research topics. In the experiential consumption literature, movies have provided insight into consumer culture and consumers using consumption symbolism in the form of products, brands and consumption activities. This paper argues that mainstream commercial film, as an art form, offers content of interest to macromarketers, including such topics as ethics, sustainability and green marketing. Therefore, movies offer macromarketing teaching moments for students in core marketing courses, such as consumer behavior.

Introduction

The paper is part of a larger research stream on movies and marketing issues. The purpose of the current piece is to discuss the integration of macromarketing content as represented in movies into core marketing courses, such as consumer behavior. The paper is constructed in four sections. First, we will present a review of the recent discussions of approaches to incorporating macromarketing into marketing curricula. Second, we will present a brief overview of extant marketing consumer research literature utilizing movies as subject matter. Third, we will discuss how movies can serve to elicit thought and discussion of macromarketing topics in an undergraduate consumer behavior course. Finally, we will introduce three movies from different genres as exemplars of how mainstream commercial film can generate thought on macromarketing issues.

Macromarketing Education

Over the last several years, macromarketers have been engaging in energetic discussions concerning the teaching of macromarketing-related courses at all levels of business school education. The Macromarketing Society has long had an interest in macromarketing education, and in 2007, the joint conference between the International Society on Marketing and Development and the Macromarketing Society, invited five marketing educators with experience in teaching macromarketing to speak on three questions, including “Should macromarketing courses be electives, required courses, or some combination of both?” and “What benefits to students and to other college stakeholders stem from incorporating macromarketing education into marketing curricula.” The summary essays from these presentations were published in the June 2008 issue of the Journal of Macromarketing.

Each of the authors spoke to the importance of studying macromarketing as demonstrated in the courses that each discussed. Each author had a difference approach to teaching and
utilized different teaching methods, and content. Kilbourne (2008) stressed the study of the institutional frameworks underlying marketing issues using important texts in an undergraduate course. Hunt and Radford (2008) utilize cases, readings and position papers in an undergraduate macromarketing elective that focuses on concepts such as the corporation and its constituents, corporate social responsibility, globalization, ethics, business and government, business and the natural environment, and consumerism. Shapiro’s (2008) MBA level online course that utilizes readings to discuss such topics as negative externalities, the politics of distribution, distributive justice, the quality of life, globalization, socioeconomic development and sustainability; and, Mittelstaedt’s (2008) approach to a doctoral seminar, focused on readings that address how markets work, public policy, marketing and development, and assessing the marketing system offer interesting approaches to graduate education.

The discussion was extended at the 2009 Macromarketing Seminar, with pieces by Peterson and Gonzalez-Padron (2009) on teaching macromarketing graduate courses during the current economic situation; and Rittenburg’s (2009) discussion of incorporating macromarketing content into existing core business courses.

As these experienced macromarketing scholars and teachers illustrate, macromarketing, with its emphasis on the relationship between marketing and society, and on marketing as a societal system, is important for students to be exposed to at any level of business education. Rittenburg (2009), in particular, illustrated how macromarketing content has been inserted into marketing courses, such as global business issues.

After participating in these two conferences, the authors of the current piece began to reflect upon their own courses, and in particular, in one author’s consumer behavior course, and how macromarketing content has and could be continue to be taught to undergraduate students. While not emphasized (although always acknowledged explicitly in the syllabus), this instructor has encouraged students to think about macromarketing issues as related to consumer behavior, not only in lecture content integrated throughout the curriculum, but to demonstrate their knowledge of and thinking on such issues through the use of an assignment that asks students to analyze a feature film.

**Movies in Marketing and Consumer Research Literature**

Over the past several decades, numerous consumer scholars have demonstrated the value of examining consumption related issues conveyed in a variety of cultural vehicles, including novels, films, television, performance – including dance, theatre, music, and visual art. As Arnould and Thompson (2005) observed in their groundbreaking article concerning consumer culture theory – “Consumer cultural theorists read popular culture texts (advertisements, television programs, films) as lifestyle and identity constructions that convey unadulterated marketplace ideologies (i.e., look like this, want these things, aspire to this kind of lifestyle) and idealized consumer types” (p. 875). Numerous topics have been addressed in the consumer research literature utilizing film, including the consumption symbolism of products, brands, and consumption activities depicted in film. Pioneers of this work include: Morris Holbrook and Elizabeth Hirschman and their co-authors.
Nevertheless, these and the scholars who have followed in Holbrook and Hirschman’s footsteps, have largely neglected the macromarketing content of film. One notable exception is the 1994 piece by Elizabeth Hirschman and Barbara Stern examining the boundaries of the marketplace through their discussion of prostitution as depicted in two films, *Pretty Baby* and *Pretty Woman*. Therefore, there are many opportunities for macromarketers to explore movies as content for the discussion and debate of macromarketing issues, as well as for teaching macromarketing content in macromarketing or in other marketing courses, such as consumer behavior, as will be described below.

**Incorporating Macromarketing Content into an Undergraduate Consumer Behavior Course**

The impetus for the assignment came from one of the current author’s background in the performing arts and interest in consumption and consumer behavior related material in various art forms, including film. When first assigned to teach consumer behavior at the undergraduate level as a new assistant professor over a decade ago, the author wanted to create a novel assignment that would interest students as well as the instructor and provide the opportunity for students to demonstrate the application and synthesis of consumer behavior knowledge. The author learned of an organizational behavior instructor’s assignment where groups of students picked a novel set in an organization and analyzed it according to what they learned from the course, and decided to adapt that assignment to the consumer behavior course, using commercial, fictionalized movies instead of novels. As a course assignment due near the end of the semester, students in groups ranging from 2-7 members (depending on enrollment; average group size is 6) pick and analyze a movie and its characters with to demonstrate their knowledge of course principles. The group and films are chosen soon after the semester begins with the goal of encouraging students to work on the assignment throughout the semester. Since the time that the instructor began using this assignment over a decade ago, students have chosen to analyze a wide range of over 200 films, although most have been mainstream Hollywood studio productions. The following table includes the films that have been analyzed by students in the course as of the end of fall 2009.

Restrictions on the selection of films have evolved over time but now include: using a film that has not been chosen before (to discourage plagiarism concerns), films on DVD only (so that students and the instructor have easy access to the film), and no television series (which becomes more difficult to analyze than a film does, given that character and story line evolution often occurs over an entire season or rather than by episode).
Table 1. Films that have been used for Team Film Project (fall 1998-fall 2009)

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<td>The Secret of My Success</td>
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<td>The Hot Chick</td>
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A description of the assignment from the spring 2010 syllabus is provided in the box below (Table 2), but the basic requirements are to analyze 4-6 characters in the film and 10-15 concepts beyond the character descriptions. As each film is an artistic product, each will have a set of unique concepts that it will address, but the instructor normally finds between 30-50 consumer behavior related concepts in films that are “anchored” in what resembles real life. The instructor encourages students to stay away from fantasy-type genres (science fiction, cartoons), but at times students have been allowed to analyze such movies if they fit the requirements of the assignment. Examples of films that have offered adequate consumer behavior content for students to analyze have included: I Robot (science fiction), and Toy Story (cartoon). In fact, surprisingly, many of the films on the list offer opportunities for discussion of macromarketing topics, not just obvious choices such as Thank You for Smoking, Fast Food Nation and Blood Diamond. In addition to writing a paper on the film, the team also is required to present to the class a brief (fifteen minute) presentation.

Three Movies as Exemplars of Macromarketing Content

For the purposes of illustration, we have selected to introduce three films from different genres that include macromarketing content and have been used by students in one of the author’s undergraduate consumer behavior course. As per the instructions noted in Table 2, students engaged with the material by writing a plot summary, providing descriptions of the major characters as consumers, and analyzing concepts in the film, including ideas that related to macromarketing topics, such as those outlined in the brief descriptions below.

**Baby Mama (2008)**

Baby Mama is a comedy starring Tina Fey and Amy Poehler of Saturday Night Live fame. Tina Fey plays Kate, a single, thirty-seven year old vice president of Round Earth Organic Market, who wishes to have a baby. Kate is unable to conceive so she considers surrogacy. Amy Poehler plays Angie, the woman who becomes Kate’s surrogate. After Amy leaves her boyfriend Carl, she moves in with Kate. Angie and Kate, although from different socio-economic backgrounds and lifestyles, end up becoming friends. Kate meets the owner of a small juice store and falls in love. Sometime later, Angie confesses that the baby she is carrying is actually Angie and Carl’s child, and DNA testing confirms this. A few months later Kate helps Angie deliver her baby, and Kate learns she is pregnant with Rob’s baby. A year later, both Angie and Kate with Rob celebrate the birth of their children.
Team Film Project: Students will select teams of 6 members (teams of less than 6 members are discouraged and must be approved) on or before February 4th.

1. Each team will pick a film available on DVD. Each team must choose a film that is available legally on DVD at the time of your choice.

   It is recommended that you choose a movie anchored in the “real” world and with characters who act as consumers, rather than a film belonging to the fantasy/cartoon genre. Remember you need to discuss consumer behavior, not, other types of behavior – so I would encourage you not to choose films from the following genres: thrillers/horror, action/adventure, or fantasy/cartoon.

The best choices are movies set in the “real” world, and contain multi-dimensional characters who engage in many examples of consumption behavior – e.g. shopping, using products/services in their daily lives. You should strive to pick a film with similar characteristics. Often “domestic” dramas or comedies are the best choices.

PLEASE SEE THE LIST ON PAGE 11 OF FILMS THAT HAVE BEEN CHOSEN IN PREVIOUS SEMESTERS AND MAY NOT BE CHOSEN AGAIN. If you need suggestions on potential film choices, ask your instructor.

2. The task is to:

   Completely analyze the film with regard to marketing practices and consumer behavior. In particular, you should focus on the analysis of how the characters in the film illustrate important concepts/ideas related to consumer behavior. Examples of projects from previous semesters will be brought for you to review in class on April 15th and/or you may stop by my office during office hours or make an appointment to see them. A brief description of the plot and characters (including demographics and lifestyles, values, needs, stage in family-life cycle, adopter categories) should be included in your analysis. While each film is unique in its demonstration of particular consumer behavior concepts, your project should discuss between 10-15 ideas from the course beyond the character descriptions. Please refer to the grading template for the checklist of items that will determine your grade.

Please turn in a paragraph indicating the film title and the rationale for this choice no later than February 18th. The films will be approved on a first come, first choice basis. If two or more teams select the same film on the same day, I will hold a lottery to determine which team receives the film. If your team does not turn in a rationale by the due date, your team will lose 10 points on the project.

The rationale should consist of a few sentences outlining several consumer behavior topics that you will analyze in relation to the film. Since the project will require a significant amount of time and effort, it is important that you select a film in which you are personally very interested.

Once a film has been approved, no substitutions will be permitted. I need time to watch all of the films and take notes on them in order to grade the report.

Note: A template that will be used to grade the paper is available on Blackboard. Use this template as a checklist but make certain that you review the requirements provided above to write the report.

Teams will write in complete sentences, a 10 page maximum (double-spaced, 1 inch margins, top and bottom, left and right, 12 point font) team report (worth 50 points, 10% of your grade) and due on April 27th. Please submit your paper electronically. Late papers will not be accepted except under approved circumstances.

Some suggestions to increase the probability of generating a very good project are:

1. Start early.
2. Watch the film several times.
3. Outline the plot of the film and relevant marketing/consumer behavior issues by going through the textbook and material discussed in class; then discuss your ideas as a team. Limit your analysis to 4-6 characters in total (protagonist plus 3-5 other characters).
Macromarketing content in the film includes the following: green marketing, sustainability and profitability; corporate social responsibility, vulnerable consumers, and ethics. The protagonist (Kate) in Baby Mama works for a large organic food chain. While the film does not center on sustainability, it does include a variety of green topics within the context of the comedic story line. The fictional organic food chain appears to be highly profitable, so much so that it is expanding its territory and opening a flagship store in Philadelphia. Kate scouts potential locations and finds a suitable neighborhood that is gentrifying with condos and small-businesses, including a juice store. At a press-conference, the juice store owner asks her about the percentage of profits coming back to the community for revitalization. Later, Kate and the juice store owner start dating, and eat a raw food, vegan restaurant, because each thought each other didn’t consume meat. Another issue of central importance to the film is surrogacy. The owner of the firm Kate visits indicates that the business is outsourcing – the outsourcing of pregnancy. While it is not clear that this is global outsourcing, it does include domestic outsourcing to socio-economically disadvantaged American women, as represented by Angie. Ethics also surfaces in the business relationship when it is revealed that the surrogate, Angie, fakes the pregnancy with Kate’s baby in order to get the money Kate was paying her until she discovers that she is actually is pregnant, although with her own child.

**Bee Movie (2007)**

Bee Movie is a cartoon starring the voices of Jerry Seinfeld, Renee Zellweger, Matthew Broderick, Chris Rock, Kathy Bates, Larry King, Oprah Winfrey, among many other well-known celebrities. Barry the bee graduates from college to learn that we must choose his lifetime career. He dreams of traveling outside of the hive and therefore, decides to tag along with the pollen jocks. Barry meets a 20 something-year old human, Vanessa, who saves his life. He becomes friends with Vanessa and learns about life outside of the hive. They visit a grocery store and upon seeing the jars of honey he realizes how humans have profited from the bees’ hard work. He visits a bee farm and sees the cruel conditions under which the bees live and work. Barry, with Vanessa’s help, files a lawsuit against the human race, honey companies, and those who profit from the “bee name.” Barry wins the case, and humans return all honey to the bees, free working bees, and stop using any word or symbol connected with bees. Unfortunately, without bees to pollinate the flowers and vegetables of the world, the natural world is dying, and all life is affected. Barry convinces the bees to re-pollinate the nation. Life is restored, and Barry becomes a lawyer representing animal rights.

Bee Movie explores macromarketing topics related to business, the natural environment, and the marketplace - including worker exploitation, and also sustainability – in terms of the central role that bees play in the ecosystem.

**Scarface (1983 remake of 1932 film)**

Scarface is a drama starring Al Pacino as Tony Montana, a drug dealer. The movie begins with Tony and his friend Manny, assassins in Cuba, traveling to the United States. He is held a camp for Cuban immigrants and makes a deal to kill a political prisoner in the camp, in exchange for green cards. Tony and Manny work as dish washers at a Miami restaurant. Tony gets involved in the drug trade, and becomes a drug king loyal to Sosa. Tony lives a lavish
lifestyle, marries a beautiful woman, but is soon accused of tax evasion. Sosa agrees to help Tony if Tony kills a prominent political figures speaking on the dangers of drugs. Tony cannot bring himself to kill the man who is with his children. Sosa and Tony go to war; and Sosa’s men kill Tony.

In Scarface, political marketplace and government corruption is a sub-theme of the movie. Tony is allowed to enter the country by assassinating a political prisoner; later, Tony can walk away from his tax issues if he kills a political figure testifying to Congress on the drug trade. Materialism (and overconsumption) is also a dominant theme in the movie. Tony lives to excess – excess in terms of possessions, women, and drugs. The move ends with Tony being shot and falling into his water fountain that had inscribed on it – “The world is yours.”

Conclusion

As Rittenburg (2009) discusses, integrating macromarketing in existing courses, such as consumer behavior, allows universities to expose students to this important content without requiring resources to create new courses, and without increasing course requirements. While the focus in consumer behavior courses is usually micro-level behavior, macromarketing content easily flows from the discussion of the choice, consumption of and disposal of products. Therefore, creating assignments that address both consumer behavior issues and macromarketing issues are not difficult. While not every film is ripe with macromarketing content, those that are offer opportunities for students to reflect upon macromarketing issues that correspond with or are a result of consumption behavior. While these reflections in paper that is focused on micro-level consumer behavior may not provide the depth of thought offered by other approaches, the presentations and class discussion after each offer opportunities for instructors to elaborate on macromarketing content.

References


Three Meanings of Market Competition

William H. Redmond, Indiana State University, Terre Haute, IN, USA

Competition is often thought of a fairly straightforward thing, a rivalry. In a market context the meaning of competition is usually taken to be a rivalry among sellers. This is horizontal competition, that is, rivalry among actors operating at the same level. The paper argues that this is a limited perspective of rivalry in markets, and that a more complete understanding requires an additional mode of horizontal competition as well a vertical mode.

Introduction

As understood by neoclassical economists, markets are both simple and abstract. Abstract in the sense that information is somehow transmitted fully and instantly; simple in the sense that sellers constitute a numerous and faceless group. In this understanding, competition among sellers means that the sellers are price takers. Competition is generally seen as a good thing in markets, and is thus evaluated as a positive state of affairs. This is because competition among sellers is widely seen as necessary to secure the benefits of exchange to consumers.

As understood by other social scientists, however, markets are complex, concrete and interactive. Institutional economists and economic sociologists are not sanguine about the modes of competition or its outcomes for consumers. Here, markets are viewed as being embedded in the larger social system, with resultant influence on the behaviors of all market participants. In the present paper, a market is understood as an institutional field in which various actors meet to pursue a variety of goals using a number of stratagems. Competition may play out in ways not envisioned in the neoclassical view and may occur on multiple levels. Consequently, interpretations of the operations and consequences of competition are correspondingly complex and are not uniformly positive. While there are certainly more perspectives on competition than these two, the point is that competition is not always viewed as beneficial to consumers.

The interpretation given to terms and concepts has the effect of framing one’s perceptions and, therefore, shaping one’s understanding and evaluation of market phenomena. Problems arise when an abstract ideal is applied to actual, complex markets. The questionable policy of limited regulation of financial markets, for instance, was justified by a firm belief in the superiority of competition over regulation. Fundamental beliefs about competition are a part of the philosophical antecedents of heterogeneity of markets, which vary across different societies (Mittelstaedt, Kilbourne and Mittelstaedt 2006). Indeed, viewpoints on competition vary not only among social scientists but across societies, and therefore policymakers. Galbraith (1952/1980) felt that for most Americans, free competition had essentially become more of a political concept than an economic concept.

The present paper explores the meanings of certain terms related to markets and marketing. In particular, the term competition is examined, with a view to better understanding
its varied interpretations and implications. In addition, the term \textit{custom} is also examined. Here, custom is not intended in the sense of traditions, but as the root of the term customer. The argument is that the widespread neoclassical framing tends to obscure the complex and multi-level phenomenon which is competition.

**Horizontal Competition (I)**

The Oxford English Dictionary gives several senses of the word \textit{competition}. One conforms well to the consumer-friendly meaning: “Rivalry in the market, striving for custom between those who have the same commodities to dispose of.” That is, sellers compete with other sellers in so far as their offerings are regarded by buyers as substitutes. This is seller vs. seller competition, and the competitive arena is defined by product similarity. This understanding constitutes a basis for the assumption that consumer sovereignty prevails in markets, thus benefitting consumers. Anti-trust law is designed to preserve and maintain active competition among sellers. Deviations from the ideal of pure competition are classed as market failures (Harris and Carman 1983). Hence the presence of multiple sellers in a market is regarded as being good, \textit{prima facia}, and evaluated in a positive light, in contrast with monopolies or cartels.

This is the concept of competition which is embodied in neoclassical economics and which frames the understanding of many market observers and policy makers. However, the notion of competition is wider than the seller vs. seller mode. The OED gives other, more general, senses of the term, such as, “A contest for the acquisition of something…” or “…endeavouring to gain what another endeavours to gain…” Contestability may be present in conditions beyond product similarity: there may be contestability between seller and customer.

**Vertical Competition**

As Swedberg (1994) notes, in addition to horizontal competition in markets among sellers, there is also vertical competition between buyer and seller. In the latter, the contestable arena is the price paid. That is, sellers attempt to obtain a higher price for their offerings. Thus the term \textit{competition} may be used to refer to either of two distinct modes: the seller vs. seller or the seller vs. buyer. While the meaning of competition is commonly construed as being the seller vs. seller mode, it may be the case that sellers are actually more attuned to the seller vs. buyer mode because it results in higher prices and profits, whereas seller vs. seller reduces prices and profits. In doing so, they necessarily orient their actions differently. Competition in the seller vs. buyer sense represents both a more common and less consumer-friendly orientation than the more widely assumed seller vs. seller mode.

It may be useful to re-emphasize an element of the first definition of competition above: “…same commodities…” That is, the assumption is of interchangeable offerings by the sellers. Hence the presumption is that in seller vs. seller competition, buyers are able play one seller against another in order to obtain the best price for the commodities being offered. However, sellers may be able to modify such a situation by differentiation. If products have distinguishable characteristics and consumers do not view the set of offerings as being interchangeable, price sensitivity for their preferred one is reduced. Related to this issue, the OED has two relevant senses of the word \textit{custom}: “…business patronage…” and “The practice of customarily resorting to a particular shop…” The first implies little other than exchange. However, the second sense...
implies a condition of discrimination by customers along with differential preference among the various offerings, in which reduced price sensitivity is a distinct possibility.

Through differentiation, sellers may achieve a degree of control over customer actions in the marketplace. Distinguishing properties of certain brands lead customers to prefer one brand over others. The phenomenon now known as brand *loyalty* was originally termed brand *habit* by Chamberlin (1933/1962), emphasizing the possibility of unreflective purchasing and routinization of differential preference. “More and more is price competition evaded by turning the buyer’s attention towards a trademark, or by competing on the basis of quality or service,” (Chamberlin 1933/1962, p. 73). Somewhat earlier, in *Absentee Ownership*, Veblen (1923/1964) argued that such basic changes in sellers’ *modus operandi* shifted competition from a contest among sellers to a contest between sellers and consumers. That is, it was observable from the 1920’s that a shift from horizontal competition to vertical competition was in progress, and that consumers came out worse, at least on prices. The exercise of market power results in higher prices and profits, along with barriers to entry (Minsky 1986/2008).

Expanding the setting to a supply network, intermediaries may be considered. Here, price is also a main arena of contention. In recent years, the negotiating power of retailers such as Wal-Mart vis-à-vis manufacturers has increased considerably. This power, along with logistical efficiencies, has lead to price benefits for consumers along with margin pressures on manufacturers. In a chain of seller-buyer interactions, negotiating power is likely to be unevenly distributed, and powerful intermediaries can affect outcomes at both ends of the chain.

Returning to the definition of *custom*, the first sense given by the OED – business patronage --does not imply loyalty or habit. While some consumers may form a preference for a particular brand, others may not. For those who do not, conditions closer to seller vs. seller competition obtain. That is, a market may be a mixed regime of horizontal and vertical competition simultaneously. Uncommitted buyers are contestable in a seller vs. seller mode, and may thus exercise some limit on overall price levels in the market.

**Horizontal Competition (II)**

The third competitive dynamic in markets involves the set of buyers. A second horizontal mode is buyer vs. buyer competition. This can occur when supplies of some item are limited and buyers compete for the available supplies on the market, bidding the price up. An art auction or an eBay sale is an example of this phenomenon. So are more mundane commodities, if sufficiently scarce. That is, differentiation may play a part, but is not a necessary condition of buyer vs. buyer competition.

Differentiation is, however, an integral part of another type of buyer vs. buyer competition. Returning to the desirability of brands, some buyers may see certain brands as highly distinctive and desirable. Indeed these brands may appear so desirable that the actual use of the product might be a secondary consideration, as compared to public display of ownership. If the item is widely known to be expensive, it becomes a marker of ability to pay. That is, competition for social status and prestige is also a market-mediated type of contestability, falling under the OED’s more general definition of competition. Buyer vs. buyer competition is an intentional effort aimed at “…endeavoring to gain what another endeavors to gain…”
In *The Theory of the Leisure Class*, Veblen (1899/1979) examined the role of costly products and symbolic activities in the competition for social status and termed its pursuit conspicuous consumption. Objects for sale in the marketplace are evaluated for their potential to enhance the status evaluations made by others. In other words, the scarce item in this case is prestige. The presence of a market is essential for widespread recognition of the brand and its price. This form of competition may also become internalized and routinized. Veblen noted the tendency for individuals positioned somewhat lower in the social hierarchy to emulate those somewhat higher, with the aim of rising higher in status than their immediate peers. In this way the contestability for social status spreads throughout society, albeit through means of less costly products and activities at lower levels of financial attainment. Kilbourne et al. (2009) argue that competition among buyers is not simply a characteristic reflection of materialistic societies, it is an institutionalized component of such societies. That is, advanced economies seem to engender economic expressions of competition among individuals.

**Conclusion**

This paper has suggested that there are three forms of competition enacted in markets, not just one. In addition to the most general interpretation (seller vs. seller), there are two others of significance (seller vs. buyer and buyer vs. buyer). While seller vs. seller is commonly seen as beneficial for consumers, the other two are less favorably assessed. Efforts by sellers to avoid seller vs. seller competition may produce outcomes that are unintended and are difficult to detect by public officials (Layton and Grossbart 2006). The seller vs. buyer form is thought to result in higher prices for consumers and higher profits for sellers. The buyer vs. buyer form is thought to foster envy, covetousness, and wastefulness. That is, the market is an institutional field, in which market actors pursue multiple relationships in various directions. Thus it seems that competition in markets is not an unmixed blessing. Rather, competition is a complex of interactive modes, having both economic and social dimensions.

**References**


Rebuilding Trust in the Financial Services Brand

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According to a Gallup Poll Briefing dated 6/24/2009 (Saad 2009), public confidence in financial institutions descended 10 points to a record low of 22% from 32% just one year earlier. The same briefing indicates that although confidence in small businesses had increased by seven points to 67%, confidence in big businesses had declined to a record low of 16% within the last year. These trends are indicative of a substantial decline of consumer trust in big financial institutions following the 2008 to 2010 financial crisis. How can financial service firms rebuild trust in their brand?

Among the reasons cited as responsible for this crisis are a failure of regulatory oversight following the repeal of section of the Steagall Act of 1933 and the securitization and outsourcing of risk. Parallel to these events have been the growing de-personalization of consumer-financial service firm relationships. The purpose of this article is to examine the strategies of firms to rebuild consumer trust in their brand. According to a framework proposed by Grayson, Johnson and Chen (2008) firms can build trust in their brands by improving narrow scope trust (trust in the firm and interpersonal trust) or they can leverage broad scope trust, comprising system trust (trust in government and professional associations) and generalized trust.

We examine the approaches being used by managers to leverage broad scope trust. Some firms may attempt to associate with system trust initiatives such as present attempts to reduce systematic risk associated by large financial institutions or efforts to hold financial professionals to higher fiduciary standards. We have also observed attempts to build narrow scope trust directly through brand rejuvenation, rebranding and the extension of trusted consumer brands into financial services. Finally we have observed a deliberate push of firms to build trust through re-personalization of the service delivery process. Our interviews of financial service firm executives reveal that some firms have increased the time their managers and employees spend interacting with customer. The aim is to infuse the brand with interpersonal affect to complement consumer interaction with electronic channels.

Our methodology is key informant interviews with financial service firm professionals at various levels from customer contact to marketing and sales strategy. We elicit the array of strategic options contemplated by managers and assess their likely success in light of extant theory and empirical research on building consumer trust. In so doing we provide guidance to consumers and managers on how to restore trust. Additionally, we provide insights into core macromarketing dimensions, such as ethics, marketing systems, as well as competition and markets.
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