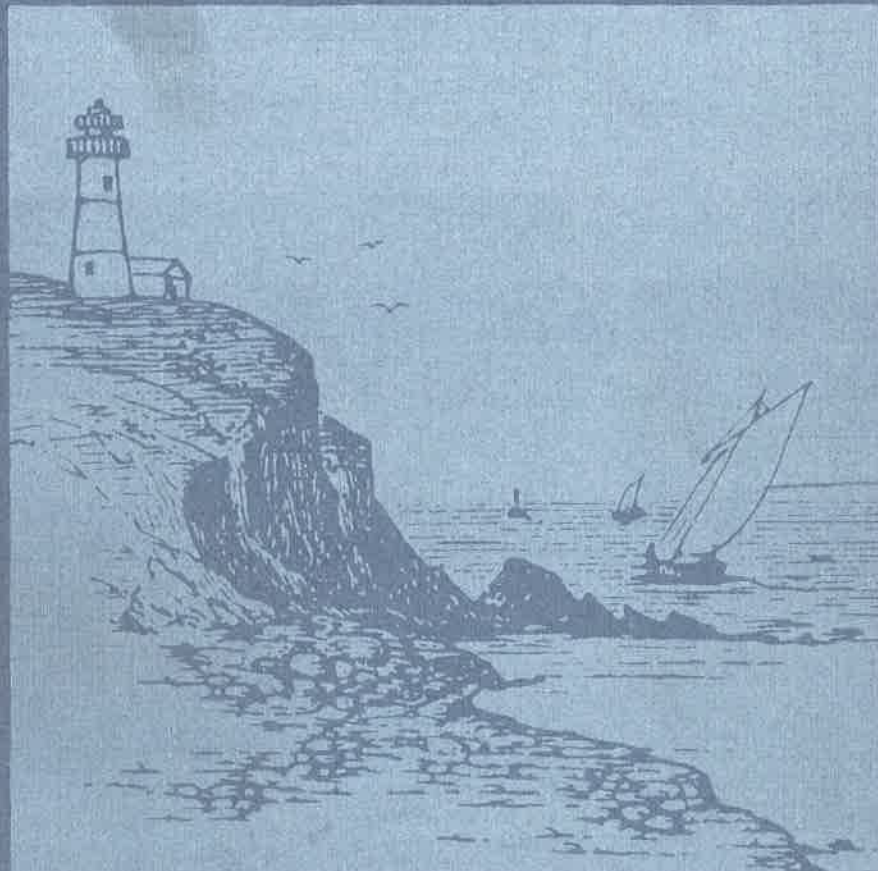


MACRO-MARKETING

NEW STEPS ON THE LEARNING CURVE



BUSINESS RESEARCH DIVISION / GRADUATE SCHOOL OF BUSINESS
ADMINISTRATION / UNIVERSITY OF COLORADO / BOULDER, COLORADO
EDITED BY GEORGE FISK AND ROBERT W. NASON

MACRO-MARKETING:
NEW STEPS ON THE LEARNING CURVE

Proceedings of the Third Macro-Marketing Seminar
W. Alton Jones Conference Center
University of Rhode Island
Kingston, Rhode Island

August 13-16, 1978

Edited by George Fisk and Robert W. Nason

Published by
Business Research Division
Graduate School of Business Administration
University of Colorado
Boulder, Colorado

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DEDICATION

TO THE MEMORY OF

CHARLES C. SLATER

The editors of this Proceedings would like to formally recognize Charles C. Slater's pioneering contributions to the development of macro-marketing thought. The total impact of his work and enthusiasm cannot be fully assessed because his contributions live on within the many scholars and practitioners whom he touched. His work in Latin America, Africa, and the Middle East, as well as in the United States, has influenced the lives of many. Because of his efforts, we understand more clearly and are more firmly dedicated to the improvement of our marketing and social systems.

Charles C. Slater had a gift of vision and perspective; the ability to see what was important, the ability to see the total system, and the ability to excite others. All of this was done with an unselfish focus on the welfare of mankind. The Macro-Marketing Seminars are a testament to Chuck Slater's ability to spur his colleagues forward into the development of an important field of inquiry.

However, there is more than the personal impact that those of us who knew him valued so highly. He published pioneering works in the role of marketing in economic development in the 1960s and 1970s, and developed breakthroughs in systems analysis which are described in his paper in Section V of this volume (as well as in greater detail in the two previous volumes). His contributions have always been innovative and in many cases ahead of their time.

For this we are deeply grateful.

Robert W. Nason and George Fisk
Editors

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MACRO-MARKETING: NEW STEPS ON THE LEARNING CURVE

Introduction to Volume 3

This is the third volume of proceedings for the Macro-Marketing Seminars, held first at the University of Colorado in 1976 and again in 1977. These Macro-marketing seminars are in undefinable ways successors to the Marketing Theory Seminars organized by the late Wroe Alderson with the cooperation of Leo Aspinwall and other members of the University of Colorado faculty. The 1976-1978 Macro-Marketing Seminars were organized mainly through the efforts of Professor Charles Slater and other faculty members of the University of Colorado Graduate School of Business Administration, with considerable support from participants at the earlier marketing theory seminars.

This volume of proceedings, like the two earlier volumes is published by the Business Research Division of the University of Colorado. The philosophy motivating publication represents a non-Aldersonian belief that papers should be prepared in advance, criticized and then revised for publication and use by other scholars. Most academic people have found this the path of steepest ascent for developing new knowledge. The present collection of papers is drawn from a seminar held at the W. Alton Jones Conference Center of the University of Rhode Island, August 13-16, 1978.

In newly developing areas of scholarship, the boundaries and structural elements of subject matter are often ill-defined and evolving. So it is with macro-marketing. In this volume an emerging consensus is evident with respect to boundaries as well as structural elements. Both the definition of macro-marketing and the topics relevant to

consensus derives partly from sustained interest in the area by macro-marketing seminar participants whose papers reflect what they have learned from experience. Future publication in the macro-marketing domain undoubtedly will reveal a more thorough elaboration of the major themes appearing in these early summaries, and also develop issues neglected here.

Part I of this volume, "Macro-Marketing: Concepts and Definitions," presents an examination of macro-marketing from three perspectives; historical, taxonomic and systems/exchange paradigm interactions. The concepts and definitions contained in the first section are given operational content in Part II, "Identifying, Measuring and Evaluating Social Externalities of Marketing." The existence of such externalities provides the justification for developing public and social policies to deal with the distribution of social benefits and the sharing of social costs resulting from marketing activities. Part III discusses "Public and Social Policy Issues." Part IV, "Managing Marketing Externalities," suggests that marketing is a tool which can be used in coping with externalities and as an instrument for constructive social change. Part V, "Comparative Macro-Marketing," deals with societal aspects of marketing from both the standpoint of institutional change, and from the standpoint of internationally dissimilar perspectives on similar problems. The macro-marketing orientation is challenged in its entirety by Ed Greif's Postscript: "Commentary on the Study of Macro-Marketing."

The emphasis in this volume on social externalities and their management is not the only possible organization of the papers presented at the third Macro-Marketing Seminar. But it is at once coherent and operational. The participants in the Macro-Marketing Seminar consider

MACRO-MARKETING: CONCEPTS AND DEFINITIONS

The first three papers of this collection attempt to define similarities that distinguish macro-marketing from micro-marketing. The approaches employed range from Donald F. Dixon's historical re-examination of literature to James M. Carman's abstract systems exchange paradigm. The contributors seek to specify the common properties of the macro-marketing behavior set. Their failure to develop a single definition will hardly surprise observers of marketing, since after more than half a century of study, there is still no consensus on a definition of marketing itself. Hence it is understandable that macro-marketing has thus far failed to develop an identity acceptable to all marketing investigators.

Nevertheless, topics appropriate for macro-marketing investigation are illustrated by these papers. It is helpful to point out three major areas for study identified in this section:

1. Social externalities - the unsought benefits and costs visited on all members of society by marketing are shown to be a central concern of the ancients in Donald F. Dixon's paper on "The Origins of Macro-Marketing Thought."
2. Social welfare objectives - the functions of exchange systems, together with public policy, social justice and the comparative study of these phenomena, are analyzed by the definitions of macro-marketing presented in Shawver and Nickels' paper "A Rationalization for Macro-Marketing Concepts and Definitions."
3. Comprehensive definitions focusing on the application of a systems-exchange paradigm advocating completeness as an alternative to parsimony for specification, description, and

the social impacts of system changes is identified. Since a normative theory which leads to prescriptions for decisions presupposes the existence of a positive or descriptive theory, positive theory must be developed first. Shawver and Nickels' review of definitions of macro-marketing concludes with the consensus accepted by participants at the 1978 Macro-Marketing Seminar:

"Macro-marketing is the study of exchange activities and exchange systems from a societal perspective."

Although the term "system" appears in both the Dixon and Shawver and Nickels papers, its operational description appears first in Figure 1 of James M. Carman's paper "Where Abstraction: A Systems/Exchange Approach to the Analysis of Health Care Delivery." Carman's stress on completeness rather than parsimony implements the ideas contained in positive descriptive theory. His preference for completeness leads him to develop a systems/exchange paradigm combining the constructs of the general systems paradigm and the social exchange paradigm, elements of which are discussed by Dixon. For an empirical test of his paradigm, Carman chooses the health care delivery system of the United States. He concludes by noting that the paradigm seems to be useful in focusing on how to determine where the system is not functioning properly and identifying techniques for determining how to improve performance.

THE ORIGINS OF MACRO-MARKETING THOUGHT

Donald F. Dixon, Temple University

Although some writers have touched upon the historical roots of macro-marketing thought, the general impression given by the marketing literature is that macro-marketing is a relatively recent area of scholarly investigation. A different perspective is offered in this paper, which represents the beginning of an exploration of macro-marketing thought as it has developed through history as a result of man's speculations upon life and its meaning.

MACRO-MARKETING THOUGHT: A DEFINITION

In the light of the current tendency in the literature to define marketing as selling, it seems appropriate to begin with the working definition which has guided the present investigation. In common usage, the word marketing has always retained the meaning "buying and selling" which is given in modern dictionaries. This usage appeared in the Sixteenth Century, when the term first appeared in the English language, and it was this definition which was given in 1831, when the noun was first introduced in Webster's Dictionary. Prior to the emergence of the word marketing, there was the Middle English term market makeinge, which meant buying and selling.

The specific attributes of the social behavior referred to as marketing are apparent from the terms "buying and selling," which refer to exchange for money. Exchanging goods and services for money is a special type of social behavior, differing from other types such as gift giving, for example. Thus marketing thought is an intellectual effort to understand a particular part of social behavior. It is the

and maintaining interaction among these groups is needed; the market place is one such specialized mechanism which operates through face-to-face contact. Within this mechanism individuals play specialized roles, which differ from other social roles. The market seller participates in the disposition of food, for example, in a different manner than does the head of a household. Third, the things which are bought and sold in the market must exist, or be potentially available. This means that goods and services appropriate for market exchange must be distinguished from those such as love and honor, for example, which are not. Fourth, there must be a system of equivalencies to provide a basis upon which buying and selling decisions may be made. Equivalencies based upon money differ from other types; for example, in a gift exchange between a pre-school child and his grandparent, reciprocation is not evaluated in terms of the market price of the items involved - "It is the thought that counts." Furthermore, market equivalencies are not stable over time as are social equivalencies. Finally, market behavior is subject to societal rules, which may be little more than custom, or may involve a complex set of laws and regulations established by a number of controlling authorities.

These social rules, developed from political and religious institutions, are not necessarily the same as the "rules of the market" developed by the market participants themselves. Such rules arise from the very operation of any social group. In all groups values and norms emerge to regulate behavior; these values are internalized by the members, and conformity to them comes to have a significance of its own. Ultimately, sanctions are developed by the group to legitimize these values and norms.

A study of behavior in the context of given environments neglects the interplay of the ends of specialized groups, and the interaction

the institution of marketing. The distinction between micro and macro-marketing is one of focus. The study of buyer and seller behavior as a closed system is micro-marketing. A study of the instituted process of people going to the market, and the interaction of this institution with other social institutions is macro-marketing thought.

THE ORIGINS OF MACRO-MARKETING THOUGHT

Macro-marketing thought would be anticipated at that time in history when market behavior emerges as a differentiated form of social behavior in an archaic society. It would be expected that contemporary scholars would recognize this unique form of behavior and attempt to understand it in the context of traditional behavior patterns.

Behavior in archaic societies was organized by ascribed status, which defined the rights and obligations of each individual within the society. Social relationships were undifferentiated; behavior which would now be defined as economic, because it is related to the production and allocation of material goods and services, was not institutionally separate. The social organization as a whole determined the division of labor and the disposal of output; the institutional arrangements were inherent in the very nature of society. There were no specific groups or roles associated with the economic sphere; there was no market. Moreover, the purpose of an exchange was not to improve the position of the participants as individuals, but to reinforce the ties between them, and thus strengthen the group as a whole. Property rights had a rather different meaning than today; land did not so much belong to the person as the person belonged to the land.

In such societies, the ruler initiated external relationships, whether war or trade. And, just as war required military specialists, so trade required exchange specialists. All of these specialists acted

was clearly recognized as an alternative distributive mechanism. Upon returning home through Persia, the Greek army negotiated with the Persians to supply provisions. The Persians promised to provide markets, "and wherever it is impossible to buy provisions, we will allow you to take them from the country" [13, II. iii. 26].

But the markets mentioned by Thucydides and Xenophon seem to have been mainly temporary ones, either travelling with the army or set up by the inhabitants of the area through which the army was travelling. Nevertheless, in some instances the existence of permanent markets is implied by statements that markets were moved outside town walls to serve the army. Herodotus offers additional evidence, stating that the Lydians were the first to coin money and sell by retail and that the Greeks had markets for buying and selling, in contrast to the Persians who "do not have a single market in the whole country" [4, I. 94, 153].

By the Fifth Century B.C. however, it is apparent that the Athenian agora (public meeting place) had become a permanent market. Not only are there numerous contemporary accounts describing the agora and its operation, as well as the wide range of goods available, but it is reported that Pericles (an Athenian statesman who died in 429 B.C.) was able to sell the entire output of his household and buy articles in the agora on a day-to-day basis, as required [8, XVI. 4].

The behavior of the buyers and sellers in the agora would not have been easily understood at the time, because the exchange of "economic" resources was organized in a different manner than the exchange of other types of resources. For example, traditionally food was given and received as part of kinship relationships, but in the agora, buyers and sellers bargained over the value of food items. The contrast in behavior may be appreciated by imagining the consternation of a guest,

Such behavior would be expected in the agora, but it is unique among the emporoi.

The Athenian authorities purchased grain from the emporoi and resold it for distribution in the agora by the kapeloi, and attempted to keep the agora institutionally separate from the emporium, where sales were made to the State by the emporoi. A two-price system was successfully maintained for some time. Efforts were made to persuade the emporoi to sell at relatively low prices, in return for special honors granted by Athens. But attempts to influence the behavior of the kapeloi were more market-oriented; to prevent attempts to corner the market and raise prices, kapeloi were limited in the amount that they were permitted to purchase at any one time.

Nevertheless, it was not always possible to insulate the agora from international conditions. For example, as a result of military reverses in the winter of 388 B.C. Athens was unable to protect their grain ships and as the kapeloi bid for the limited stocks of grain in the hands of the emporoi, there was a marked price rise. In turn, the kapeloi formed a combination and sold at an abnormally high profit. The bitter feelings which were engendered by this behavior are apparent in a speech delivered at the subsequent trial of the kapeloi [5].

SOCRATIC MACRO MARKETING THOUGHT

At the time that market behavior was emerging as an institutionally separate type of social behavior in Athens, the Socratic philosophers were seeking an understanding of man and "the good life." And the means of obtaining and preserving the quality of life were studied as a part of this general investigation. Because market behavior was examined in this context, the contribution of marketing to the society

"If, then, the farmer or any other craftsman taking his products to the market place does not arrive at the same time with those who desire to exchange with him, is he to sit idle in the market place and lose time from his own work?" "By no means, ... there are men who see this need and appoint themselves for this service ... They must wait there in the agora and exchange money for goods with those who wish to sell, and goods for money with as many as desire to buy." "This need, then," said I, "creates the class of shopkeepers in our city" [6, II. xx1].

This argument is extended in the Laws, where Plato explains that marketing is but a part of the larger order, for not only is the marketing specialist "ordained for this purpose," but all the other trades as well: "All have this function, namely, to provide all men with full satisfaction of their needs' and with evenness in their properties." The social significance of the marketing specialist is also restated here: "The natural purpose for which the market comes into existence in a society is not loss; but precisely the opposite. For how can any man be anything but a benefactor if he renders even and symmetrical the distribution of any kind of goods which before was unsymmetrical?" [7, 818b].

Aristotle also appreciates the significance of marketing to the society: "One of the necessities for states is that people shall buy and sell goods to meet their varying needs; this is the quickest way to secure that independence which seems to be the reason for men to come together in a single state" [2, VI. v. 2]. A similar argument is presented in the Ethics, where Aristotle speaks of the interchange of services among men as the bond which holds society together [1, V. v. 6].

In short, the Socratic philosophers saw that society was based upon the division of labor, which Schumpeter refers to as "the eternal commonplace of economics" [10, p. 56]. The division of labor requires social

Plato is following this tradition when he establishes a set of market regulations. Sales are to be limited to "the place appointed therefore in the market, and nowhere else." Some elements of the marketing mix are also specified. Not only is the price to be paid "on the spot" with no credit arrangements, but the seller "shall name one price only, and if he fails to get this, he will be entitled to take the article away; but he shall not put any other price, greater or less, upon it on that day." Furthermore, there is to be no "praising of goods."

Goods are to be unadulterated. The seller who breaks this law "shall be beaten in the market place with stripes, one stripe for each drachma in the price he asks for the article." And there is provision made for the buyer to obtain restitution for hidden defects in the case of goods selling above a given price: "the seller is compelled to remain in the city for ten days, and the seller's residence shall be made known to the buyer" [7, XI].

THE SOCIAL COST OF MARKETING

The Socratic concern with macro-marketing does not stop with an analysis of the contribution of a well-ordered marketing institution to the society and the significance of other social institutions, such as laws, upon the proper functioning of the marketing institution. The Socratic philosophers raise a still broader question - what is total impact of the marketing institution upon other social institutions? That is, as well as considering the social benefits of marketing, they consider the social costs.

It was clearly seen that even when the market is operating justly, under appropriate rules and regulations, the marketing institution may conflict with other social institutions. Xenophon mentions a trivial example of such a problem: "The hucksters with their wares, their cries,

problem; the norms of the market are a threat because they are at variance with those which are appropriate for the whole man and the good life. The marketing institution represents a set of norms which become internalized by marketing specialists and then may take precedence over more important ones. This danger is peculiar to market behavior because it is market behavior and not undifferentiated social behavior. Such a problem cannot arise in an isolated archaic society where there is no separate set of market behaviors. Only when there exists a marketing institution is there the potential of men confusing means (wealth) with ends (the good life).

In the Socratic philosophical system, interest is centered more in "the human members of the household than in its inanimate property, and in the excellence of these than in that of its property, which we style wealth" [2, I. v. 3]. The reasoning is that wealth is but a collection of tools for the household and the statesman [2, I. iii. 9]. And the good life, whether for the individual or the society as a whole, is "virtue furnished with sufficient means for taking part in virtuous actions" [2, VII. i, 6 and 1, I. viii. 15]. An excessive amount of wealth is useless, and may also be harmful [2, VII. i. 4].

The danger which is seen here arises because the market, by the very nature of its operation, alters men's values: Wealth is the thing with which business and trade are employed [2, I. iii. 16]. This change in values occurs because marketing specialists are involved in exchanging money for goods so that they may in turn obtain more money. This is in contrast to "natural" exchange in which a good is exchanged for money so that another good needed for an individual's sustenance may be obtained.

Once the acquisition of wealth becomes the end, rather than a means, a serious problem arises because there is no clear limit to monetary

And Plato's concluding sentence "If all such occupations were managed on incorrupt principles they would be honored" clearly demonstrates that it is the marketers who corrupt marketing, and not vice versa.

Aristotle holds similar position: "Some persons are led to believe... that the whole idea of their lives is that they ought either to increase their money without limit, or at any rate to safeguard it. The cause of this state of mind is that their interests are set upon life, but not the good life." Such men turn every quality or art into a means of making money "In the belief that wealth is the end and that everything must conspire to this end" [2, I. iii. 18-20]. This is the fundamental issue which created the concern with the social costs of marketing.

But there is concern not only with the social impact of values and norms generated by domestic marketing, but also the danger from new institutions, to which international trade exposes the society:

Some say that to open one's city to foreigners, brought up in a different code of behavior, is detrimental to law and order....They say that the use of the sea leads to much coming and going of large numbers of traders and that this is inimical to the good life of citizens [2, VII. v. 3].

The task faced by the Socratic writers was to devise techniques which would permit the society to enjoy the benefits of marketing, but to minimize its social costs. This was to be accomplished by isolating social institutions from the marketing institution to the greatest extent possible.

Since foreign trade was administered, rather than market trade, it was to be conducted by the ruling class [7, 847d]. Further, potential conflict between ends and means was to be forestalled by limiting imports to those items necessary to the state. Exchange control was also to be exercised; anyone returning from abroad was to be required to exchange foreign money for the equivalent in home coinage, which was legal tender

First, there is a clear recognition of marketing as an institution which produces social benefits. Second, by developing these rules Plato recognizes the impact of social institutions upon marketing. Third, there is a recognition of the impact of marketing upon social institutions. Finally, it is clear that public policy is concerned with the interplay of the social costs and benefits of marketing.

Thus the Socratic philosophical system provides a coherent macro-marketing model. This model represents the roots of the macro-marketing thought of the medieval Schoolman. In turn, the Schoolmen provided the theoretical context within which medieval businessmen wrote the marketing manuals which represent more directly the heritage of modern marketing thought.

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A RATIONALIZATION FOR MACRO-MARKETING CONCEPTS AND DEFINITIONS

Donald L. Shawver, University of Missouri, Columbia

William G. Nickels, University of Maryland, College Park

Macro-marketing concepts can be traced back to the Fifth Century B.C. [8]. Nevertheless, the intensive study of macro-marketing concepts, issues, and theories lay dormant, except for an occasional resurrection [18], until 1976 when the 1st Macro-Marketing Seminar was held at the University of Colorado in Boulder [23]. Subsequently, the 2nd Macro-Marketing Seminar was held in Boulder in 1977 [26] and the 3rd Macro-Marketing Seminar was held at the University of Rhode Island in 1978 [10],

At each of the three seminars, a call was made for the development of a base on which to build theories of macro-marketing. The cornerstone of that base would be a definition of macro-marketing that clearly differentiated macro- from micro-marketing.

The purpose of this paper is to provide a rationalization for macro-marketing concepts and definitions. To do this, the authors first review the evolution of macro-marketing concepts. Then they summarize the consensus of the three macro-marketing conferences with respect to definitions.

The Role of Macro-Marketing Researchers

British Historian Arnold Toynbee once made the statement:

In the Western World of our day the tempter's role is being played by everything we sum up under the name of Madison Avenue. A considerable part of our ability, energy, time, and material resources is being spent today on inducing us to . . . find the money for buying material goods that we should never have dreamed of wanting had we been left to ourselves . . . disposing of the maximum quantity of consumer goods was not the purpose of the American Revolution. What

are made by others--no matter how noble of purpose these others might be.

Both critics and advocates of the marketing system in the United States have a great propensity for emotional arguments. Critics attack with zeal in the belief they are rendering a service to society. Defenders reply with a fervor that implies an inherent faith in the business enterprise system and in the ability of Adam Smith's invisible hand to ameliorate all inefficiencies and shortcomings.

By its very nature, the study of marketing systems comprises macro-marketing. Those who are serious students want to discover the truth. They must shun the role of advocate--yet they must not be stampeded by the untenable positions advanced by critics. Macro-marketing researchers ask two symmetrical questions: "What are the effects of marketing systems on society?" and "What are the effects of society on marketing systems?" Their goal is to help develop concepts that lead to more effective, efficient, and satisfying market systems.

The State of Marketing

Throughout the centuries man has shown an insatiable quest for knowledge. Disciplines such as mathematics relate to ancient times. Man has long been curious about his physical environment, and has developed a considerable body of knowledge about it. Man has also been curious about his relationships with fellow men. Accordingly, he has developed organized bodies of knowledge, such as political science, psychology, sociology, and economics that attempt to explain interpersonal relationships.

At a much later date, man became curious about his relationships with other men in exchanging goods. Because of this curiosity, he developed the organized body of knowledge that we now know as marketing. This development stems from the beginning of the 20th Century. During

lating a prediction based on the theory and then observing if the prediction is correct.

On the matter of prediction, marketing shares the fate of many other bodies of knowledge--our precision is something less than perfect. This lack of precision stems partly from the imperfect state of the art itself. Also, our units of measurement may be different from those ordinarily used in the physical sciences.

At the 2nd Macro-Marketing Seminar in Boulder, Colorado in 1977, the call was made for development of a positive theory of macro-marketing [22]. Once marketing scholars understand what macro-marketing is all about and how it works, then they are in a unique position. By using a positive theory of macro-marketing, marketers can predict the social impact of changes in a marketing system. Such predictions would be major contributions to the continuous debate with respect to public policy.

The normative aspects of macro-marketing are pervasive. But in order to contribute--not simply advocate--marketing scholars must first develop a positive theory of macro-marketing. It seems obvious that a normative theory of macro-marketing presupposes a positive theory.

The marketing literature contains only a few isolated attempts to draw normative conclusions based on positive macro-marketing theory. Griggs, for example, used mathematical simulation techniques to evaluate the economic consequences of a change or reform within the marketing system of a developing country. He attempted to measure changes in employment, consumption, and physical output related to different levels of marketing technology, gross margins received, or pricing strategies [11].

In another example, Worcester and Nesse made a serious effort to evaluate the social value of advertising. While critics have generally

Marketing Defined

The term "marketing" was not used in the United States until early in the Twentieth Century. Today, after three-quarters of a century, serious scholars are still trying to sharpen the collective concept called marketing.

According to Bartels, marketing "first meant that combination of factors which had to be taken into consideration prior to the undertaking of certain selling or promotional activities" [3, p. 5]. Clearly, marketing in the early days meant what we now term micro-marketing and related to a business activity, a technical function, or a trade practice. But as early as 1962, Bartels observed that the narrow purpose and concept of marketing had yielded to a broader concept, and "has come to mean a social activity--the activity of society providing for its material needs" [3, p. 3].

Over the years, the American Marketing Association has charged various committees to work on definitions. A widely quoted AMA definition of marketing is "the performance of business activities that direct the flow of goods and services from producer to consumer or user" [1]. This definition dominated marketing texts during the 1950's.

The immaturity of marketing as a discipline is evidenced by the fact that Claire Corbin in her forthcoming Encyclopedic Dictionary of Marketing and Related Business Terms gives no fewer than 30 definitions of marketing reflecting 21 sources. This volume has been carefully researched, and reflects the wide diversion of definitions present in today's marketing literature.

Most of Claire Corbin's definitions of marketing reflect the thought that marketing is a "process" rather than simply a "marketing management" function. Typical of her definitions is the familiar Ohio State

Traditional Macro-Marketing Definitions

Every marketing act has both micro- and macro-ramifications. This explains part of the problem with definitions and points up the differences in the definitions offered by scholars.

Hunt developed the best known paradigm to distinguish between micro- and macro-marketing. His model dealt with three dichotomies: micro/macro, positive/normative, and profit sector/nonprofit sector [13]. However, Hunt later suggested that the profit/nonprofit dichotomy was limited and would be used less and less as the nonprofit sector discovered good micro-marketing practices [12, pp. 52-53].

Marketing textbooks of today, with a few exceptions do not generally distinguish between micro-marketing and macro-marketing. The two journals published by the American Marketing Association, Journal of Marketing Research and Journal of Marketing are oriented respectively towards research methodology and marketing from the firm's point of view (micro).

The literature of macro-marketing contains one well-known book, now in the second edition, by Moyer and Hutt [18]. They distinguish between micro- and macro-marketing in that "the former deals with small, individual units, the latter with aggregations" [18, p. 5]. They also write: "Generally, micro-marketing activities are oriented toward the enterprise's welfare, whereas the focus in macro-marketing centers on society's welfare" [18, p. 5. Emphasis by the authors.].

Corbin, in her forthcoming business dictionary quotes McCarthy who contends that micro-marketing "examines individual firms within the economic system to see how they operate or how they should function Micro-marketing theory undertakes to explain how and why marketing processes are managed as they are within firms" [7 & 17].

Genesis of the Macro-Marketing Definition

Bagozzi, in the lead paper of the proceedings of the 1st Macro-Marketing Seminar made a case for macro-marketing being the study of networks of relationships and societal patterns of marketing systems rather than a study of dyadic relationships [2, p. 12]. There was little debate at the time with respect to this distinction.

A second stage of development occurred when Shelby Hunt specified that macro-marketing included the study of (1) marketing systems, (2) the impact and consequence of marketing systems on society, and (3) the impact and consequence of society on marketing systems [12, p. 56]. Hunt's definition might have provided an excellent foundation for macro-marketing thought if the meaning of words such as "society" and "marketing systems" had been clear. Is a multinational corporation a marketing system? If so, is the study of multinational corporations macro-marketing? Is a conglomerate a marketing system?

To clarify such issues, Nickels and Hill formulated a more comprehensive definition for the 2nd Macro-Marketing Seminar. They defined macro-marketing as "the study of intra-national and international exchange systems rather than particular dyadic exchange relationships" [20, p. 38]. Nickels and Hill stated further that macro-marketing could be partially distinguished from micro-marketing by its focus on "social externalities," i.e., the social benefits and costs that result from exchange systems [20, pp. 38-39].

At the 3rd Macro-Marketing Seminar, Shelby Hunt proposed that his definition be clarified by adding the word "aggregate." Thus, Hunt would define macro-marketing as (1) the study of aggregative marketing systems, (2) the impact and consequence of aggregative marketing systems on society, and (3) the impact and consequence of society on aggregative

In short, the dividing line between micro- and macro-marketing is the perspective of the researcher and the objectives of the units under investigation—not the number of units being investigated. When the objective of the marketing researcher is to increase the profits realized by a firm or to help in the attainment of institutional goals, the study is clearly micro-marketing. When the objective is to describe or enhance aspects of social welfare related to exchange systems, the study is macro-marketing. Obviously, institutions practice micro- and macro-marketing simultaneously and researchers can focus on either.

The consensus definition of marketing that emerged from the 3rd Macro-Marketing Seminar was:

Macro-marketing is the study of exchange activities and exchange systems from a societal perspective.

The scope of macro-marketing includes (1) the effects of exchange and exchange systems on regional, national, and global societies; (2) the effects of various environmental influences on individual exchanges and exchange systems; (3) public policy related to exchange and exchange systems; (4) the effects of exchange systems on economic and social development; (5) the productivity and equity generated by various exchange systems; and (6) the comparative study of marketing systems from a societal perspective including comparative consumption patterns.

Implications for Theory

The need for a precise definition of macro-marketing is obvious for theory development. The definition sets the boundaries for research, discussion, and debate.

The theoretical thrust of macro-marketing research properly concerns the economic and social implications of exchange. One important

relative to the population, economic growth, political systems, etc. Critical to such decisions is macro-marketing theory and models that can be used to evaluate accurately the consequences of alternative choices.

Marketing is a relatively new social science and macro-marketing as an organized discipline is still in its infancy. The purpose of this paper has been to provide a rationalization for further discussion and debate with respect to macro-marketing concepts and definitions. The authors welcome the comments of those who are interested.

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WHERE ABSTRACTION: A SYSTEMS/EXCHANGE
APPROACH TO THE ANALYSIS OF
HEALTH CARE DELIVERY

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The other papers in this section of the macro-marketing seminar focus on the definition of macro-marketing and its historical development. This paper focuses on the strategy for developing macro-marketing theories. Hunt [9] presents clearly the generally accepted steps in the theory-building process. The process begins with definitions of the units of analysis, variables and constructs. These are used as the foundation for construction of a formal language system, or calculus, for the theory. In this step, paradigms, transformation rules, and simple propositions are developed. The third step involves the statement of testable axioms or hypotheses. Rules for testing and interpretation of test results also need to be stated. Next, hypotheses can be tested. Hopefully, the result will be the development of a set of lawlike generalizations we call a body of theory.

The definition of macro-marketing provided above accomplishes the first of these steps. This paper is concerned with the second. In particular, the purpose is to focus on the implications of using the paradigms one finds used in marketing in theory development. A paradigm can be defined as stating what a discipline should study, what questions it should ask, and what rules should be followed in interpreting the answers obtained. In a recent paper [3], I identify six paradigms that are frequently and usefully used by marketing scholars in the development

institutional approach to marketing" appears to mean to most marketing scholars an approach to teaching the basic course in which the emphasis is on the description of institutions within the marketing system. That may be a fair ex post definition as it applies to teaching the basic course. I do not, however, believe it is a fair description of what institutionalism means with regard to the development of theory. It is useful to see how other true institutionalists combine paradigm 4 with another paradigm in their attempts to develop theory in their particular discipline.

John R. Commons is one of the great institutional economists who combined paradigms 1 and 4. He also tried to add paradigm 3, the conflict resolution paradigm, and paradigm 6, the social exchange paradigm, into his theories. I believe these additional complexities are one of the reasons for his lack of popularity among economists. In *Institutional Economics* [4, pp. 1-6], Commons says that he finds economics to deal with the conflict of interests necessitated by scarcity and attempts to maintain order through law and collective action.

I was trying to find what could be the unit of investigation which would include these three constituents of conflict, dependence, and order. After many years I worked out the conclusion that they were found combined together only in the formula of a *transaction*, as against the older concepts of commodities, labor, desires, individuals, and exchange.

So I made the transaction the ultimate unit of economic investigation, a unit of transfer of legal control. This unit enabled me to classify all the economic decisions of the courts and arbitration tribunals under the variable economic factors involved in transactions as they actually are made (p. 4).

Thus, Commons is very much concerned with conflict resolution. He clearly is not the only scholar who has combined theories from conflict resolution (paradigm number 3) with other paradigms. One such theory, game theory, has been absorbed nicely by microeconomic theory. Other constructs of the conflict resolution paradigm have been used for decades

parallel to our paradigm number 2. From theories of individual and small group behavior, it then uses sociological theories and political theories to begin to form its own theories of the operations of complex organizations. The next addition is the system paradigm, that is, viewing the organization as a system and employing constructs such as goal structure, environmental constraints, power structure, incentive systems, and succession systems [13]. The result, it appears to me, is a combined behavioral/systems paradigm. Clearly, scholars in the organizational behavior field specialize in only a few paradigms. Some of these scholars could be classified as institutionalists.

The foremost proponents of an institutional approach to marketing, of course, are Duddy and Revzan [6]. They claim their "method is essentially description" (p. 627).¹ However, it certainly is not limited to a description of institutions.

¹Many students of marketing theory are wont to divide theories in the following 2 x 2 classification. They would then use as examples the work of the authors shown in each cell. As a research design matter, drawing the distinction between descriptive and prescriptive research is, of course, a useful one. However, this taxonomy may not be required in building theory. A good theory or paradigm ought to be useful in either positive or normative research. For more discussion of this matter, see Hunt [10].

	Functional	Institutional
Positive (Descriptive)	Alderson McGerry	Duddy & Revzan F. E. Clark
Normative (Prescriptive)	Kotler J. Little	Cox & Goodman Grether

Hunt [9] suggests a 2 x 2 x 2 classification that would substitute "micro and macro" for "functional and institutional" here and also add a third dimension, profit/nonprofit.

only after careful system specification. Here we will employ the systems/exchange paradigm to see if any new insights spring forward using the completeness approach.

What is the "systems/exchange paradigm"? It is a simple combination of the constructs of the general system paradigm (as I see them) and the social exchange paradigm. There are twelve constructs in all. They simply specify what are the units of analysis, variables, and constructs that need to be described and measured in order to build theory or analyze particular marketing problems. Paradigms lead to a calculus for theory but do not contain law-like generalizations or testable hypotheses [8]. They are not complete theories. That is why it remains to be seen whether this paradigm will lead to theory.

The systems/exchange paradigm is shown in Figure 1. The first seven items are from the systems paradigm, the last five from the exchange paradigm. Notice there are a great many things to specify, describe, and measure. This is exactly why the concern over completeness versus parsimony exists.

APPLICATION TO HEALTH CARE DELIVERY

The focus of this application of the paradigm is the entire health care delivery system in the United States. One could, of course, select a much smaller system for study. The reason for selecting such a large system is because of the frequent accusations that the system is not functioning properly. Can we, as marketers, provide insights as to why this is so and how the system may be improved? Is the theory that hopefully flows from this analysis a theory of marketing transactions or a theory of health care delivery?

1. Goals of the System

The goals of our health system are to provide services required to: maximize the proportion of the population who can keep themselves physically and mentally productive, minimize mortality rates, and minimize morbidity rates. One could write a paper on this item or any item in this analysis. This statement of goals defines variables that need to be measured, questions to be asked, and can be viewed as one proposition of a theory of health care delivery. It is my own statement and perhaps idiosyncratic, although I doubt it. Space limitations present a further dimension.

2. Environment and Constraints

a. The United States is a country that believes in freedom and equal opportunity. Therefore, there should be an equal opportunity for all to have equal access to health care delivery. We are constrained from blocking delivery to one market segment in order to improve care for other segments. Similarly, there are limits on prohibitions against self-destruction.

b. Health care resources are scarce. Therefore, there are or need to be constraints on the amount of GNP that can be spent on these services and constraints against fraud and excessive costs. Economic efficiency within the delivery system, in terms of output per unit cost, must be treated as a goal or as a constraint.

c. The environment and life styles people select are often dangerous to their health and lead to morbidity and mortality. Health statistics are necessary measures for describing the environment.

d. People are naturally concerned about their own health. It can be an important and salient value.

questions suggest the need to study transactions between actors in the system and to specify transformation rules for production, delivery, and exchange. It is interesting to note that this item suggests the usefulness of microeconomic theory and a need to add more exchange theory to completely understand and evaluate control systems.

4. The Actors

The author elsewhere [2] has defined the institutions and establishments that comprise the system. Alternative internal structures were also defined. This item of the paradigm suggests the need also to count their number. The approach to this definition of institutions and establishments is very much in the classical descriptive/institutional marketing tradition.

5. Resources, Relative Size, and Relative Power

Eight actor groups were identified in the reference above. Because of space limitations only four will be used as illustrations here. Physicians have resources in terms of personal skills, their trade association (AMA), and considerable control over medical education. The size of physician units is small and relatively homogenous. Relative size of institutions is not an important factor. They have great economic, political, and social power that flows from the environment as described in item 2 above.

Nonphysician professional providers (dentists, optometrists, etc.) have considerably less power. This power difference is significant in the analysis. Again, relative size is not important.

Hospital administrators are another important group of actors. Their chief resource is that they hold the "brick and mortar" resources that doctors need. Their relative size may be of some interest since hospitals exhibit a range of importance and size: tertiary specialty

In the performance of their healing functions, physicians often assume a "hired gun" role with patients--my job is to obtain for you the best care possible no matter what obstacles others in the system may place in the way [7]. In this role, the exchanges of the physician with others may appear quite different than at other times. An appreciation of this function is important in understanding the exchanges in the system.

7. The Linkage Between Actors

While there may be some subtle social linkages between actors, e.g., social networks in communities or political ties between a provider and a member of Congress, the potential linkages between actors will be identified in establishing actors, institutions, establishments, and functions. The paradigm is asking at this step for a specification of the type of linkage. For example, between provider and buyer may be a referral linkage, a casual market linkage, or a contractual linkage as may be found in a closed panel health plan. Hospital and provider may be linked by a casual privileges relationship, a staff member relationship, or an employment relationship. These need to be specified and analyzed in order to understand the exchange relationships observed.

8. Descriptions of the Goods Exchanged

While there certainly are many products exchanged in the health care delivery system, most of the exchanges concern services. Thus, all the issues of intangibility, heterogeneity, and quality control that surround the marketing of services apply here to complicate the analysis of transactions. The paradigm says it is important to be able to describe the services very carefully. An interesting characteristic required for the analysis here is that most medical services are

Would more administrative decisions be superior to market exchanges in imperfect markets? How different are claims processed through a fiscal intermediary? What impact do Medicare and Medicaid transactions have on total transactions costs? Are there large amounts of search and transaction costs borne by consumers attempting to gain access to the system that do not show up in national income statistics? Finding answers to these questions will determine how much efficiency can be achieved through (a) altering supply and distribution of providers, (b) establishing tighter standards for cost effectiveness and utilization of sophisticated equipment, (c) altering the structure of the delivery system.

11. The Level of Information in the System

The health care delivery system is notorious for its information asymmetry with regard to services or products required, prices, quality of providers, quality of services received. The paradigm suggests that in order to understand, evaluate, and improve the performance of the system, one needs to carefully measure the information available to both parties in a transaction. How does a consumer know what kind of provider to contact? How does one evaluate the quality of each alternative within that type? How does one know whether a drug therapy or a surgical procedure is appropriate? What quality checks do hospitals and medical societies have on physicians? Can one find out prices on prescriptions or hospital rooms? The paradigm not only tells us these questions are important, but also may lead us to an exchange theory that predicts with "law-like generalization" the outcomes of exchanges under varying imbalances of information.

building? I suspect the answer to that question lies first in answering the question, where abstraction? That is, at what stage in the theory building process does one abstract from the real world in order to state testable propositions that, if correct, can lead to law-like generalization useful in real world systems? My tentative proposition is that in the development of macro-marketing theory, system description should take place before abstraction. As stated earlier:

First, thoroughly describe and model the system;

Second, do microanalysis with transactions as the unit of analysis.

In the second step, one can engage in a bit of abstraction that could lead to law-like generalizations. These generalizations hopefully would apply to other systems. However, they would be developed within the constraints of a particular system that has been described in great detail. I'll have to wait until the next paper to try this out, but where do you put your bets--on completeness or parsimony?

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II

IDENTIFYING, MEASURING AND EVALUATING SOCIAL EXTERNALITIES OF MARKETING

Emphasis in the area of the societal impact of marketing was first viewed in terms of economic efficiency. Posed were questions such as: "Does Distribution Cost Too Much?". Social welfare issues focused on questions pertaining to satisfaction, happiness, and "environmental quality." Economic efficiency, although necessary, is not a sufficiently broad concept to embrace the questions of social welfare that concern contributors to this section. Focus on externalities is not new to public and social policy analysis but the determination to classify them, measure them and evaluate their significance to business and society is a movement of comparatively recent origin. Since classification is the first step in any measuring process, social cost-benefit analysis of marketing externalities begins by identifying categories and illustrative examples of social benefits and costs of marketing.

The first four papers in this section explore the externalities which affect general quality of life. Robert W. Nason develops the theme that the effects of uninformed free choice by consumers on the quality of life are so adverse that new criteria must be found to augment consumer choice in guiding the market mechanism.

Marye Tharp Hilger focuses on consumer alienation as both an externality of the market process and as a measure of marketing performance. She suggests a cross cultural comparison of consumer alienation using market systems at various levels of development.

Two papers complete this subset on quality of life by emphasizing measures. The first is by William G. Nickels and Denis F. Healy on "Measuring Macro-Marketing Effectiveness." Their concern with social

The Daringer-Deaton assumption stands in marked contrast to the evaluation of events by Alan B. Flaschner and Sakari T. Jutila. In their view, behavior based on the perceived impact of an external stimulus undergoes a transformation from "crisply perceived, intensive and immediate local values to hazily perceived, less intensive, long-run global responses to stimuli with the passage of time." A feed-forward of values leads to lagged responses that become more diffuse and socially responsive at macro levels as the initial stimulus recedes in time.

CONSUMER CHOICE IN CRISIS

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One of our most cherished rights in the United States is the right to spend our consumer dollars as we see fit. This freedom of choice as consumers is deeply embedded in our social, political and economic way of life. Yet, in an advanced economy of relative affluence, this freedom of consumer choice must be reexamined, as in growing numbers of instances it leads to reduced individual and societal quality of life. Although it has been long recognized that individual consumers may freely choose a consumptive pattern which seemingly to others has a high probability of negative effects (auto racing, smoking, etc.), the right to make such choices has been staunchly defended by most marketers. After all, it is the individual's own well-being which is at stake is it not? And in that miraculous calculus to which only the individual is full party, are not the costs, benefits, and risks weighed and netted out?

In a technologically advanced society the answer to both of these questions is often no. In the first place, individual consumption decisions almost always affect the well-being of others in addition to the well-being of the chooser. In the second place, individuals rarely know the full probability or extent of negative consequences related to the purchase decisions. These two assertions, if valid, cast shadows on the social viability of our market system. Thus, it is important to explore their validity.

THE ROLE OF INDIVIDUAL CONSUMER CHOICE

In a nutshell, the thesis here is that two widely held assumptions central to the social justification of our market system are false.

in fact negatively affect others by their choices, then the supposed mechanism of the system which leads toward increased consumer satisfaction cannot function well, if at all.

From the Past to the Future

The fact that our market system (combined with our natural endowment, government and culture) has brought us to our current standard of living, certainly is testament that our assumptions have not been violated too badly in the past. However, we must remember that this service was rendered during the time when products were often simpler, consumption per capita was lower and needs more basic.

Hence, as we move from the past into the future we must deal with the complexity of higher order human needs and the increasingly bewildering techniques for their satisfaction, all while dependence on cooperative society deepens.

Surely our ability to cope has increased over the years, yet, it has not matched the pace of technical product advances and the specialization of knowledge [3, p. 62]. Thus, as we move through the present, the assumptions that worked in the past may no longer be valid for the future.

If our relative ability to judge our consumption is declining in terms of safety to ourselves and impact on others, then we can expect increasing inroads on our individual satisfaction over time - the very satisfaction that individual choice has delivered in the past through the market.

It is this transition which must be the focus of our concern. As surely as marketing has evolved from product orientation to a marketing orientation with its focus on individual need, marketing orientation will give way to a societal orientation. Recent discussion

receiver "to make a more intelligent buying decision after seeing the commercial than before seeing it," [17, p. 50]. In their study, Rensik and Stern found that just under half (49.2%) of the 378 TV ads analyzed had at least one informational cue. Over half had none. Possible cues were divided into fourteen categories relating to price, quality, performance, components or ingredients, availability, safety, etc. Likewise, 16% of the sample ads had cues from two or more categories and only 1% had cues from three or more categories [17, p. 52]. Research is lacking, but it is unlikely that other forms of advertising fair much better.

Even more conspicuous is the lack of negative information provided voluntarily. After all, it can hardly be expected that the very institutions that gain from the sale would of their own free will provide information which might decrease the chance for the sale. The fact that two-sided messages may in some cases enhance the chance of a sale does not seem to have penetrated the prevailing wisdom [8].

Finally, it has been noted that the gap between consumer ability and/or willingness to judge and the judgment needed for satisfaction and safety has generally widened over time. Yet, that is not to say that information in a useful form will be ignored. There is limited evidence that some segments of society vary in their intensity of search [20]. Further, there is evidence that consumers will react to information about product harm to some degree [11, 21]. However, even in these cases the complexity of the issues and the limited nature of the information subvert reasonable consumer reaction.

Thus, most consumers do not have either an internal or readily available external basis for adequate judgment of negative consequences of their purchase decisions. As a result, freedom of choice in the marketplace often does not protect the chooser from negative effects or

Hence, two points need to be made. First, that safety cannot be chosen if it is not offered by the producers of the system. Secondly, consumers have not encouraged the offering of safety attributes by their myopic beliefs in immunity from statistics. What in fact is occurring is that in the choice among alternatives, with a limited budget constraint, safety is generally traded off for more immediate benefits in time and benefits that have a higher probability of occurrence.

It is no wonder that producers who have to make the judgment as to whether safety will be a sufficient sales attraction to warrant inclusion have by and large avoided such non-marketable costs.

This avoidance has led to the present anomaly of the government stepping increasingly into the product safety area to require producers to protect consumers from themselves. This intervention is a recognition, in part, that consumers have a need for safety but that the operation of free choice in the marketplace does not satisfactorily provide for this need.

Problems of Dysfunctional Purchases

If we assume adequate information and availability for the minute, we may take our analysis one step further by recognizing that each product and service is a bundle of attributes. Each product bundle has negative and positive aspects which make the decision process complex if rationally analyzed.

Now add the fact that consumers are not single-minded and single-motivated creatures, but embody vague and at time conflicting criteria for product judgment. It turns out that because of the complexity of analyzing attributes, because of the time bias of the present, because of the belief that "it won't happen to me," many purchases end up with net negative effects on the consumer. The yoke of time payments, side

the alternatives? Reasonable information is a cornerstone of a free market. Its lack makes a mockery of any claims to social performance. Along with social appeal, image appeals and taste appeals, the Surgeon General's warning on cigarette ads and packaging provides some limited information for the public. Certainly some heed the warning while others do not. Nevertheless, those who do smoke at least know there is some trade-off between health consequences and their own pleasure, habit or whatever.

The second area of intervention is in fact a direct reduction of freedom of choice. It is necessary because of the rose-colored glasses used in consumer decisions. Where there is a significant chance of harm to the consumer, the consumer's decision should be constrained by regulation-planned, long-range regulation based on expert rather than individual counsel.

These suggestions have been put into limited practice in the United States with the outcome confounded by political and bureaucratic ineptness. Nevertheless, the concept of reasoned regulation applied to the freedom of choice remains an essential cornerstone to the social performance of the marketing system.

Some will not like the implications of these interventions, but then some are not interested in the social performance of the system. If consumers do not know the full negative effects of their decisions on themselves then help does not seem too oppressive.

Thus far, we have only discussed the direct effects on the individual of individual choice. The indirect effects on the individual and the effects on others are more severe and more troublesome. Thus, it is time to turn to the area of greater concern and danger.

This destruction of the psychic value of possessions is inherent in an acquisitive society and is in addition an unavoidable by-product of technical advances. The benefits of the advances may well outweigh the losses of consumer capital if changes in products embody real and significant utility. However, there is no guarantee of significant technical change in a situation where consumers cannot judge the improved utility. As has been pointed out, this situation will be increasingly the case. Thus, the danger exists of substituting increasing amounts of cosmetic change and persuasion for technical innovation.

In essence, consumers will increasingly enter on a consumption treadmill where the pace of consumption increases proportionately faster than their perception of the quality of their life. Consumers have become better off over time by their own perceptions, but not at the same rate as their expenditures. Not only does the choice of individuals effect others directly but the aggregate of all consumers on the treadmill effect the cultural values of all. We have not argued here that physical harm is done by this process though a case could be made for an increase in mental discomfort and illness due to the frustrations and failures created by this pattern of consumption. However, the treadmill of consumption does indeed have negative effects on the individual's physical quality of life in both the present and the future. We shall now turn to those negative effects.

Problems of Present Compulsory Consumption

Thus far, we have seen that often we as individuals neither have adequate information on side effects, by-products, and ingredients, nor do we have the knowledge to handle such information. Further, we consume ingredients where there is no choice offered. Many preservatives, conditioners, and contaminants in food fall into this category.

consumer choice falls woefully short of protecting the health and well-being of consumers from these by-products of consumption.

Problems of Future Compulsory Consumption

Even more serious than the present effects of consumer choice are those which can be seen on the horizon. The first effect on the future is an extrapolation of the pollution argument of the last section.

Not only does pollution affect current consumers but it affects future consumers as well. Unfortunately, much of the polluting effects of individual consumer choice compound over time to haunt them and their descendants' future. Even though at that future time they add only a small portion of the pollution. Further, current pollution may lead to future clean-up costs. Experience thus far has shown that the clean-up cost is usually many times the cost of preventative action at the pollution's source. There is no question that as current consumers ignore environmental consequences of their actions, they are also reducing the quality of life of their remaining years and of future generations as well.

Even more frightening is the notion that environmentalists have been suggesting for years - the notion that our life support system has a threshold for pollutants and simplification beyond which it cannot maintain its functioning and existence. The question is not whether there is such a threshold but at what point of man's interference will it be crossed [6, p. 6]. It would be a sad legacy if we allowed individual consumer choice to drive us beyond that point.

The second effect on the future is the opposite of the pollution problem. It is compulsory consumption because of scarcity--resource scarcity. What is consumed and not recycled is by and large lost to the future. Wroe Alderson did not quite complete the consumption process when he described marketing as the taking of resources from hetero-

What has changed is the circumstances in which consumption takes place. In the first place, expanding population increases the aggregate effects of all consumers' actions taken together. In the second place, in developed economies, the average affluence of consumers has increased such that the volume of consumption per person and its character accentuates the direct and indirect effects of individual choice on the individual and on society. In the third place, the technological expansion of the industrial revolution has accentuated the negative consequences of individual consumer choice while confounding the choice process itself with complexity. What was not seen as problem during the development of marketing thought, has now been thrust to the fore by circumstance. It would be folly to ignore the effect of such monumental changes on the basic concepts of the market system.

This is not to say that consumer choice should be abolished. Rather it should be treated as a privilege rather than a right. It is a privilege to choose individually our expressions of our self and the means of the satisfaction of our needs. It is ludicrous to argue that we have a right to choose in ignorance, consumption which harms our quality of life and in self-myopia, or selfishness, consumption which harms others. Therefore, we must adjust our thinking from the right of free choice to the privilege of choice in the marketplace. A privilege which must be carefully guarded and exercised such that misuse does not destroy its effectiveness. If consumers themselves do not recognize the limitations of the privilege to choose, then unfortunately it must be protected by the theoretical will of the combined public - the government.

There are a number of suggestions which have been made to constrain the irresponsible use of consumer choice. Some of the more prominent

This article has attempted to point out that one inhibitor to advancing quality of life in our society relates to the nature of free choice combined with the economic development level of the United States. Therefore, what is needed is not less regulation, that would expose us to greater dangers, but an orderly and efficient process of regulation based on long-range planning. Inherently, organized and orderly planning is more compatible with free enterprise efficiencies and strength in our advanced economy than is its absence. We must get used to the idea that long-range planning is important in the protection of our privilege of choice.

Whenever long-range planning is mentioned, the question arises as to who's wants, needs, values, and interests will guide the planning. This question misdirects our attention however. Our attention should be focused on how to involve the various interest groups of society in the planning process rather than dismissing planning as a tool of some unknown interest group. The fact of the matter is that interest groups already exercise influence in many ways in our society [7]. The danger is in the lack of balanced input of the interest groups, not in planning as a vehicle for coping with the constraints facing society.

The initiation of such fundamental planning seems remote, yet, the alternative of crisis response seems to run the high risk of restriction and deterioration of the quality of life of the consumer. It is only if we realize these risks and promote a focus on the fundamental dangers of free-wheeling choice that we can preserve responsible use of choice as an allocative mechanism and as an expression of the individual. In essence, our dilemma is that to maintain over time the privilege of consumer choice, we must constrain its exercise. Our way of life and even our survival may depend on it.

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THE ROLE OF MARKETING INSTITUTIONS IN CONSUMER ALIENATION:

A NEGLECTED SOCIAL EXTERNALITY

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INTRODUCTION

Marketing has been described as both a technical and social process. The technical process has to do with the assumed universality of marketing technologies such as turnover rates, economies of scale, product and pricing strategies, etc. It focuses on activities of marketing institutions. The social process consists of the interactive behavior of individuals involved in marketing activities, and it centers on roles and expectations of both marketers and consumers [2]. At every stage of development, a market system relates to its environment through social roles played in a prescribed socio-cultural context; the institutions that compose the market system are an integral part of the technological level of that environment. Development of a market system requires both social and technical adaptation to and from its environment.

By focusing on changes in the functions performed by marketing institutions, the technical performance of a market system can be estimated. That is, various measures of productivity and efficiency (such as marginal analysis) can be used to assess performance in the application of marketing technologies. However, it is more difficult to measure performance of marketing as a social process. No systematic method is available for measuring the effectiveness of the social roles that a market system plays. Consumer satisfaction might be a surrogate indicator of such performance since it summarizes consumer evaluation of both social and technical processes. Satisfaction is based on interactive behaviors and role expectations as well as technical performance.

in a market system, it is unlikely that product feature or variety preferences can be expressed directly to original sellers or producers.

One of the possible effects of market system development is the alienation of consumers. That is as the functions that marketing institutions perform are changed, so are the roles, behaviors, power and expectations of marketers and consumers. Consumer expectations about those relationships may result in alienation from the system due to interaction between expectations and social/technical performance of the system. Therefore, one measure of social performance is the nature of expectations about the exchange process and products of exchange. Higher development levels in a market system may generate more or less consumer satisfaction irrespective of technical performance. The manner in which system development interacts with environmental changes (such as income distribution) and attitudes and behaviors in the marketplace, is the subject of interest. This paper proposes a preliminary model of those interactions as a social externality of market system development. While consumer alienation is an inherently micro process, at a general level it has macro effect on expectations of the market system. Before expanding upon this hypothesis, however, it is important to define concepts in alienation and to tie these to the theme of marketing as a social process.

ALIENATION FROM THE MARKETPLACE

Sociological alienation, its causes and effects, have been an important focus of modern sociology [3, 4, 7, 8, 11, 12, 13, 17, 20, 21, 22, 23, 27, 28]. However, the sources of alienation as experienced by the consuming public have only briefly been described in marketing literature [1, 9, 14, 15, 24, 25, 29]. Differentiation must be first

lowered expectations, and/or the tendency to manipulate power through alternative channels. The apathetic consumer is disinterested in modern marketing technologies and tends to accept exploitive marketing techniques [13]. Aaker and Day hypothesized that when consumers do not understand what the source of their dissatisfaction is, that they simply assume they expected too much [1]. Shoplifting, boycotting, consumerist organization, riots, and looting are other forms of seeking redress for feelings of marketplace powerlessness.

A change from traditional market systems, where price is mutually bargained for by buyer and seller, to modern market institutions with pre-determined prices, has great potential for creating powerless feelings among consumers. The fatalism of peasants was contrasted in Kahl's measurement of modern values to the activism of those who have accepted 'modern' values. The activist element was most keenly detected among those who had "begun to taste the benefits of modern life but were not receiving enough of them quickly enough" [5].

Meaninglessness. Meaninglessness results when an individual's minimal standards for clarity in decision making are not met [22]. In the marketplace this refers to consumer beliefs that they cannot make purchase choices on the basis of information available. The quickening pace of technological change can frustrate even the consumer who seeks information for product decisions. Multiple product standards and brand proliferation may result in pressure for more product information. However, more information does not necessarily mean consumers make better choices [6]. Urbanization contributes to marketplace alienation by exposing rural migrants to complex urban marketplaces. Often, while product choice increases in developing market systems, the amount of information available through formal and informal sources does not; due to changes in the

outreach [10].

Consumer responses to feelings of normlessness range from lowered self-esteem to illegal or blackmarket consumer activities. A consumer experiencing anomie may make less demands on the market system because he feels he should not or does not have the right to redress. It is expected that the longer a culture and its members have had an urban-orientation, then the more that group will sense normlessness in market behavior. It is the complexity of modern life that precipitates feelings of normlessness and those feelings will be antagonized by "multiple definitions of proper conduct" in dualistic urban market systems [5].

Social Isolation. When an individual regards values and rewards of the dominant culture as having little or no value to himself, he experiences a sense of social isolation. Social mobility exacerbates feelings of social isolation by increasing distance from one's 'roots'. Urbanization places individuals in new social and community situations without parallels in their rural origins.

Social isolation from the marketplace manifests itself in feelings that social and cultural values as seen in products and market institutions or practices available do not apply. Market segmentation is a conscious method of designing marketing policies applicable only to certain segments within a market. Supermarkets use marketing techniques and assortments that are accepted by those consumers who have adopted other trappings and values of a 'modern' life-style. By the same measure, the urban middle and upper classes in developing countries patronize institutions of the modern market system and by doing so, distinguish themselves from those groups who patronize the more traditional public markets. Diversity of cultural values, as well as product and store offerings, increases the probability that any one group can feel socially

market systems change the social roles and positions of buyers. The resulting interaction affects the nature of expectations that buyers have about exchange in the market system.

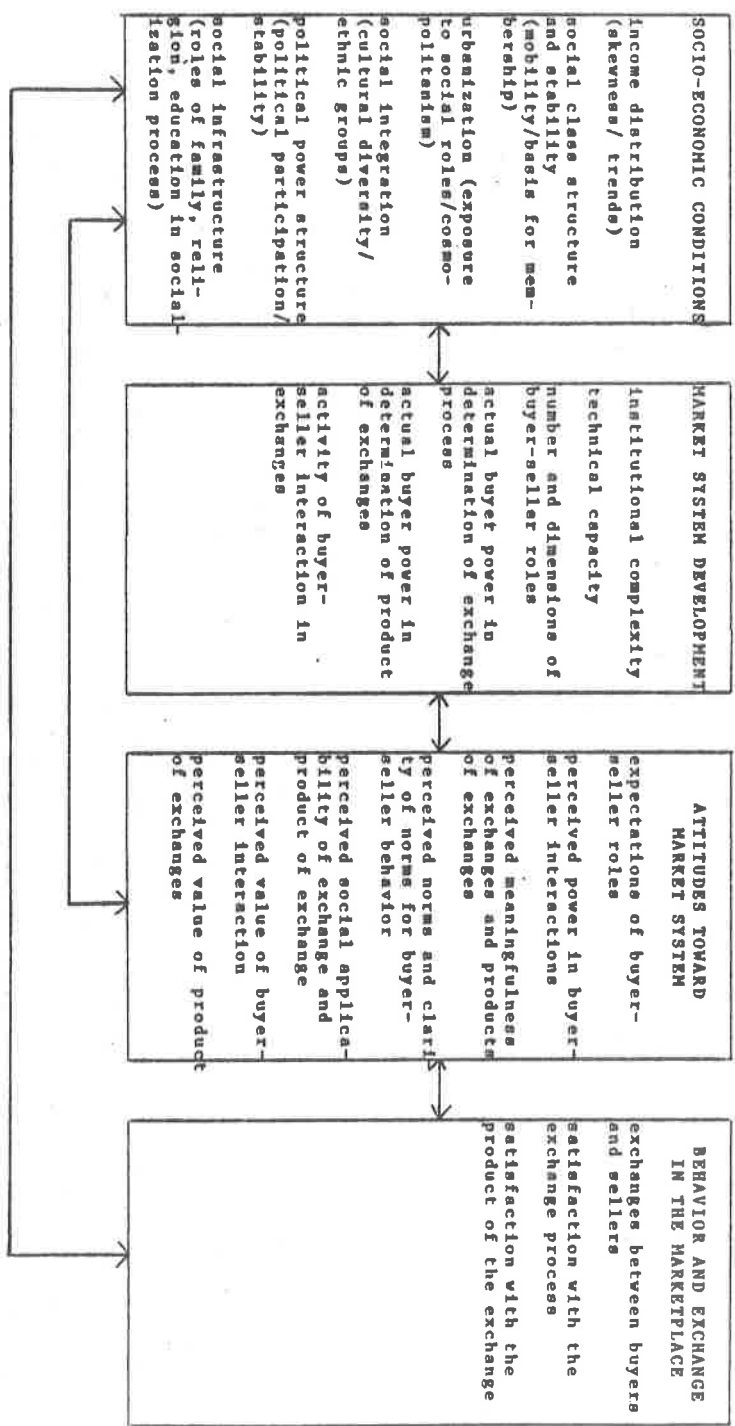
MARKET DEVELOPMENT AND CONSUMER ALIENATION

Increasing affluence in the developing world should give more persons a stake in society and acceptance of the changing values, institutions, and environment. The problem however with this hypothesis is that increased affluence is usually accompanied by increased aspirations and expectations. While this effect has been illustrated by the integration and resulting demands of minorities and other disadvantaged groups in the United States, it is not a process unique to the development of our culture or institutions. In developing countries there has been a marked increase in the expectations of urban migrants to improve their economic condition, among other expectations. The market system is particularly vulnerable to these higher expectations because it provides so much of what becomes a definition of life-style: the goods we consume define what we are.

The marketplace is the principle arena in which social change is instituted. The introduction of new products (such as charcoal, refrigeration equipment, television, cars, etc.) has wreaked havoc on the social and institutional environments in the developing world. Dissatisfaction with or alienation from the marketplace has manifest itself in the U.S. in two areas very crucial to the heart of business life: increasing government regulation and consumer organization. In other countries, its most blatant expression (disguised many times by nationalistic fervor) has been the expropriation of foreign firms and an increasing role of public enterprises in the private sector. This is the

Development Processes and Consumer Alienation

FIGURE I



example to determine products available or to otherwise make the system responsive to their needs. Their expectations of satisfactory participation as consumers are high; yet the system is devised to best serve those who benefit most from the affluence of high levels of economic development.

The social conditions within developing societies many times result in what is described as dualism--modern and traditional ways of life existing side by side. It is those persons who cross over from traditional to modern economic or social systems who theoretically will be most alienated from the market system. These are the persons who make the move from lower to middle class, usually rural to urban migrants. The traditional, close relationship with marketers and/or self-sufficiency no longer are satisfying to their 'role expectations' and they are still not totally comfortable with the impersonal behavior, products, and ways of buying which are expected to satisfy them as middle class consumers. Figure 2 represents the schematic relationship between development and group with most potential to be alienated.

FIGURE 2

		LEVEL OF ECONOMIC DEVELOPMENT		
		Under-developed	Developing	Developed
Social Class Group	Lower Classes			high alienation
	Middle Class		high alienation	
	Upper Class	high alienation		

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MEASURING MACRO-MARKETING EFFECTIVENESS:

CONCEPTS AND ISSUES

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Since the early 1960s marketing education and research have focused on micro-descriptive issues [4]. There has been considerable research into marketing management decision making, including the development of rather sophisticated quantitative measures of performance. Measures of marketing effectiveness have centered on corporate profitability and consumer satisfaction. Marketing concern during the 1970s, however, has shifted from narrow concerns for consumer satisfaction to broader concerns for social satisfaction, i.e., to macro-marketing issues. The growth of consumerism, environmentalism, and other such movements illustrate that trend. Macro-marketing seminars were held in Boulder, Colorado, in 1976 and 1977 [7]. Participants in these seminars identified needs for developing a taxonomy of macro-marketing, extending concepts and theory and creating approaches for measuring macro-marketing effectiveness.

This paper will develop a framework for understanding the problems of macro-measurement and offer some suggestions for implementing macro-marketing measures.

A MACRO-MARKETING DEFINITION AND IMPLICATIONS FOR MEASUREMENT

From the Second Annual Macro-Marketing Conference (1977) came this rather extensive definition of macro-marketing:

It is the study of intra-national and international exchange systems and includes: the structure, processes (flows), and power relationships within systems; the effects of exchange systems on various subsystems (e.g., government,

compared to the costs of systems that unite independent manufacturers, wholesalers, and retailers. As the focus broadens to national and international trade systems, the measures tend to be broader as well. For example, gross national product (GNP) is one measure of macro-marketing trade within a country and the international balance of trade is one measure of international macro-system economic activity.

It should be clear that macro-marketing measurement is closely tied to economic measurement in general. The major difference is that macro-marketing measures would separate the effects of trade agreements on the economy from the effects of governmental, political, technological, sociological and other economic influences.

WHY GNP IS NOT ENOUGH

One of the main issues today is the development of measures of social welfare. In the past the United States limited its focus to the welfare of the parties directly involved in the exchange process. In the aggregate, GNP was the accepted measure of performance and the notion of "standard of living" was applied to measures of an individual's or household's economic position.

Today, consumers in the United States and elsewhere are demanding a cleaner environment, better health care, improved educational systems, better quality housing, more of the "finer things of life" such as the arts, and more freedom, justice, and harmony. These issues fall into a category generally referred to as "quality of life" [6].

Quality of life measures attempt to systematically evaluate the impact of non-economic factors on social welfare. Although many equate "standard of living" with "quality of life," these are, in fact, quite different constructs. Standard of living emphasizes economic welfare

thoughts on each of these are presented next.

Definitional Issues. There is no generally accepted definition of quality of life and no consensus as to which social indicators should be used. Social scientists and those concerned with social welfare must reach agreement on the major constructs to be used in a QOL index before substantive measurement activities are undertaken. Marketers, because of their unique focus on the impact of exchange between the primary participants in the process, may be qualified to undertake at least a part of the definitional task from the macro-marketing perspective.

Scope of Coverage of QOL Index. The early QOL measures focused on the effect of business activity on the quality of life. However, city, state, and federal governments, agriculture, education, changing weather patterns and so forth often have an equal or greater effect. Methods must be devised or refined to measure the impact of these on QOL.

Components of the Index. Most QOL measures use several indicators of the effects of various and diverse institutions on the quality of life. For example, some indicators may cover health and safety while others deal with the status of opera and ballet. Because of the way such measures are combined into a composite index, and because the basis of cause and effect measurement is different among indicators, the contributory effects of each individual indicator are hidden, if not lost, in the composite. Thus it is possible that, for example, an increase in crime could be offset by progress in pollution control. Thus, methods must be found to "unbundle" the composites. Researchers and theorists will have to address this fundamental issue before public policy decisions can be based on the data.

This will also be true as individual corporations attempt to report the result of social audits [1]. However, as industry standards are developed, more quantitative data can be used. Subjective information will still be used to describe how and why certain programs were established and how they affect profits and customer satisfaction.

COMPARATIVE SYSTEMS

Each nation seems to be developing its own unique measure of NNW. The problem with such separate measures is that they preclude international comparisons of progress. This is especially true when the data are reported as composites. What is needed is an international conference on macro-marketing issues and measurement to reach some agreement on the indicators to be used, the criteria for evaluation, testing methods, and the form of the reports.

Presently one nation may pollute another by dumping wastes into a river that crosses national boundaries, by testing bombs that spread nuclear contaminants over other countries, and so forth. On the other hand, nations may enhance the quality of life of other nations by exchanging artists, technology, and other socially beneficial programs. International macro-marketing measures would reveal such benefits and hindrances of an overall quality of life. Furthermore, such measures could provide a firmer base for international cooperation in improving the quality of life. Many nations have signed economic exchange agreements, but few are as active in forming quality of life alliances.

Figure 1 presents a series of balance equations which relate national, international and global, economic and quality of life issues. When the column equations are used they present a framework for understanding how net welfare is developed as a combination of economic and

number of crops produced, distribution networks, etc.) or subsystems (e.g., complex channels of distribution such as those of large multinational firms).

Some people criticize the power and practices of large cartels and multinationals, but fail to point out the efficiencies and managerial strategy implications. Future macro-marketing measurement efforts must look at corporate as well as consumer satisfaction, including the need for corporations to compete and survive in a world economy. Similarly, future studies should measure the efficiency and effectiveness of huge consumer cooperatives, such as the farm cooperatives, and weigh the benefits against the potential hazards of such huge, integrated buying systems.

PUBLIC POLICY IMPLICATIONS OF MACRO MEASUREMENT

Governments of various countries must decide how involved they should be in the national marketing system. Currently government involvement ranges from heavy regulation (as in the United States) to almost total dominance (as in the U.S.S.R.). In between are various forms of government/business integration (as in Japan and West Germany). Government agencies must decide how much emphasis needs to be placed on macro measures of GNP and QOL. There are definite tradeoffs to be made between pollution control and capital investment in production facilities; protection of wildlife and the construction of more housing; greater spending on government programs in health, education, and welfare and more freedom for individuals; and so forth. Presently these decisions are being made without much research data to support them. Macro-marketing research which measures the cost/benefit tradeoffs among such programs would be invaluable to government decision makers.

measures need to look at the costs and benefits to sellers as well as to buyers (currently the focus is exclusively on buyers).

All nations should cooperate in establishing similar measurement techniques and exchange that data with others. The ultimate goal is to improve the world economy and the quality of life for everyone. Intelligent public policy decisions await the formulation of effective macro-marketing standards, procedures, and measures. Various statistical and behavioral measures may be used to analyze the data, but the first step is to agree on what is to be measured using what criteria. We hope this paper will provide some guidance in meeting this new challenge.

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MACRO-MARKETING AND QUALITY OF LIFE:
SOME ISSUES AND OPPORTUNITIES FOR RESEARCH

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Objectives, programs, products and conduct of institutions in private and public sector organizations, at an aggregate level, result in certain larger social conditions, e.g., quality of personal life, quality of environment. Some of those conditions may be in the nature of intended or unintended consequences; positive or negative externalities; economic or social conditions. Recent shift in emphasis from "quantity" - quantity of goods and services - to "quantity with quality" in planning and evaluating markets, communities and society [3, 4, 10, 17], gave impetus to the development of "social indicators" [25, 26], "social accounting" [16, 23], "social reporting" [18], "measuring the quality of life" [1, 2, 6, 7, 21], and "monitoring social change" [9, 13, 18, 21, 22]. The interest in these areas of study has reached the proportions and acquired the character of a "movement" [11, 23].

In this context, evaluating specific activities of organizations, in the light of the larger social conditions are important concerns of macro-marketing. A number of questions, however, persist in respect to the quality and character of the developments so far. Some of them relate to relevance and usefulness of the social indicators, accounts, reports, and quality of life measures to practical tasks of formulating, selecting, implementing and evaluating specific policies and programs

The author would like to thank Dr. L. Milbrath, Director, Environmental Studies Center, State University of New York, Buffalo, for making the data available for the purpose of this paper.

residential community may be associated with "lower quality of education and higher property taxes." Or, as another example, local zoning regulations may influence the character of the local neighborhoods. Those conditions characterize the market place, community, or society.

Following the typology provided by Andrew and Withey, each such condition may be delineated as pertaining to a life-domain (e.g., housing) and a characteristic of the domain (e.g., safety) [1]. An individual's satisfaction with each such condition, moderated by importance of the condition to one's personal life, may be related to personal quality of life and quality of the environment; quality of environment may be associated with personal quality of life itself. A schematic showing the framework is presented in Figure 1.

In relation to this framework, traditional marketing researchers focused on consumer satisfactions and dissatisfactions and related them to product or service characteristics (e.g., price, performance) and the specific ways in which the marketing organizations dealt with their respective customers prior to, and after the sale of their products [12]. The unit of analysis of such researches, by and large, was a product (e.g., residential housing) or a group of products or services (e.g., food items). However, relationships, if any, between the features or attributes of a market place, community or society, and consumer satisfaction or dissatisfaction remained unexplored.

Life-quality researchers (e.g., [1, 2]), on the other hand, examined the relationships between an individual's satisfaction with various elements of life environment (e.g., noise levels, privacy in home) and one's quality of life and quality of the environment. Thus researchers from different traditions examined different parts of the schematic in Figure 1.

As a step toward understanding the linkages between marketing activities and life-quality issues, and also to explore the roles the organizations may play in the life-quality area, a few findings from an empirical study are discussed in the remainder of this paper.

RESEARCH DESIGN

The data for the analysis and findings reported below was collected as a part of a larger study on perceptions of quality of life and a few related issues in Erie-Niagara region of Western New York. The study involved personal interviews with 1,021 residents of the region using a structured questionnaire. The research, among other issues, examined 44 aspects (listed in Table 1) of life-environment and each respondent was asked to evaluate the 44 aspects of the following criteria:

1. Valence

The degree to which each respondent was "pleased" with an aspect of the environment was rated on a five-point scale ranging from "most pleased" to "most displeased." The rating reflects the subjective evaluation of the respondent's "satisfaction" with the aspect of the environment.

2. Importance

The degree of importance of each aspect to the respondent's personal life was rated on a five-point scale ranging from "most important" to "least important." Again, the rating reflects the respondent's subjective evaluation on the aspect.

Each respondent was also asked to rate the quality of his or her own personal life and quality of the environment in the community as perceived by the respondent along a 9-point ladder scale where the bottom end of the scale represented "lowest quality" and the top end represented "highest quality."

Taking one element of the life-environment at a time (in Table 1) the valence and importance ratings given to the element were submitted to simple analysis of variance procedure treating the subjective rating

TABLE 1 (continued)

Element of the Environment	Perception	Beta Coefficient for:	
		Personal Quality of Life	Quality of Environment
20. Level of pride people have toward their community	Valence Importance	0.21	0.37
21. Control of dogs, cats and other pets in your community	Valence Importance		0.20 0.11
22. Your daily work	Valence Importance	0.29	0.14
23. Facilities for sewage disposal around here	Valence Importance	0.12	0.21
24. Level of crowding in your neighborhood	Valence Importance	0.16 ²	0.29
25. Level of traffic congestion in this area	Valence Importance	0.18	0.29 0.11
26. Freedom to live where you want	Valence Importance	0.20	0.29
27. Security of your home and property from theft and vandalism	Valence Importance	0.17	0.28
28. Quality of water for fishing in Erie and Niagara counties	Valence Importance		0.25
29. Neighborhood upkeep	Valence Importance	0.16	
30. Public water system around here	Valence Importance	0.13 ²	
31. Social problems in your neighborhood	Valence Importance	0.15	
32. Cost of living around here	Valence Importance		0.31
33. Variety and quality of products and services around here	Valence Importance	0.19 ²	0.20
34. Job opportunities around here -- general job market and not just for you personally	Valence Importance	0.11	
35. Overall weather (climate) for this area: consider the weather for the whole year	Valence Importance	0.15 ²	
36. Beauty and comfort of your home	Valence Importance	0.33 ²	0.24 ² 0.27

of personal quality of life as the dependent variable and valence and importance as "factors." In a separate analysis, the subjective ratings of quality of environment were analyzed using the same set of factors.

The results from forty-four analyses of variance runs along with simple regression coefficients showing the strengths of effects of valence and importance on the quality of life and quality of environment are presented in Table 1.

In continuation of the analysis the effect of perceived quality of environment on perceived personal quality of life was examined using, again, simple analysis of variance procedure. This time, quality of environment was treated as a "factor" and quality of personal life as a dependent variable. The results showed that perceived quality of environment has significant effect on the perceived quality of personal life. The simple regression coefficient relating the two variables was 0.21.

The results along with some of their implications are discussed in the next section.

SOME FINDINGS AND THEIR IMPLICATIONS

Each of the beta values in Table 1 is a measure of the strength with which the variable to which the value refers has an effect on the life-quality measure. The greater the beta value, the greater the effect of the variable on the life-quality measure. A path diagram showing the linkages between life-quality measures and a few selected elements of the life-environment are shown in Figure 2. Based on the findings, the following specific observations may be made.

Quality of Personal Life

Among the forty-four elements of life-environment examined, relatively, the following four elements have stronger effects on the

subjective measures of quality of personal life. The four are:

1. Standard of Living

Satisfaction with one's personal standard of living, without regard to the importance rating given to the aspect, has a very strong effect on the subjective rating of one's quality of personal life.

2. Beauty and comfort of one's home

Importance of and satisfaction with this aspect of one's life-environment seem to have a strong link to one's quality of personal life.

These two aspects relate to consumption style of the respondents. As such the marketing organizations, individually and collectively, may play a direct role in shaping and affecting the quality of personal life of the consumers or public in general.

In this context, a number of questions may be raised, each of which needs further exploring. Some of the questions are: What is a higher standard of living? How do perceptions of one's standard of living relate to certain objectively measurable conditions of living? What are a few micro-analytic indicators contrasted to macro-analytic indicators? What are the qualitative dimensions (e.g., safety, health) contrasted to the quantitative dimensions (e.g., consumption of energy intensive goods, unhealthy life styles) of the standard of living? What are the trade-offs that an individual may be willing to make to realize a "higher" standard of living? What are some of the attributes of a market place, community, or society which results in a "higher" standard of living? How can the marketing programs and actions contribute to a "higher" standard of living?

3. Family

The importance of, and satisfaction with family also has a strong effect on the perceived quality of personal life.

The family as a decision-making unit received a great deal of attention in marketing literature in recent years. Focus of

Quality of Environment

In contrast to the elements of life-environment which have strong effects on the quality of personal life, a number of other elements had a significant effect on the subjective evaluation of quality of environment. Since the quality of environment in itself has a linkage with the quality of personal life, the elements having an effect on the former are indirectly relevant to the quality of personal life. Four elements showed particularly strong effects on the quality of environment. Each of them is discussed below.

1. Air Quality

Importance of and satisfaction with the cleanliness of the air showed a very strong relationship with the perceived quality of environment.

This finding touches on yet another role of the marketing organizations, viz., the role as producers, the pollution problems associated with their activities, and the quality and nature of the products they bring into the market place (e.g., air polluting automobiles). The findings seem to confirm certain concerns which have motivated pollution control programs requiring the producing organizations to take steps to reduce pollution, and to clean the air in the physical environment. Clearly, the finding has implications for the technology used in production processes and the kinds of products which enhance the quality of life by improving the quality of the physical environment. There are several marketing, economic, and social consequences of the pollution reducing efforts (e.g., banning of certain "convenience" goods because they pollute the air). While the consequences have, indeed, been experienced in recent years, the trade-offs the public may be willing to make in order to improve the quality of personal life through such efforts, or the price they may be willing to pay for a higher quality of life, have not been systematically examined to guide policy-makers in private and public sectors.

2. Pride in the Community

Satisfaction with the level of pride people have in their communities was another element which showed a relatively strong effect on the quality of environment.

Private corporations as parts of a community or society, sustain and support economic and social well-being of the residents and often thrive on the local conditions. A few corporations, as integral parts of the communities in which they operate, therefore,

Some of the responses are in the nature of the primary responsibilities of the marketing organizations, e.g., raising the standard of living of the public; some relate to the management of the secondary consequences of those primary activities, e.g., pollution control; yet some other responses have to do with public responsibility of the organizations, e.g., promoting social cohesiveness in a community.

The specific tactics, i.e., programs and actions, for achieving those results, or the specific features or attributes of the market place, community, or society which may result in a higher quality of life, however, need exploring.

Along the same lines, how the forty-four elements of the life-environment may combine, in a multivariate scheme, to affect the quality of life has not been examined in this paper. The net effect of each of the elements on the life-quality measures, therefore, is not clear from the findings.

Finally, in continuation of research of this nature, a more specific set of elements of life-environment may be examined to evaluate marketing activities in a larger social context and also to develop some indicators of consumer well-being in the market-place.

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EXTERNALITIES OF RETAIL TRADE

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This paper is a very tentative attempt to identify the noncompensated benefits and burdens that retailers confer upon and impose upon others. The affected publics may be considered as falling in three concentric circles. Innermost are the retailers' own customers. Next, are the people who shop in the store but do not buy anything. Retailing is somewhat unique in comparison to other segments in that merchants frequently render considerable direct service to noncustomer patrons. The outermost circle is composed of the general public.

Retailers purchase both factors of production and finished goods and sell goods and services. Their efficiency in performing these tasks may be the most important social, as well as commercial, question concerning their operations but we will be concerned here with other things. We will, for example, pay little attention to retailers' direct influence on factor prices although it can be considerable. No attention will be given to the question of whether any retail exemptions to the wage and hour law constitute exploitation or opportunity for marginal workers. Similarly the question of differential rentals in planned shopping centers will not be examined and no attention will be paid to the question of whether large stores are subsidized by their smaller competitors. Currently, the Senate Small Business Committee is investigating allegations that large retailers helped manipulate price reporting services in the meat industry to the detriment of other participants in the food producing and distribution segments, but that unresolved question is also outside the scope of this paper.

patronage leverage to solicit support for many diverse applicants. Third, the store's consumer-oriented merchandise and facilities are often considered especially suitable for public fund-raising efforts. One large retailing firm, the Dayton-Hudson Corporation, now publishes an annual report of its major gifts. Few retailers, however, publicize their entire list of major and minor contributions, in part perhaps because of fear of engendering additional requests. The writer has served as a judge in a contest to recognize merchants' community participation and has been astonished at how much money and effort some stores have contributed.

Some retail donations involve no significant cost burden or, at the most, use up some probably otherwise poorly-employable opportunity costs. This condition applies to donations of a meeting room when it has no scheduled business use, of aisle space for a fund raising table, of merchandise that has lost its saleability, of marginal employee time, or the incorporation of a charity symbol in the store's print advertising. Occasionally, social and commercial purposes may be combined, as in the case of a charity benefit fashion show presented to a group of affluent potential customers.

To the extent that donations are treated as expenses that raise prices, they constitute transfer payments from customers to the beneficiary organization. If they reduce taxes they switch some transfer payments from the governmental to the private charitable sector and if they reduce profits they are of course actually donations from the storeowners.

Measurement and Improvement. Measuring those retail donations that are susceptible to financial valuation through an analysis of income tax returns or by sample survey presents no great conceptual

calculated by applying typical media advertising-nonadvertising time or space ratios to total estimated print and broadcast expenditures after adjustment for local-national rate differentials. Any increase in the subsidy would probably be dependent on an increase in total retail advertising, since raising the subsidization percentage would tend to either reduce the volume of retail advertising or force it into other media such as handbills and direct mail, which present environmental problems.

INFORMATION AND ADVICE

The general nonmerchandise informational and advisory role of retailing seems to be inversely correlated with the level of economic development. In many cultures merchants have the prestigious but precarious duty of serving as links between the inward looking peasant society and the outside world. They interpret legal documents, write letters, find jobs and housing, and furnish advice on domestic relations for their patrons. This phenomenon has been noted in Africa, the South Pacific, pre-industrial Europe, the settlement of the American West, on Indian Reservations, and among Spanish speaking ethnics in U.S. cities. The store keepers naturally fostered the economic advancement of their clientel insofar as they perceived an opportunity to participate in that advancement. However, they also at times discourage progress that would increase their customers' economic outreach and thus destroy locational monopolies.

Although there are some exceptions, e.g., the travel direction services of gasoline station attendants, more affluent and extroverted cultures usually confine the retailers' advisory powers to the merchandise spheres in which they operate. Within that limitation, some retail

MERCHANDISE INFLUENCES

Much less is heard today than in the 1950s about J.K. Galbraith's Theory of Countervailing Power [1], which held that large retailers exert valuable downward competitive price pressures upon merchandise suppliers. It may be argued that this power was normally applied only against small and weak suppliers and Galbraith himself felt that the theory was inapplicable during periods of high demand combined with inflation since all parties would simply pass price increases on to the consumers. Nevertheless, the idea contains a germ of truth. Retailers who use price appeals constantly do exert backward pressure on supply markets. The current volume of imports from low cost manufacturing areas, such as Taiwan, is one manifestation of this force. However, considerable debate exists about the desirability of a high importation level and as to whether the savings in merchandise costs are not absorbed by higher margins and importation expenses. Retailers who buy and sell at low prices presumably lower the prices paid and charged by their competitors.

While countervailing power presumably improves the values offered to consumers, other retail merchandising practices are often blamed for reducing long run consumer well being. The criticisms include both a general charge of fostering materialism and specific rebukes for such practices as featuring high sugar content cereals and displaying candy bars where children can see them.

Part of the problem is that neither critics, consumers, nor merchants, are unanimous in their evaluations of what should and should not be sold. Alcohol, tobacco, marijuana, novels containing four letter words, imported goods, junk foods, patent medicines, energy-consuming appliances, and other debatable items all have their friends and their foes. Some years ago the British Consumer Cooperative Society lost

these divertissements although it might subsidize considerable entertainment on other TV channels.

As Tauber [4] has pointed out, other and perhaps more important recreational satisfactions result from the shopping and buying acts themselves. These include sensory pleasures obtained from the merchandise and the shopping ambiance; the kinesthetic joys of moving about the retail establishment; the sense of command over goods and services; and the possible social interaction with sales staff and other customers. Shopping may compensate for some of life's many frustrations. Longitudinally, we have always assumed that the ratio of congenial to instrumental behavior in shopping declines with economic development, but paradoxically, stores that cater to high income clienteles are often designed to maximize the congenial aspects of shopping. Some of the pleasures, such as sheer joy in acquisition, are relatively independent of the distribution methods. Others, such as the social interaction in party plans are maximized through non-store retailing. Some are available to shoppers, others confined to purchasers.

Measurement and Improvement. Consumer surveys seem the only practicable way of measuring the recreational content of shopping. Public authorities may occasionally stimulate development of pleasure-intensive types of trade, such as rows of craft shops, but any major change in recreational content is dependent upon competitive developments.

ALIENATION

We do not know how much unhappiness stores cause among those who cannot afford their offerings or among those who feel rebuffed by the formality of some of the more elaborate establishments. The poor, the elderly and the handicapped may feel frustrated by their inability to

but there is some evidence that active retail facilities do contribute to total security.

Successful retailers tend to raise property values, and hence property taxes, in their vicinities. They pay considerable property and other taxes of their own. (A recent Congressional study showed that the effective rate of income taxation upon large retail corporations was considerably higher than upon other more capital-intensive industries.) In return, retailers require a considerable volume of public services although they tend to purchase some security, sanitary, and other such work from private contractors. Whether taxes paid equal or exceed the services received is a difficult question of social accounting beyond the scope of this paper. Retailers believe that they do and such a situation would not be surprising under a philosophy of progressive taxation.

The physical environmental impacts fall into two categories. First, there are the effects of the retail buildings and their adjacent facilities, such as parking lots. Do they improve or injure the landscape; do they adversely affect the water table; do they overload the sewage system; do they consume inordinate amounts of energy; do they occupy space needed for other social purposes? The stores themselves may be quite attractive or they may be visually repellent. Abandoned shops and parking lots create special esthetic problems. The second set of questions concerns the traffic the stores generate. To what extent do they overload streets and public transportation facilities? What fuel consuming travel demands do they generate? Moyer and Hutt [3] comment on the extra volume of truck traffic required by deliveries to an atomistic retail system. Nevertheless such a system undoubtedly reduces consumer travel in comparison to a non-retailing system that would require visits to numerous suppliers and in comparison to a

CONCLUSIONS

The comments to this point suggest that retailers have been primarily reactive rather than proactive. They seem perhaps to have assumed advisory and recreational functions on a *faute de mieux*, lack of anything better, bases, and then relinquish them when other agencies appeared to perform the work. Yet, the experience of late 19th century American mass retailers in reorganizing production distribution channels, the current consumeristic activities of some chains, and marketing models such as those advanced by the LAMP project, show that retailing can be the source of many societal benefits as well as some social costs.

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UNIVERSAL PRODUCT CODE: VISIBLE OBSTACLES, HIDDEN BENEFITS

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While hailed as one of the most significant innovations in distribution in the last half century, some experts contend that the Universal Product Code (UPC) scanning system is in jeopardy at this early stage in its life cycle [15]. Indeed, the rate of adoption of this technology is well below industry projections. At present, less than one percent of the supermarkets in the United States are equipped with UPC scanners [12]. Since its inception, the technology has spawned controversy and debate. Consumer groups, labor unions, trade associations and legislators at all levels are among the diverse publics that have participated in the debate. The heated and often emotionally-charged debate placed many potential adopters in an uncertain and hesitant state.

The intensity and focus of this debate points up the need for carefully examining the UPC scanning system from a macro-marketing perspective. Thus, the central purpose of this paper is to trace the recent history of this technological innovation and to examine the social externalities of the UPC system. To accomplish this objective, first, a brief discussion will be presented of the controversy which encircles possible alterations of the consumer's information environment. Here attention will center on the issues that have been raised by consumer representatives and policy-makers. Second, available research examining these issues will be reviewed. Third, the potential impact of the technology on distribution productivity will be explored. In addition to altering the consumer's information environment, the UPC scanning system dramatically changes the information environment of marketers. The case history of the UPC scanning system illustrates the complex environmental forces that

Several cities, such as Chicago, have passed such legislation while court actions have been initiated in others. Item pricing legislation has also been considered at the federal level at various points during the evolution of the scanning technology.

The legislation debate centers on the possible impact of item price removal on the consumer information environment [16]. Particular attention is devoted to three facets of the shopping experience: price determination ability, price awareness, and ability to comparison shop. First, consumer representatives contend that the removal of individual item prices will make it more difficult for shoppers to determine the price of individual items while shopping in a UPC store. Likewise, they argue that the consumer will lose a valuable source of price information by being unable to refer to the prices of previously purchased items at home. Thus, the consumer will become less sensitive to price changes from week to week. Industry representatives counter that the consumer will be able to operate as efficiently and effectively in the UPC store environment. In addition, advocates of the system contend that the more complete register tape is a valuable source of information for the consumer.

Second, consumerists contend that item price removal will seriously retard the short- and long-term price awareness of shoppers. Consumers will be less alert to price trends and price levels. In response, advocates of the system argue that consumers will easily adapt to the new shopping environment and maintain or increase their sensitivity to prices through a new accurate and more complete register tape.

Third, critics argue that consumers will find it more difficult to make price comparisons in the UPC prices-off environment, thus increasing their shopping time. In response, industry representatives argue that

system shoppers and their conventional store counterparts. UPC shoppers exhibited less correct price determination ability than conventional store consumers both in the store at the point of purchase as well as in the home environment.

Drawing upon past research, two dimensions of price awareness--short- and long-term--were examined in the study. For the short-term measures, personal interviews were conducted with shoppers in both store environments and information was solicited concerning items purchased on that shopping trip. A broad cross section of product categories was represented. Shoppers in stores employing the UPC technology were in error more frequently and by a larger margin than conventional store shoppers. The longer-term measure of price awareness was examined in a longitudinal phase of the research. Significant differences between the two types of shoppers were lacking or were only marginally present for selected measures of long-term price awareness. However, UPC shoppers were inaccurate more frequently and erred by a larger margin than did conventional store shoppers on a few of the long-term price awareness measures.

The third element of the consumer information environment examined in the study concerned comparative shopping behavior. The removal of item prices appears to influence selected dimensions of comparative shopping. For example, UPC shoppers made less frequent price comparisons than their conventional store counterparts. The differences were statistically significant. Such results might be expected in a new informational environment and may change as the shopper adapts to the new system. For other facets of comparative shopping behavior, such as the frequency of comparisons made across food category substitutes, differences between the two types of shoppers failed to emerge. Interestingly, the time required by shoppers to complete purchasing tasks was

HIDDEN BENEFITS

From a macro-marketing perspective, the innovation serves to illustrate an important trade-off that often emerges in a marketing system. On one hand, the system may pose certain problems or "costs" for consumers by altering the information environment. On the other hand, the innovation improves the marketer's environment, thereby offering the potential for improved distribution efficiency and lower prices. The visible obstacles surrounding the UPC scanning system have overshadowed many of the benefits that stimulated the initial interest in the development of the technology. These benefits are usually classified as either hard or soft. Hard benefits can be directly measured and easily translated into direct cost savings. Hard benefits from the use of the UPC scanning system include decreased labor cost through increased checker efficiency and, of course, through the partial or complete elimination of item price marking. Other hard benefits include increased checker accuracy, better cash control and easier end-of-day balancing [10].

The soft benefits stem largely from improved marketing information. These benefits include point of sale item movement data, advertising analysis, new item performance analysis, and price management. Additionally, inventory management benefits include better shelf space allocation, reduced out-of-stocks, and refined inventory reordering plans [10]. As experience builds, other soft benefits are emerging. For example, one chain has successfully used UPC-generated data of selected stores to forecast sales for their entire division [6].

In a prophetic article, Gordon Bloom and Ronald Curhan predicted that early adoptions of the scanning technology would be based on hard savings but that the long-term contribution would be derived from soft benefits that will more radically affect the industry [1].

TABLE 1
 ATTRIBUTES OF INNOVATIONS
 RELATED TO THE UPC SCANNING SYSTEM

Attribute	The UPC Scanning System
<u>Relative Advantage</u>	Uncertainty surrounds selected hard benefits. Soft benefits emerging in importance.
<u>Complexity</u>	Significant training requirements for full utilization of technology. Potential applications somewhat fuzzy. Heavy information load.
<u>Trialability</u>	High start-up cost. Adoption limited to multiple units (e.g., all checkstands in one store).
<u>Observability</u>	Actual performance results are available, but are often sketchy and even controversial.
<u>Compatibility</u>	Early resistance to UPC scanning system by consumer and labor organizations. Legislative response.

First, what is the relative advantage of the UPC technology over present methods or existing options? Technology offers the potential for improving productivity in food retailing. For several decades, food retailers have faced increased operating expenses, which have been primarily caused by the rise of labor cost relative to productivity. The accuracy of cost benefit assumptions is pivotal in the adopter's evaluation of the relative advantage of the innovation. The cost of equipping a ten-checkout lane store with the scanning system is in the vicinity of \$130,000 [12]. This capital requirement multiplies as more stores in the firm's operation are brought into the system. The large investment requirement coupled with the uncertainty surrounding the benefits has led some retailers to adopt less expensive electronic cash registers that could be equipped with scanning devices at a later date.

legislative response. The item price removal controversy emerged as a visible obstacle with the first commercial adoptions. In retrospect, some industry analysts contend that the interface of the consumer with the new shopping environment was not given adequate attention early in the development period [4].

Any significant change in the consumer information environment, such as adding information or retrieving information (item price removal) requires systematic and continuing research attention [3, 8]. The exact nature of learning and adoption of the consumer interface with the new environment cannot be assessed at a single point in time or over a short time period. Future research is needed to resolve these questions and, importantly, to indicate whether the present legislative responses are on or off the mark. Legislative actions can be premature.

While many of the productivity benefits of the UPC technology have been overshadowed by more visible issues, significant applications are beginning to emerge that may likely become the most important component of the technology. Like consumers, marketers also require a period of time to adjust to a new information environment. The UPC technology offers the marketer the potential for satisfying consumer needs more effectively and efficiently. With timely scanning intelligence, a chain can build a product mix for a particular store that reflects neighborhood preferences. In terms of efficiency, even marketing's strongest supporters admit to waste in existing methods of distribution and yearn for improvement. While the UPC system offers important productivity improvements, critics argue that the savings will not be passed on to the shopper. Others, however, counter that lower consumer prices will result because of the competitive nature of food retailing and point to scanning as "one of the private sector's most potent inflationary weapons"

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A FOOD-WELFARE MODEL:
AN OBJECTIVE FUNCTION FOR EVALUATING
COMMERCIAL FOOD MARKETING CHANNELS

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INTRODUCTION

"The essence of marketing is a transaction--an exchange--intended to satisfy needs or wants" [20]. Basically there are two schools of thought as to types of needs or wants marketing can help satisfy: private needs and public needs. (See Figure I). There also is a division as to types of marketing: micro-marketing and macro-marketing. Micro-marketing has been defined as a concern with "behavior and characteristics of individual actors or attributes of single marketing activities" while macro-marketing relates to "networks of relationships connecting marketing actors" and "societal patterns or systematic relations among marketing actors" [2]. Often marketers associate private needs with micro-marketing and public needs with macro-marketing as if they were mutually exclusive categories. Instead, both micro and macro-marketing deal with the satisfaction of needs that are frequently both private and public, or at least have the potential to be interactive. This paper deals with a need that is both private and public--an adequate food supply for the population of a nation. This is both a micro and macro concern, as societal planning and impact analysis needs to examine the activities of individual marketing actors. Additionally, this paper presents an argument for using food supply

adequacy assessment as an objective function for evaluating commercial food channel performance.

Psychologist Abraham Maslow argued that man's basic needs must be fulfilled in order to remedy "gross deficiencies necessary for survival" before man can attain a higher order need [9]. Maslow identified two distinct types of needs: 1) "basic needs" which consist of food, love and security, and 2) "metaneeds" which consist of justice, beauty, goodness, and unity. The "basic needs" must be fulfilled before a person can be concerned with "metaneeds." Both sets of needs are innate and must be satisfied if an individual is to be healthy. A need which is left unfulfilled results in "alienation, anxiety, resentment, distrust, and pessimism--the metapathologies" [10].

Of the basic needs, FOOD is certainly elemental. Without a sufficient and nutritionally adequate supply of food, efforts on the part of the population to produce industrial products, consumer products, and even agricultural products will not be optimized. Less than adequate food supplies, as measured by nutritional standards, not only inflict economic pains, but other more insidious social costs are experienced as well. (The relationship between food and the wallet is cyclical. Insufficient funds lead to insufficient food which results in insufficient economic activity which helps lead to insufficient funds. The cycle feeds on itself.) Lack of sufficient types and amounts of nutritious food-stuffs leads to poor pregnancy outcomes and high infant mortality rates. (Pregnant or lactating women and pre-school children are usually the food vulnerable in developing countries, which has a tremendous impact upon the entire society.) Health standards also suffer if an inadequate food supply is experienced, with an increased susceptibility to infection occurring. Common and ordinarily benign infections become killer diseases

operation inefficiencies in the food system. (For example, inefficient channel members, insufficient agricultural production, or lack of adequate infrastructure.)

A "food system" is the combined activities that provide nutritional as well as aesthetic and ritual uses of food to the human population of a society or community. Food systems are thus part of the general economic and social system [19]. As such, the effective functioning of a food system is a necessary but not sufficient condition for the economic and social health of a nation. In any such complex system inequities are inherent. The alleviation of such inequities may be a "national purpose" which may be contributed to by marketers [18]. This paper presents an objective function which may be used to help measure marketing's contribution toward the achievement of one social goal, food sufficiency for the population.

FOOD SUFFICIENCY

Food sufficiency is a function of the entire food system. The major components of a food system include: the Commercial Food Channel; Direct Consumption which includes on-farm, trade, barter, and theft; Public Food Channels; and Donated Foods. Food production per se is distributed either directly as Direct Consumption or returned through one of the other components.

Relation I

food sufficiency = f(food system)

food system = f(Commercial Food Channel; Direct Consumption;
Public Food Channels; Donated Foods)

therefore, food sufficiency = f(CFC:DC:PFC:DF)

tribution cost "too much" prior to the turn of the century. Later, Stevens was concerned with the impact of unfair methods of competition, while Clark was defending advertising and channel costs from what may be called an enlarged macro perspective [6]. When Converse expressed concern with place and time utilities, macro implications certainly arose. His addition of the possession utility and his stating the objective of marketing is "to supply human wants" as well as Mazur's definition of marketing as the delivery of a standard of living [13], indicate an early concern with the effects of marketing institutions, strategies, and policies upon society as a whole.

More recently marketers have been arguing about the desirability of "broadening the concept" of marketing. Kotler and Levy argue that marketing behavior is a core concept, centering around the exchange process. For them, marketing is the set of human activities directed at facilitating and consummating exchange. That is, marketing's task is to combine economic satisfaction with a functional organization for all "firms" having "products" and "customers" in the widest sense of those terms.

The evolving macro concerns seem to fall into one of two major threads of thought. The first is centered around questions of marketing system performance efficiency. This perspective is typified by the issues raised by Atkinson, Stevens, Clark, and others. The main argument is that increasing marketing efficiency leads to lower transaction costs. Lower transaction costs should be passed through to consumers in the form of lower prices of goods. When such a process occurs, it has the effect of raising consumers' discretionary income. The increase in discretionary income allows the purchase of a greater variety of goods and services, as income previously committed to subsistence living is

may be true that some (roughly one-third) of the food produced in that nation may be filtered back through the Commercial Food Channel, it is also true that the increase in food available for consumption may be relatively greater from distributive gains than from additional productive gains [16, 19]. In brief, production has been stressed to a point of being dysfunctional in terms of achieving food goals. At the same time, marketers examining food systems in developing nations have illustrated that intervention in commercial food channels has the potential to bring about a more efficient and effective distribution of food. (For example, those studies conducted in Asia, Africa, and South America.) Simply stated, improving marketing channel performance can improve food system performance. However, the crucial concern of what criteria should be used to measure such performance is not as clear. Unless some reasonable and measurable objective function is commonly accepted, any evaluation of an attempt to increase channel efficiency is likely to be of less value.

Bucklin and Stasch proposed a list of channel performance evaluation criteria which includes some seven variables. Their conclusion is that there is a "need (for) an objective function for systems performance which encompasses all factors" [5]. The current concern with societal marketing as well as government regulation of channel activity, both of which seem likely to increase, reinforces the desirability of devising some objective function for assessing channel performance which includes (primarily) societal criteria. Such a function must encompass the entire system because when dealing with food,

It is argued that marketing does not begin at the farm gate and end with the consumer purchase. Rather, it is involved in decision-making activities at all states of production, processing, distribution and consumption [16].

to buy at the lowest available price and to help achieve widespread distribution. Achieving this state allows the marketing of nutritious food at lower prices in sufficient volume. This does not necessarily mean that wholesalers must be of the largest scale in order to perform these functions (e.g., oligopoly, monopoly). Although wholesalers are likely to grow in size, they could be balanced against other participants in the commercial food channel, as well as participants in the overall food system. Wholesalers are singled out for several reasons. The first is to minimize social costs of displaced labor which frequently, if not inevitably, occur when channel integration is induced at the retail level.

Marginally or under employed labor displaced by vertical or horizontal integration to achieve economic scale size will be greater at the retail level compared to the wholesale level. That is, the labor displacement/economic gain ratio will be more acceptable at the wholesale level. Adjustments at the retail level will no doubt occur from alterations of the number and scale of wholesalers. One change should be the ability of retailer to pass on cost savings derived from more efficient wholesalers to the consumers. Another might be an improvement in merchandising techniques, as wholesalers can begin to afford to provide more marketing assistance to their customers. Additionally, as wholesalers increase in efficiency, they may well be able to provide more credit to their customers, which will result in fewer retailer stock-outs, wider product selection, and more readily available consumer credit.

Mass reorganization at the retail level may not be desirable for other reasons. These reasons include consumer shopping patterns and habits, storage difficulties, and basic social customers [11]. Therefore, the food-welfare model will likely initiate interventions at the

The last requirement of the food-welfare model is the existence of effective competition within the distribution channel. "Effective" is used here to refer to a competitive structure that tends to reduce price, increase product availability and assortment, and weed out inefficient operators without destroying the competitive structure itself. This may require a shift in posture on the part of many regulatory agencies in developing countries, but rewarding efficient competition will result in a lower cost, more widely available, food supply. This competitive requirement is not the same as using a price/volume evaluation criterion. The former concerns are incorporated into a consumer nutritional value orientation, where price, volume, and assortment need to be consistent with the social goal of provision of a nutritionally adequate food supply. Although some of the implicit programs may require cooperation among channel members, it is likely that the consumer of nutritious products will be better served by commercial distribution channels with competition than those without.

Model Summary

FIGURE II

$$\text{Food Welfare} = f(\text{LP}; \text{WD}; \text{NP}; \text{E}; \text{C})$$

LP = Low Price
WD = Widespread Distribution
NP = Nutritious Products
E = Efficiency of Operation
C = Competition

Model Assumptions

- 1) Food-welfare analysis is more comprehensive than traditional measures of channel performance.
- 2) Channel members will recognize/accept as their social responsibility the moving of nutritious foods from producers to consumers as efficiently as possible.

assessment of Calorie Protein Malnutrition (CPM), which is somewhat generalizable to the entire society [23].

Although methodologies are currently undergoing further field testing to determine validity and reliability by the Center for Disease Control, Atlanta, and the School of Public Health, University of California, Los Angeles, their potential value has been demonstrated in several countries to date. (Sierra Leone, Camerouns, Lesotho, Liberia, and others.)

It seems likely that with further refinement, anthropometric techniques may be quickly and accurately applied to provide some objective and measurable evaluation of channel performance. Given the procedure's potential, it seems necessary to begin to develop the requirements of food-welfare model now. It also seems logical that internal (to the channel) application of such a model is likely to be more efficient, both for the channel member and for the consumer, as opposed to mandated change.

Even if anthropometry is not able to provide an objective measurement of nutritional welfare, it does not mean the overall food-welfare model will have no value. Subjective analysis will continue as well as macro-measures [17]. Guidelines will develop from business, private, and government involvement in the model. The model would then serve as a framework for analysis, evaluation, and control. Inevitably, social objectives must become part of the criteria for channel performance assessment. The framework provided by this model will assist marketers in incorporating such criteria into their channel design, planning, and management.

IMPLEMENTATION OF THE MODEL

It may prove useful to give a brief illustration of the kinds of

ments. However, there are no impedances implied in the model which will deny or even restrict the entrepreneurial spirit which results in effective competition. Rather, the programs are to be aimed at creating the environment where this spirit can flourish. Care must be exercised in designing and implementing such programs to provide a marketing agar, for in the end, it is the self-motivation and drive of the channel members that will spell success or failure in the attempt to achieve a food sufficiency goal.

CONCLUSION

This paper presents a food-welfare model to be applied in evaluating the efficiency of commercial food marketing channels. Also presented is one possible tool to help quantify such a measure, anthropometry. Ultimately, the question of how realistic and appropriate the model is will be answered by how acceptable and useful the participants find it. But, given the growing individual, firm, governmental, and societal concern with the nutritional well-being of the population, the model may prove useful in providing guidance as to major criteria to examine in the movement toward achievement of a national purpose, acceptable nutritional status for all members of the society.

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HIERARCHICAL MULTILEVEL MACRO IMPACT ANALYSIS

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Behavior is often treated as a reaction to the perceived impact of an external stimulus; the greater the impact, the more it is 'valued'. With the passage of time, behavior based on these values seems to indicate that the values move from crisply perceived, intensive, immediate, local, individual, micro to hazily perceived, less intensive, long-run, global, societal, and macro. For example, when individuals have electricity at a reasonable price, they might worry about a nuclear holocaust or environmental pollution. But when a catastrophe occurs, for example, when they do not have electricity or it is unreasonably priced, they might seek relaxation of restrictive environmentally protective legislation. In effect, the value, relevance or impact of a particular stimulus is situationally perceived according to a person's position on a hierarchical multi-level value system.

LEVELS OF VALUES

In line with this observation, Maslow (1954) suggested that the following hierarchy of values exists for an individual: survival, security, love, esteem and self-actualization. He postulated that decision behavior concentrates first on survival, then on security, and so on and that if a lower order value is threatened, decision behavior can and does revert to being based on more basic values. Others postulate that in the collective known as society a hierarchy of values may exist ranging from concern for immediate local survival, securing a continuation of basic social functions, seeking of national appreciation of local and regional interests, to establishing regional,

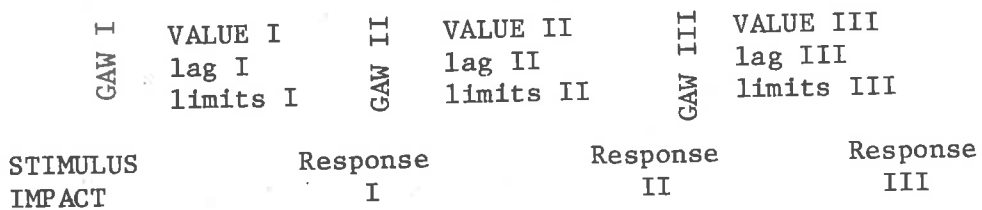
into Stage III values.

Stage III values were related to the psychological costs, disorganization, tax relief, and unemployment caused by the storm as well as toward the development of national policies and procedures should such a disaster strike again and toward the development of weather warning systems. Note again how the Stage III responses to the stimulus (the storm) lag the Stage II responses and that some of those impacted continue to focus on Stage II values, especially those living in "temporary" permanent housing while others fairly quickly put the whole event out of their minds.

Differences among people and the speed with which they moved up the value hierarchy were found to be related to (1) differences in degree of initial impact and (2) social class differences. Thus, those people in the middle class, with insurance, with minor property damage moved quickly up the value hierarchy; while those in the lower class, without insurance, with major property damage moved slowly, if at all, up the value hierarchy.

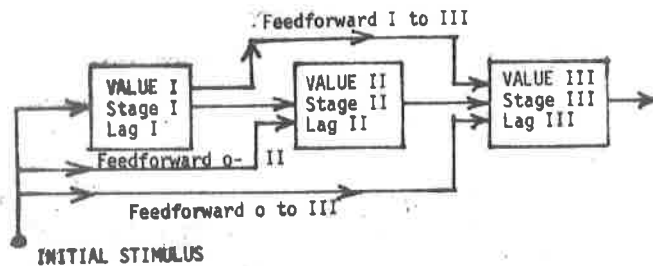
One way of looking at this multi-stage stimulus-response chain reaction is to model it as a cascaded input-output process each stage having its own peculiar distributed lag. Of course, each stage could have also additional external inputs, internal feedbacks, feedforwards, threshold and saturation levels as well as its own "gain" and scaling. Figure 2 illustrates a box diagram for the case of Figure 1.

Figure 2. Illustration of a stimulus-response chain with a three level value system.



may be provided by feeding forward from the initial impulse or stimulus signals to various latter stages without waiting for a lagged response from the previous stage or previous stages. Figure 3 illustrates this case.

Figure 3. Anticipatory feedforward paths in a multi-stage stimulus response chain reaction.



RESEARCHABLE PREDICTIONS

Based on this finding, we believe that the effect of a firm's product (good or service) can be viewed in terms of the dynamic diffusion of the values associated with the output.

For example, depending on the person's social class and anticipated impact on his life style at Stage I, a person might choose an automobile because of its acquisition cost, operating and maintenance costs and its potential for increasing mobility. At Stage II, he might grow concerned about increasing his mobility through better gas efficiency thereby intending to buy a smaller, more energy efficient automobile as his next purchase. The speed with which he enters this stage might be accelerated by a national gas shortage, or rising energy prices. Therefore, at Stage III, he might shift his energy toward the adoption of a national energy policy.

The paper by Robert Smith on "Children's Advertising: Issues and Implications" presented at this conference is a second illustration of the dynamic process described in this paper. It seems that firms,

consumer. The firm is selling the drug to the consumer promising relief. The FTC states that when firms sell these drugs, consumers are unable to judge the true merit of the products. At the same time, consumer groups are pressing for legislation on the pricing of drugs. Some consumers are able to realize that aspirin, even though it may not be a branded item, is still aspirin. They want to pass on their ability to recognize this and their ability to find best prices through legislation. They want a truth in labeling and truth in pricing law to apply to headache remedies. It appears that if the industry does not go through a period of self regulation, the government will do it for the industry.

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III

PUBLIC AND SOCIAL POLICY ISSUES

We live in a world guided by our perceptions. In no other section of this collection is this more apparent than in this one which is concerned with public and social policy issues.

For example, on the issue: "How do policymakers find out what citizens perceive as 'desirable' in public policies or in providing public goods?", Michael Etgar and Rajeswararao Chaganti offer marketing research as a vehicle for mapping perceptions and preferences. Their views are echoed in Robert E. Smith's "Children's Advertising: Issues and Implications" which concludes with a number of provocative suggestions for changing conventional measurements and scales to discover how children react to TV commercials. Supported by survey data provided by consumers, physicians and pharmacists, William O. Bearden and J. Barry Mason report on discrepancies in perceptions governing acceptance of generic drugs among these conflicting interest groups.

Focus on perceptions as a guide to behavior appears also in J. Marc De Korte's analysis of psychological response to price changes under inflation. The apparent belief of sellers that large infrequent price changes produce less consumer shock than small frequent price changes is shown to apply most to products purchased on a regular basis by individual buyers. Johan Arndt and Geir Gripsrud similarly emphasize the perceptions of retailers with respect to the perceived number of competitors, their competitive reactions to price changes and their perceptions of price elasticities of demand in governing their price setting behavior.

Similarities in the approach used by contributors to this section are not confined to citizen perceptions and to the substitution of

consequence of regulatory activity are Robert E. Smith's analysis of the "F.T.C. Staff Report on Television Advertising to Children" and William O. Bearden and J. Barry Mason's exploratory study of the degree of confidence in the ability of regulatory agencies to protect health and welfare by requiring generic drug prescriptions. While these investigators emphasize marketing research as the means for defining issues and evaluating trade-offs between alternative policies, they do not ignore the institutional determinants of choice discussed above.

CITIZEN INPUTS TO LOCAL PUBLIC POLICY MAKING:

A MARKETING PERSPECTIVE*

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INTRODUCTION

A major function of an economy is the allocation of society's resources to the production of various goods and services. Most of the Western societies determine this issue by separating the economy into two sectors: the private and the public. In the former, production decisions are primarily determined in the marketplace through the interaction of buyers and sellers. By voting with their dollars, consumers show preference for some products over others as the products are provided by business firms which must in the long run turn a profit to survive; producers have eventually to adjust their product design in a way which conforms with consumer perceptions and preferences.

Consequently, in spite of the criticisms made of the market mechanism, it continues to survive as a powerful channel of feedback from consumers about their preferences. Manufacturers supplement this feedback through the use of marketing research studies of various kinds. Both sources of information are then used by manufacturers with varying degrees of intensity as inputs to produce design and delivery decisions.

In the public sector, goods and services are primarily produced not by business firms but by governmental agencies and institutions at federal, regional and local level. These acquire resources through a

*Presented at the 2nd Macro-Marketing Conference, University of Colorado, 1977.

market mechanism which would determine specifically which products and services should be produced by governmental agencies. While some writers suggest that political exchanges should be viewed in a light similar to the private exchanges [19], the differences between public and private goods and services [9] suggest that traditional marketing tools and strategies require substantial adaptations when applied to public sector problems. Furthermore, several problems may reduce the effectiveness of the political process in reflecting true preferences of the public.

The Legitimacy Issue

The decisions taken by elected governments and representatives in recent years have impact which often goes beyond the direct provision of basic public goods and services because they "change" the social structure in a community and affect the ways people live, work, study, and enjoy leisure. Expressions such as "expressways act as Chinese walls," "real estate taxes segregate the public," and so forth reflect such views. Some researchers suggest that as a result there is a growing feeling among the public that elected governments and representatives have not always received a mandate to embark as they often do in ideologically committed, socially innovative programs which tend to disrupt and change social fabric [25]. In that case, there is a need to enhance the legitimacy of the legislative bodies.

The problem of legitimacy cannot be resolved entirely by the electoral process. Voters find that policy directions and inclinations expressed by the contesting candidates at the time of the elections are not final or binding. Furthermore, policies and programs evolve over a period of time. Consequently, voters may not be capable of providing inputs through voting on lately developed policies. Therefore,

be available for public participation in post-election policy formulation as well as program development.

Long-Range Planning

Long-range planning content in the American society is constantly increasing. By the very nature of the long-range activities, consequences of decisions made with regard to them are not easily reversible. Elected representatives often make decisions which commit communities for a long period of time. This prospect encourages an increased role for all those concerned in the determination of long-range plans in a society including the citizens [27]. Because of the importance of such long-term plans, citizens must be involved in their specific design and formulation.

Atomization of Society

A number of structural changes taking place in the society, most notably, an increased role of mass media as a socializing and entertaining instrument, and alienation of certain groups of individuals, results in a highly atomized society [10]. Citizen participation is argued as an approach for minimizing the impact of such forces [25, 28].

Bureaucratization

Finally, administration of public agencies is increasingly in the hands of professionals -- civil servants, planners, technocrats -- and their rationale may not be congruent with the rationale of the public. This difference in thinking needs monitoring to examine the content and form of the diversity. Citizen participation is a possible approach to force professionals to interact more with the public and to be aware of the public's needs.

of public goods and services argue for the need of stipulations which require, through legal means, the use of citizen inputs in the planning process. Provisions made in the Housing Act (1954), the Equal Opportunity Act (1964), the Demonstration Cities and Metropolitan Development Act (1966) at the federal government level, and the Coastal Zone Management Act (1972) of Oregon and Florida's Growth Management Act (SP 53, 1975) at the state government level are some examples which reflect this thinking. An important end purpose here is legalization of citizen inputs. The legal provisions enable participation, but they do not guarantee that citizen's inputs will be actually used nor that they will be collected effectively.

The Process Oriented Approach

The third group of advocates are process oriented. According to them, the objective of citizen participation is to increase satisfaction among the public with respect to responsiveness, fairness, and accountability of the government, and to raise the self esteem of the public. Specifically, they emphasize feedback (from government) and explanation of the rationale underlying the policies made. These are perceived to be a part of the process of public policy planning and are considered as important as the policies themselves for achieving citizen satisfaction. This view is subscribed to by others who believe that citizen participation strategies must permit citizens to become well informed about underlying reasons for planning proposals and to respond to them technically [22, 23]. Such processes do not ensure direct citizen inputs in decision making. Again, the emphasis is on post decision citizen-planner interactions.

MARKETING OPPORTUNITIES

The above review suggests that in the theory and practice of citizen participation greater emphasis has been placed on the mechanical issues of the process involved and less on more substantive issues. Furthermore, most approaches are primarily concerned with means of securing citizen's approval to already developed programs and policies rather than with modes of improving their design with citizen inputs. In that, these approaches are similar to the "products approach" prevalent in the private sector before the marketing revolution. A review of the issues of citizen participation suggests that public decision making can be substantially improved through the use of marketing tools and approaches for designing public policies and programs. In other words, adoption of the marketing concept is required.

Consensus Among Citizens

What characterizes many public issues in local, regional or even national communities is the existence of wide ranging differences within the communities. The divergence reflects differences in the public's interest in, or knowledge of the particular issues involved. To make sensible decisions, policy makers need to establish the degree of consensus on the various issues among members of the public and identify the size and profile of the groups (segments) in the population with diverse interests. Ideally, such information should help them to decide how to design various programs. In practice, political representatives as public policy makers often avoid decisions which are highly controversial. Instead, they prefer to deal first with the matters on which there is larger agreement in the community (even though the issues may be of only marginal interest to the public). Thus public representatives

PERCEPTIONS OF SELECTED COMMUNITY GOODS AND SERVICES

In this part of the paper, consumers perceptions of and preferences for selected goods and services frequently used in an urban community are explored. Some analysis, planning and strategy implications of these perceptions are also discussed. This study is explanatory; it is designed to show how marketing research tools can help public policy makers understand the public's perceptions and preferences and integrate those in product designs.

Respondents

Data for this study was collected through a personally administered, structured questionnaire. Respondents included 55 full-time seniors who were about to graduate and 37 continuing education students. All respondents are business majors in a large northeastern state school. Most of the respondents will face shortly upon graduation decisions of selection of community for living. Therefore, they can be expected to be interested in various aspects of community life.

Nine goods and services which together support life in an urban community were selected for the study. The selected goods and services have been consistently identified as being important for individual life in urban residential communities [4, 21].

In the study respondents were requested to rate each of the nine goods and services on eight selected dimensions reflecting their perceptions of and preferences for the products. The specific scales used are presented in Table 2.

Perceptions measured included five specific dimensions:

1. Need clarity. Many individuals may not be able to state clearly what needs a specific good or service has to satisfy.

As suggested by Bauer [2] this may reflect lack of knowledge (as in matters of health), of experience or be related to the nature and complexity of the good or service [1].

2. Uncertainty as to how well a facility or service will meet individual's needs. This again may reflect individual's lack of experience with the various alternatives or inherent uncertainty in performance of the specific good or service.
3. Significance of consequences. Because of differences in life cycle stages, income, education, and other personal factors some services may be of greater importance to some members of the community and less important for others.
4. Status. The type of good or service used by residents often reflects or is used to symbolize, status. Use or nonuse of some specific forms of education or transportation, among others, is often attributed to the consciousness of and need for status.
5. Willingness to share. Closely related to the above is the individual's willingness to share various goods and services with other people in the community. Individuals may be more willing to share other goods and services such as a residential house.

Preferences included three measures.

6. Method of financing. There are several ways in which the provision of various goods and services could be financed within a community. One way is to require users to pay directly each time the good or service is used. In this case, tax revenues are not used for financing. Alternatively, a community may finance the supplies from tax revenues and users will not pay

in Tables 3 and 4. A joint plot of the nine features and eight characteristics in the two dimensional space is presented in Figure 1.

TABLE 3
 Goods and Services Matrix
 (Solution from MDPREF Scaling Procedure)

Goods and Services	Dimension 1	Dimension 2
Mass Media	-0.264	-0.907
Education	-0.843	0.411
Residential Housing	0.524	0.012
Sports/Outdoor Activities	-0.442	-0.835
Cultural Activities	-0.642	-0.332
Medical and Health Care	-0.865	0.328
Metropolitan Transportation	-0.707	-0.461
Safety Services	-0.951	0.290
Sanitary Services	-0.938	0.273
Percentage of Variance Explained	51%	25%
Total Percentage of Variance Explained	76%	

Configuration of the characteristics in the feature-characteristic space (Figure 1) suggested the following labels for the two axes:

The first dimension (horizontal axis) is the Distinctiveness - Organization Dimension. Ratings on three characteristics affect the scores along the positive end of the horizontal axis. These are: "willingness to share," "status," and "need clarity." High positive scores along this axis mean a general unwillingness to share, low importance of personal status, and a high degree of ambiguity in specification of needs. At the other end, two characteristics, viz., type of management and size of organization are salient. High negative

TABLE 4

Scores of The Nine Characteristics on The Two Dimensions
(Solution from MDPREF Scaling Procedure)

Characteristic	Dimension 1	Dimension 2
Need Clarity	0.171*	-0.135
Uncertainty of Performance	-0.034	-0.093*
Significance of Consequences	0.180	-0.504*
Importance of Status	0.227*	-0.193
Willingness to Share	0.643*	0.489
Method of Financing	-0.352	0.442*
Size of Organization	-0.406*	-0.355
Type of Management	-0.429*	0.349

Note: Each dimension was interpreted for labeling purposes with the help of the characteristics marked with *s in each column of the table.

scores along the horizontal axis mean a general preference for publicly controlled, large sized organizations.

The second dimension (vertical axis) is called Price - Risk Dimension. Three characteristics which affect the scores along this axis are: "method of financing," "uncertainty in performance," and "significance of consequences." High positive scores along the vertical axis imply preference for "public funding" of supplies; high negative scores reflect low perceived risk.

An examination of the directions and spacing of the vectors representing the nine goods and services in the joint space of Figure 1 can be also used to cluster the community features into more homogeneous groups. The review suggests that four such clusters can be identified. In the upper right hand side quadrant we find residential housing which

Finally, with respect to mass media and sports related services, preference for privately managed, large organizations was evident. Decisions relating to the two services were rated as free from risk. Need for distinctiveness was minimal and direct method of payment was preferred.

These descriptions of the four clusters are summarized in tabular form in Table 5.

IMPLICATIONS

The relatively small sample base and the specific characteristics of the respondents have to be taken into consideration when evaluating the results of this study. As such, it has to be considered to be primarily exploratory.

If we accept the results as representative for a broader population than just student respondents, they then in general suggest several distinct strategies for the different clusters developed. In particular, the relative positioning of the goods and services in the perceptual space can be used in their marketing. Some of the results confirm common sense expectations about individual's perceptions of these goods and services, which in turn reinforces the trustworthiness of the analysis. Thus as could be well expected, we find that distinctiveness is very important for housing and that residents prefer publicly managed safety services. However, the results also provide some additional insights.

Almost all the goods and services studied, scored low on the distinctiveness dimension except for residential housing. Structure of the distinctiveness dimension is very complex. In terms of the characteristics and directions of the scales used to collect data, a low score along this dimension means a relative lack of clarity in need

(i.e., a high degree of ambiguity), high concern for personal status but a general willingness to enter into sharing arrangements with other people.

Two implications are available here for managers. First, a principal task of communications from marketing organizations which provide these goods and services is to reduce the need ambiguity experienced by the public as to what they really want. Communications should be used to clarify the potential needs which could be met and satisfied by the specific goods and services. Second, all these goods and services (except for housing) are viewed by individuals as providers of status. This aspect is not often recognized in marketing management of public goods and services. As suggested by Monsen, status has been a nonissue in the public sector field [24]. The results presented here indicate a need for innovative approaches to marketing of public goods and services with focus on individual's personal status needs.

Social planners may be particularly interested to find out that the respondents to this study prefer large and publicly managed organizations to provide them with health services which are also to be financed indirectly. This may suggest that the respondents prefer some type of publicly provided health service system over systems which are based on private physicians' delivery of health services.

Respondents, however, were not willing to accept publicly owned metropolitan transportation and cultural services. They preferred that more privately owned institutions will provide such services. The implications for municipal authorities are obvious.

It is interesting to note that it is not evident from the solution presented here that there is a relationship between the type of organizational arrangements that may be preferred for a particular service

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CHILDREN'S ADVERTISING: ISSUES AND IMPLICATIONS

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INTRODUCTION

Advertisements directed to children have received increasing attention lately from both marketing researchers and public policy makers. The purpose of this paper is to summarize some of the important information recently released in the F.T.C. Staff Report on Television Advertising to Children, and to review the consequent implications for both public policy decisions and marketing research and practice. It should be noted, however, that the basic purpose of the Staff Report is to support the contention that children's advertising requires regulation. As a result, the summary presented in the section that follows represents the evidence and arguments in favor of passing a trade practice rule to regulate (or prohibit) television advertising to children.

BACKGROUND

Children's Exposure to Television Advertising

In 1977, the average child (ages 2-11) in the United States watched more than 1,300 hours of television [1, p. 17]. As a socializing institution the relative impact of television viewing is considerable since throughout the year children spend more time in this activity than in school. In addition, the trend has been toward more television viewing which has increased a full hour per day since 1956 [12, p. 12]. With such substantial exposure to television programming, children are necessarily introduced to a considerable diet of advertising. Indeed, it has been estimated that the average U.S. child views approximately 20,000 commercial messages per year from television alone [12, p. 14].

- 1) Magical promises that a product will build muscles or improve athletic performance.
- 2) The use of music, singing, and dancing.
- 3) The use of super heroes to entice children.
- 4) Voices of authority.
- 5) The voices of children agreeing with the announcer.
- 6) Depictions of children outperforming adults.
- 7) Animation.
- 8) Peer group acceptance appeals.

[6, pp. 62-67]

Indeed, the potency of these techniques has led Dr. Kenneth O'Bryan, Professor of Psychology at the University of Toronto, and Director of the Child Research Laboratories, to conclude that: "the 30-second television commercial is the most effective device yet invented for implanting any relatively simple idea in a child's mind" [6, p. 61].

Advertising Content

The information conveyed by these promotional strategies has also been critically reviewed by the F.T.C. Staff Report which concluded: In the aggregate, the message for all sugared products appears to be that:

- 1) Eating sugared products is the normal, pervasively accepted thing to do, either at breakfast (pre-sweetened cereals) or between meals (candy and sweets); and that
- 2) Children who eat these products are active, healthy and happy, and that eating the products is fully consistent with good health.

Commercials for candies and other confections stress that:

- 1) The products are desirable in proportion to the length of time they will last in the mouth; and that
- 2) Chewiness and stickiness are desirable qualities.

Commercials for the pre-sweetened cereals suggest that:

The results of national advertising campaigns directed to these children are dramatic. Gorn and Goldberg [8], for example, found favorable attitude formation in children after only a single exposure to a television advertisement. The ultimate goal of these commercials however, is to achieve sales, and it appears that some advertisers have few qualms about how to accomplish this objective. Dr. Frances Horwich, a director of children's television programming, has stated in a "devil's-advocate" role:

"If you truly want big sales, you can use the child as your assistant salesman. He sells, he nags, until he breaks down the sales resistance of his parent. We are exploiting them, and we are confusing and bewildering them as to whom they should believe--the exciting voiced T.V. announcer, their favorite hero who will endorse anything short of leprosy, or their negatively replying mother or father" [9, p. 176].

Research indicates that this statement is grounded in fact. In one study [2] where researchers unobtrusively observed parent-child interactions as they selected cereal in a supermarket, it was found that in two-thirds of the 516 families studied, children initiated the selection by either demanding (46%) or requesting (20%) a specific brand. In another study [7], 1,053 children and 591 mothers were interviewed at home about their purchase decisions for 20 food product categories (including several highly sugared products). The results showed that at least 75% of the mothers who purchased these products were influenced by their children's requests. Ward and Wackman [17] support these findings and report parental acquiescence 85% of the time for cereals, 63% for snack foods, and 42% for candies.

These results indicate that promotions directed to children have effectively induced sales by encouraging the child to request heavily advertised brands. In doing so, however, manufacturers may have also

... advertising for sugared products to children is deceptive within the meaning of Sections 5, 12 and 15 of the Act, and unfair within the meaning of Section 5. And ... the televised advertising of any product to children too young to understand the selling purpose of, or otherwise understand or evaluate, the advertising is inherently both deceptive and unfair within the meaning of Section 5 [6, p. 157].

The major basis for this conclusion is that advertisements for sugared foods either misrepresent or fail to reveal material facts about the product and/or consequences from their use. Specifically, the Staff Report argues that misrepresentations include:

- 1) That eating sugared foods is fun and desirable.
- 2) That consumption of these foods is the normally accepted thing to do either at breakfast or between meals.
- 3) That eating sugared products is fully consistent with good health.
- 4) That candy is desirable in proportion to the amount of time it lasts in the mouth.
- 5) That frequent or repeated snacking on sugared products is a desirable pattern of consumption.

[6, pp. 164-166]

Facts not revealed in commercial messages include:

- 1) That sugared foods are highly carcinogenic.
- 2) That over-consumption of sucrose contributes to obesity, heart disease, and diabetes.
- 3) That, in general, sugared foods are not desirable on health grounds.
- 4) That it is best to limit one's consumption of sugar.

[6, pp. 116-167]

Finally, the F.T.C. Staff Report contends that children's advertising is inherently unfair because:

- 1) The target audience is uniquely naive and defenseless.
- 2) The advertising is "purely manipulative" as opposed to informational.

A third remedy would simply limit the amount of advertising permitted for sugared products. Such limitations could be imposed on an hourly, daily, or weekly basis, and would have the effect of reducing the amounts of sugared food advertising the child is exposed to. Unfortunately, there is little information available to guide policy makers as to how many commercials are acceptable. So too, this remedy would fail to balance the information conveyed to children about sugared foods.

The most severe remedy considered in the F.T.C. Report was a total ban of advertising directed at children too young to understand the selling purpose of, or otherwise, comprehend or evaluate these commercials. In supporting this action, the Staff Report argues that since children under the age of eight cannot understand or evaluate commercial messages, any advertisements directed to them will result in deception. A major drawback of this remedy lies in the fact that children under eight rarely make up the majority of a television audience, and thus in protecting this group, older children and adults are deprived of information about products they use. Accordingly, the Staff Report suggests that as an alternative to a total ban, advertising whose "dominant appeal was to younger children or which featured products which appealed to, or were purchased primarily for younger children" [6, p. 331] could be prohibited. In addition to the ban noted above (all advertising directed to children under the age of eight), the Staff Report suggested a ban on advertisements for sugared products to those children to whom the consumption of these products would pose serious dental health risks.

After consideration of the possible remedies discussed above, the F.T.C. Staff Report concluded with the following recommendations:

The Commission should commence rulemaking proceedings under the Magnuson-Moss Federal Trade Commission Improvements Act to determine whether it should:

1) children are an especially vulnerable group, easily taken advantage of, and 2) many products advertised to children contain health or safety dangers. Although the final ruling in this case has not yet been determined, it appears likely that manufacturer's promotional strategies directed to children will culminate with further restrictions being placed upon television advertising.

The implications of this case, however, do not end with issues specific to children's advertising. It can be anticipated that promotions to any vulnerable group will become increasingly studied and regulated in the future. Examples of groups presently receiving greater attention include: teenagers, the elderly, ethnic minorities, and low income families. Promotional efforts designed to exploit the particular vulnerability of these groups are likely to come under more intensive regulation in the future.

The children's advertising case also has policy implications that deal with F.T.C. regulatory procedure. In 1975, Congress passed the Magnuson-Moss F.T.C. Improvement Act that allowed the Commission to issue industry wide trade practice rules. Although to date, only one such trade rule has been fully promulgated (eyeglasses advertising), many other industries could face such regulation in the near future (food advertising, funeral homes, hearing aids, and used cars) [10, p. 1]. Presently, trade practice rules issued by the F.T.C. are binding (though appealable). However, Congress is now considering the possibility of establishing another level of review for these rules by giving either or both houses of Congress the power to veto F.T.C. trade practice rulings. This is an important development since Congress, under the influence of industry lobbies, is typically more sensitive to business interests than are regulatory agencies. The strongly negative reaction

Another area of controversy surrounding this issue is whether such a ban would represent a violation of the First Amendment. The Supreme Court has just recently ruled that commercial announcements, in the form of advertisements, are a protected form of speech [3]. However, the reasoning behind this decision was to protect consumers by providing balanced information [3, p. 2700]. Given the one-sided nature of past children's advertising, it is questionable that a First Amendment challenge could prevent the proposed ban.

Nevertheless, precedents established in F.T.C. case law indicate that rulings by the Commission cannot be punitive, and must accomplish the remedy in the least burdensome manner. Addressing this issue with regard to the children's advertising ban, legal expert and recently appointed F.T.C. Commissioner Robert Pitofsky has stated that he sees "little possibility courts will uphold an ad ban unless there is a showing that no lesser remedy is possible" [4, p. 2]. Accordingly, if a trade rule banning children's advertising is passed by the F.T.C., it may be held to be excessively burdensome by the judiciary. Thus, all three branches of government are, or could be involved in determining the final disposition of the children's advertising case.

Self regulatory issues are also inherent in this case since broadcast advertising has traditionally policed itself through the NAB Television Code. One section of this code entitled "Responsibility Toward Children" states:

Broadcasters have a special responsibility to children. Programs designed primarily for children should take into account the range of interests and needs of children, and should contribute to the sound, balanced development of children [11, p. D-57].

First, a significant contribution could be made by generating new research methodologies better suited to measure the impact of television advertising on children. Many past studies have applied traditional information processing designs using children as subjects. The difficulty with this procedure is that the research situation, the stimulus material, and the questions and scales employed may not be as meaningful to a child as they are to an adult. Also, rather than studying such dependent variables as cognition and affect, it seems more important to investigate issues such as: the child's ability to recognize a commercial from program content, or their ability to perceive the persuasive nature of the message.

Another area for research contributions would be studies designed to show how children's commercials could be shown, in order to minimize deception. For example, marketers could investigate the effects of grouping all advertisements into blocks to more clearly differentiate them from programming content. Also, warning messages or sounds that alert the child to a forthcoming sales message could be tested. Finally, the possibility of educational announcements designed to demonstrate the realities of promotional messages (actors, sets, cameras, etc.) to children could be investigated.

A third area for research contributions would be studies designed to better model the cognitive and behavioral effects of advertising on children. The traditional hierarchy-of-effects model does not appear to offer adequate explanation, since children's information processing abilities have not been fully developed. Studies which attempt to link behavior such as nagging and/or pestering of parents to cognitive processes or development would greatly aid policy makers here. In general, a better model explaining the effects of advertising on

13. Program and Committee Staff, New York State Assembly, "Kids, Food, and Television, The Compelling Case for State Action," March 1977.
14. Quoted in Hearings Before Senate Select Committee on Nutrition and Human Needs, 93d Congress, 1st Session (March 6, 1973) (statement of Peggy Charren and Evelyn Sarson).
15. Robertson, Thomas S. and John R. Rossiter. "Children and Commercial Persuasion: An Attribution Theory Analysis," Journal of Consumer Research, Volume 1, No. 1, June 1974.
16. Ullrich, Helen. "A View of Educational Goals of Childhood Nutrition With Particular Reference to Television Advertising," written statement in support of petitions asking the F.T.C. to examine nutritionally misleading statements in commercials for presweetened cereals, March 11, 1976.
17. Ward and Wackman. "Children's Purchase Influence Attempts and Parental Yielding," 9 Journal of Marketing Research (1972).
18. Ward, Wackman and Wartella, Children Learning to Buy: The Development of Consumer Information Processing Skills, Marketing Science Institute, 1975.
19. White House Conference on Food, Nutrition and Health, Final Report 163 (1974). (Emphasis added.)

CONSUMER INTENTIONS AND PHYSICIAN/PHARMACIST CONFIDENCE

IN DRUG MANUFACTURERS AND REGULATION AS MODERATING

INFLUENCES ON ACCEPTANCE OF GENERIC PRESCRIBING

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Until recently, the manufacturers and marketers of prescription drugs have focused almost exclusively on brand names. Increasingly, however, critics are contending that if physicians prescribed generically the prices paid by patients for prescription drugs would be less [5, 7].

The diffusion of generic prescribing would appear inevitable. Over 30 states have enacted legislation designed to encourage or require such practices. Further legislation is imminent in other states. The federal government is establishing maximum allowable cost (MAC) guidelines for filling Medicaid prescriptions. Finally, patents will soon expire on many frequently prescribed drugs which will make an increasing number of drugs available from multiple sources. However, the spread of generic drug substitution has been slow. Except for the chronically ill and a small price-conscious minority of the population, consumers are infrequently requesting generics. Physicians have also been slow to prescribe generically and pharmacists have not aggressively sought the right to dispense generically.

While research has examined physician and pharmacist attitudes toward generic prescribing and the legal consequences involved [1, 2], the need remains for examining the determinants of individual perceptions and motivations regarding generic prescribing practices. Information is basically nonexistent on this point. An understanding of beliefs and evaluations held by the three groups regarding generic prescribing

PURPOSES OF RESEARCH

The purposes, then, of this research effort were: (1) to describe the results of an exploratory study designed to investigate differences between those consumers motivated to engage in generic drug use and those consumers less inclined to do so; (2) to investigate the role of confidence in manufacturer and government regulatory agencies to insure a steady supply and a high quality of generic drugs as a moderating influence on the responses to a series of issues concerning generic drug use as perceived by pharmacists and physicians.

METHOD

Data were collected from three groups--physicians, pharmacists, and consumers. A total of 1500 questionnaires were mailed to a random sample of all active members of the Alabama Medical Association in those specialties in which prescription writing was deemed to be a critical part of the practice. Overall, 412 usable responses were obtained. A systematic random sample of one-fifth of the state's practicing pharmacists resulted in similar questionnaires being mailed to 600 independent, chain, and institutional pharmacists. A total of 118 completed questionnaires were returned.

Consumers' responses were obtained from a convenience sample of 200 households in a medium-sized university community. The consumer respondents represented the adult within each household who reported most often purchasing prescription drugs. The results are based on the responses from 105 members of the original sample. The 94 non-respondents were distributed among the following categories: (a) late refusals, (b) incomplete responses, (c) no indication of prior familiarity with the concepts of generic drugs and/or generic prescribing.

$$A_{act} = \sum_{i=1}^n b_i e_i \quad (2)$$

$$SN = \sum_{j=1}^m b_j e_j \quad (3)$$

where

BI = behavioral intention to perform the act (e.g., request and purchase of generically filled prescriptions)

A_{act} = individual's attitude toward engaging in the behavior

b_i = belief that performing the behavior will lead to consequence i (e.g., the purchase and use of a "quality" prescription drug)

e_i = the patient's evaluation of consequence i

n = the number of consequences salient to the individual with respect to the behavior

SN = individual's subjective norm regarding the influence of important others concerning the behavior

b_j = individual's normative belief as to the expectations of referent j (e.g., belief about what physician thinks should be done)

e_j = individual's motivation to comply with referent j's expectations

m = the number of salient referents

w₁, w₂ = empirically derived weights

The coefficients (w₁, w₂) are generally estimated through regression analysis and are interpreted as indications of whether a particular behavior is under attitudinal or normative control. This may be a crucial distinction with implications for affecting changes in behavior. If a particular act is under normative control, information designed to change consumer attitudes toward generic prescribing based on beliefs about consequences of engaging in the behavior would be inappropriate. Likewise, if decisions to request and purchase generically were under attitudinal control, then promotional campaigns stressing solely the beliefs of others concerning the applicability of generic substitution

Data concerning educational and income levels, age, and family size were also collected. The above operational measures have been developed and refined through previous research and have been shown to exhibit high reliability and convergent as well as discriminant validity. Differences between patient groups--those intending to request and purchase generically when possible and those not so inclined--were examined by t-tests of mean differences. Behavioral intention was operationalized as a seven-place bipolar statement ranging from unlikely to likely and reflecting each respondent's intention to request and purchase generically when allowed. Only the responses of those individuals completing the entire survey and indicating a preference (non-neutral response) on the behavioral intention measure were included in the analysis.

Confidence in regulatory agencies and confidence in drug manufacturers to insure a high quality and continued supply of generic drugs both appear, based on reported literature [1, 6, 9], to be key moderating variables affecting the diffusion of generic drug prescribing and dispensing among pharmacists and physicians. The opinions of the pharmacists and physicians were thus sought on various issues about generic prescribing to determine whether the level of confidence in the manufacturers and the regulatory agencies did have a moderating effect on the responses given. The physician and pharmacist samples were trichotomized into high, medium, and low confidence groups. The subsegments were formed on the basis of Ss responses to two sets of three items each designed to reflect general confidence in the ability of drug manufacturers to provide consistent quality drugs as the number of drug sources increase and in the ability of drug regulatory agencies (e.g., FDA) to assure high quality in drugs. The three items were summated in each case to yield a single confidence score on which the

multiple regression. The contribution of the standardized regression coefficients for the two predictor variables, which are often interpreted as a reflection of the relative contribution of attitude-toward-the-act and social norm, to the explanation of overall behavioral intentions were .37 ($p < .01$) and .27 ($p < .01$), respectively. While these coefficients suggest that individual decisions to request that prescriptions be filled generically may be more under individual attitudinal influences as opposed to social norms, the high intercorrelation (.73) between the two predictor variables, Aact and SN, make any interpretation or generalizations suspect. The remaining simple correlations between the model's five variables are shown in Table 1. All correlations were significant ($p < .01$) and positive as expected.

Variable usefulness is a means of enhancing regression interpretation when this is difficult because of problems related to multicollinearity and measurement artifacts [3]. Usefulness is assessed by examining the reduction in explained variance when a predictor variable is dropped from a regression in equation. The usefulness of each predictor variable in equation (1) as measured by reductions in explained variance was .06 and .04 for Aact and SN, respectively. Both reductions were not significant as assessed by an extra-sums-of-squares test. The partial correlations between behavioral intention and Aact and SN while controlling for the influence of each were .30 ($p < .01$) and .22 ($p < .01$), respectively, and support some direct association between intentions and both predictive variables.

In the investigation of intentions to engage in a particular behavior where underlying beliefs, norms, and attitudes are not likely to be well formed, such as in this exploratory effort, direct examination of the underlying salient dimensions is preferable to sole reliance

on correlation and regression analyses [8].

Differences between consumer groups--those intending to request and purchase generically versus those without intentions--along the cognitive elements (e.g., b_i , e_i) representing each salient dimension and assumed to form the basis of individual motivations are depicted in Table 2. The belief (b_i), evaluation (e_i), normative belief (b_j), and motivation-to-comply measures (e_j) were scored -3 to +3 to be consistent with the bipolar nature of these assumed cognitive elements and with the multiplicative relationship assumed in attitude research. The single item Aact and SN measures were scored 1 to 7. The substantial number (18 of 40) of average values for the belief, evaluation, and motivation-to-comply variables between -1 to +1 suggests that beliefs underlying consumer preferences and intentions may not be strongly held and that the issue of generic prescribing may be currently of limited concern to consumers.

Eighteen of the 26 comparisons were significantly different between groups. Those intending to engage in generic practices generally held more positive beliefs and evaluations concerning the outcomes of requesting and using generically prescribed drugs. Specifically, individuals motivated to use generic drugs believed that the practice would lead to the use of drugs that were of high quality, were safe, would not produce harmful side-effects, and would solve the patient's original need. Furthermore, the price level, limited side-effects and efficacy were evaluated as being significantly more important than the evaluations indicated by those not favoring generic prescribing.

Generally, all respondents indicated negative expectations across each referent group (e.g., physician, family) concerning generic prescribing. However, on the average, those intending to engage in

the practice did perceive significantly more encouragement from their social environment than those opposed to generic prescribing. The motivation-to-comply scores for those not intending were significantly greater concerning compliance with both physician and pharmacist expectations.

Significant demographic differences were also found between the two groups. Those favoring drug substitutions were generally more educated, earned higher incomes, and were younger than those not motivated to request and use generically prescribed drugs.

Physician Views

Most of the differences across the issues examined in the responses for physicians classified as having high, medium or low confidence in drug manufacturers and government regulatory agents were significant ($p < .001$) as shown in Table 3. Physicians with low confidence in both the manufacturers and the regulatory authorities expressed greater concern that the consumer is likely to face health risks if generic prescribing becomes a common practice. Similarly, physicians with low confidence in manufacturers and regulators strongly believed that wider use of generic drug prescriptions would mean that less money would be available for research to bring new drugs into the markets.

Substantial disagreement was also found between groups on whether the physician faces increased potential liability when allowing pharmacists to dispense generically. As expected, the physicians with low confidence were strongly concerned about liability.

Finally, physicians with high confidence in manufacturers and regulators were much stronger in their belief that if generic drug prescriptions are used consumer savings will result. Moderate confidence physicians mildly agreed while physicians with low confidence

in both groups rather clearly disagreed.

Pharmacist Views

Again, a pattern of major disagreement emerged on virtually all of the issues explored among the pharmacists as measured by their degree of confidence in the manufacturer and in government regulatory agencies, as shown in Table 4.

For example, pharmacists with low confidence in the manufacturers and the regulatory agencies were very strongly inclined, as were the physicians, to agree that consumers are likely to face greater health risks if generic prescribing becomes a common practice. The same pattern emerged on whether wider use of generic drug prescriptions would mean that less money would be available for research to bring new drugs into the market. Likewise, pharmacists with high confidence in the government agencies and the manufacturers strongly disagreed that physicians face increased potential for liability when allowing pharmacists to dispense generically.

All three groups for both manufacturer and regulator confidence agreed, but the low confidence groups more significantly, that the pharmacist faces increased potential liability when dispensing generically and that their risk is greater than that of the physician.

The three groups for both manufacturer and regulatory agency confidence very strongly disagreed that regulatory agencies should set maximum allowable costs for drugs. Pharmacists with high confidence in the manufacturers were strongly in agreement that they should have the right to substitute one brand for another under certain circumstances without consulting the prescribing physician.

In viewing the scores for both the pharmacists and the physicians, lack of confidence in the manufacturer seems to exert a stronger in-

fluence on responses than lack of confidence in the government regulatory agencies.

CONCLUSION

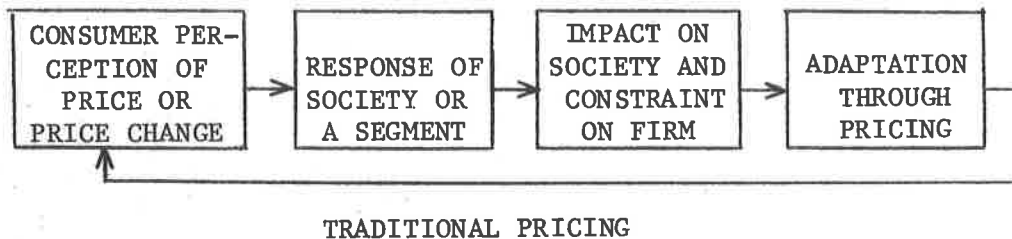
The ability to generalize from these results is hindered by several limitations. Principally, the effort was an exploratory study and further replication is needed before any generalizations can be made. However, these results support the premise that consumer intentions and perceptions regarding generic prescribing can be explained from attitudinal and normative beliefs. Intentions to engage in generic drug use were significantly correlated with individual attitudes and social norms regarding that behavior. Furthermore, beliefs and evaluations concerning the outcomes regarding quality, price, efficacy, safety, and limited side-effects were significantly different between individual segments based on behavioral intentions. Beliefs and evaluations concerning the reputation of drug manufacturers were not significant between consumer groups.

Contrary to the views of consumers, level of confidence in the manufacturers and regulatory agencies to assure a continuing supply and high quality of generic drugs were significant moderating influences on the views of physicians and pharmacists toward generic drug prescribing and dispensing. Generally, physicians and pharmacists with high confidence in the manufacturers and regulatory agencies tended to support the concept of generic drug use. Low confidence physicians and pharmacists were opposed. Both of these groups of professionals thus apparently can be segmented on the basis of level of confidence in developing communications programs directed toward the issues about which they are concerned.

THE INFLATIONARY ENVIRONMENT FOR PRICING:
AN EMPHASIS ON CONSUMER PSYCHOLOGICAL REACTION

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Marketers need always be ready to respond to societal changes through the micro-marketing activities of the firm. One such group of societal changes can be classified as consumers' responses to prices. This paper focuses on psychological reactions during times of high inflation. These macro-marketing considerations establish environmental constraints for the pricing function of the firm. The following simple paradigm points out these relationships:



In approaching a pricing decision, marketers have traditionally examined some demand function which they considered representative of the quantity of their product that would be purchased at various prices. Sometimes these functions were based on research or past experience with responses to prices; many times they were hypothetical with an intuitive base. A rough determination of elasticity evolved and frequently the result was an underestimation of the response of the consumer to price changes. In a real sense the demand might have been somewhat inelastic as a result of loyalty built up for the brand by way of nonprice activities. On the other hand, the brand's demand might be viewed as possessing the same inelasticity as that of the generic product.

costs and prices and have encouraged the recent demarketing phenomenon. More temporary shortages of certain commodities have also had an impact. The recent example of the sugar price increase shows the widespread influence not only on the price of the commodity to the consumer but also on the prices of the thousands of prepared foods containing sugar. The price of sugar came down, but such was not the case with many of the items which had sugar as a main ingredient. The manufacturers of these products set forth the increase in the price of sugar as a justification to increase their prices. One substantial price increase came in the candy and snack cake industry. The increase was more than could be justified by the cost of sugar, and the high price remains and is accepted by the consumer. Representatives might argue that the price before the doubling was artificially low, and the situation with sugar provided the needed chance for the big boost which could at that time be "explained" to the consumer.

Another frequently cited reason for increased costs and consumer prices is the mushrooming of government regulations regarding ingredients, protection equipment, labeling, and packaging. Not only does the government impinge on the physical product attributes but also on the methods for producing and marketing the product. Plant safety regulations are expensive to maintain, and promoting under the newly watchful eye of the FTC increases costs because of the extra care and expertise that is required to avoid improper promotion. Unfair competition now extends far beyond building toward a monopoly situation; a firm must be ever vigilant so as to not compete unfairly for consumer patronage. Adhering to a complete code of consumer protection is costly. Unexpected indictments, complaints, and law suits are becoming increasingly prevalent and expensive. Legal fees and settlements are going up and this makes

From the foregoing presentation it can easily be noted that within the past decade the pressure for inflation has been great. Not only are the traditional costs of production and marketing going up, but formerly unanticipated or unrecognized costs and constraints must be considered in the pricing of products. In the forties and fifties cities and firms were considered healthy and dynamic when huge stacks belched forth much smoke. Little if any thought was given to pollution, and the firms producing it were not considered evil. Here too the correction adds costs.

Also firms are dealing with consumers who are not acting as independently as in former years. Many agencies are looking out for the overall consumer welfare and provide much information through publications, broadcast, and publicity. Increasing consumer sophistication establishes the requirement for a well-conceived marketing program which offers a "bundle of utilities" for a price. The consumer has much information to aid in deciding if the product is worth the price.

GENERAL CONSUMER RESPONSE TO INFLATION

Frequently the prediction is made that the American consumer will have to reduce his standard of living as a result of wages not keeping pace with prices and because of the decreasing supplies of energy. Now emerging generations are said to be able to expect less material welfare than their parents, a new phenomenon for a people who have always seemed to expect more. Standards of living are difficult to measure, hence, time and careful monitoring of indexes will be required to substantiate any decrease. In any event, the American people will cut back reluctantly from consumption of the many luxury items that have become "necessities."

real income.

Also, the basic question is always present: "Will the American consumer, in an overall sense, ever reach the point of taking pride in doing without?" Only at rare points in human history has this pride manifested itself. Regardless of all that is said and written on what makes for true happiness, contentment, and achievement, material possessions remain perhaps the most prevalent measure of a person's success.

Current Reactions to Inflation

The consumers whose income keeps pace with inflation or increases more rapidly are not bound to curtail their buying or will not be likely to decrease their standard of living. In the short term those with a decreasing real income are likely to behave in pretty much the same way. Of course, a fundamental requisite for spending maintenance becomes the availability of credit.

General inflation in varying degrees has been the rule for many decades in the United States and this has been accompanied by typical consumer complaints about the price increases and "how they are going to make ends meet." Nevertheless, these concerns, whether real or merely voiced for sake of conversation, were coupled with an underlying confidence that things would improve by way of substantially reduced inflation or an increase in wages. Expectations for general deflationary trends were relatively rare. This might have been due to basic faith in the vitality and dynamic nature of the nation's economy and the feeling that deflation is a sign of a slowdown or impending depression.

To test a claim made in a recent Wall Street Journal [4] article that people do not daily experience concern for inflation, this writer

Price as an Indicator of Quality

Perhaps the psychological phenomenon most closely related to the traditional demand function is the consumer's use of price as an indication of quality. Increased prices build demand for a few products or brands in certain situations. This requires a rather atypical situation where most of the market or a substantial segment views quality as extremely important in this purchase area and feels that paying a higher price will insure that quality. Such concurrent price and demand increases seem to occur where the product is relatively new and very desirable or where the price increase is accompanied by some intense nonprice marketing endeavor. The case of the new and desirable product can be well illustrated by a number of foreign cars which have been introduced at a certain price, and within a few months their price increased substantially as well as demand.³ The relatively low prices might have been a form of introductory marketing to increase exposure of the car on roads and to initiate the powerful word-of-mouth mechanism and publicity. In certain situations the process moves more slowly in that the basic quality requires more evidence before the consumer is induced to purchase,⁴

Of course, "quality" refers to some perceived product characteristic which provides utility to the consumer and which can be thought of in either an objective or subjective manner. Thus the quality might refer to a more beautiful design, more durability, prestige of ownership, or any other attribute which the consumer feels is indicated by price.

³A few of the foreign models to experience this demand increase in conjunction with increasing price would be: Capri, Datsun 240Z, and the Honda Accord.

⁴Evidence of the slower acceptance is provided by the original Volkswagon, the later Rabbit, Toyota, Datsun, and Subaru.

initial price. Such an approach would likely increase the market share of the higher priced brands, all else remaining constant. The effects of a proportionate price increase over all brands would be more difficult to predict. The prognosis must be made as to whether the price boost will put the particular brand into some price range which is deemed inappropriate by the consumer as far as the quality of the product is concerned. With some price increases the consumer will recollect the former price which stood for a certain quality and expected utility. As was mentioned previously, the consumer has come to expect price increases because he has lived with inflation for some time. Nevertheless, a point does exist beyond which a price increase cannot be passed off as merely the result of inflation, and at this point the price-quality relationship becomes a somewhat more important consideration.

Inflationary price increases alone have very little if any effect on the consumer's perception of product quality. They accept the increases because they are "geared" for inflation. When the needed price increase becomes too great for the given brand or model, the seller often finds it desirable to "downsize" or incorporate fewer features. Perhaps the most obvious example is that of new homes. Less expensive materials and skills are used and fewer features are included. Much brickwork has been eliminated along with much fenestration in many of the new housing developments. Consumers have to pay several hundred dollars for each additional window and well over a thousand for a genuine brick fireplace.

Customary and Round Figure Prices

The perceived price-quality relationship used by consumers in the decision making process is closely associated with other forms of psychological reaction to price, namely, customary or expected prices

cited range from chewing gum to apartment rents. The reluctance on the part of marketers to raise prices is due to existing prices to which they feel the consumer has become accustomed. They seem to anticipate less overall resistance and irritation of the consumer by infrequent large increases rather than many smaller increases in price. Nevertheless, consumer shock does result along with the difficult process of abandoning or revising their series of customary prices.

Marketers' consideration of customary prices along with infrequent large jumps in price seem to exist primarily in regard to products that are purchased individually and on a fairly regular basis: rents, insurance, movie tickets, candy bars, drinks from bars, to mention only a few. Naturally, when a consumer purchases a single product on a regular basis the price is more easily remembered than when the purchase is made in conjunction with other products as is the case with grocery products. Price increases, thus, become more noticeable with the isolated purchases. Products that fall within this realm of pricing also are perceived by the consumer to have fairly constant qualities and features. In other words, what is being purchased at the substantially higher price is essentially the same as the product before the price increase. For this reason, automobiles, clothing, and other items involving adornment and fashion or model changes would not fall into this category of products. Producers of these latter types of products do not hold off price increases until very large ones become necessary.

In many cases the large increases discussed above involve a price boost to another round figure, not necessarily the next highest. The initial price is rounded, and depending on the general price level of the product, the increase will typically be in some established increment. For example, the price of drinks might increase from \$1.25 to \$1.75,

be correct in their thoughts on consumer reactions. A bill of dollars and cents might be perceived as an honest attempt to base charges on costs and to keep their prices low as possible.

Although consumers tend to think in terms of round number prices, prices just below or above such levels still have their psychological impact. A price of \$4.95 may be perceived as more than only five cents below five dollars; also the consumer may view such a price as the lowest that could be offered by the seller, hence, a good deal.

Traditionally prestige products have been priced in round numbers, perhaps, as an indication to the consumer of the quality. Also the assumption is that consumers who buy such products might be insulted by a figure slightly below the high round number. Much of the allure of such products is their high price. The example of the price of the Rolls Royce in inflation illustrates many of the phenomena previously discussed. Even given the initially high price, the increases for these cars have been large both absolutely and in terms of percents. The top of the line model is priced at \$104,000, above the \$100,000 round figure which is a milestone for the price of a new car - a price of \$99,000 would have "cheapened" the car. Ironically, however, the "economy" Rolls is priced at \$49,000, "slightly" below the \$50,000 round figure. Perhaps even at this high price level the psychology of pricing below a round figure is put into play. Possibly it was done in jest to cajole this high income consumer, who knows all along that he is paying \$50,000 for a car and will probably cite this figure if ever asked the price of the car.

OBJECTIVE AND SUBJECTIVE STRUCTURAL FACTORS IN THE PREDICTION
OF RETAILERS' PRICING BEHAVIOR

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An important, yet surprisingly under-researched macro-marketing issue is the relationship between structure of retail markets and prices charged. As prices charged influence both sellers' profits and consumer welfare, the issue should be of crucial interest to public regulators as well as to students of macro-marketing conduct and performance.

This study explores the relationship between market structure and pricing behavior in three retail markets. The study also introduces a set of subjective or intermediate factors as predictors of pricing behavior, in addition to traditional objective indicators.

The report is organized as follows:

- Previous research
- Theoretical framework
- Method
- Results

PREVIOUS RESEARCH

It appears that the linkage of nature of price competition to market structure in retailing has not been given much research attention. Most studies have been conducted by economists, and most of these studies have been concerned with the question of how to classify retail markets. A key issue is whether retail markets tend to be of the monopolistic competition or the oligopolistic type.

Monopolistic competition is usually described in terms of the following criteria: (1) a large number of firms, each supplying only

It seems as if none of the attempts to explain competitive behavior by monopolistic or oligopolistic models have been noticeably successful. A partial explanation is that most of these studies have used the individual item carried as the "product" instead of the whole bundle of offerings such as location, service, etc.

One of the few studies in the marketing tradition is the analysis of Churchill and his associates of price aggressiveness in a sample of gasoline service stations [5]. Since this type of retailer is essentially a one-product business, the conceptual problem above is bypassed. The results showed that an outlet's pricing behavior depended only on the brand carried. Contrary to what may have been expected classification as major or minor, location, facility conditions, and stamp-giving propensity did not contribute much in predicting price aggressiveness.

THEORETICAL FRAMEWORK

In traditional micro-economic theory, pricing behavior of firms is viewed as being determined by the following four sets of factors: (1) the objectives of the firm, (2) the cost structure of the firm, (3) the firm's conjecture of its competitors' likely actions, and (4) the perceived elasticity of the firm's demand. Though it is clear that the theory implies that behavior is determined by the firm's perception of reality rather than reality itself, most empirical work, particularly in the industrial organization tradition [2, 9], has ignored perceptual variables. Instead they have attempted to link pricing behavior directly to objective indicators of market structure, implicitly assuming that there is a one-to-one relationship between perceived and actual market structure. In this study direct measurements were made of the perceptual variables (rather than attempting to draw

reason to assume a priori that all retailers share the same goal such as profit or sales maximization. Small retailers may be expected to conceive of their objectives as survival or carrying on a "way of life." Large retailers, on the other hand, are hypothesized to perceive themselves as pursuing economic goals.

The variable Perceived number of competitors refers to the fact that the real motivator of behavior is not the actual or theoretically maximum number of competitors, but the "evoked set" of competitors - a subset of all retailers in the market. This may be explained in terms of a chain effect; a particular store may mainly compete with a limited number of nearby and similar stores, which again compete with a group of other stores etc. As postulated in Figure 1, this "evoked set" depends not only on the objective Market structure, but also on Size of store and Objectives. Perceived number of competitors is next linked to Perceived competitive reaction. As postulated in micro-economic theory, when the number of competitors is viewed as small as in duopoly or oligopoly the retailer is more likely to expect interdependencies or a substantial competitive response to neutralize the advantage originally created. Next, Perceived competitive reaction affects Perceived price elasticity - how consumers are expected to react to a given price change (given the likely competitive reaction). Finally, Perceived price elasticity (along with objectives) influences pricing behavior.

METHOD¹

This section will deal with the choice of markets to be studied, the field methodology, and the operationalization of the conceptual variables.

¹The authors are indebted to the Norwegian Fund for Market and Distribution Research for financial support for the study.

income, industrial structure, and percentage of women gainfully employed. However, the trade districts differed in two important respects:

(1) structure of the food retail market as measured by the concentration ratio - market share of the four largest stores and (2) density of population as expressed by the percentage of population living in densely populated areas. The Gjøvik trade district being low both in concentration ratio and urbanization and having no department store was hence classified as an "unconcentrated market." Moss, on the other hand, was chosen as an example of a "concentrated market" as it was high on both dimensions. Finally, Halden was classified as an "unevenly concentrated market," being medium in urbanization and high in store concentration. By this procedure, the study should allow comparison of stores in three different types of market structure.

Field Methodology

Industrial directories provided a listing of all food stores in the three trade districts. Field observations brought the list up to date. The data were collected by means of personal interviewing with store managers involving the use of a lengthy structured questionnaire. In all, interviews were completed with 240 (or 92 percent) out of the 261 retailers. The completion rates for Gjøvik, Moss, and Halden were 97 percent, 83 percent, and 90 percent respectively. For several of the questionnaire items, the completion rate was somewhat smaller.

The variables measured (and their operationalization) are shown in Table 1. Owing to technical problems and a desire to contain the length of the questionnaire (the questionnaire included a large number of items in addition to the ones of interest in the present study), some items (X_8 , X_9 , X_{10} and X_{11} in Table 1) were used on a split half basis in Gjøvik and Halden. Hence, complete responses for all the 13 variables

were obtained from 92 retailers only.

Measures

The operational definitions which are shown in Table 1 were fairly straight forward. However, a few comments may be necessary.

The key indicator of pricing behavior was Frequency of price deals in selected product groups during the last month (Y_1). A pilot study revealed that price dealing was particularly important in the product categories chosen: milk, bread, meat, soft drinks, frozen food, sugar, and coffee. In Norway, most food stores tend to follow wholesalers' recommended or guide prices for most items. In fact, more than nine-tenths of the retailers in this study claimed to use this procedure. Hence, the measure of pricing behavior used here was believed to be more sensitive. A secondary measure was estimated Number of price deals in all product groups during the last week (Y_2). Owing to problems of recall, this measure was believed to have lower reliability and validity than Y_1 .

The Retailer's objectives variable was measured by showing a card listing seven possible business objectives to the respondents. Factor analysis of the resulting data produced three factors accounting for 72 percent of the variance. The first factor having high loadings for profit, sales and market share maximization was termed Economic expansion. A second factor termed Cost consciousness and efficiency, showed particularly high loadings for minimizing costs. Finally, the third factor was called Way-of-life because of high loadings on contributions to better social contacts, carrying on traditions of good retailing, and supplying goods to consumers. In the analyses, the Objectives variable was represented by the factor scores on each of the three factors (X_4 , X_5 , and X_6).

TABLE 2

INTERCORRELATIONS AMONG THE 13 VARIABLES

	Y ₁	Y ₂	X ₁	X ₂	X ₃	X ₄	X ₅	X ₆	X ₇	X ₈	X ₉	X ₁₀
Frequency of Specified Price Deals Y ₁												
Number of Price Deals Last Week Y ₂	.23 ^x											
Halden Trade District X ₁	-.24 ^x	-.04										
Gjøvik Trade District X ₂	.03	-.04	-.61 ^x									
Sales Area of Store X ₃	.29 ^x	.30 ^x	-.03	-.03								
Economic Expansion Objective X ₄	-.02	-.02	.39 ^x	-.17 ^x	.04							
Cost Consciousness and Efficiency Objective X ₅	.38 ^x	.05	.16 ^x	-.15 ^x	.18 ^x	.55 ^x						
Way-of-Life Objective X ₆	.03	-.03	.30 ^x	-.23 ^x	-.16 ^x	.54 ^x	.28 ^x					
Perceived Number of Competitors X ₇	-.18 ^x	-.05	-.12	-.06	.01	-.24 ^x	-.06	-.21 ^x				
Perceived Competitive Reaction to a 3 Per Cent Price Cut X ₈	.23 ^x	-.01	-.24 ^x	.22 ^x	0	-.01	.11	.07	0			
Perceived Competitive Reaction to a 3 Per Cent Price Increase X ₉	.06	.08	-.03	.10	.13	.03	.03	0	-.02	.23 ^x		
Perceived Consumer Reaction to a 3 Per cent Price Cut X ₁₀	.10	-.04	-.14	.30 ^x	.11	-.06	.03	-.26 ^x	.03	.02	.08	
Perceived Consumer Reaction to a 3 Per Cent Price Increase X ₁₁	.10	.14	-.19 ^x	.08	.01	-.29 ^x	.06	-.18 ^x	.06	-.09	-.07	.26 ^x

^xCorrelation coefficient is significant at the .05 level

was a negative relationship between Size of store and score on the Way-of-life factor ($r=-.16$), while the relationship for Cost consciousness and efficiency was positive ($r=.18$). Contrary to expectations, no relationship was found for the third objectives factor. However, a multiple regression analysis including market structure (represented by the dummies for Halden and Gjøvik) revealed that the importance of both Economic expansion and Cost consciousness increased with store size, but that the importance of Way-of-life aspects decreased. Hence, the results suggest that retailers' objectives are multidimensional and that the importance of the various dimensions vary with store size and market structure.

Perceived number of competitors. On the average, each retailer reported not more than three other stores as perceived competitors. Though the measure used may be questioned, the results suggest that the

reduction of the same magnitude. Halden again appeared to be the least responsive market. The kinked demand curve phenomenon (as expressed by the relationship between perceived price elasticity for a price increase to the elasticity for a price reduction) was strongest in Moss, the most concentrated market, as may be predicted from oligopoly theory. Contrary to expectations, the linkage of the two Perceived price elasticity variables (X_{10} and X_{11}) to the Perceived competitive reaction variables (X_8 and X_9) was disappointingly weak. Hence, it seems as if kinked demand curves may be perceived regardless of the perceptions of competitors' reaction.

Prediction of pricing behavior

In the following, multivariate analysis will be used to compare the predictive efficacy of all the independent variables, both objective and subjective with that of the objective variables alone. Hence, to provide a benchmark, an attempt was made to predict Y_1 and Y_2 from the Market structure variables X_1 and X_2 and Store size X_3 . The \bar{R} (corrected coefficient of multiple correlation) was .39 ($n=199$), implying that the objective factors "explained" 15 percent of the variation in Frequency of specified price deals. For Y_2 , the presumably weaker measure, the \bar{R} was .26.

Next, stepwise multiple regression was performed on the data using the entire set of independent variables as predictors for the subset of the sample having complete responses ($n=92$).

The results were as follows (the numbers in parentheses are the standard errors for the regression coefficients. The sequence of the variables shows the order of entry):

The results suggest that inclusion of perceptual variables may give market structure and industrial organization studies more explanatory power. The study also demonstrates the need for improving the validity of the measures of intermediate factors.

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VERTICAL RESTRICTIONS IN DISTRIBUTION:

RECENT DEVELOPMENTS AND MANAGEMENT GUIDELINES

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INTRODUCTION

Recent developments in the antitrust arena have substantial implications for the development, implementation and control of manufacturers' distribution policies. In particular, the Supreme Court ruling in the GTE Sylvania case [2] has changed (apparently for the fifth time) the application of the antitrust laws to manufacturers' policies which, in one way or another, restrict the activities of otherwise independent distributors [10].

This article focuses on the current legal implications of manufacturers' policies which restrict intrabrand competition among distributors [4]. In the first section of the paper a review of the several reasons for limiting intrabrand competition is presented. This section also discusses the various means of limiting intrabrand competition that are available to management. In the second section a review of the historical developments in the legal status of restrictions on intrabrand competition is outlined and two recent cases analyzed. Finally, the implications of these cases for management and the larger marketing system are indicated.

THE RATIONALE FOR LIMITATIONS OF INTRABRAND COMPETITION

On initial inspection it might seem unreasonable for a manufacturer to restrict competition among its distributors in any way whatever since aggressive unrestricted competition among distributors should result in the lowest competitive distributor selling price possible. Low dis-

sales promotions. Similarly, sales may be particularly responsive to fast delivery which may result from a distributor's maintenance of an extensive inventory. Likewise sales may be sensitive to pre-sale services, field engineering and installation, or post-sale services and maintenance. In each of these instances restrictions on intrabrand competition among distributors may further the interests of manufacturers.

There are two important questions to pose with respect to the situations noted above. First, why should a manufacturer require the use of vertical restrictions on distributors to achieve its desired results? Second, if greater customer coverage, more or better promotion, higher levels of inventory, or more and better services result in a higher level of manufacturers' sales why wouldn't distributors supply these characteristics without vertical restrictions? There appear to be several potential answers to these questions [8].

1. There is the so-called "free rider" phenomenon. For any one distributor, the incentive for devoting resources to a product or line is the expectation of making sales of that product or line. However, if customers in the distributor's market area can buy from any of several competing distributors, these customers may utilize the services provided by one distributor, but buy from a competitor who may provide little or no service but sell at lower prices. If full-service distributors are deprived of returns on their investments in sales training, inventory, and so on, the incentive to make these investments may be reduced or eliminated completely.

2. Within a manufacturer's product line, there are typically great variations in the sales, costs, and profits associated with individual items; similarly, within a given market area, there are typically big differences in the sales and profitability of serving

1. Territorial sales restrictions, commonly referred to as exclusive territories,
2. Location clauses,
3. Areas of primary responsibility (APR),
4. Profit pass over agreements.

1. Territorial restrictions limit the geographic area in which a distributor may sell a manufacturer's product. A distributor is assigned a designated territory which he may not sell outside of and within which no other distributor may sell. A related type of restriction is a customer restriction. Customer restrictions preclude distributors from selling to specific customers or classes of customers. Some manufacturers, for example, routinely allocate government accounts, national accounts or foreign accounts to headquarters while all other accounts are served by individual distributors.

2. Location clauses operate to restrict distributors to specified physical sites as a place of business. A location clause is frequently used in franchising and is most common among retail distributors.

3. Areas of primary responsibility are geographic territories which are assigned as the principal responsibility of a specific distributor. Within this area the distributor is expected to exert maximum efforts to effectively and efficiently distribute a manufacturer's product or line. Sales quotas for APR's are a means of determining if these efforts are being made. The distributor subject to an APR agreement may sell outside of an APR if the APR sales quota is satisfied. Distributors who do not meet their APR quotas may be terminated.

4. Profit pass over arrangements are similar to APR arrangements in that a distributor may make sales outside a designated sales territory.

of the reasonableness of the violation is permitted the firm or firms charged. All that is required to find a firm guilty of a per se violation is to find that the firm engaged in the proscribed act.

In 1963, the Antitrust Division argued a case dealing with restrictions on intrabrand competition before the Supreme Court. The White Motor Company had developed a distribution system which had elements of both territorial and customer restrictions. The Supreme Court, however, refused to take the position that all such restrictions were per se violations. Instead, the Court stated that they would have to "know more...about the actual impact of these arrangements on competition...."

During the next four years manufacturers were successful in demonstrating the reasonable and interbrand competitive effects of restrictions on intrabrand competition and courts frequently upheld the legality and reasonableness of several vertically restricted distribution systems.

In 1967, the Supreme Court delivered an opinion in a case involving the Schwinn Bicycle Company. Schwinn had assigned its distributors exclusive territories in which they were the sole suppliers for franchised retailers. Both distributors and retailers were prohibited from selling to nonfranchised retailers. In addition retailers were authorized to sell Schwinn products only from prescribed locations. The Court decided that the distribution system was per se illegal on the basis that the restrictions unreasonably restrained the activities of independent distributors after Schwinn had parted with dominion over the bicycles, and the distributors assumed the risk of sale.

In effect, the Schwinn decision dealt more with the economic freedom of distributors than with the competitive effect of Schwinn's policies. After the Schwinn ruling a report by the American Bar Association noted that, "those who would strike down impairments on economic freedom

overall number of distributors. By 1965 Sylvania's national market share reached five percent overall. Sylvania management was, however, not satisfied with their share of television sales in the San Francisco area and decided to add an additional retailer within a mile of their original franchisee, Continental T.V. Continental T.V. then requested permission from GTE to open a location in Sacramento from which it would sell Sylvania televisions. Sylvania denied the request and Continental sued Sylvania for restraint of trade.

The Supreme Court found that although Sylvania's policies did limit intrabrand competition the policies also resulted in enhanced interbrand competition among various producers of televisions. The Court also determined that all cases dealing with restrictions on intrabrand competition should be judged under the rule of reason rather than as per se violations. The GTE decision meant that in future intrabrand restriction cases, principal importance would be attached to such factual issues as the actual or potential effects of the vertical restraint and the relative importance of intrabrand contrasted to interbrand competition.

The managements of a number of firms have viewed the GTE Sylvania decision as a major breakthrough which would greatly increase flexibility in developing and implementing distribution strategy. Although this view is essentially correct, the GTE Sylvania decision does not convey unequivocal freedom to management in the development of distribution strategies which include restrictions on intrabrand competition. The Federal Trade Commission, for example, has applied the rule of reason to restrictions on intrabrand competition in a very careful manner [6].

product quality:

- a) because a bottler has a limited geographic area, it cannot afford to have customer dissatisfaction resulting from inferior quality;
- b) the restrictions allowed Coca-Cola to monitor, at retail level, the product quality of each bottler.

Summarized, the case presented by the F.T.C. against Coca-Cola emphasized six major points:

1. Elimination of territorial restrictions would result in lower soft drink prices. The F.T.C. analysis indicated that if territorial restrictions were removed, food wholesalers and retailers would be free to shop around to purchase soft drinks from the bottler of a particular brand who offered the lowest price and/or best service. As a consequence, soft drink prices and service would be improved.

2. Price competition among brands in the soft drink industry was extremely weak. Interbrand competition was inadequate for the following reasons:

- a) 42% of the bottlers of the brands of the eight top syrup manufacturers (whose brands accounted for over 80% of the total soft drink sales) were multi-brand bottlers.
- b) For particular brands, developed by intensive advertising, had further restricted the effectiveness of interbrand competition.
- c) In a typical market area, the four firm concentration ratio was 70%.

3. The soft drink bottling industry had increasingly become dominated by large bottling companies and the perpetuation of territorial restrictions would further increase the domination by a few large firms.

4. Territorial restrictions had hastened the demise of small bottlers by limiting them to territories too small to support an efficient sized plant. This was due, according to the F.T.C., to the great changes in

Table 1

A Comparative of GTE Sylvania and Coca-Cola

<u>Ruling</u>	<u>GTE</u>	<u>Coca-Cola</u>
	legal	illegal
<u>Restriction</u>		
- Type of Restriction	location clause	exclusive territories
- Degree of Intrabrand Competition Foreclosed	partial	total
- Degree of Interbrand Competition	strong (?)	weak
<u>Market Characteristics</u>		
- Distributor Concentration	low	high
- Producer Concentration	high	high
<u>Firm Characteristics</u>		
- Market Share	2-5%	21%
- Industry Position	"faltering"	"dominant"
<u>Product Characteristics</u>		
- Convenience/Shopping	shopping/specialty	convenience

Firm Characteristics. It appears that the stronger the market position of the firm which imposes vertical restrictions, the greater the probability that those restrictions will be found illegal. The imposition of vertical restrictions by a manufacturer who possesses considerable market power is unlikely to enhance interbrand competition.

Product Characteristics. Vertical restrictions imposed for the sale of convenience type products such as soft drinks are likely to be for the purpose of increasing market coverage or penetration rather than for the encouragement of distributor services. If this is the case:

- a) such activities are not subject to the "free rider" phenomenon;
- b) average market prices may be higher as the costs of reaching small or remote accounts is reflected in higher average prices.

restriction legally challenged. Any firm, regardless of its market share, faces a higher probability of legal challenge to its vertical restriction when those restrictions substantially eliminate intrabrand competition as do territorial restrictions. The "new entrant" defense, especially where concentrated industries are concerned, may provide a basis for the use of more restrictive vertical arrangements. However, the burden of proof will shift to the firm to show that the imposition of vertical restrictions was necessary to compete.

With respect to the macro implications of a change in the legal treatment of vertical restrictions on distributors from per se to rule of reason two related issues stand out. One deals with the efficiency effects of the policy change; the other deals with the utilization of private and public resources in litigation - a form of transactions cost. Tradeoffs between efficiency effects and transactions costs raise a number of macro as well as micro level concerns.

Under a per se treatment where all vertical restrictions limiting intrabrand competition are regarded as illegal, there are no litigation transactions costs and there may be only minimal costs of monitoring for the purpose of detection. However, two potentially significant costs may be incurred in the process. First, manufacturers cannot obtain the benefits (nor can consumers) of restrictions. These are basically private costs borne by the respective individuals. Second, the market system can suffer from the reduction in overall efficiency that some restrictions may enhance. This macro loss in efficiency occurs if vertical restrictions can ever, on balance, be procompetitive. A per se treatment precludes the effects of procompetitive restrictions from being felt in the market.

On the other hand, a rule of reason treatment will generally increase litigation transactions costs substantially over those incurred under a

3. For reasons not discussed in this paper, the Commission did not reach the same conclusions concerning the bottling of returnable soft drink bottles.
4. Interbrand competition refers to the rivalry that exists among distributors with respect to the sale of the branded products of competing manufacturers. An example of interbrand competition would be that which exists between distributors of Ford automobiles and Chevrolet automobiles for the purchases of consumers who might buy either brand. Intrabrand competition, on the other hand, refers to the rivalry that exists among distributors of any single manufacturer's branded product. An example of intrabrand competition would be that which exists among distributors of Ford automobiles for the purchases of consumers who might buy Fords.
5. Louis W. Stein, Oriye Agodo, and Faut A. First, "Territorial Restrictions in Distribution: A Case Analysis," Journal of Marketing, April 1976, pp. 69-75, and U.S. Congress, Senate Subcommittee on Antitrust and Monopoly, Hearings, Exclusive Territorial Allocation Legislation, 92nd Congress, 2nd Session.
6. On the matter of The Coca-Cola Company, et al. (Final Order), Docket No. 8855, 1978.
7. Section 1 of the Sherman Act (15 U.S.C.).

"Every contract, combination in the form of trust or otherwise, or conspiracy, in restraint of trade or commerce among the several States, or with foreign nations, is declared illegal." Enforcement of the Sherman Act is the responsibility of the Antitrust Division of the Department of Justice.

8. The reader should recall that an alternative means of providing attractive margins to distributors through resale price maintenance agreements is illegal under the Consumer Goods Pricing Act of 1975. The following section is taken from Robert D. Buzzell, "Vertical Restrictions on Distributors: A Marketing Viewpoint," delivered at the Conference Board Antitrust Conference, New York, March 2, 1978.
9. The ruling may have significance in a way other than those outlined below. The Final Decree of the Commission which ordered Coca-Cola to cease and desist from using exclusive territories in distribution overturned the Initial Order of a F.T.C. Administrative Law Judge who found the territorial restrictions reasonable and pro-competitive on balance. Thus, the full Commission has seemingly applied a stricter standard to the case after the GTE Sylvania than the Administrative Law Judge applied prior to GTE Sylvania.
10. This paper deals with the unilateral policies of manufacturers with respect to distribution policies which restrict intrabrand competition. Agreements between manufacturers and distributors or among manufacturers, or among distributors to limit intrabrand competition are separate legal issues.

IV

MANAGING MARKETING EXTERNALITIES

It is all too easy to view micro-marketing from a one-sided macro view - that is, as a source of externalities. There is no question that micro-marketing decisions do impact on a wide variety of interest groups. However, the impact can be positive as well as negative. In fact, aspects of marketing can be visualized as solutions in themselves to problems faced by society. In this section the market process is viewed in terms of its contributions to society's goals and in terms of its ability to combat certain externalities.

The first three papers deal with the application of marketing to the solution of the energy problems facing society. David M. Gardner in his paper "Does Marketing Have Any 'Real' Contributions to the Energy Question?" addresses the fundamental theme of the group. He views marketing as the integrating discipline which allows both a consumer and a market orientation when dealing with approaches to solution. These solution approaches are divided into categories: technological development, consumer behavior modification, energy prices manipulation, and mandated (government) changes.

The paper by Stanley J. Shapiro, "A New Approach to Ecologically Responsible Consumption: Community Involvement in Energy Conservation" focuses primarily on the modification of consumer behavior noted by Gardner. The paper presents a proposal for testing the "conserving society" concept to measure the changes in energy behavior and use rates.

J. Allison Barnhill pursues the attempt to modify consumer energy consumption by examining the attempts of Ontario Hydro to "demarket" electrical energy use. In his paper, "Environmental Forces and the

DOES MARKETING HAVE ANY "REAL"
CONTRIBUTIONS TO THE ENERGY QUESTION?

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Most of the countries of the world are now or will be experiencing a need to reduce or reallocate energy consumption. The rationale for this reduction or reallocation is varied and complex. This paper does not address itself to the rationale for reduction or reallocation, but to the implementation of a program to accomplish reduction or reallocation of energy consumption. More specifically, what, if any, contributions can marketing make as a discipline and marketing practitioners make to the design and implementation of such a program?

The reduction of energy consumption can be approached from four major perspectives. The first is technology. Technology in the energy area generally refers to development of new sources of energy, energy efficient machines and appliances and devices to conserve energy. This covers ideas ranging from solar and wind power to thermostats that turn down the heat at night. The second major perspective is to focus on the energy user or consumer. This generally refers to persuading a consumer to use more or less of something, to purchase an energy-saving device or to choose a particular brand or model because of its energy consumption level. Telling consumers to turn down their thermostats and selling them extra house insulation are examples of this approach. The third perspective involves influencing energy consumption by controlling the price of energy. Depending on elasticities, a price increase may cause users to reduce consumption or to consume at times when rates are the lowest.

is working within our present understanding of how goods and services are distributed and how consumer decisions are made. Consequently, no attention is given to the actual or presumed existence of an "energy crisis." Rather, the increased cost of energy is taken as a given and as representing a constraint on the satisfaction of needs and wants by consumers. This approach also implies an emphasis on actual practice.

What do those firms and individuals who practice marketing do? Often referred to as marketing management, Kotler defines what is done as: "...the analysis, planning, implementation, and control of programs designed to bring about desired exchanges with target markets for the purpose of achieving organizational objectives. It relies heavily on designing the organization's offering in terms of the target market's needs and desires and using effective pricing, communication, and distribution to inform, motivate, and service the market" [8, p. 7]. In this light, then, we can examine marketing contributions to the four perspectives used to approach the energy conservation issue.

Technology

By its very nature, this hardware orientated area is exciting. At least in the abstract, people are excited about new and exotic ways of doing things. Coupled with a widely-held view that "science can solve all our problems," this area attracts government support and public interest. In particular, Anderson and Lipsey report favorable attitudes toward technology [1]. However, they report that those who are skeptical about the benefits of technology in solving the energy problem are also skeptical of the reality of the energy crises.

A very real danger in the area of technology is consumer acceptance. Some particular energy form or device may be technically feasible, but not accepted by users and consumers. Likewise, acceptance may be

conspicuousness of possessions to conserve energy may accomplish little. Only by persuasive encouragement to make alterations in lifestyle will the person be open to a change in energy consumption.

2. Most high energy consumption activities and products are probably closely related to high involvement attitude structures. This is in direct contrast to low involvement attitude structures usually associated with detergents and toothpaste. This implies that most high energy consumption activities and products are based on rather well-defined choice criteria and that a rather high level of perceptual screening can be anticipated upon exposure to communications related to these activities and products. In terms of the work of Sherif, Sherif and Nebergal [12], it would suggest that the "latitude of acceptance" would be small and the "latitude of rejection" would be large relative to each other.

This would imply the necessity of a communication strategy based on a distinctly different set of assumptions than those commonly used in the selling of most homogeneous goods. It would result in a communication strategy with a high information level and the recognition of extensive and limited search activities on the part of the consumer [7, p. 27]. Such a strategy would likely be directed at influencing changes in consumer choice criteria.

3. There is strong evidence that consumers develop "decision rules." The exact nature of these rules for energy-related decisions is not known. However, it is imperative that they be identified. These rules probably will fall into two groups: compensatory and non-compensatory rules and non-attribute based rules. We can expect to identify clusters of consumers by purchase activity using different rules. Thus, it is imperative that these rules be taken into consideration in both product and communication design.
4. The link between attitudes and behavior is weak. Therefore, our focus should not be so much on attitude toward energy and energy-related activities, but on actual behavior and in influencing behavioral intentions. The work of Fishbein and Ajzen seems to offer a rich procedural and theoretical basis for this understanding and approach [2].

Pricing

Considerable recognition that the price mechanism can influence energy consumption is apparent. What is not apparent is exactly what pricing strategy is appropriate for what task. The issue is clouded

that we can safely say that a solid basis for marketing making significant contributions to the energy question already exist. What is needed is application of what is known which will make significant contributions to reducing energy consumption.

Important Considerations

However, we should realize that the answers to very specific questions must be approached as any qualified practitioner would do. There is no room for answers based on "hunch" or answers from other applications. Rather, answers must be based on applied research specifically directed at the problem being approached. If an agency or utility is considering some form of incentive-pricing scheme, then it is imperative to do several studies to determine not only price elasticities, but secondary effects of such schemes.

Before marketing can be effective in promoting energy savings through products or practices, several important considerations need to be recognized. These considerations fall into two major categories that are not mutually independent. The first is based on the assumption that we will be selling products that are purchased and sold in a manner quite different from detergents and toothpaste. The second is the need for different models of consumer behavior than those with a brand orientation.

What does marketing do best? The most accepted response is to identify a need, make a product to fill that need at an acceptable price and to persuade consumers to adopt the product. While some would quarrel with this version of the consumer orientation of marketing, this is exactly what many firms do and call the process marketing. It is the contention of this author that the same process can be applied to energy

- A. energy savings
 - B. styling
 - C. prestige
 - D. price (low or high)
3. What needs to be done in the channel?
- A. dealer training
 - B. service
 - C. changes in distribution for product

The Need for Another Model of Consumer Behavior

Why do we need another model of consumer behavior? The most widely used model is that of Howard and Sheth [7]. This model is premised on repetitive brand choice. While it is useful in helping to understand some energy-related decisions, it is not adequate for a rigorous examination of the more generic decision process used in the decision to purchase a car or home or engage in an energy-consuming activity. A similar weakness can be noted in other existing models of consumer behavior. Therefore, it would be useful if a model existed that was complementary to existing models but focused on purchase of generally non-repetitive products and energy-consuming activities. Such a model would have an emphasis on decision rules and their formation and use. This model must also take into consideration the work of Hannon [5, 6]. His work carefully documents two facets of consumer behavior related to energy consumption. First is the demonstration that most consumer purchases contain either a direct or indirect energy component, or both. The direct component is the energy consumed in the operation of the product. But the indirect is the amount of energy consumed in the manufacture, promotion and distribution and support of the product. Air travel, then, is not just the cost of fuel per passenger, but the energy consumed in the construction of the 80 major airports in the United States, the energy used in the construction of the plane, getting to the airport,

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A NEW APPROACH TO ECOLOGICALLY RESPONSIBLE CONSUMPTION:

COMMUNITY INVOLVEMENT IN ENERGY CONSERVATION

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Canadian concern with ecological marketing has been but one aspect of a public policy debate now in process over Canada's potential role as a "Conserver Society." The nature and significance of the Conserver Society concept has been discussed at length [10]. The role of marketing in three prototype Conserver Societies - differing primarily in degree of value change presupposed as well as the impact on consumption and marketing practices anticipated - has also been studied [7]. A cornucopia of related material, in total so plentiful that its very abundance seems inconsistent with a conserver concern, is also available to interested parties. However, the expanded definition of a Conserver Society found in Exhibit A provides readers with enough of a common starting point for the discussion that follows. That discussion will focus on three recurrent themes found not only in the Conserver Society literature but also in many other explorations of ecological marketing.

Unresolved Ecological Marketing Issues

Whether and to what extent this continent's consumers would be willing to modify macro-purchasing behaviour is the first of these central concerns. Evidence as to how ecological considerations would affect micro, or individual product selection is limited and inconclusive. Generally however, environmental impact rates below both performance and price as determinants of brand choice [4]. At the macro or aggregative level, relevant data is all but non-existent. Recent surveys of American attitudes (as opposed to behaviour) suggest a growing interest in conservation and an increased ecological awareness. Disenchantment with

Intellectually and instinctively, this group recoils at the thought of using marketing techniques to "create a want" even for something as desirable as ecologically responsible consumer behaviour. Phrased another way, these critics of marketing do not believe that any good can possibly come from something they have so long considered intrinsically "evil."

The third and final recurrent theme is a growing impatience with the failure of Conserver Society and related ecological discussions to move from the conceptual and the definitional toward implementation. However, the nature and extent of existing barriers to operationalization must not be underestimated. The original conserver society studies were well received by consumerists, futurists, ecologists and social reformers of every stripe. However, the same studies were skeptically greeted by most government bureaucrats and received, at best, a mixed response from business. Labour leaders who invariably equate less consumption with more unemployment have been openly hostile. In addition, the nation's policy makers have been preoccupied with Canada's national unity crisis and an economy simultaneously plagued by both inflation and unemployment.

The far reaching nature of the conserver society concept, of course, also helps to explain the delays in moving toward implementation. In a democratic society, lengthy discussion and spirited debate generally follow, as day the night, the development of any serious proposal for far reaching social change. The conserver society concept can be viewed as in the early stages of its intellectual life-cycle. Only now are influential opinion leaders familiarizing themselves with the concept and deciding whether or not to champion its cause [6]. A greater degree of social acceptance seems necessary before large scale

marketing has been attempted or even advocated.

The original proposal called for a social marketing campaign promoting a conserver ethos to be directed at a specific community. That community and all its institutions were to serve as a conserver society "test market." Attention would be directed not only at family units but also at wholesalers, retailers, factories, churches, schools, hospitals and government units. The methodology associated with economic-base studies and input-output analysis would both provide "bench mark" data and be used to measure the impact of the social marketing campaign. All relevant indicators of socio-economic activity (income, employment, investment, family spending patterns, retail sales, etc.) would be monitored before, during and after the period of test marketing.

First to design and then to implement such a study would have been an exceedingly difficult task. However, the research team never had occasion to deal with these problems. Difficulties of another sort caused this first effort to abort. Discussions with potential sponsors revealed deep seated reluctance to underwrite a research project whose objectives might make the very existence of that project a political issue.

But while the conserver society might have been a controversial subject, energy conservation was not. The Canadian government has commissioned annual surveys of consumer energy usage attitudes and practices. In addition, it has underwritten an attempt to synthesize the findings of all the energy related consumer attitude surveys conducted in North America since the OPEC oil embargo [1]. Recognition of the existence of an energy problem by both Canada's bureaucrats and its citizenry made concerted efforts at reducing energy consumption

have such a pronounced effect on consumer life styles was to ask the impossible. The use of legislation to limit total consumption and/or excessive reliance on price as a rationing device was also recognized as politically impractical. Something else seemed to be required but the nature of that "something else" was not easily identified.

That citizen participation might be the missing ingredient was suggested to the author by an almost chance encounter with a description of the Saint John Human Development Project. That undertaking is believed to be the most comprehensive and extended process of city wide citizen participation achieved to date in Canada. As the extended quotation below suggests, the approach to social change and city planning that shaped the Saint John project was a brilliantly concerned one, entirely consistent with current trends in our society. It also appeared to be an approach that could profitably be used in test marketing consumer society concepts. Indeed, it was possible that citizen participation was the "missing ingredient" required for a more effective use of both law and social marketing as methods of encouraging ecologically responsible consumer behaviour.

The approach taken in the Saint John Human Development Project was based on the premise that the various publics of the Saint John community in reality constitute the "client," rather than simply those sponsors who had commissioned the study. Further, that each of these publics has the right and indeed the responsibility to participate in the research which is being done as part of a social change process. The objective of the Project was not simply the accumulation of data, facts and information for the eventual preparation of a report; but rather the initiation of action by the involvement of people from all segments of the community in what can best be described as an ACTION RESEARCH PROCESS.

Planning which prepares a program and then tries to "sell" it to the affected publics is no longer effective in our society. Equally inappropriate is planning that asks the publics to choose between

Increased emphasis on community action has led, in turn, to a re-examination of what social marketing is expected to contribute. Social marketing may still have an important part to play but only after each test community has reached its own consensus on the dimensions of the energy problem perceived as relevant and on the form of community action that problem requires. Presumably, a community-sanctioned social marketing effort has certain advantages over any social marketing plan prepared by outsiders. Similarly, new laws and regulations reflecting a community consensus should prove far more acceptable than laws imposed by external regulatory agencies.

As the abstract from the research proposal found in Exhibit B makes clear, primary emphasis is to be placed on helping each test community generate its own action plans. The role of social marketing as a possible action plan component will very definitely be called to each community's attention. However, the use of social marketing techniques will in no way be prescribed. To do so would be to run counter to the spirit of the entire project! Indeed, the only guaranteed use of marketing technology follows from the provision in the research proposal for periodic surveys of consumer attitudes and behaviour. Whether social marketing will be assigned a prominent role in community-generated action plans is one of the more interesting aspects of the proposed study.

Prospects for the Project

The fate of any research proposal remains uncertain until the grant is made or the contract signed. But at time of writing (September 1, 1978), funding for this project seems likely to be forthcoming despite recently announced cutbacks in Canadian government spending. The pro-

The necessity for a conserver society derives from our perception of the world as finite and of nonrenewable resources as limited, as well as from our recognition of increasing global interdependence.

A conserver society is, on principle, against waste. Therefore, it is a society which

- promotes economy of design of all systems, i.e. "doing more with less";

- favors reuse or recycling and, wherever possible, reduction at the source;

- questions the ever-growing per capita demand for consumer goods artificially encouraged by modern marketing techniques; and

- recognizes that a diversity of solutions in many systems, such as energy and transportation, might in effect increase their overall economy, stability, and resiliency.

In a conserver society, the pricing mechanism should not just reflect the private cost, but rather should reflect the total cost to society, including net energy used, ecological impact, and social considerations. This will permit the market system to allocate resources in a manner that more closely reflects societal needs, both immediate and long term.

SOURCE: Science Council of Canada, Conserver Society Notes (May-June 1976), p. 2.

Exhibit B

COMMUNITY INVOLVEMENT IN ENERGY CONSERVATION

The project described in this proposal is based on an approach which we refer to as an ACTION RESEARCH PROCESS. It is a process whereby citizens will themselves assess alternative ways of conserving energy, establish realistic goals, and an ACTION PROGRAMME to accomplish those goals through their own initiatives.

6. To identify sources of "hard" data, e.g. actual energy consumption in each selected community and control community for purposes of subsequent evaluation research.

Phase II - Objectives

1. Through community dialogue and support of the local media and institutions, to achieve a TOTAL COMMUNITY INVOLVEMENT and COMMITMENT to ENERGY CONSERVATION.

2. To initiate a public participation process in each selected community which is aimed at:

- Determining target areas for energy conservation.
- Establishing goals for energy conservation in each target area.
- Determining a strategy for achieving goals.
- Designing an ACTION PLAN based on the agreed upon strategy.

3. To set up goals, strategies and action plans related to: the individual, the household, the retail network, the industrial network, the office network, the education network, the church network, the leisure services network, other institutions.

4. To organize and install an "Information Resource Centre" in each community related to energy conservation.

5. To establish communications links among participating communities to share knowledge and approaches.

6. To conduct baseline research at the start of Phase II to determine current attitudes, motivations and behaviour, e.g. energy conservation in both participating communities and control communities.

7. To analyze "hard" data re actual energy consumption in both participating and control communities.

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ENVIRONMENTAL FORCES AND THE EVOLUTION

OF DEMARKETING BY ONTARIO HYDRO

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INTRODUCTION

By definition, demarketing deals with discouraging customers in general or a certain class of customers in particular on either a temporary or permanent basis [1, p. 88]. The inherent rationale for demarketing is based on demand for a product or service that is discerned as substantially outpacing the supply. While there may be a tendency to think of demarketing as the task required when either demand is overfull or when supply is short, there are situations where both conditions exist. Such conditions are inherent in the Ontario Hydro Corporation situation,

When Professors Kotler and Levy introduced the concept of demarketing, they criticized the classical concept of marketing by postulating that,

This is a narrow concept of marketing and the potential applications of marketing technology. It is a concept that arose in a period of goods oversupply. It also reflects a widespread tendency to define marketing in terms of what marketers ought to do rather than to analyze what they actually do under various circumstances [2, p. 74].

Ontario Hydro was studied, as a case, in order to analyze what its management actually did under changing macro conditions. The other purposes of the study were:

1. to explore empirically and to evaluate the authenticity of the concept of demarketing;
2. to identify and explain the macro- or environmental forces that precipitated a process of demarketing; and
3. to describe the marketing manifestations of this process.

The purposes, business operations and regulation of the Corporation are outlined in The Power Corporation Act of Ontario and various other statutes and pieces of legislation. While Ontario Hydro's Board reports to the Minister of Energy, the Corporation has been subjected to recent inquiries by the Ontario Legislature's Select Committee on Energy and a Royal Commission on Electric Power Planning. Power rates (prices) are regulated by the Ontario Energy Board.

The Environment of Ontario Hydro

Politico-governmental influences

No single factor in the Corporation's recent situation has impacted as much as politico-governmental actions, most notably the decision by the Ontario government to cut \$6.5 billion from Ontario Hydro's \$36 billion, ten year capital expansion program, cut \$50 million from the 1976 operating budget, and to reduce the Corporation's borrowings by \$1.5 billion during the period 1976-1979. In the view of the Corporation's President, the net effect will be:

Ontario consumers between now (mid-1977) and 1985 must lower their expectations by 4 million kilowatts of generating capacity that simply won't be there. That's twice the power provided to Ontario by Niagara Falls...

Governmental constraints on Ontario Hydro have precipitated a major change in the direction and marketing orientation for the Corporation. In the past, corporate planning and strategies started with demand forecasts. But, as the Chairman of Ontario Hydro has stated,

No longer can Hydro forecast demand 10 years out, plan the most economic system to supply it, go out and borrow whatever amount of money is necessary, and build it. Now, money, the availability of capital, is where we must begin.

What prompted the Ontario provincial government to constrain the spending for a basic public utility? It is for the same reason

interruptible "A" and "B" customers and implemented voltage reductions. On December 6, similar circumstances resulted in the Corporation cutting service to interruptible customers, terminating a 100,000 kilowatt power sale to the Province of Manitoba and bringing in 620,000 kilowatts from the United States. The "stickiness" of demand and other public expressions during the difficult conditions of December, 1976, led the Chairman of Ontario Hydro to state, in March, 1977 that,

... it is frightening to hear of the high expectations that some people have of us - that regardless of what happens, Hydro will be ready to fill any energy gaps. These expectations seem to have little regard for the limitations we have to contend with in putting new facilities in place including the extraordinarily long lead times for generating facilities that run out as far as 12 years and more - if we can get the necessary approvals to build them at all.

Supply and demand factors

As the executive officers of Ontario Hydro have emphasized and the December, 1976 situation outlined above illustrates, supply and demand for electric power need adjustment in Ontario (and across Canada). Exhibit I illustrates the Corporation's supply (generation) and demand (load) situation through to 1988. Assuming the historic 7 percent compounded annual growth rate, the load forecast (demand) will exceed generating (supply) capability. By the winter of 1979/80, predictions are that a service reliability problem will start. By 1985, a shortfall of 2,400 megawatts or twice the maximum demand to date of Toronto Hydro (the electric utility of Canada's largest city) will occur. As the projections extend into the late 1980's the excess of demand relative to supply increases.

Ontario Hydro and Energy Conservation

The Corporation has changed its market philosophy from consumer to conserver. The former Director of Sales is now the Director of

Energy Conservation. Forecasting has been reoriented to the supply of capital and electric power and away from customer demand. The load planning process was reversed in 1976. According to the General Manager - Marketing,

Until this year, our process has been to start with a load forecast, make plans for whatever new generation was going to be required to meet the forecast, then borrow whatever funds were needed to carry out the plan. This year, for the first time, the process has been reversed. The starting point is the assessment of how many capital dollars will be available to us; this determines how much plant we're going to have; and our load forecast merely determines what kind of action we're going to have to take, to make sure the load doesn't exceed our generating capability.

While consideration and some speeches have been given on government regulation of electric energy, the Corporation has ostensibly opted for conservation as its strategy in the foreseeable future. Ontario Hydro Chairman, Robert Taylor, has stated, "We must commit ourselves wholeheartedly to the objective of limiting the growth of electric power consumption in this province." The prime goal of the Corporation is to reduce annual growth in consumption from a long-term average of 7 percent to 6 percent starting in 1976. The new, conservation-oriented aims and strategies are not without some conflicting pressures, among them being:

1. Electricity, being more versatile and adaptable for most users than any other form of energy, will have increased demand while fossil fuels will decline and other energy sources become feasible;
2. Our whole socioeconomic structure is increasingly dependent on continuous and dependable supply. In every facet of life, substitution of energy for human effort continues; and
3. Electricity cannot be stored. It must be available in the highly variable quantities required, at the locations required, continuously.

What makes these pressures more difficult, even threatening, are the prospects of demand conditions that will overwhelm the voluntary

Moreover, while a temporary emergency makes headlines, there is little evidence that consumers are concerned about a probable energy crisis in the future.

Against these pragmatic considerations are the consequences perceived by Ontario Hydro if voluntary measures fail to bring demand into line with supply. If conservation efforts fail, one Corporation executive envisions:

1. a faltering and uncertain power supply with an unacceptable number of interruptions;
2. a less attractive place for investment;
3. new production and the creation of jobs would decline;
4. a lower rate of growth in all sectors; and
5. controls such as those imposed on inflation by the Canadian federal and provincial governments.

THE EVOLUTION OF DEMARKETING BY ONTARIO HYDRO

While Ontario Hydro's management and marketing activities are ostensibly discouraging the overall as well as selective time segments of demand, the concept of demarketing per se does not exist in the Corporation. Nevertheless, its administrative actions clearly manifest demarketing and its several facets merit closer examination.

Demarketing Aims

As a general objective, Ontario Hydro is to provide electric energy to its customers on a reliable (i.e., at all times), constant (i.e., without voltage reductions), and universal (i.e., to all applying or approved customers) basis. While this aim provides an ideal general direction for the Corporation, the forecasted shortfall between future supply and demand has led to a clear demarketing goal; in Ontario, reduce the growth of demand for electric energy by one percent annually

EXHIBIT II

ESTIMATED PRIMARY ELECTRICITY
USE BY MAJOR MARKET SEGMENTS

(Ontario Hydro)

	1966		1971		1974	
	Million MWh	%	Million MWh	%	Million MWh	%
Residential	12.6	28.8	19.3	31.0	23.8	31.4
Industrial	22.2	50.9	29.0	46.3	31.4	41.5
Commercial	<u>8.9</u>	<u>20.3</u>	<u>13.9</u>	<u>22.3</u>	<u>20.6</u>	<u>27.1</u>
TOTAL	43.7	100.0	62.2	100.0	75.8	100.0

Residential load includes bulk-metered apartments, seasonal and farm residences.

Industrial load contains all secondary (manufacturing) and primary industries, including non-residential portion of farm load.

Commercial load represents all loads associated with construction, retailing, institutional and utility services, including street lighting.

the prospect of rapid growth for some appliances such as colored television, air conditioning, water heaters and residential space heating.

In 1975, electricity accounted for nearly 10 percent of the total residential space heating market in Ontario, a tenfold increase in twelve years. Of greater future impact on the conservation strategy is the growth in electrical space heating in new residential construction. Exhibit IV shows the number of new dwellings with electrical heating being

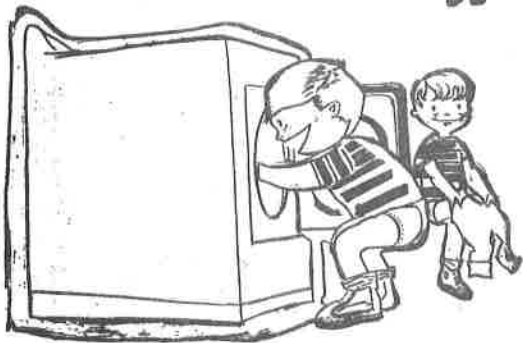
EXHIBIT IV
ELECTRIC SPACE HEATING SHARE IN NEW RESIDENTIAL CONSTRUCTION
(ONTARIO)

<u>Year</u>	<u>New Dwelling Starts (1)</u>	<u>El. Heating Installations in New Dwellings (2)</u>	<u>Percent Share</u>
1959	54,158	380	0.7
1960	42,282	524	1.2
1961	48,144	999	2.1
1962	44,306	2,679	6.0
1963	55,957	4,169	7.5
1964	65,617	8,284	12.6
1965	66,767	9,861	14.8
1966	52,355	11,662	22.3
1967	68,121	11,446	16.8
1968	80,375	10,600	13.2
1969	81,446	13,700	16.8
1970	76,675	13,770	18.0
1971	89,980	21,742	24.2
1972	102,933	25,870	25.1
1973	110,536	27,120	24.5
1974	85,503	20,520	24.0
1975	-	-	25.7 (Prel.)

SOURCE: (1) Stats. Can.: New Residential Construction (#64-002).
(2) Power Market Analysis Department - Ontario Hydro

energy consumers will cut back their use in emergencies, e.g., in December, 1976, Ontario users of electricity cut their use by 350,000 kilowatts, in general the growth of electrical (and other forms of) energy consumption increases steadily. To change this propensity, Ontario Hydro has embarked on a "de-marketing" campaign that includes the major marketing mix components; pricing, promotion, products and distribution.

EXHIBIT V
 TRANSITION OF ONTARIO HYDRO
 CONSUMER ADVERTISING
 (1960, 1965 and 1973)



The service around here is terrific!

Two pairs of jeans come out of the puddles and fun of wet weather—go into the careful hand of an automatic electric dryer. And before you can say "terrific" they're ready to be worn again.

More and more people every day discover the value of electricity's low cost versatility. In the past few decades it has helped us take charge of our clothes... reduced housework to something that's almost enjoyable and helped raise our living standards to a new high.

HYDRO
 is yours

LIVE BETTER ELECTRICALLY

National Electrical Week—Feb. 7th - 13th

ELECTRICITY
 SPARKS THE **60's**

Hydro Special

FREE

ELECTRIC BLANKET
 \$29.95 VALUE
 WITH A NEW
ELECTRIC CLOTHES DRYER

Waking up to the wise use of electricity means more than owning a clock radio

Ontario's demands for electricity virtually double every decade. Not simply because there are more people around who need it, but because it is used in more and more ways. Industrially, commercially and domestically.

Not so long ago it was generally thought that this province had inexhaustible hydro-electric (water power) resources. Today, there are no more major sites available for economic development. While electricity can be generated in thermal stations fuelled by coal, gas, oil or uranium, such fuels are not unlimited either. And although Canada's wealth of natural uranium is a welcome newcomer, it will be some years

before nuclear generation of electricity becomes the primary source of power.

Through a program of planning and development shaped with the help of public involvement, Hydro is endeavouring to meet future electricity requirements. But we must realize that the fulfillment of these requirements has a cost, both environmental and financial. Every consumer can help to minimize this cost.

All we ask is that when you use your power, use it wisely. It's a matter of waking up to the thoughtful use of electricity... and all resources.

your hydro

This advertisement appears in daily newspapers at following:
 Toronto, May 29th and July 10th with the exception of the Toronto Globe & Mail which appears on May 29th and July 9th.

System." One special promotion offered a free electric blanket (\$29.95 value) with the purchase of a new electric clothes dryer at any store featuring the Hydro Special (see Exhibit V).

The transition of Ontario Hydro's advertising to the theme of wise use started in 1971. In May of that year, the Corporation made



THIS BUILDING IS HEATED BY ITS OWN WASTE HEAT!

The Florida Professional Building is heated by an internal source heat pump. The system is completely powered by electricity. Estimated annual heating cost is \$10 to \$15 per square foot.

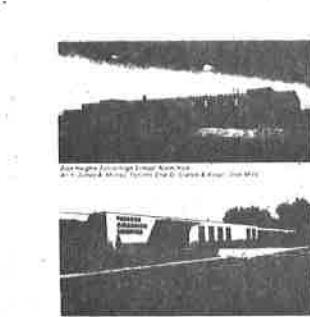
This overhead parking waste heat is produced by lights, power and people — and an extra 10% to 15% heat all IT levels. Warm the building as hot as you like. The air will temperate in an automatically maintained by a sophisticated air conditioning system.

Savings resulting from the elimination of such devices as chimneys and boiler rooms offset the cost of extra insulation and ductwork. The energy required for this new heating system is measured on a per square foot equal estimated basis compared with conventional methods. (See and Use per square foot.)

ADDITIONAL ADVANTAGES
Elimination of the boiler room floor to save rentable space. The use of extra ducts and cables required, giving some central climate control. This is the only building in the world...

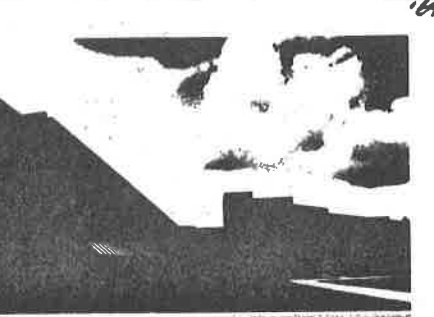


heat the people...not the plant



Waste not, want not

Changing needs in education pose design problems that only a radically new type of building can solve. In these examples of compact design schools, the internal source heat pump is used to give fully automatic environment control all through the year.



Reclaiming surplus heat makes year-round climate control practical in these forward-looking Ontario schools.

Not so long ago year-round climate control would have been prohibitively expensive in a school building. However, it could have been made practical by using compact design schools. The heat pump systems used in these compact design schools...



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EXHIBIT VI
EXAMPLES OF ONTARIO HYDRO INDUSTRIAL/COMMERCIAL ADVERTISING (1964, 1966 and 1969)

This double page spread advertisement appears in:
 Architecture Canada — December, 1964
 Canadian Architect — February, 1966
 Canadian Consulting Engineer — March, 1969
 Architectural Record — December, 1968
 Educational Digest — April, 1970
 Ontario Education — June, 1970

American subsidiaries, were found to be the most responsive companies. To convey substantive information in a reasonably concise format, Ontario Hydro provides a monthly bulletin entitled Energy Management. Since June 1976, the phrase "for the conservation of electricity," has been added to the publication's masthead. Contents of the bulletin are predominantly reports of the ways companies and public institutions

especially under colder climate conditions, is expected to greatly expand the market for them.

Electric vehicles offer a promising prospect to Ontario Hydro. At present, the Corporation is monitoring their development, especially the progress being made with energy dense batteries, which is the critical component in making electric vehicles feasible in the climate of Ontario.

Water heaters present another opportunity for energy conservation development. In Ontario, water heaters represent about 30 percent of residential electricity use. Given the actual and potential increased periodic use of water heaters, Ontario Hydro is involved in the development of timers and other means of decreasing the amount of energy they require.

Distribution

Distribution of electrical energy is one of the main operating functions of Ontario Hydro. In April, 1977, a Load Management Department was set up to ensure that the distribution of electricity was optimized. Given the forecasted shortfall between supply and demand in the 1980's, electricity loads will require increasing improvements in forecasts, planning, utilization and controls. At present, load forecasts are based on econometric models. These "probability-based" models, while sensitive to error factors, e.g., variability and reliability of inputs, rely heavily on environmental elements such as political and economic conditions and energy prices. They also rely on inputs from Ontario Hydro regional offices and the municipal utilities. Load forecasts have repeatedly shown a need for load planning that will increase efficiency and shift loads for optimal utilization. As the Load Management Department Manager observed, "Less energy use does not

which specific component(s) of Ontario Hydro's marketing mix and/or its environment has influenced the decrease in demand for electricity in Ontario during the past 18 months.

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REVITALIZING AN INNER CITY NEIGHBORHOOD BUSINESS DISTRICT:

AN APPLICATION OF MACRO-MARKETING CONCEPTS

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In the 1960's and the 1970's America saw a large-scale migration of households from cities to the suburbs [2]. This flight to the suburbs has led to a further deterioration in the living conditions in the city. Real estate prices in inner city areas have plummeted and crime has soared. Drugs, dirt and noise have increased in these areas. The better businesses in the area have been quick to follow the fleeing households. The remaining businesses are unable to attract even the local residents, leaving the area economy in shambles. In this gloomy inner city environment, there is a ray of hope. Federal, state and local governments are undertaking efforts to preserve and revitalize urban areas. In order to accomplish this revitalization, it is necessary to understand the needs and wants of the target population and orient rehabilitation efforts accordingly. In this process the concepts of macro-marketing [1, 4, 9, 10, 13, 18] become increasingly relevant. It is in this spirit [3, 14, 15, 16, 19] that an empirical investigation was undertaken by the authors and is reported in the following.

THE STUDY

A study was undertaken in a large northeastern metropolitan area during the summer of 1977 at the behest of the local city government. The neighborhood studied had experienced a gradual decline during the last decade. This neighborhood which once boasted of a sprawling business district was confronted with a sagging economy. The city fathers

1. Frequency of shopping at the neighborhood business district as well as six other major shopping centers in the metropolitan area;
2. Attitude towards the neighborhood business district;
3. Open ended multiple responses describing the reasons for patronizing and not patronizing the neighborhood business district;
4. Degree of agreement with respect to a battery of life style and psychographic statements generated according to the conceptual model proposed by Wind and Green [20] and,
5. Standard demographic and socio economic characteristics.

Methodology

The potential customers of a business district may differ in terms of patronage of the various shopping centers and other shopping related characteristics [5]. Therefore, it is essential that the first step in the process of developing a marketing strategy for the business district should consist of delineating the target segments. Furthermore, in order to effectively reach these segments, it would be necessary to describe them in terms of certain identifying characteristics such as demographic, socio economic, and life style variables. Then the shopping needs and wants of the various segments could be examined and marketing strategies formulated to satisfy them.

Towards this end, a multi-variate approach was adopted to analyze the data. First, following Lessig [11] the frequency of visits to the seven shopping centers were factor analyzed. The 229 x 7 matrix of frequency of visits at different shopping centers formed input to this phase of the analysis. Three patronage factors were extracted using $\lambda = 1$ criterion proposed by Green and Tull [6] and Tatsuoka [17]. The three factors explained more than 60% of the variation present in the data. Table 1 presents the varimax rotated factor matrix (after

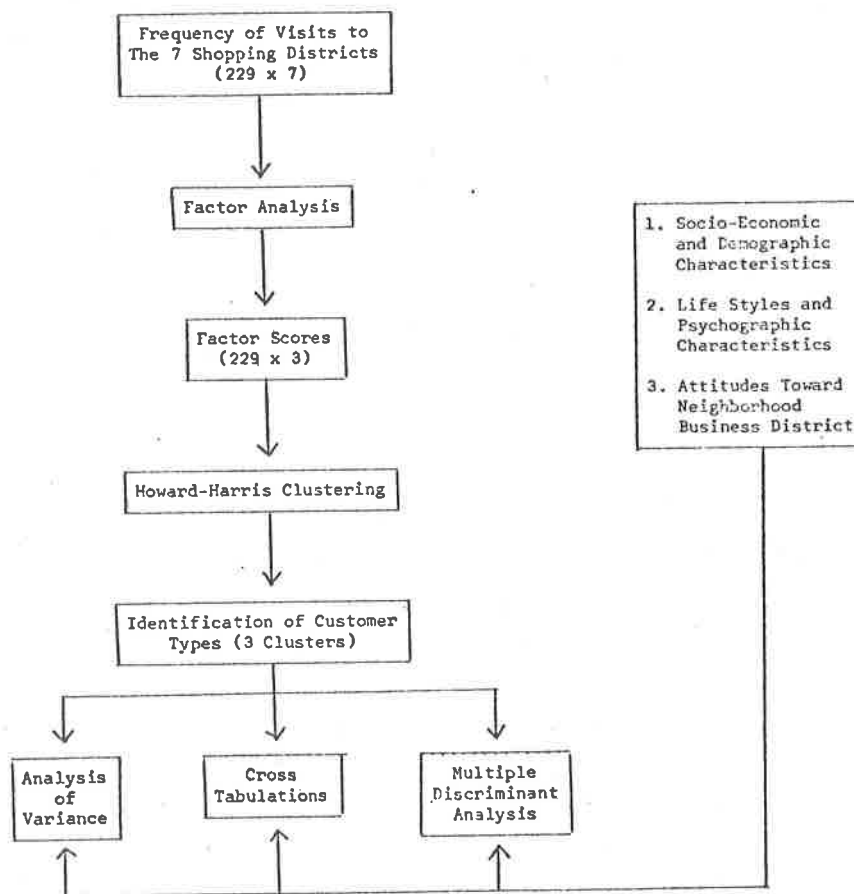
analysis. The results of the discriminant analysis were found to be significant at $\alpha = 0.05$. Table 2 presents the standardized discriminant function coefficients. Finally, analysis of variance and cross tabulation were also used to examine inter-group differences. These results were found to be consistent with the results of discriminant analysis. A flow chart of the complete analysis is described in Figure 1.

Table 2
STANDARDIZED DISCRIMINANT FUNCTION COEFFICIENTS

Variables	Factor 1	Factor 2
1. I shop a lot for "specials"	.43454	.17809
2. For specific household needs I often go to a specialty store rather than a general merchandise store	-.08487	-.25726
3. I am better than the average shopper in getting value for my money	-.11680	-.18975
4. Once I have selected a particular store I hesitate to switch to another	.02461	.36389
5. The reputation of a store is more important than the brand name of the product it sells	.28208	-.34291
6. I would not shop in a store that looked dirty, even if the prices were very low	-.13467	-.13600
7. I would prefer to shop at conveniently located stores even if the prices at these stores were a little higher	.03761	.27455
8. I think I have more self-confidence than most people	.21577	.04550
9. One should shop at local stores	.39988	-.18812
10. I like to be considered a leader	-.19606	.13818
11. I like to combine shopping with other activities if possible	.25509	.51211

Figure 1

FLOW CHART OF DATA ANALYSIS



is of primary importance. They do not particularly care about shopping convenience. Also, cleanliness and physical characteristics of the stores and the shopping area are not of major concern to them. They lack social and local orientation and consequently their patronage of the neighborhood stores is the lowest across the three segments. Members of this segment like to combine other social and cultural activities with shopping. This segment consists of primarily young, married households in the age group of 25 to 34 years.

STRATEGIC IMPLICATIONS

The results of this study indicate clear-cut marketing strategies for revitalization of the inner city neighborhood business district. Consistent with the segmentation approach, specific strategies will have to be adopted to attract the different segments.

The strategy to retain and further cultivate the "Neighborhood Store Patronizers" should emphasize development of personal relationships and capitalize on the strong support of this segment for the area merchants. Shopping should be made more convenient for this segment by improving the level of personal services. To attract the patronage of the "Mall Shoppers," the business district should improve the physical appearance and overall cleanliness of the area. Furthermore, a greater number of specialty type stores need to be set up to provide this segment with a wide variety of stores to choose from. Finally, to foster the patronage of the "Downtowners" an attempt should be made to improve the overall product offerings and social and cultural activities available in the business district. Furthermore, a communication program must be aimed at this segment to promote the wide variety of product offerings. This would help remove a major obstacle which

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COMPARATIVE MACRO-MARKETING

The preceding sections have defined a path of thought through the subject of macro-marketing. First the dimensions of the field were discussed. This set the stage for in-depth analysis of the externalities of micro-marketing, which implied public and social policy considerations and the management of marketing externalities.

At first glance it might seem to the casual reader that the task was complete, with definition of the problem and discussion of implications and solutions. However, the analysis has been limited to one country and culture in an increasingly complex and interdependent world. Therefore, the final section, "Comparative Macro-Marketing," adds a necessary breadth to macro-marketing analysis as the world threads its way through the last quarter of the twentieth century.

The study of comparative marketing has taken on a new urgency as man attempts to cope with the geometrically growing number of impacts from externalities of one nation state to another. It no longer suffices to view trade flows alone. A comparative analysis of national systems and ultimately consideration of a global system are required. This final section starts to explore this important realm with three diverse papers. No pretense of completeness is made but macro-marketers have and will continue to probe for insight into the immense questions of nations' interdependencies.

The first paper by Charles C. Slater and Dorothy Jenkins presents the argument that it is necessary for comparative studies to be based on systems modeling. Once adequate and similar systems models have been built for national economies then effective comparative analysis

SYSTEMS APPROACHES TO COMPARATIVE MACRO-MARKETING

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This paper illustrates how simulation modeling of socio-economic processes can be used for comparative macro-marketing studies. It will begin with a discussion of the historical perspective of comparative marketing. This will then be broadened to discuss how systems modeling could develop this perspective to investigate comparative macro-marketing questions. Next, the potential gains from a systems approach to comparative macro-marketing study will be outlined. Finally, some comparative conclusions of the DIOSIM model will be presented.

Historical Perspective of Comparative Marketing

Historically comparative marketing has been in the micro tradition. The assumption has been that comparison can help evaluate the international market to determine what marketing practices can be used from the U.S. system, which practices clearly cannot be transferred, and to identify new practices that might be useful.

Bartel's 1968 article gets much credit for summarizing the then state of the art [3]. This work summarized much of what had evolved in the 1950s and early 1960s. Many American firms were entering European and Far Eastern markets. Others were following the colonial powers of Europe into Asia and Africa, and the U.S. colonial tradition in Latin America. This search for international markets suggested the need for comparative marketing studies. Comparative marketing sought to explore the ways in which American marketing practice should

These two questions lead to a pervasive review of the macro-marketing system as it links to other social processes. From such review, comparison can be drawn. Hopefully, this review and comparisons can be focused on the crucial issues of world resource constraint (particularly energy) and the related problem of world population increase. Let us turn from these issues to a discussion of some emerging macro-marketing theoretical frameworks that can address these issues.

Systems Approaches to Comparative Macro-Marketing

Marketing systems describe the links between institutional production, distribution activities, and households. Macro-marketing emerges when the performance of the system is evaluated, either in terms of an enhancement of the efficiency of marketing or adjusting priorities for the entire social system. Marketing systems are one element of the social process of all societies. Thus there are macro-marketing dimensions to all societies. The marketing system, as a means of distributing goods and services, is positioned beside the production function of resource transformation and allocation to provide the goods and services needed by all societies.

One of the recent developments that makes the problem of studying macro-marketing systems critically important is the rise of a world meta-system. This world-wide system has grown from world trade and, in the post World War II era, from the multi-marketing operations of many institutions. Many of these are western multi-national firms, but an increasing number are Eastern European and Chinese institutions that are para-statal in character. Thus, as a critical part of the social process of individual societies and of the entire world system, the marketing and distribution system requires careful study.

distribution is critically affected by the performance of the marketing system. In addition, employment and resource use rates in the society are importantly affected by the performance of the marketing system. Thus, policy choices involve trade-offs among these kinds of objectives. Policy choices affecting the marketing system at a macro level involve the investment and regulatory strategies affecting each industry and sector as well as changes in household behavior. It is critically important that there be a method for assessing trade-offs among policy decisions that affect the distribution system. Without such a method for assessing trade-offs, most decisions will be far from optimal.

Consumer prices and information are largely transmitted through the marketing system of the community. Communications gains are, therefore, important, too: if the marketing system provides the community with useful information about both public and private goods and services, there is a strong potential for broader citizen participation in the resource allocation decision process. Many communities, of course, make these decisions from a strongly centralized government posture. For some of the leading western societies, there is a process of representative government which provides some regulatory guidelines. There are imperfections in the efficiency of that representation, and the regulatory agencies in turn have critical limitations in their efficiency because of the many constituencies that they serve. Thus, a better understanding of the macro-marketing processes is essential for providing societies with a basis for developing and regulating the total marketing system.

alterations. In moving from the configuration of Kenya to the model of the United States, adjustments had to be made for the government to household transfer payment system in the U.S. In Kenya, this exchange of income is accomplished at a household level, without the intermediate participation of the government. However, with that exception, the other differences could be accommodated by altering the flexible data elements of the DIOSIM. Changing the aggregation of the input/output matrix allowed the model to account for the proportion of the population in Kenya which does not participate in the modern economy but rather operates at a traditional subsistence level. In the U.S. economy, as well as in other industrial nations, this traditional non-market population element is negligible. In modeling Colorado, the aggregation of the I/O allowed the model to deal with a government sector that is not fiscally independent.

Other differences between the economies modeled were accounted for by altering other flexible elements of the DIOSIM at the data level. The composition of household classes can be directly responsive to each situation and still the basic rules of moving from one class to another remain the same. The specifics of market channel aggregation can change without altering the patterns of consumption. Applying DIOSIM to economies that appear very different seems to illustrate that there are, in fact, many structural similarities and that the differences are essentially on the operational level.

Three other major systems efforts are growing to deal with socio-economic issues and should be mentioned: Ray Fair's A Model of Macro Economic Activity, Volumes I and II [4], the work in Korea of Adelman & Morris [2], and the work of Abkin and Manetsch [1]. These other works are focused on economic development and policy rather than market processes as a part of social process.

it into the same framework underscores the essential similarities between systems and helps to introduce a broader range of policy options.

One design of macro-marketing systems modeling is in place to be used for comparative studies between individual societies. It provides an accessible and useful framework. Many different models that meet the needs for comparison could be developed. Perhaps by making these comparisons between individual societies, we can begin to get a view of a world system. Comparative study may help to show the relationships between societies and also to show the mutual value of cooperative economic policies. The urgency of the need for a world system is confirmed by population and resource constraints and international political tensions. Comparative marketing had its roots in serving the micro interests of the international firm. As macro-marketing dimensions develop, it can begin to serve the interests of the world system.

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CONSUMER ATTITUDES TOWARD MARKETING AND CONSUMERISM IN THE
UNITED STATES AND VENEZUELA: A CROSS-CULTURAL COMPARISON
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INTRODUCTION

For more than a decade articulate and energetic consumer advocate groups have insisted that business firms must demonstrate greater responsibility in serving the needs of society. Consumer representatives have not only demanded safer and better products, they have also pressed for improvements in advertising practice, promotional activities, repair services, product warranties, and other areas of marketing. As a result, government agencies and business firms have become more sensitive to the demands of consumerists. Many observers agree that the U.S. consumer movement has been successful in bringing about numerous changes intended to eliminate abusive practices in the market and reduce dissatisfaction among consumers.

Despite the changes that have been made, research on the subject reveals that consumer discontent remains high and that buyer dissatisfaction is widespread. Such findings have frequently led to the inference that business response to consumer problems has been superficial and ineffective. However, there are two basic and important problems with such interpretations. The first problem stems from lack of established criteria or reference points for judging the true level of consumer satisfaction or dissatisfaction. The second problem relates to the inference that all complaints and discontent expressed by

Data collection procedures for the Venezuelan sample were of necessity different. Telephone directories in that country are incomplete and inaccurate for purposes of developing a sampling frame. In addition, mail survey procedures in Venezuela have proved ineffective due to serious problems in non-response. Because of such constraints, it was necessary to use personal interviews to collect the data, and as a result the sample was geographically limited to respondents in Caracas, Venezuela. A stratified, geographic sampling plan was developed based on customer lists obtained through the cooperation of a major power company. Interviewers were directed to a particular residence, and were instructed to conduct interviews at adjacent houses if there was not a respondent at home at the initial address. Budget limitations prohibited (1) call backs for "not-at-homes," and (2) a sample as large as the one in the United States. In the end, 177 completed questionnaires were obtained for a response rate of 58%. However, the resulting sample was younger, better educated, and more "upscale" economically than the general population of Caracas. Analysis of opinions expressed by U.S. consumers have shown that these demographic factors are related to respondent attitudes. Therefore, it was decided that the U.S. sample should be weighted to make it more demographically comparable to the Venezuelan sample. Since the U.S. sample was much larger, it was thought that less bias would be introduced by weighting responses from the U.S. survey rather than the smaller Venezuelan sample. Thus, the stratification of the U.S. sample was weighted to make it relatively comparable to the Venezuelan sample in terms of age, sex, and occupational status of respondent households.

In translating the U.S. questionnaire into Spanish, an iterative process was used. Professional, certified translators converted the

developed for each of these categories and the response frequencies to each statement are tabulated. In addition, the response frequencies for the unweighted U.S. sample are presented so that the effect of weighting is discernible. These tables appear on the following pages, and serve as a basis for the discussion that follows.

Product Quality

Several interesting contrasts emerge when one considers Table 1, which summarizes responses to a series of statements concerning product quality.

For example, U.S. respondents were much more in agreement than the Venezuelans with the idea that manufacturers make an effort to design products to fit the needs of consumers. However, the Venezuelans were more in agreement with the belief that manufacturers often withhold important product improvements from the market in order to protect their own interests. Also more Venezuelans expressed the opinion that product quality has improved in the past several years.

Consistent with less extensive product choice in many categories of consumer goods, only about 22% of the Venezuelans thought that the wide variety of competing products makes intelligent buying decisions more difficult (as contrasted with 43% of U.S. respondents). Given fewer competing brands, however, it is somewhat surprising that the Venezuelans are more in agreement with the statement that differences among competing brands are insignificant and unimportant for most types of products.

On other product related issues, the two samples display similar response patterns. A majority in both groups indicate that style changes are not as important as improvements in product quality.

Similarly, in both samples there seems to be substantial variability of opinion on whether or not manufacturers deliberately design products which will wear out as quickly as possible.

Advertising

In the United States in recent years there has been widespread discussion of the advertising function and its contributions and costs. In addition, there has been increasing regulation of advertising by agencies such as the FTC. In contrast, there has been less discussion and less government regulation of advertising in Venezuela. Given this backdrop of differences, the response patterns of the two surveys to several statements concerning advertising (Table 2) are thought provoking.

The most prominent pattern across the total set of statements in Table 2 is the consistently higher uncertain response among the Venezuelans. For whatever reasons, U.S. respondents are more opinionated and consistently more in disagreement with each of the statements. Thus, the U.S. sample gave more critical responses to the general role of advertising. Respondents in the U.S. were more likely to disagree that: (1) advertising is believable, (2) advertising is a reliable source of information, (3) advertising presents a true picture of products, or (4) advertised products are more dependable than unadvertised products.

Of course, there are a number of possible explanations for this pattern of responses. But, perhaps greater attention to advertising regulation (and concurrent media coverage) in this country leads people to place less credence in advertising communication, even as the communications themselves are becoming less prone to exaggeration, undocumented claims, or deception.

Other Marketing Activities

In general, the attitudes expressed by U.S. respondents are more favorable to the statements in Table 3 than those of the Venezuelans. For example, more U.S. consumers believe that products are available at convenient places and express greater faith in the honesty of promotional games and contests. In addition, a larger percentage of the U.S. sample think that product guarantees are backed up by the manufacturers that make them. By contrast, however, more Venezuelans (43% vs. 17%) state that the quality of repair and maintenance service provided by manufacturers and dealers is getting better.

Consumer Responsibilities

The statements about consumer responsibilities in the market place (Table 4) stimulated more uncertain answers among the Venezuelans than the U.S. respondents. There are other specific response patterns of greater interest, however. For example, a substantially larger percentage of the Venezuelans agreed that for most types of products consumers do not find it worthwhile to shop around to find the best buys; consistent with this is the stronger sentiment among U.S. citizens that consumer related problems are important when compared with other questions and issues faced by the average family. Further, U.S. respondents stated that these problems are as serious now as in the past.

There is a similar level of agreement in the response patterns of the two samples that many of the mistakes that consumers make in buying products are the result of their own carelessness or ignorance, but U.S. consumers are much more in agreement that the information needed to become a well-informed consumer is readily available to most people.

TABLE 4
CONSUMER RESPONSIBILITIES

Statements	Sample	Level of Agreement				
		Strongly Agree	Agree	Uncertain	Disagree	Strongly Disagree
17. The problems of consumers are less serious now than in the past.	(USA/75)	2.9	17.2	14.2	49.9	15.8
	(US ADJ 75)	2.1	14.0	14.0	48.2	21.7
18. The information needed to become a well-informed consumer is readily available to most people.	(VEN/75)	3.5	14.5	26.2	36.0	19.8
	(USA/75)	5.9	46.3	12.5	29.4	5.9
19. The average consumer is willing to pay higher prices for products that will cause less environmental pollution.	(US ADJ 75)	5.2	41.8	13.1	31.4	8.5
	(VEN/75)	3.4	18.6	36.2	28.8	13.0
20. The problems of the consumer are relatively unimportant when compared with the other questions and issues faced by the average family.	(USA/75)	3.3	23.4	27.7	39.5	6.2
	(US ADJ 75)	2.5	20.7	21.2	48.1	7.5
21. Many of the mistakes that consumers make in buying products are the result of their own carelessness or ignorance.	(VEN/75)	9.2	23.1	37.0	23.7	6.9
	(USA/75)	3.9	15.6	17.6	49.8	13.1
22. Consumers often try to take advantage of manufacturers and dealers by making claims that are not justified.	(US ADJ 75)	2.5	11.3	15.7	52.9	17.7
	(VEN/75)	2.9	24.0	38.0	30.4	4.7
23. For most types of products consumers do not find it worthwhile to shop around to find the best buys.	(USA/75)	12.8	64.3	8.2	13.1	1.7
	(US ADJ 75)	9.3	62.9	10.9	14.2	2.8
24. Concern for the environment does not influence the product choices made by most consumers.	(VEN/75)	14.9	59.8	13.8	8.6	2.9
	(USA/75)	4.9	22.5	23.7	41.3	7.6
25. For most types of products consumers do not find it worthwhile to shop around to find the best buys.	(US ADJ 75)	3.2	17.8	24.7	46.8	7.5
	(VEN/75)	0.6	9.2	41.4	35.1	13.8
26. Concern for the environment does not influence the product choices made by most consumers.	(USA/75)	6.3	31.4	6.7	45.1	10.5
	(US ADJ 75)	5.3	32.8	7.8	42.4	11.7
27. Concern for the environment does not influence the product choices made by most consumers.	(VEN/75)	13.1	52.3	14.2	16.5	4.0
	(USA/75)	8.9	58.5	15.5	16.1	1.0
28. Concern for the environment does not influence the product choices made by most consumers.	(US ADJ 75)	5.5	57.1	15.3	19.9	2.3
	(VEN/75)	15.1	55.2	13.4	11.6	4.7

TABLE 5
CONSUMERISM

Statements	Sample	Strongly Agree	Level of Agreement			Strongly Disagree
			Agree	Uncertain	Disagree	
25. Manufacturers seem to be more sensitive to consumer complaints now than they were in the past.	(USA/75)	4.6	40.0	22.4	24.4	8.6
	(US ADJ 75)	4.2	36.0	27.0	22.6	10.2
26. When consumers have problems with products they have purchased, it is usually easy to get them corrected.	(VEN/75)	7.6	41.9	30.2	16.9	3.5
	(USA/75)	0.9	21.5	17.8	47.8	12.1
27. Most business firms make a sincere effort to address just consumer complaints fairly.	(US ADJ 75)	0.8	17.6	17.3	50.7	13.6
	(VEN/75)	1.7	12.1	31.8	33.5	20.8
28. From the consumer's viewpoint the procedures followed by most manufacturers in handling complaints and settling grievances of consumers are not satisfactory.	(USA/75)	3.0	55.8	22.7	15.1	3.4
	(US ADJ 75)	2.8	48.3	24.6	19.4	4.9
29. Consumerism or the consumer crusade has not been an important factor in changing business practices and procedures.	(VEN/75)	1.7	26.4	29.9	29.9	12.1
	(USA/75)	11.9	48.6	17.6	20.9	0.9
30. Ralph Nader and the work that he has done on behalf of consumers has been an important force in changing the practices of business.	(US ADJ 75)	10.9	53.9	19.0	15.9	0.4
	(VEN/75)	16.0	68.0	8.6	4.0	3.4
31. The exploitation of consumers by business firms deserves more attention than it receives.	(USA/75)	2.4	18.9	22.0	49.8	6.9
	(US ADJ 75)	2.2	10.8	22.0	56.8	8.2
	(VEN/75)	9.7	40.6	23.6	21.2	4.8
	(USA/75)	21.4	48.2	20.7	6.6	3.2
	(US ADJ 75)	22.9	50.9	20.3	4.2	1.8
	(VEN/75)	9.2	49.6	28.6	9.2	3.4
	(USA/75)	22.0	55.2	15.2	8.5	1.1
	(US ADJ 75)	27.1	49.7	16.9	5.0	1.2
	(VEN/75)	38.9	51.4	5.1	2.9	1.7

TABLE 6
GOVERNMENT REGULATION

Statements	Sample	Strongly Agree	Level of Agreement			Strongly Disagree
			Agree	Uncertain	Disagree	
32. The government should test competing brands of products and make results of these tests available to consumers.	(USA/75)	32.3	38.5	7.5	15.6	6.2
	(US ADJ 75)	40.7	35.9	5.9	12.6	5.0
33. The government should set minimum standards of quality for all products sold to consumers.	(VEN/75)	56.5	32.8	2.8	7.9	0.0
	(USA/75)	22.4	45.6	9.6	16.4	6.2
	(US ADJ 75)	25.3	45.6	9.7	14.9	4.5
34. The government should exercise more responsibility for regulating the advertising, sales, and marketing activities of manufacturers.	(VEN/75)	69.7	23.4	1.1	4.0	1.7
	(USA/75)	18.1	41.8	14.1	18.7	7.5
	(US ADJ 75)	16.4	47.8	15.4	15.6	4.9
35. A Federal Department of Consumer Protection is not needed to protect and promote the interests of consumers.	(VEN/75)	50.0	36.4	4.0	7.4	2.3
	(USA/75)	5.2	7.3	10.0	41.0	36.4
	(US ADJ 75)	2.9	4.6	6.8	35.1	50.6
36. In general, self-regulation by business itself is preferable to stricter control of business by the government.	(VEN/75)	4.6	16.0	17.1	45.1	17.1
	(USA/75)	17.1	41.2	16.6	18.5	6.6
	(US ADJ 75)	12.8	36.7	23.9	19.9	6.8
	(VEN/75)	15.6	21.4	16.8	28.9	17.3

TABLE 7
PRICES AND PRICE CONTROL

Statements	Sample	Strongly Agree	Level of Agreement			Strongly Disagree
			Agree	Uncertain	Disagree	
37. The most important problem facing consumers today is the high prices of consumer goods.	(USA/75)	38.9	38.9	8.0	12.6	1.6
	(US ADJ 75)	35.1	36.7	10.8	16.3	1.0
38. High prices of consumer goods are caused primarily by wholesale and retail middlemen taking excessive profits.	(VEN/75)	37.1	45.1	8.6	6.9	2.3
	(USA/75)	27.3	38.0	19.7	12.6	2.4
39. Considering wage rates and income levels today, most consumer products are priced fairly.	(US ADJ 75)	22.5	38.2	24.6	12.5	2.2
	(VEN/75)	36.9	39.2	14.2	9.7	0.0
40. Refusal of consumer to buy expensive products is the most effective way of keeping the prices of consumer goods at reasonable levels.	(USA/75)	1.7	24.0	14.6	42.6	17.1
	(US ADJ 75)	1.0	17.3	16.3	43.7	21.7
41. Government price control is the most effective way of keeping the prices of consumer products at reasonable levels.	(VEN/75)	0.0	6.3	23.6	42.5	27.6
	(USA/75)	22.1	47.2	10.6	16.9	3.2
42. Competition ensures that consumers pay fair prices for products.	(US ADJ 75)	22.7	38.1	15.1	19.5	4.5
	(VEN/75)	21.0	35.2	24.4	16.5	2.8
	(USA/75)	9.3	21.2	21.7	34.0	13.8
	(US ADJ 75)	6.7	18.0	26.7	33.7	14.9
	(VEN/75)	20.6	42.9	18.3	12.0	6.3
	(USA/75)	11.9	41.0	12.2	26.1	8.8
	(US ADJ 75)	9.8	33.5	13.8	29.2	13.8
	(VEN/75)	5.7	28.7	32.8	21.8	10.9

and mass media coverage that has been given to marketing related issues in Venezuela. When the level of uncertain answers was lower among Venezuelans, the statements were generally related to government regulation of business.

In considering these results, several points should be kept in mind. The data and comparisons discussed here are based on samples of relatively comparable groups from the two cultures, but the samples are generally younger and more "upscale" than the respective populations from which they were drawn. However, it is likely that the basic patterns reported here are consistent across the broader populations of interest. This inference is supported by the answer patterns for the weighted and the unweighted U.S. response. There are some differences, but they are minor relative to the differences observed between the samples from the two different cultures.

Second, the authors do not argue that the measures used in this study span all areas of marketing activity that are potentially of interest. Different issues sampled or different approaches to measurement might reveal a more complete picture. Here again, however, the consistent patterns of response across individual items increases confidence in the basic conclusions presented here.

Finally, consumer attitudes provide one window from which to view the workings of a marketing system, but the choice of the baselines used in evaluating such attitudes is critical. While the opinions of the U.S. sample in the research appear critical of business when studied in isolation, they are consistently more positive when compared to the attitudes of the Venezuelans. Moreover, regardless of the efficiency or effectiveness of a marketing system, there may not at any time be a zero level of dissatisfaction among consumers. Instead, as consumers

ENTRY OF U.S. COMPANIES INTO EASTERN EUROPE AND THE U.S.S.R.:

MARKETING OPPORTUNITIES AND CONSTRAINTS

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I. Introduction

Within the past six years, U.S. business has made a large-scale entry into the vast market of the U.S.S.R. and the six Eastern European countries of the CMEA. With the signing of the "detente agreements" of June 1972 between the U.S. and Soviet governments, U.S. firms began to negotiate technology licenses, turnkey projects and other types of cooperative arrangements, similar to those that West European companies had been developing since the early 1960's. Today, some 300 major U.S. corporations have entered into long-term marketing and production agreements with the state enterprises of these countries, whose common market nearly equals that of the European Community in industrial output and is growing more rapidly.

This paper focuses on the macro-marketing factors that encourage and limit entry of U.S. companies into cooperation with East European and Soviet enterprises. The objectives here are twofold: First, it is hoped that the analysis of macro-marketing processes in these new and very different markets will contribute to a clearer understanding of macro-marketing concepts; and, secondly, the paper may provide some practical insights into the advantages and disadvantages of market entry in East Europe and the Soviet Union. It is very difficult to generalize about the experiences of 300 companies operating in widely diverse industries in seven countries which differ among themselves at least as much as, for example, Denmark and Italy. However, this research is based

In the Soviet-East European context, the U.S. (or other Western) corporation is the entrant, which suggests the marketing point of view, but constraints on entry are also extremely important and more complex than in the domestic U.S. market. An understanding of these constraints requires some appreciation of the position and operations of the Eastern state enterprise as the host partner firm. In many respects the host enterprise and the governmental agencies associated with it define the constraints on entry by the U.S. firm. The terms of the basic contract of cooperation between the U.S. firm and the host enterprise are limited by the legal and financial powers of the state enterprise, and by the national five-year economic development plan and the priorities assigned by the planners to the enterprise. Similarly, the capability of the host enterprise to enter into marketing cooperation with a U.S. corporation depends also on the technological and managerial strength of the enterprise. Each of these constraints is examined in more detail in Section III.

The U.S. firm as a potential partner may also be constrained by its own financial, managerial, or technological limitations, but in general U.S. and other Western companies have a relative advantage over the Soviet or East European enterprise in these areas of capability. Indeed, at least in the larger cooperation agreements, Western and Japanese companies often compete among each other for the contract, thus assuring the Eastern state enterprise a high level of technology, managerial know-how, and advantageous financial terms. Such competition itself is an important limitation on entry, but the U.S. corporation must also carefully examine further marketing factors before signing a cooperation agreement. In particular, the concerns of a U.S. company are in most cases the distribution and promotion of products exported

A third entry-inducing factor is the opportunity for the U.S. company to reduce its production or marketing costs. Economies may arise from a number of possible sources: raw materials or energy inputs are an important cost-saving in a few cases of cooperative ventures; the plant location near large industrial markets in both West and East Europe can offer transportation economies; land or other fixed capital investment may be made available as the Eastern partner's initial contribution; engineering and other human-resource skills are also contributed in some cooperation arrangements. Contrary to popular belief, low-cost unskilled labor does not appear to be a significant factor for the simple reason that nearly all of the projects involving U.S. firms are highly capital-intensive, and require relatively small numbers of engineering and other highly-skilled labor. In the typical joint project skilled workers are paid premium salaries, well above the average level, to ensure high-quality workmanship and on-schedule completion of the project.

Our more recent (1978) interviews with U.S. executives have revealed a fourth benefit that U.S. firms are beginning to recognize. Having entered into joint production and marketing, some U.S. companies are finding that the Eastern partner is also very capable of helping them develop new products. Joint R & D efforts are still carried out by only a small percentage of all the cooperation ventures, and it may be more important as a reason for continuing or expanding the cooperation rather than entering in the initial phase. However, joint R & D opportunities exist and the capability of the East European or Soviet enterprises to adapt to develop new products may become more important in the future.

In summary, the perceived opportunities or benefits of entering

cooperation contract and the priorities of central planning. The third and fourth constraints, project financing and technology transfer, are partly determined by the Eastern host government and partly by the U.S. partner firm. The last two constraints discussed, product quality and marketing distribution, are much less influenced by the host government policies than they are by the joint action of the partner firms.

Contractual/Institutional Form

The laws of each of the six East European countries and the U.S.S.R. define in precise terms the limits to equity participation, control of technology, management of manufacturing and marketing and other operations permitted of a foreign partner company. Only Hungary, Romania and Poland allow any equity participation, which is limited in all three countries to a minority interest and further restricted in Poland to defined service industries. Technology licenses are the simplest type of contract permitted, involving minimal cooperation between the partners, but such licenses are often sub-parts of more complex contracts under which the firms jointly manufacture or market products over an extended period of time. The Soviet Union has a strong preference for turnkey contracts, typically of one-to-three years duration, for the building of an industrial plant (e.g., the Kama River truck manufacturing complex).

The specific limits or prohibitions of these national laws cannot be avoided by a U.S. firm as a potential entrant, but within the legal boundaries there is a relatively wide range of discretion. For example, even though U.S. (or other foreign) companies cannot obtain equity control over a joint venture in Hungary, Romania or Poland, they can exercise considerable influence or control over important decisions by virtue of their technical and managerial expertise. In many of the cooperation

the Ministerial level, but it may suffice to say that a broad spectrum of political/bureaucratic considerations are involved. Some Western firms have negotiated for two years, only to be rejected for unknown political reasons. Our impression, however, based on interviews with over 100 U.S. executives, is that such a rejection is quite unusual; most rejections are given early, and the long negotiation typically ends with the signing of a contract.

Financing the Project

An entry constraint of growing importance to U.S. companies is the difficulty of obtaining dollar credits to finance the investments of capital equipment imports of large-scale cooperation ventures. The difficulty arises from several causes. First, several of the East European countries have borrowed heavily from Western banks, to the point where their export earnings in hard currencies (e.g., dollars, Deutschemarks, Swiss francs) are barely sufficient to service the large debt. A second reason is the increased caution which U.S. and West European banks now exercise in extending credits to developing countries in general. The East European countries are considered excellent risks and have not defaulted in the past 30 years, but the banks have in some experts' view overextended in making loans to the governments of a large number of countries. Third, U.S. companies are at some disadvantage competing with their West European and Japanese rivals which can also obtain financing at preferential rates from their governments; the major U.S. leading agency, Eximbank, ceased giving credits to East European or Soviet projects with the passage of the Trade Act of 1974.

The primary method U.S. firms employ to by-pass these financial constraints is to keep capital needs low and obtain as much credit as

The spillover benefits of a huge influx of modern technology over the past 25 years are obvious and growing. The most serious problems appear in the organization and coordination of the increasingly complex industrial technologies; managerial and worker incentive systems also need much improvement. With respect to U.S. controls on technology exports, some improvements have occurred recently in the reduction of time required to process companies' applications. However, Congressional pressures continue to maintain strict surveillance of technology transfers, despite the occasional advice of U.S. executives that many of the controls are out of date or ineffective.

Product Quality

One of the most frequently stated concerns of U.S. executives in the 1972-75 period was the complaint that products made in cooperation ventures would not be of sufficiently high quality to permit their successful marketing in the West. These concerns were most emphasized by firms whose trademark was attached to the goods being marketed, but they were also mentioned in cases in which the Eastern partner's trademark was used. In the latter instance, the U.S. company had whole or partial responsibility for aftersales service or performance of the product.

Undoubtedly, some U.S. corporations were deterred from entering into cooperation agreements with East European or Soviet enterprises because of uncertainties about product quality. However, the more recent experience of companies over the first three or four years indicates that these problems are usually solved. Where the U.S. trademark is used, the company develops a highly rigorous testing procedure through which the product must pass. If U.S. engineers are denied access to

marketing. Several U.S. executives expressed doubts about the effectiveness of their partner's domestic marketing, since the Marketing Concept is rarely applied. (However, many U.S. companies have their own sales representatives in Eastern Europe and the Soviet Union to provide distribution of products not manufactured in the cooperative venture.) In export marketing, the U.S. antitrust laws prevent the U.S. firm from restricting its Eastern partner from selling to the U.S. market, but in practice the U.S. company usually controls these operations by virtue of its established sales and distribution network and ability to provide after-sales service. The U.S. partner often manages West European and Third World marketing for similar reasons, but the Eastern enterprises seem likely to expand their role in such markets.

IV. Macro-Marketing Effects

Entry by Western companies into the Soviet or East European markets leads to a number of possible macro-marketing effects. Following Slater [7] and Moyer and Hutt [6], we distinguish three major types of such effects: efficiency, welfare, and external effects. Efficiency effects are the most direct impacts on the allocation of resources by the partner company, and they include cost savings, increased output, and the adoption of improved technology. Welfare effects refer to the equity or income-equality results that flow from more efficient use of resources; examples include wider employment opportunities and improved quality of goods. External effects are the spillover benefits (and costs) that may include, for example, the reduction in international tensions or greater national autonomy.

Table 1 presents some illustrative macro-marketing effects associated with each of the six entry constraints described in Section III. As

the U.S. company succeeds in overcoming the constraints, its entry into the Eastern market results in one or more of the efficiency, welfare, or external effects listed in the table. For example, once the U.S. firm has satisfied the contractual requirements, entry and joint production with the Eastern partner may result in increased output of the product, improved or enlarged training of skilled labor, and, as a side effect, the easing of East-West tensions.

The most tangible or immediately perceived effects are the efficiency effects, most of which occur in the Eastern partner enterprise or industry. Welfare and external effects are less obvious, and in most cases develop slowly as a cumulative result of many entries by U.S. and other Western companies. For example, the external benefit associated with product quality is a general improvement in the quality of life in the Eastern country, as many Western innovations and technological processes are introduced. It is difficult to measure the rise in quality of life, and there are undoubtedly countervailing forces at work, but in general one expects the development of improved medicines, foodstuffs and other consumer goods to provide such an effect.

V. Prospects and Policies for the Future

Our analysis of the macro-marketing factors affecting U.S.-East European/Soviet cooperative marketing ventures suggests that they will continue to expand and prosper over at least the next five years. Barring significant changes in the political climate, it seems likely that U.S. firms at present engaged in such ventures will enlarge the scope of their joint operations, including development of new products, and other U.S. firms will enter into new cooperation contracts. Although the available data are not comprehensive, it appears that the

The need of the East European countries (and, to a much lesser extent, the Soviet Union) to export may also result in more severe entry constraints on the U.S. company that does not have a strong marketing organization. This constraint appears at present and is likely to grow, but it does not affect the multinational corporation with a global marketing network. However, over the longer run, even the latter type of company may encounter increasing competition from Eastern enterprises that are now learning how to organize world-wide marketing operations. With the growth of new competition from Korean, Brazilian or other emerging-country firms, U.S. companies will face a formidable challenge. One policy response would be to maintain cooperative ties with the East European enterprises and try to develop global marketing arrangements that will satisfy both partners' needs.

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POSTSCRIPT

Commentary on the Study of Macro-Marketing

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The value of isolating macro-marketing as a separate area of study is questionable. In the past, students of marketing emphasized micro-marketing by their concern with achievement of the objectives of the firm. However, entrepreneurial goals are rarely designed to achieve the best interests of society. Often the opposite is true as evidenced by the marketing concept as originally conceived. The good resulting from an application of the marketing concept must be ascribed to action by an alert citizenry and by government concerned with "general welfare."

Could questions of general welfare have been left to marketers? To pose the question is to state a dilemma concerning the meaning of macro-marketing. If we assert that macro-marketing deals with the economy as a whole, are we not troubled by the fact that this is precisely the economists' view? What is wrong with this definition?: "Macro-marketing models are constructs of how the general process should be conducted in the best interests of society."¹ This commentator is concerned by the acceptance among marketing educators of a genuine societal focus as a basic objective for profit-motivated private business firms.

Secondly, as evidence of the neglect of problems pertaining to macro-marketing, is the fact that only one text, Marketing in the Service Sector, by John M. Rathmell has appeared and that was in 1974.² If marketing scholars are really concerned with public welfare, why haven't they devoted more attention to services, which account for 40 to 50 percent of the total household purchases in any given period?

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