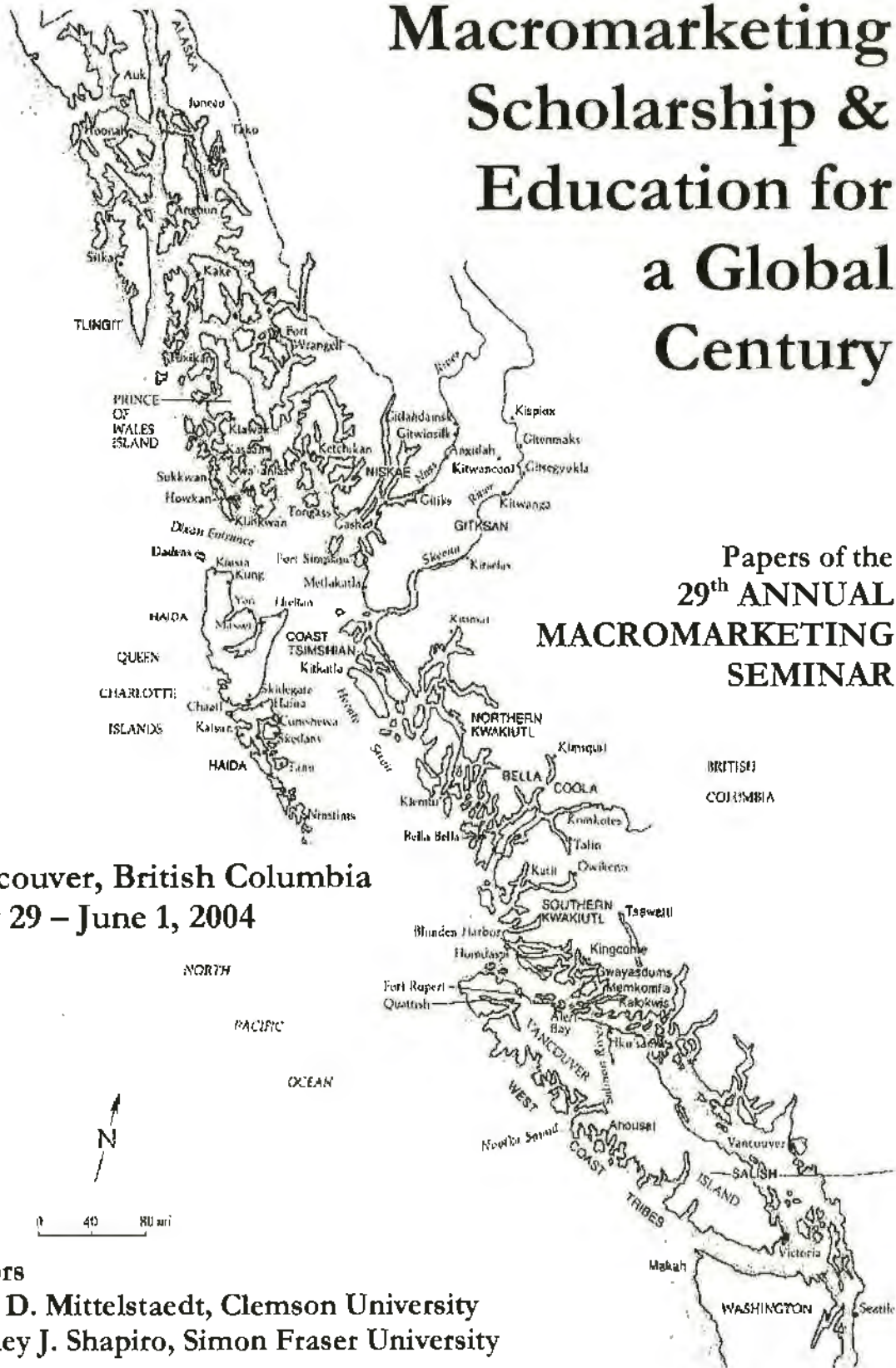


Macromarketing Scholarship & Education for a Global Century

Papers of the
29th ANNUAL
MACROMARKETING
SEMINAR

Vancouver, British Columbia
May 29 – June 1, 2004

editors
John D. Mittelstaedt, Clemson University
Stanley J. Shapiro, Simon Fraser University



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John D. Mittelstaedt, Clemson University**

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The Ecological Modernization of Consumption – A Challenge for Macromarketing?

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Abstract

Many commentators now argue that Ecological Modernization is the central means of solving the environmental nuisances caused by production and consumption practices associated with Western society. This paper introduces Ecological Modernization Theory into the macromarketing domain. It is part of a larger study exploring green consumption in Ireland. Several findings from the study raise questions around Ecological Modernization and its supposed ability to address questions of environmental sustainability. The authors pose several questions regarding the relationship between green consumption and Ecological Modernization.

Introduction

Production and consumption in present day contemporary societies has and is having a profoundly negative effect on global ecological systems. A look at any of the most recent assessments of the global environment (*Human Development Report 1999; State of the World 1999, 2000, 2001; Global Environment Outlook 2000; Global Environment Outlook 3*) shows the seriousness of the situation. The increase in the consumption of resources and the resultant pressure on eco-systems continues at pace.

After three Earth Summits, in which concepts such as sustainable development, sustainable production and consumption were developed and enshrined, action on global ecological-consumption related problems remains limited, marginalized and indeed on contested territory. In relation to dealing with consumption levels in the West, action and policy tends to be focused around sustainable production processes and eco-efficiency. It is claimed (Hobson, 2002) that this is placing sustainable production and consumption under the paradigm of Ecological Modernization. Indeed Spaargaren (1997) maintains that since the Brundtland Report in 1987, Ecological Modernization Theory is now the dominant paradigm for addressing environmental problems. Despite the level of interest the issue has received to date amongst sociologists and political scientists, Ecological Modernization Theory has failed to enter either the vocabulary or research interests of the marketing and consumer research disciplines. Thus, the aim of this paper is twofold. Firstly, to introduce Ecological Modernization Theory into the domain of marketing. Following on from this, the second part of this paper provides some insights from a recent empirical study conducted in Ireland on the issue of green consumption. The findings of which the authors believe can add to developing Ecological Modernization of Consumption Theory.

Ecological Modernization Theory

Ecological Modernization Theory developed in the late 1980s and early 1990s (Murphy, 2000b) (see Table 1). The theory challenged the environmental movement's traditional concept that a fundamental reorganization of the core institutions of modern society (the industrial production system, the capitalist organization of the economy and the centralized state) was essential in entering a path of long term sustainable development (Mol & Spaargaren, 2000).

economic agents as social carriers of ecological restructuring in addition to state agencies and new social movements. Ecological Modernization Theory is in line with the concept of sustainable development in rejecting the fundamental opposition between economy and ecology. In this context environmental improvement can go together with economic development via process of delinking economic growth from natural resource inputs and outputs of emissions and waste;

- Thirdly, although Ecological Modernization is critical of the role of a strong bureaucratic state in the redirection of processes of production and consumption, it does not deny the indispensability of the state in environmental management. Rather, the role of the state in environmental policy will have to change from curative and reactive to preventative. Some tasks, responsibilities and incentives for environmental restructuring are shifted from the state to the market. Private economic actors become involved in environmental reform – certification of products and processes, environmental audits, competition on environmental performance.
- A modification of the position, role and ideology of social movements (in contrast to the 1970s and 1980s) in the process of ecological transformation. Instead of positioning themselves on the periphery or even outside the central decision-making institutions on the basis of demodernization ideologies, environmental movements seem increasingly involved in decision-making processes within the state and, to a lesser extent, the market. Interestingly from a macromarketing perspective this course has been called for by Prothero & Fitchett (2000) without any inference to Ecological Modernization.
- Changing discursive practices and the emergence of new ideologies in political and societal arenas, where neither the fundamental counter-positioning of economic and environmental interests nor a total disregard for the importance of environmental considerations are accepted any longer as legitimate position. Finally, intergenerational solidarity in the interest of preserving the sustenance base.

This is a brief outline of Ecological Modernization Theory. All dimensions and important debates within the social sciences concerning Ecological Modernization cannot be discussed in one paper. Instead, the remainder of the paper will deal with the particular context of the Ecological Modernization of consumption, and the relevance of the findings of our empirical research.

Ecological Modernization of Production and Consumption

The environmental transformation of production is central to Ecological Modernization Theory, and is now being accepted by governments and supra-national governments as a means of encouraging the integration of environmental concerns into production processes. A number of authors (Murphy, 2001; Hobson, 2002) have suggested that policy options are following Ecological Modernization strategies. For instance in an assessment of European Union (EU) environmental policy, Murphy (2001a) notes that the EU are employing the Ecological Modernization discourse, particularly eco-efficiency.

However, according to Murphy (2001a) and Spaargaren & Van Vliet (2000) consumption has received relatively little attention in respect of Ecological Modernization Theory. The obvious exception being the link between consumption and technology. Spaargaren (1997) contends that technology (eco) is playing a key part in the Ecological Modernization of consumption, specifically in the move towards more sustainable consumption patterns. It involves understanding goods as material-flows, which through technological adaptation can become less material intensive and environmentally damaging in both their production and later their disposal. An example of this is a recent UNEP Report (UNEP, 2001) which identified dematerialization of consumption patterns, as one of the main options in attempting to achieve sustainable resource consumption. In addition, a recent OECD Report (2001) on Sustainable Consumption entitled *Household food consumption; trends, environmental impacts and policy responses* adopts a similar position. It states "...ensuring trends develop without adding additional environmental stress will mean working simultaneously to

using 'green/alternative' (see McDonagh & Prothero, 1997; Gabriel & Lang, 1995) consumers. Data was collected through phenomenological interviews and diaries with seven participants. The method of interviewing adopted has been used extensively in consumer research (Thompson, 1997; Thompson & Haytko, 1997; Thompson, Pollio & Locander, 1994).

The sample selection was purposive. According to Mason (1996) purposive sampling (or theoretical sampling) means selecting groups or categories to study on the basis of their relevance to one's research questions, one's theoretical position and analytical framework, one's analytical practice, and most importantly the explanation or account which one is developing. Data analysis proceeded with the interpretation of the respondents reflections on their green consumer experiences through a circular interplay between a developing understanding of the interviews and an ongoing immersion in a number of key literatures. It also involved constantly comparing emerging themes with the data (the consumers lived experiences) not only within the case of a single participant but also across the texts from the other participants. This was used as a means to eliminate idiosyncratic themes and the problem of anecdotalism which can occur in qualitative research. The method involves a repeated back and forth movement between the different parts of the data. From this several themes emerged, which are discussed in the next section.

In following the theoretical sampling method the researchers selected sampling units which express key dimensions related to the research question. Thus, selecting sampling units which are theoretically relevant (green/alternative consumers) to developing and expanding theory in the area of green consumption and the ecological modernization of consumption. As Mason (1996) puts it, the sampling units selected express key dimensions of one's "intellectual puzzle". The reliability of the method adopted (hermeneutic-phenomenology), the validity of the data collected, analyzed, and interpreted, and the research question all support one another in terms of making theoretical generalizations.

Findings and interpretations

Tradeoffs and compromises and trying to live the right way

Each participant describes situations in which conflict, negotiation, compromise and trade-off takes place. These forms and modes of expression via consumption involve attempts at the formal rejection of consumer goods and consumer firms, through the process of boycotting or buycotting (Friedman 1996, 1999, 2004) or as Hirschman (1970) contends through "exit", where one "exits" the market.

Deirdre: But inevitably I'm aware that no matter what I do, for instance when it comes to buying petrol, there is no choice. You have to buy from a horrible oil company, and they're all equally horrible in one way or another. Esso – there's a campaign against them at the moment because of the major oil companies they're putting no research money whatsoever into renewables. At least some of the other ones are recognizing that they can't keep doing this for ever and they're putting a certain amount of money into research into renewable energy. Esso aren't. They're just leaving it to the others to put money in and then they'll jump on the bandwagon. But Esso give money towards the protection of the tiger, £3 million....Shell now have this Pura petrol, which apparently has lower emissions than the other, but again Shell did awful things in Nigeria a couple of years ago. So I am conscious that with some purchases, no matter what you do one is as bad as the other.

In theory, the boycott/buycott permits individuals to exercise "economic democracy" everyday with their purchases in the market place by rewarding companies whose activities are ecologically sound and by punishing companies whose actions are not (Friedman, 2004). Is this always possible? How can one "exit" unless there is an alternative? As illustrated above there is information consumers cannot know and even when they do have information, there are options consumers cannot choose.

Deirdre illustrates one manifestation of this moral dilemma that is articulated via consumption. Clearly, Deirdre's decision to buy free-range chicken for her dog has nothing to do with health concerns, rather with the living conditions of the animals themselves. It becomes a matter of what is the right way to live that fits with one's ecological identity. A search for consistency between what one believes is the right way to live and there attempts to do so. There is an intense feeling of responsibility to the self and affected party. Although 'no-one will know', for Deirdre it becomes a personal moral decision. It becomes a micro part of the issue of life politics, life politics being a politics of life decisions (Giddens, 1991). These life decisions revolve around self-identity that must be shaped and is reflected in one's lifestyle choice. This lifestyle choice can only be visualized and experienced as part of the little (micro) actions and decisions of everyday life. Consumption plays a vital role here, and is part of the agenda of life-politics.

Deirdre: So mostly I bought tins but sometimes I bought chicken because it was very boring just buying tinned rice and that and I remember standing in the supermarket one day with the free range chicken in the one hand and the other chicken in the other hand and the price differential was in the order of 3 or 4 times the difference in price for the same piece of chicken and I juggled with them and I thought I have to buy the free range chicken. Then I thought I am not buying a free range chicken - it made me think my reason for buying it - my reason for buying it wasn't for my benefit my reason for buying it is because I don't like the idea of... I eat meat; the deal I make with myself for eating meat because I don't feel comfortable about eating it is that I'll eat it if I can rest in the knowledge that the animals at least had a relatively comfortable lifestyle and were killed humanely - that is the deal I make with myself. And I realize that that was the reason why I was buying free range chicken was because I wanted to know in my head that the animals concerned had a relatively comfortable lifestyle, you know pecking in the dirt or whatever, they weren't locked up in cages they weren't pecking each other to bits because they were so overcrowded, that they had a reasonably lifestyle and were humanely killed and that was why I was buying it. And that held whether or not I was eating it or the dog was eating it- that still held. So I ended up buying it for the dog and I felt really stupid buying free range chicken for a dog who didn't know the difference but I felt this is what I have to do because that is why I am buying it, I am not buying it for my own health I am buying it because of the animal welfare aspects of it. I did and I don't admit that to too many people! It made me think about why I was buying it that it wasn't actually for my own benefit but it was actually more for the animal welfare perspective.

Significantly, this theme and the one that follows supports similar findings by Hobson (2000) where the participants expressed a degree of moral responsibility for making a contribution to improving environmental conditions. Moreover, they also experienced guilt when certain actions they felt they should be taking were not fulfilled. Burnett & Lunsford (1994) define consumer guilt as "a negative emotion which results from a consumer decision that violates one's values or norms. Consequently, the consumer will experience a lowering of self esteem as a result of his decision" (P.2). The participants in this study also allude this. Anne who started a local GAP (Global Action Plan) initiative in her area describes the sense of failure and the resultant guilt that occurs when one's expectations are not met.

Anne: Well in some ways I knew exactly what the guilt induced in people meant because there are so many little things and if you just don't get round to doing them you feel like you're being beaten over the head about it

Critics of green consumerism (Maniates, 2002; Smith, 1998; Luke, 1997) maintain that green consumerism leads to the individualization of ecological problems, restricts collective political action, and just ends up making people feel better about themselves. Yet this study suggests that far from making people feel better about themselves, these activities are tied up in issues relating to, how to

to follow the culturally constructed rules of cleaning ones house. Deirdre, who has a Ph.D. in the area of science uses her knowledge to reject the culturally created and often market created definitions of dirt, smells, and bacteria's. External expert systems (i.e. the use of scientific findings and knowledge by marketers) are rejected. How consumers adapt and readjust their consumption to invoke environmental concerns is dependent not just on outside experts (new social movements, government department's etc) but also on internal personal knowledge. People are empowered with different knowledge's and choices at different scales because of their everyday experiences and their individual geographies. Furthermore, the respondents are not just passively absorbing information from experts (either neutral scientific findings or marketers advice) but actively engaged in resistance either in the form of non-consumption or alternative forms.

Deirdre: I avoid those sort of spray things like air freshner Mr. Sheens things you put in the toilet that makes the loo go all blue – I avoid all those completely... Another thing I think is utterly pointless are those biocidal wipes that are supposed to kill bacteria... for surfaces, they are not bleaches, they are not harsh so the idea is you can use them around food and feel safe...If you just kept your kitchen clean you wouldn't need it. I know from working with bacteria; bacteria evolve incredibly rapidly, they have a generational span of a few hours so they evolve at an incredibly rapid rate and if you continually apply selection pressure like a particular chemical that you are using constantly they just evolve a resistance to it pretty fast. So it is not going to solve the problem of food poisoning in kitchens, the best way to solve food problems in kitchens is to keep your kitchen clean and not leave stuff lying around rather than just use those things, I just think they are completely pointless. They are playing on people's fears around food poisoning I think.

Also, just as in the case of Dobscha & Ozanne's (2001) study, several of the participants challenge tradition norms of cleanliness and tidiness. Anne for example is concerned about conserving the amount of water, hence the toilet is not flushed every time its is used¹. Her house is full of kids drawings, and in the kitchen plates, pots, bottles lie everywhere. The front and back gardens appear almost wild as opposed to the manicured lawns of her neighbors. Yet, Anne feels that her house is under a certain scrutiny, and that a normative level of cleanliness and tidiness is expected of mothers like her. Throughout the study texts, it is evident that issues relating to cleaning agents and the household dominate in interviews with female participants. Hence the responsibility for numerous consumer and environmental decisions falls onto women. This in itself is an issue that requires further examination. Presently, however it is outside the remit of this study.

Anne: ...and stuff like not flushing the toilet ten times a day and water – more or less everything I would have touched on it. I'd usually get them to turn off electrical appliances. We've insulated the house, what else? Waste management, I have this nasty habit of keeping every container that comes into the house! Because I have an excuse now – I didn't have an excuse before, but I've started this kids club so we're just building up stocks for that, so that's my excuse. Consequently our waste wouldn't be as much as a lot of people's, and we do the usual recycling.

Rather than viewing the participants as passive or victims of manipulation by unscrupulous marketers, we see these consumers as creative, aware, active and rebellious. Indeed, they can be described as the "ultimate consumer rebels" (Gabriel & Lang, 1995) in that they consume less. This theme supports the theories of both Beck (1992) and Giddens (1991), where the individual is not a passive agent but actively engaged in constructing, questioning, probing, analyzing, and monitoring their own know-how in terms of consumption-environment issues. As already noted above the lived experiences of the participants provides a vivid account of ingenuity and resourcefulness via the participants attempts to subvert conventional consumption and shopping activities. This theme and the previous theme illustrate how consumers are taking individual co-responsibility for global ecological problems via

¹ Field note in the researchers diary

While both Ciara and Deirdre cope with competing expert knowledge on chemicals, Helen too hopes that by using what she calls 'ordinary soap' she can avoid the dangers and hazards of chemicals. Colin, who grows his own organic vegetables, is unsure about whether we can really be certain that the ground is free of chemicals.

The issue of Genetically Modified (GM) foods illustrates a key example of the uncertainty and dependence on divergent expert opinion. The dependence on expert knowledge creates a large amount of insecurity as to when consumers make the right decision, because knowledge about food risks is compound, complicated, with shifting conclusions being communicated through the media (Halkier, 2004). For Helen the unknown and uncertain nature of the potential hazards of GM production both worries and frightens her. In a relatively short paragraph she introduces the positive (scientific reasons, elimination of diseases) and negative (uncontrollable contamination, genetic 'Frankenstein' crops, global monopolies) thoughts and meanings about GM which she juggles with.

Helen: Certainly the whole notion of GM – that worries me, I can see there's a scientific reason why they do it, but I heard on the news yesterday that some of the oldest strains of maize in the world, found high up in the mountains of Mexico have been contaminated by GMO modified maize.

In Deirdre's case it is contested ground (scientifically untested), but she does not want to risk her own personal health as the consequences are unknown in both time and space. Meaning that precise risk assessment is impossible. GM, for Deirdre is a gamble, she does not want to be treated like a guinea pig, as no one knows how it will end. Despite the fact that Deirdre is a scientist by training (to doctoral level) she is unsure of the risk of GM. She states that she is unlike many in the green movement who oppose GM on principle. As she says her herself, it is a zone of discomfort. Yet because of the uncertainty of the future and the potential resultant impact, her own levels of judgement and trust are being continuously re-valued and reflected upon, as the information from the various expert-systems is made available. Indeed, similar to the situation described by Halkier (2004) in the case of risk and food consumption, "...mistrust is expressed in public authorities, producers, retailers, experts, and the media. In other words, trust is placed in different relations in society, typically institutional relations versus social network relations" (P.228).

Prediction and risk assessment becomes a contested territory. In the words of Beck (1999) "...in matters of hazards, no one is an expert – particularly not the experts"(P.58).

Deirdre: The GMO foods, I am not really sure where I stand on it because while I do agree that they haven't in any way been adequately tested for safety...environmental impacts and health impacts I am not at all sure that testing has been done. If that was done then I am not sure I would have quite the same reservations. A lot of people in the green movement simply oppose them on principle - I am not sure that I do. It's an area where I do have a zone of discomfort.

Trust becomes central. For the participants in this study, what to consume, where to buy, who to buy it from, take center stage not only for external (ecological reasons) but for internal (bodily) reasons. This would appear to confirm a position outlined by Miller (1995), who believes that 'green' food choices are actualized by fear of consequences for the consumer's body rather than abstract planetary health. More optimistically however he states that "...this movement shows some signs of transcending simple self-interest and at least reconceptualizing this linkage between the healthy and moral individual and a healthy and moral world"(P.47).

Uncertainty and mistrust abounds, not just in relation to GM foods, but in food, products and other consumer goods such as cleaning agents, technology (microwave's), toiletries. These are what Beck (1999) refers to as "*manufactured uncertainties*: nobody, neither the experts nor the layperson, knows what the consequences will be. The victory of science once again imposes on us the burden of making

Recognition that individuals now have a role and in fact believe they have a responsibility for environmental restructuring can help in theorizing for the Ecological Modernization of consumption, which as noted is paltry. It is our contention that if the specific content of Ecological Modernization Theory (of consumption) remains open, macromarketing can contribute to the development of a more cohesive and engaging theory.

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followed by a conclusion.

Towards new patterns of political participation

The active participation in politics and associations in Denmark has declined during the last 20 years. The weakening of the institutions that traditionally have connected the citizens with the government has resulted in a situation where ordinary people increasingly inform themselves and make up their minds without a preceding dialogue with the members of the rule. The elections do not offer valid information of the political desires of the Danes, and the political parties do not ensure a popular linkage, because the members are so few and very often so atypical. Grass root activities have to a large extent changed into being small, local, single-issue oriented manifestations which do not any more contribute to a popular mobilization or the creation, dissemination, and qualification of the public debate on a national basis (Andersen et al., 1993: 230).

However, a new collective consciousness in relation to the environment is emerging. On one hand it has a broad basis both politically and culturally, but on the other hand it seems to be rather weak organizationally.

There is undoubtedly still much political participation in Denmark, but an increasing number of channels for participation have emerged, and participation is not to the same extent as earlier in history based on specific popular communities. Consequently, fewer citizens are participating actively in binding activities in organizations, in grass root movements, and in political parties. The tasks that previously were handled in a more general way by the political parties are today left to other channels of participation. The organized communities do not to the same extent as they once did play a central role as a social framework for the handling of interests, the political debate, and the creation of consensus.

The Danes are still interested in discussing politics. However, since fewer citizens are involved in binding participation, it seems as if we are heading for a democracy of spectators with few active participants and many interested observers who are rather passive until somebody steps on their toes, or something is appealing to their immediate political interests.

One important aspect of the political debate in Denmark is that it is increasingly initiated and controlled by the mass media, especially television. More political messages are therefore communicated to the general public. However, if the large majority of the population is participating in politics without much commitment and based on knowledge and opinions that have been transferred by the electronic media, there is a risk of citizens becoming if not passive audiences, then at least part-takers in simplified experiences with political debate and action (Keane, 1988; Lund, 1996; Halkier, 1999).

It is, therefore, not so much the motivation of political participation that has decreased, but probably more the scepticism, psychological distance, and powerlessness vis-à-vis the institutionalized channel of participation and the political elite that has increased. In addition, 30% of those who were interested in politics at the beginning of the 90s found that it had become so complicated that they usually were not able to understand what it was all about (Andersen et al., 1993: 231) The active resources of the Danish citizens increasingly seem to be used to solve close and manageable political problems together with other individual actors at a decentralized social level (Andersen et al., 1993: 72-74).

Towards consumer co-responsibility in environmental politics

In a number of European countries consumers are given a co-responsibility for solving environmental problems by changing their consumption choices and everyday routines. These attempts to include the implementation of environmental political solutions as a part of the so-called kitchen table agenda have been characterized as a politicization of consumption (Halkier, 1999).

that it is supposed to be able to cope with certain disturbances.

The environmental discourse, therefore, is time- and space-specific, and it is governed by a specific modelling of nature which reflects our past experiences and present preoccupations. Any understanding of the state of the natural and social environment is based on representations, and it always implies a set of assumptions and implicit social choices that are mediated through an ensemble of specific discursive practices. This does not mean, of course, that nature “out there” is totally irrelevant in the environmental discourse, but that the dynamics of this discourse cannot be understood without taking apart the discursive practices that guide our perception of reality.

The environmental discourse has always been dominated by specific issues. As examples could be mentioned the deforestation in the 19th century, the destruction of the countryside in the UK or the wilderness in the USA around the turn of this century, soil erosion in the 30s, pesticide pollution in the early 60s, resource depletion in the early 70s, nuclear power in the late 70s, the diminishing of the ozone layer in the 80s, and the greenhouse effect in the 90s (Hajer, 1995: 20). These issues have dominated the perception of the ecological dilemma in the periods mentioned. This does not mean that they have been irrelevant and have drawn the attention away from “real” problems. What seems to be more important is the fact that issues in the environmental discourse mobilize biases in and out of the environmental debate. They are issues in terms of which people understand the larger whole of the environmental state of affairs.

The Brundtland Report gave way to a broad consensus around the notion “sustainable development”. However, the present hegemony of the idea of sustainable development in the environmental discourse should not be seen as the outcome of a linear, progressive, and value-free process of convincing actors emphasizing the importance of the green case. It is much more the result of a struggle between various unconventional political coalitions each made up of scientists, politicians, activists, or organizations representing such actors and having links to specific television channels, journals, newspapers, or celebrities. These so-called discourse coalitions somehow develop and sustain a particular discourse and a particular way of talking and thinking about environmental issues. These coalitions are unconventional in the sense that the actors have not necessarily met, but nevertheless they seem to follow a carefully laid out and agreed upon strategy.

The environmental discourse highlights only to a small extent the question whether there is an environmental crisis or not. It is much more a debate about its interpretation. Talking “green” for example, no longer connotes with a radical social critique, but is part of a discourse which evokes sentiments that help to create and sustain a perception of a common global ecological crisis which implies shared values and common interests (Thøgersen and Andersen, 1996; Hansen and Schrader, 1997; Heiskanen and Pantzar, 1997). Therefore, the environmental conflict should not be conceptualized as a conflict over predefined unequivocal problems with competing actors pro and con, but as a rather complex and continuous struggle over the definition and meaning of the environmental problem itself.

The politics of the environmental discourse is reflected as a struggle for discursive hegemony in which actors try to secure support for their definition of reality. The dynamics of this argumentative game are determined by three factors: Credibility, acceptability, and trust.

Credibility is required to make actors believe in the subject-positioning that a given discourse implies for them and to live by the structured positioning it implies. Acceptability requires that position to appear attractive and necessary. Trust refers to the fact that doubt might be suppressed and inherent uncertainties might be taken for granted, if actors manage to secure confidence either in the author, whether that is an institute or a person, or in the practice through which a given definition of reality has been achieved.

Therefore, discursive dominance or hegemony can be considered as a socio-cognitive product, whereby

foreign politicians/ministers who generally supported the story-lines of the interest organization. In mid-June, Shell and the British government were therefore unambiguously positioned as environmental perpetrators who were to blame for what was now portrayed as an environmental crisis in all the newspapers except Information and BT, although nobody has been able to demonstrate that the dumping of Brent Spar in fact would have any serious effects on the environment.

The generous use of war and dominance metaphors increasingly framed the issue in tones of urgency. Because the portrayal of the Brent Spar conflict was not outlined simply at an information level, but also at a deeper cultural level, where wide-spread structures of emotion towards nature, the environment, and environmental offenders probably have been mobilized, the newspapers undoubtedly helped to create and sustain a perception of a common ecological disaster which implies shared values and common interests.

In fact, the members of the Oslo-Paris-Convention were given the opportunity to protest against the British government's decision to allow the dumping of Brent Spar in the Atlantic, but this was not done until Greenpeace had been able to set the agenda of the environmental discourse in the mass media and to organize protest actions in several countries as well as onboard the oil drilling platform which was covered in detail by the press. This matter of fact was only highlighted by few of the analysed newspapers, and only Berlingske Tidende questioned this political hesitation and indecision in a leading article.

However, at this stage of the conflict the official political system could hardly react without losing face. This was probably the main reason why so many prominent politicians chose to urge for a boycott against Shell as private citizens, among those the Danish Minister and the Danish EU Commissioner of Environmental Affairs. The first was even backed up by his permanent undersecretary, although he had been criticized by the Minister himself in Politiken for having neglected to inform him on time about the possibilities for objection against the British government's decision to allow the dumping of Brent Spar.

The direct calls for a consumer boycott and the recast examples of massive boycott actions in Denmark and abroad, that were all presented to the readers by means of war and dominance metaphors framing the issue in tones of urgency, can therefore also be interpreted in a different way. The consumers were needed in order to solve a problem that the political system had been unable to solve, and the mass media were apparently willing to help mobilizing the consumers for doing this job. This aspect of the conflict was not highlighted by the analysed newspapers, probably because the frames of story-lines suggested by Greenpeace and several politicians as sound bites generally were adopted by the Danish press and were incorporated in their coverage of the Brent Spar conflict. Research has demonstrated that this is not unusual for relatively new issues and story-lines for which no frames have been established in the public discourse (Scheufele, 1999).

Therefore, the main reason why so many consumers acted the part of environmental problem-solver and responsible citizen is perhaps more precisely that the coalition partners needed their support and that most of the analysed newspapers found that it was necessary and legitimate to secure this support by urging directly or indirectly for a boycott against Shell. The proverbial man in the street, depending on his sensory perceptions and everyday experience, was hardly aware of this, and he was definitely not informed by the press that the Brent Spar conflict perhaps did not have much to do with his life as a consumer.

Environmentally co-responsible consumer behaviour and political consumerism

However, the consumers' behavioural manifestations of environmental co-responsibility ought to be understood in a broader social and political context. The development of many western societies has resulted in increasing privatisation of the political and increasing politicisation of the private. The political is privatised to a larger extent when decisions, which were previously made in the

phenomena (Andersen and Tobiasen, 2001:30). 19% of the 21% of the Danes who have boycotted certain goods for political reasons during the last 12 months, have also been involved in positive political consumerism. 19% of the 45% of the Danes who have made a positive politically motivated individual choice of products, have also been involved in negative political consumerism. 2% of the Danes have only avoided products for political reasons, while 26% have only chosen products for political reasons alone. According to these figures, negative political consumerism normally involves positive political consumerism while the opposite not necessarily is the case. However, we still need studies that can explain why this is so. The figures seem to suggest that not all kinds of individual, unorganised political consumerism are political to the same extent.

According to Andersen and Tobiasen (2001:64) political consumerism is a result of strong political interest and trust which means that the market mechanism is considered as a supplement to and not a downright replacement of the institutionalized political system. If this is true, it does not support Beck's (1997:98) implicit hypothesis that political consumerism is a kind of sub- and counter-politics based on a critical attitude towards modernity, the consequences of industrialization, man-made risks, and the role of the State. Apparently, political consumers are very interested in politics, and they want to support and not to counteract the institutionalized political system. Political consumerism may therefore reflect the endeavours of post-modern citizens to recapture the "ecclesia" by rebuilding the "agora" which is the third and intermediate sphere between the public and private spheres where communication between the two takes place (Bauman, 1999:107).

Andersen and Tobiasen (2001:65) have demonstrated that political consumerism is coherent with values such as global orientation and international solidarity probably reflecting the fact that globalization has created an international political vacuum. As political consumerism seems to be coherent with critical consciousness, individual reflection, individualism, and global orientation in a world where institutionalized political systems cannot solve all problems that are highlighted by the international mass media, political consumerism probably is an essential manifestation of life politics which is a politics of life decisions (Giddens, 1991:214-217). These decisions are flowing from freedom of choice and a generative power which enables the transformation of the self. They aim at creating morally justifiable forms of life that will promote self-actualization in a context of global interdependence, and they involve ethics concerning how to live in a post-traditional order and against the backdrop of existential questions. Consequently, the political consumer probably is an "everyday-maker", a citizen characterized by governance and the values of post-modernization, a street-level political entrepreneur who seeks solutions for very concrete or local problems that may have global ramifications (Kristensen, 1999:18).

IFF (1996) has demonstrated that 44% of the Danish population in 1996 often chose products because of their connection with environmental problems, animal welfare, and human rights. 9% always did so, 26% rarely did it, while 16% never attached importance to such questions in connection with consumer choice. Consumers who always or often chose products because of perceived connections between these products or the supplying firm and the mentioned political issues made up 53% of the Danish population both at the beginning of 1996 and in 2000 (Andersen and Tobiasen, 2001:29).

IFF (1996) has also shown that 43% of the Danish population in February 1996 found that consumer boycotts are a good idea as a means to express political attitudes, while 33% did not agree with this point of view. 40% of the Danish population had furthermore boycotted one or more products because of political reasons within the last year which is a doubling since 1990 (Andersen et al., 1993:41). This percentage was reduced to 21 in 2000 (Andersen and Tobiasen, 2001:29). Furthermore, Thulstrup (1997:31) has shown that 29% of the Danish population in June 1996 was able to confirm that they had avoided buying products during the last three months because they were politically against a country or a company. When the same question was asked three months later this share had decreased to about 17% of those interviewed, and in June 1997 it had further decreased to 12%. In September 1997 it was only 11%

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An Educational Approach to Changing Environmental Attitudes: Can Macromarketing Education Help?

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Abstract

It has been argued that for enduring environmental attitude change to be achieved, attitudes toward the macro variables technology, economics, politics, and consumption must be transformed as they are directly linked to environmental attitudes. In this study, these variables and their relationship to consumption behavior were addressed in detail in a class on social responsibility. Attitudes of the students were then compared to a control group of marketing students to determine the effect. The results suggest that teaching about macro variables and related consumption behavior changed attitudes in the direction predicted.

Introduction

Discussion of the dominant social paradigm (DSP) and its role in environmental degradation began with Pirages and Ehrlich (1974) almost three decades ago. Milbrath (1984) defined the DSP as "...the values, metaphysical beliefs, institutions, habits, etc. that collectively provide social lenses through which individuals and groups interpret their social world (p. 7)." Most environmental research has focused on energy consumption, recycling, green target markets, and characteristics of ecologically concerned consumers (Kilbourne and Beckmann 1998). More recently, it has been argued that the effects of more macro oriented variables should be a part of environmental analysis (Kilbourne, McDonagh, and Prothero 1997). The macro variables whose effects have been considered important are, inter alia, the economic, technological, and political dimensions of the DSP. These have been examined in several studies, and the results concur with previous research suggesting a negative relationship between attitudes toward the DSP and environmental attitudes (Kilbourne et al. 2001; Kilbourne, Beckmann, and Thelen 2002).

One consistent theme running through the environmental literature is the role of education in abating environmental degradation. Several universities have developed environmental areas of study and a journal devoted to environmental education has been established as well. Too often however, the focus of research and education is on the symptoms of environmental degradation rather than the root causes. Drawing from previous research, the three major macromarketing variables related to the DSP, (economic, political, and technological) have been characterized as part of the root cause. It is these dimensions that the present research will focus upon. Specifically, political and economic liberalism, developed by Locke (1963) and Smith (1937) respectively, and technological optimism (Ehrenfeld 1978) will be integrated into a model of environmental attitudes. The model will also include attitudes toward materialism and consumption that form an integral part of the DSP in Western industrial societies. If each of these elements is examined thoroughly, it might be hypothesized that individual beliefs and willingness to change behavior can be transformed after the role of the macro variables in the process of environmental decline is understood.

Analysis

The data analysis was performed using a series of paired comparison t-tests on the before and after measures for the experimental and control groups separately. This is to test the hypothesis suggesting that, for the macro and materialism variables, the means for the after measure should be lower than the before measure for the experimental group who received the treatment, but it should not be different for the control group. The same is true for the environmental variables and the change variables except that the measure should increase rather than decrease. This difference in direction is due only to the scaling direction of these variables. Thus, for the control group, all differences should be non-significant, while for the experimental group, all differences should be significant. Because of the exploratory nature of the research, a p-value of 0.1 is considered significant in all analyses rather than the traditional 0.05.

In addition, because the hypotheses suggest an interaction effect between the experimental condition and the treatment levels, an additional set of t-tests was performed testing for the difference between the two groups, experimental and control, at each of the treatment levels, before and after. The hypotheses predict that there will be no significant differences between the groups in the before treatment, but there will be differences in the after treatment. Further, it is suggested that for the variables with differences in the after treatment, the means will be lower for the macro and materialism variables in the experimental group, and higher for the environmental and change variables.

Results

The treatment in the experiment was whether or not the respondent was exposed to the material in the Social Responsibility in Management class that covered the macro variables, materialism, and environmental issues. The p-values for the results of the paired comparison t-tests for this stage of the experiment are presented in the Treatment columns of Table 1 and the means for all measures are presented in Table 2. As can be seen, hypotheses 1a and b were substantially confirmed with only two exceptions.

Table 1
P-values for all t-tests

Variable	Treatment		H1	Groups		H2	Inter- action	Dir
	exp	con		bef	aft			
TOPT	0.02	0.46	Y	0.30	0.00	Y	Y	Y
PLIB	0.10	0.30	Y	0.13	0.10	Y	Y	Y
ECON	0.00	0.49	Y	0.18	0.00	Y	Y	Y
MSUC	0.00	0.06	Y	0.37	0.01	Y	Y	Y
MCEN	0.14	0.78	N	0.11	0.75	N	N	N
MHAP	0.33	0.43	N	0.79	0.32	N	N	N
SOC	0.00	0.23	Y	0.25	0.02	Y	Y	Y
CONS	0.00	0.62	Y	0.41	0.70	N	N	Y
PROB	0.00	0.38	Y	0.44	0.03	Y	Y	Y
EGEN	0.10	0.25	Y	0.26	0.00	Y	Y	Y

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computers, household appliances and consumer electronics, and e-business. The ACSI measure is based on the notion that customer satisfaction is determined mostly by perceived value, perceived quality, and customer expectations. Customer satisfaction, in turn, affects customer complaints and customer loyalty. The ACSI measure at the most aggregate level (across all products types) produces a score that captures consumer well being with product/service consumption over time.

The United Nations Development Programme (UNDP) Total Consumption Expenditure: The UNDP uses a variety of indicators and data to compare countries and world regions in their state of consumption (*United Nations Development Programme* 1998). One indicator is Total Consumption Expenditure. This indicator is a composite of consumption of cars, paper products, telephone connections, electricity, total energy, meat, fish, and cereals. A high level of total consumption expenditure at the country level represents a high CWB at the macro level.

The CWB Measure by Meadow (1983): Meadow (1983) generated a measure of CWB called *Overall Consumer Satisfaction-Composite* (OCSC). This measure is based on the consumer's experience with retail institutions in *purchasing* food, housing, household operations, household furnishings, clothing and accessories, personal care, medical care, recreation, transportation, and education. Meadow used a sample of 249 elderly consumers to demonstrate that life satisfaction (or subjective quality of life) can be predicted significantly from satisfaction with a host of retail establishments in the community.

The CWB Measure by Nakano, MacDonald, and Douthitt (1995): Nakano, MacDonald, and Douthitt (1995) examined consumers' overall satisfaction with their material possessions and standard of living. As part of a larger investigation of consumer socialization, Nakano, McDonald, and Douthitt (1995) used a two-question measure to capture CWB, namely: "How do you feel about your standard of living-the things you have like housing, car, furniture, recreation, and the like?" and "How do you feel about the extent to which your physical needs are met?"

The CWB Measure by Day and Colleagues (Day 1978, 1987; Leelakulthanit, Day, and Walters 1991): Day (1978, 1987) and Leelakulthanit, Day, and Walters (1991) conceptualized consumer well being as consumer satisfaction with two stages of the consumer life cycle, namely *product acquisition and possession*. Product acquisition satisfaction refers to consumer satisfaction with experiences related to the purchase of consumer goods and services in traditional retail establishments in one's community. Examples include the assortment, quality, and price of goods available in local stores, the attractiveness of the stores, the courtesy and helpfulness of store personnel, and after-purchase service provided by local stores, e.g., warranty policies. In contrast, the *satisfaction with product possession* focuses on subjective experiences related to material possessions (e.g., house/apartment, furniture, car/truck, clothing/accessories, savings, etc.) and overall satisfaction with those possessions. Leelakulthanit, Day, and Walters (1991) found a significant relationship between possession satisfaction and life satisfaction, especially for older and low-income people.

The CWB Measure by Lee, Sirgy, Larsen, and Wright (2002): There is much research evidence suggesting that consumers experience satisfaction and dissatisfaction across the entire consumer life cycle, and that consumer satisfaction with all the stages of the life cycle spills over onto other life domains affecting overall life satisfaction. Thus, Lee et al (2002) developed a subjective measures of consumer well being as a composite of consumer satisfaction with experiences dealing with acquisition, possession, consumption, maintenance, and disposal of goods and/or services in the context of one's own community. These authors conducted a study that validated the psychometric properties of this measure by showing a positive correlation between CWB and life satisfaction.

consumer life cycle, we were able to classify the CWB measures as a function of what type of consumer experience (or what stage of the consumer life cycle) the measure is designed to capture.

CWB Measures Focusing on Acquisition (Shopping for and Purchase of Goods and Services): As shown in Table 1, we believe that there at least six CWB measures that are designed to help consumers make better purchasing decisions. The focus of these CWB measures is on the *acquisition* stage of the consumer life cycle. These are the *Better Business Bureau* (BBB) complaint measure, the *Consumer Price Index* (CPI), *Consumer Reports*, and the CWB measures developed by Meadow (1983), Day (1978, 1987) and Leelakulthanit, Day, and Walters (1991), and Lee, Sirgy, Larsen, and Wright (2002).

The BBB complaint measure helps consumer with purchase decisions. This information can assist individual consumers make purchase decisions by avoiding brands and companies that have an unacceptable record of complaints. *Consumer Reports* provides expert assessments of consumer products and services for a variety of products and services. The goal is to help better inform educate consumers in purchasing the kind of products and services that matches the performance goals of the consumer for the least amount of money. The *Consumer Price Index* (CPI) measures changes in the cost of living over time. It is designed to assist government officials make decisions about raises in entitlement programs proportional to increases in the CPI. This helps consumers served by these entitlement programs receive sufficient increases in income and other subsidies to allow them to purchase the goods and services they need. Hence, the focus of this CWB measure is the *acquisition* stage of the consumer life cycle.

Meadow's (1983) CWB measure focuses on consumer satisfaction with retail establishments within the local community. The goal of the measure is to assess the quality of retail establishments in a community to help community leaders further develop access to and quality of the retail outlets housed in their community. Doing so should enhance the shopping experience and purchase needs of community residents. Since the focus of the measure is purchase experience with a variety of retail outlets, we classify this measure as most relevant to the CWB measures related to the *acquisition* stage of the consumer life cycle.

The CWB measure developed by Day (1978, 1987) and Leelakulthanit, Day, and Walters (1991) captures consumer satisfaction with consumers' *acquisition* of desired goods and services. The measure is designed as a social indicator index at the national level as a monitor of consumer well being.

Part of the CWB measure developed by Lee, Sirgy, Larsen, and Wright (2002) focuses on acquisition satisfaction. The measure is similar in many ways to the CWB measure developed by Day (1978, 1987) and Leelakulthanit, Day, and Walters (1991) but is considered to be more comprehensive. The purpose of the measure is to help community and business leaders compare CWB related to their community with others. Doing so may assist with the development of policies that encourage retailers to provide better access to and quality service to shoppers within their community.

CWB Measures Focusing on Preparation (Product Assembly and Preparation for Consumption): None of the CWB measures identified in the literature capture consumer experiences and well being in relation to the preparation stage of the consumer life cycle.

CWB Measures Focusing on Consumption (Product Use and the Experience of Services): Four of the 10 CWB measures were found to capture CWB with consumption. These are the UNDP Total Consumption Expenditure, the University of Michigan ACSI, *Consumer Reports*, the CWB measure by Lee, Sirgy, Larsen, and Wright (2002), and the CWB measure by Sirgy and colleagues (Sirgy, Rahtz,

variety of consumer goods and services. Specifically, one can argue that a consumer who is satisfied with all experiences involving the acquisition, preparation, consumption, ownership, maintenance, and disposal of a variety of consumer goods and services is likely to have a higher level of CWB than another consumer who experienced satisfaction only in relation to product acquisition (i.e., shopping experience). Thus, CWB with a variety of consumer goods and services can be gauged not by focusing on satisfaction experiences dealing with consumption experiences (e.g., how those consumer goods and services are used) but by the aggregate experiences related to all six stages--purchase, preparation, consumption, ownership, maintenance, and disposal of consumer goods and services.

Based on the research described in the preceding paragraphs, we believe that an effective macro measure of CWB is one that focuses on acquisition, consumption, and maintenance experiences. Issues related to material possessions (or possession of consumer goods) and preparation are of high interest to manufacturers of consumer goods but low interest to the regulatory agencies such as the BBB. Disposal issues are also of great interest to both manufacturers and environmental groups.

With respect to consumer *acquisition* experiences, the survey questionnaire should focus on capturing satisfaction with the shopping experience in the local area. Community residents should be asked to express their satisfaction in relation to shopping malls, shopping plazas, department stores, discount stores, grocery stores, sporting goods stores, consumer electronics stores, clothing boutiques, furniture stores, and other specialty stores. Respondents should be asked to express their satisfaction/dissatisfaction with these stores by considering aspects such as availability and sufficiency of stores in the area as well as the quality of the retail services such as store hours, courtesy of personnel, refund/exchange policy, among others.

With respect to consumer *preparation* experiences, consumers should be asked to indicate their degree of satisfaction or dissatisfaction with product assembly after purchase and preparation for personal use in relation to the following consumer durable goods: consumer electronics, furniture, household appliances, personal transportation vehicles, clothing and clothing accessories, lawn and garden tools and equipment, among others.

With respect to *consumption* experiences, consumers should be asked to rate their satisfaction with the quality and performance of major categories of consumer goods and services. In relation to consumer *goods*, the survey respondents should be asked to rate their satisfaction with the quality and performance of a variety of consumer goods such as consumer electronics, furniture, household appliances, personal transportation vehicles, clothing and clothing accessories, lawn and garden tools and equipment, among others. In relation to consumer *services*, consumers should be asked to rate the quality and performance of local services such as banks and savings institutions, insurance agencies, taxi and public transportation, restaurants and night clubs, health care services, electric services, gas/oil services for home use, real estate services, day care services, nursing homes and retirement community services, primary schools, secondary schools, community colleges, colleges and universities, continuing education, investment services, legal services, entertainment services, spectator sports, TV stations, radio stations, and local newspapers, among others.

With respect to consumer *ownership* experiences, community residents should be asked to rate their satisfaction with the monetary value of owning a variety of durable goods such as consumer electronics, furniture, household appliances, personal transportation vehicles, clothing and clothing accessories, lawn and garden tools and equipment, savings and investments, real estate, boat and leisure investments, among others.

various CWB dimensions. The CWB Index can be used to compare communities and countries. *Finally*, marketers and public policy makers can only enhance CWB by incorporating CWB measures as part of their performance and outcome assessment requirements. Doing so should help in the development of programs and policies that can enhance CWB in every way.

We hope that this paper has served to make the reader aware of the variety of CWB measures and how they differ from one another. We hope that the reader was able to walk away from this analysis with a better understanding of how CWB should be conceptualized and captured to assist managers and policy makers set and monitor goals related to CWB.

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Briefly, conjoint analysis is proposed as the technique to measure the relative importance of seven dimensions of societal quality-of-life. These seven dimensions have been the focus of previous work in the macromarketing arena (Peterson and Malhotra 1997). These dimensions follow:

1. cost of living,
2. healthcare,
3. economic opportunity,
4. infrastructure,
5. freedom,
6. culture & recreation, and
7. protection of the environment.

With conjoint analysis, results can be modeled at the individual level. In a previous study using conjoint analysis but focusing only on respondents from the US, (Peterson 2001), segments emerged among respondents based on the relative importance given to these different dimensions of societal quality-of-life. For example, one segment emphasized health and the economy, another cost of living, and another freedom and the environment.

These findings should be of interest to macromarketers for substantive and methodological reasons. In terms of substance, these derived importances suggest a set of priorities for developing the societies in which businesses operate internationally. With knowledge of these citizen inputs, leaders in both the public and private sectors could have a platform for dialogue about important issues facing these countries. (These derived importances also suggest priorities for micromarketers, as leaders of global businesses could more effectively anticipate future shifts in public policy by knowing the nature of these priorities in distant locales.) In terms of methods, the application of such a conjoint analytic approach demonstrates how business methods can be valuably used for benefit in the public sector.

An orthogonal, full-profile conjoint design using a 16-card sort is used to compare convenience samples of business students in both France (Groupe ESC Pau) and the US (the University of Texas at Arlington). The card sort is part of a projective task set up in the following way:

“In this task, you must help an emerging nation decide its public policy goals for the future. The leadership of this country is focused on seven dimensions of life quality. The leaders must now set priorities for the next twenty years in the development of this emerging nation.”

Each card in the sorting task includes one of two values for each of the seven QOL dimensions. The worst scenario would be a card containing the least favorable value for each variable as follows:

- **Cost of Living** 33% MORE expensive than average US city
- **Health** Life expectancy of 5-year-olds is 60 years
- **Economy** Annual GDP per person is \$5,000
- **Infrastructure** Only half of transportation and communication needs met
- **Freedom** NO Freedom of speech, assembly, and religion
- **Culture** 48% literacy and wide cultural offerings
- **Environment** NO Protection for land, water, and air resources

environmental protection can be said to be in a tie with the dimension of cost of living for second place. These results should be encouraging to macromarketing educators as the business students comprising both sample groups in France and the US accord the second-most importance to the dimension associated with protecting the environment.

Conclusion

While some scholars have voiced skepticism about constructing indexes of QOL, the results of this study suggest that citizens of two developed countries can comprehend QOL dimensions and use them to make trade-offs in recommending how developing countries should set priorities. In post-study debriefings, study participants indicated the importances they recommended were the importances they accord to QOL dimensions in their own countries. In short, the protocol used in the study succeeded in measuring the relative importance of QOL dimensions across two distinct cultures of the developed world.

Looking to the future, the concepts and methods of this study should be extended to a broader group of citizenry not only in countries of the developed world, but also in the developing world, too. We believe that results of such research can be used not only by scholars, but by policy makers to better serve their constituents. In particular, we believe research like that done in this study will be particularly useful in historically troubled areas of the world. Insights gained from this study will enable enlightened leaders in both the private and public sectors working in strife-torn countries to identify the "common ground" needed for gaining a workable measure of political consensus in these countries.

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requirements – namely, empathy and responsiveness – are hard to achieve by service operators in those less developed contexts where the degree of formal education is not sufficient. Accordingly, drawing upon a comparative marketing perspective, the authors of this paper argue then that those established models should be critically assessed in less developed contexts.

The history of Services Marketing as a discipline has been marked by the overcoming of serious obstacles caused by the ever-lasting hegemony of consumer marketing, especially in the United States. For this reason its constitution as an autonomous discipline and field of research has been triggered by the interaction of academics of different nationalities, all of them established in more developed contexts (Brown, Fisk and Bitner 1994; Stauss and Mang 1999). Those international and cross-cultural interactions and meetings gave considerable strength to the discipline in United States and Europe.

A major outcome of that exchange process was the cross-Atlantic acknowledgement of the importance of intra-firm behavioral issues to the marketing performance of service firms. One may even argue that such acknowledgement has become a key dividing line between Services Marketing and Consumer Marketing, since the latter has been traditionally focused on explaining and predicting the behavior of consumers at expense of the behavior of managers or operators. In spite of this we understand that there is much to be done by researchers of less developed contexts because of the influence of certain structural issues on the behavior of service operators and, correspondingly, on the marketing performance of service firms and on the overall performance of the services sector.

Accordingly, the main objective of this paper is to investigate manager's perceptions in Brazil about the impact of educational characteristics of operators on the marketing performance of small service firms. This paper is in line with several researchers in their discussion about how may Marketing practitioners and scholars respond to the increasing diffidence through which the discipline has been treated in comparison to other disciplines or professions (Dibb and Stern 1999; Holbrook 1995).

Setting the Research Problem

Two broad questions were taken as a starting point for this inquiry: (a) are service employees and marketing performance in Brazil well represented in the established models?, and (b) how and to what extent should these models be used in Brazil?

In order to answer these questions this paper takes up a qualitative analysis of some perceptual aspects relating to the impact of formal education – or the lack thereof – on the employee behavior and the marketing performance in selected service episodes. Grounded on a dialectical perspective, in order to avoid the imposition of theories or preferences (Alvesson and Deetz 2000), the researchers offered two propositions. First, local service firms may agree that their operators must possess education and corresponding skills pointed out by the established models (Basso 1999; Carvalho, Esteves and Paret 2000). Second, local service firms may not perceive that operators need as much education and corresponding skills as assumed by those established models.

Background

Among the most explored issues in Services Marketing special reference must be made to service quality and to the management of service encounters. Both have originated and developed over the eighties, mainly in the United States (Brown, Fisk and Bitner 1994). It is worth mentioning that by that time two important factors supported the upsurge of academic production on Services Marketing: service deregulation in the U.S. and, correspondingly, the annual conferences organized by the American Marketing Association (AMA).

The AMA conferences helped establish the trans-Atlantic consensus that employee behavior is crucial for both service quality perception by consumers and marketing performance of service firms. One of the

employee with low education that might have affected the marketing performance of your firm – either very positively or very negatively?

The total of 17 completed questionnaires was critically read (Remenyi *et al.* 1998) and analyzed by the three researchers. Analysis followed a dialogical standpoint among the researchers and comprised the classification of terms and ideas (Patton 1990) and the corresponding process of 'data reduction' (Remenyi *et al.* 1998).

Main Results

According to the qualitative classification suggested by the empirical data, the results in this section are presented along three groups characterized by specific behaviors which, in addition, may have specific impacts on service encounters.

Obstacles to Understand the Customer: The problem most often pointed out by informants was that low education operators face serious difficulties when they have to communicate with other people, especially with customers. They argued that incorrect use of language also leads to problems among employees and between employees and managers.

Low level of education tends to bring many difficulties to the service encounter. Employees feel unable to meet and serve their clients and the internal climate gets poor and makes service reliability a challenge. Even though the majority of respondents emphasized that high level of education does not necessarily lead to good customer service, they pointed out that low level of education has very negative consequences:

*Sometimes a half-illiterate employee meets the chauffeur of a rich customer whose suit has been amended by us. He treats then the chauffeur as the customer because of the suit. It is a disaster.
(Fausto, 43 years, owner, man apparel store)*

*[Some] mental frameworks do not depend on education level, although less educated employees have indeed more difficulty to understand what the customer needs or wants... the problem for me is that they [less educated employees] tend to take courtesy as intimacy and it bothers our customers.
(Jorge, 57 years, partner-franchisee, bureau services)*

Besides perceiving the level of formal education as a fundamental issue for the specific performance of operators, some informants argued that a higher educational level leads employees to a higher professional performance in overall terms.

*Depending on the level of education I perceive they have more or less difficulties to understand and implement a job or task. Those differences become evident when non-routine situations require them to make decisions. Each request must be quite detailed and in spite of this mistakes are likely to occur as well as delays in the implementation.
(Jane, 38 years, restaurant owner)*

It should be pointed out that, in Rio de Janeiro, there are many big service firms. Many of those firms are subsidiaries of multinational enterprises and they tend to be "copied" by local companies, especially SMEs (Caldas 1997). This might somehow explain the positive association, as reported by some respondents, between employee education and customer satisfaction. We realized that more educated informants might be reproducing in their answers the acquired ideas that (a) employees play a role of central importance for marketing performance and (b) level of education is a fundamental issue for the performance of service operators.

perceived that low education level is of extreme importance for the purpose of controlling and domesticating the workforce.

Docility, Compliance and Control: The most striking surprise came in the end. Almost all the informants that praised the virtues of the employees also pointed out, in one way or another, that low level of education facilitates labour control. This seems to justify our assumption that they were more concerned with 'managerial' than marketing matters. Actually this finding seems to confirm the critique put forward by non-marketing academics on the controversial strategies deployed internationally by the giant McDonald's – based on minimum wages, high turnover of operators, and "extreme hostility to worker organization" (Parker 2002, 39). In other words a major concern from the standpoint of the informants was with either dominating or domesticating the 'operators', an important issue that has been systematically overlooked by the specialized literature.

*Their lower expectations (they feel inferior) make of them more docile and compliant ... they react positively and quickly to certain external stimuli (e. g., promotions, prizes and reprimands as well).
(Alberto, 37 years, partner-owner, drugstore)*

*Employees with lower education levels accept ordinary tasks ... other people are more selective. Less educated employees are more trustworthy and adapt themselves well to several duties ...perhaps it is caused by their particular needs (to keep their jobs).
(Luis Alberto, 52 years, owner, confectionery)*

Discussion and Concluding Comments

Empirical results presented in this paper suggest that it is likely that the Services Marketing models from more developed contexts are of limited use in Brazil. Accordingly, this investigation confirms the importance of the accomplishment of further research from a critical comparative marketing perspective within the field of Services Marketing in Brazil.

In spite of important limitations regarding the convenience sample we argue that the most important finding of this investigation is the ambiguity regarding the perceptions by owners and managers of small service firms in Brazil on the level of formal education of service operators. More specifically, this paper showed that labour control and empowerment, and the corresponding ambiguities, are key issues behind the perceptions of owners and managers toward the behavior of operators and the marketing performance of their firms.

The findings reported in this paper seem to have challenged the creation of a 'global' framework, at expense of a 'local' and critical one, within the field of Services Marketing in Brazil. Such global framework seems to have suppressed the adoption of a comparative marketing perspective by researchers and educators in Brazil. This framework may have facilitated the dismissal of concerns by researchers and educators about the serious differences between the workforce power in developed and developing contexts. It may have also led to the dismissal of the argument that the global expansion of the service sector and the corresponding weakening of labour unions are more problematic in developing than developed contexts.

It may be argued that education and research in the field of Services Marketing in Brazil would benefit from a serious debate on the differentiation of industrial and service sectors. This differentiation has taken out from the Services Marketing literature labour management and other structural issues at the level of society which are particularly more serious in developing than in developed contexts. More recently, for example, researchers in UK argued that companies and academics should consider not just the needs of customers but also the needs, the desires and the expectations of services operators (Manolis *et al.* 2001,

local workforce, are indeed serious obstacles to local and global development. Accordingly, they should be addressed from a realistic approach in the future – also taking into consideration marketing and public policy issues (Mazis, 1997) – not just by local academics but also by academics from other contexts.

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Although it may be ongoing all along, the drive will be triggered by a perceived market development such as a sudden change or a shock which either indicates an immediate risk to the company's well-being, or identifies an unexpected market opportunity. When the invention of wireless cell phones was announced, that needed to be foreseen as a serious threat for telephonic equipment producers as well as a new opportunity for those who can produce and market them cheaply and quickly. But without an innovative drive, the reaction to this development could not be swift and effective.

To the extent that the corporate culture perceives the risk and/or the opportunity and reacts proactively, the innovative drive accelerates. Indeed the corporate culture must be proactive enough so that it would expect sudden chaotic shocks to emerge.

The drive to innovate that is stimulated by the corporate culture, by definition, goes against the *incumbency* status of a firm. Traditionally entry barriers to industries have been connected to sustainable incumbent advantage. However, equipped with the drive to innovate alone with powerful aggressiveness, innovative new firms leapfrogged over incumbents and took advantage of market opportunities while incumbents suffered traditionalism or conventional wisdom (Han, Kim and Kim 2001). Incumbency typically implies using sustaining technologies as opposed to *disruptive* technologies (Christensen 2002), hence they are more engaged in incremental innovation rather than radical innovation. The American automotive manufacturers were experiencing an incumbency status before the Japanese invasion. They were not at all ready for the shock that Japanese competitors brought into the economy. The end result was a loss of about 35 percent of the total automotive market. But in the final analysis, the American automotive manufacturers also became more proactive and futuristic. They developed numerous new features that improved the quality of life of all auto drivers.

Improvisation

The drive to innovate needs, above all, the impetus by improvisation and by the elimination of incumbency inclinations. If these two prerequisites are met then three additional features will be concentrated on: First, the firm's agility to cope with the unexpected and devastating chaotic market pressures. If the firm has learned to improvise, it would have the agility to respond to unexpected market developments. Second, improvisation is quite likely to shorten the response time of the firm to the unexpected market adversities. If the firm is not proficient in improvisation it will still respond to the undesirable market conditions, but since it is equipped to do so because of improvisation, the firm will act quickly and quite successfully. Third, the firm, because of improvisation, will be able to bring its innovation to the market speedily which will give the firm a much more proactive status and perhaps enhance its market leadership (Exhibit 1). A mortgage banking company that has been performing well had never entertained the scenario of significantly reduced interest rates. When interest rates started declining seriously in the early 1990s, it did not know what to do. However, a competitor had been using improvisation and was ready for such an event. Whereas the first company got into serious financial problems because of its delayed reaction, the second one performed well under the new and substantially devastating market conditions. To compete in the face of dramatic market changes firms must create portfolios of innovation that would either extend their existing technical trajectory or move into totally different markets or products. In other words, firms must create innovative streams.

Just what kinds of firms think of cannibalization? Grove (1999, p. 68) states: “. . . the person who is the star of a previous era is often the last one to adapt to change.” Thus, being a powerful incumbent in the industry is not conducive to cannibalization. Then what? If the firm develops or has a major future market focus, if the up and coming radical products have champions in the organization who are pushing these products, if the firm has multiple organizational structures with high internal autonomy and are competing with each other, and if the firm can realize that for a greater future market power some of the specialized investments need to be abandoned (Chandy and Tellis 1998).

Innovative Speed

In Exhibit 1 the last item is the ability to incrementalize or radicalize on short notice. Research posits that competitors fail to respond to radical innovations and to new products that employ a niche strategy (Debruyne 2002). Here it is obvious that if the new products are not recognized within the constraints of the company's existing product category, they may not even be noticed at all. However, here the discussion must revolve around, not just reactive, but primarily proactive behavior. The above statement indicates that even as reactive participants, firms are missing their opportunities. However, and above all, here we advocate proactive behavior as the essence of the drive to innovate.

Radical new products, that is, those product innovations that are not quite in line with the existing spectrum of products, create at least two types of uncertainties: first, the uncertainty concerning the expected success of the product and consequences of such an innovation; second, uncertainty concerning the target market. Here, then, when we are talking about short notice, it becomes clear that not only is a revolutionary or evolutionary product brought into focus swiftly, but also it reaches the target market speedily.

Interestingly enough, because of the overwhelming powers of conventional wisdom (mostly negative), competitors may react more readily to market introduction of incremental new products and less readily to radically new products (Debruyne 2002). This is due to the fact that conventional wisdom suffering incumbents expect incremental changes in their main activity areas but they are not equipped to cope with radical innovations coming from competitors. Similarly, an undifferentiated strategy targeting the whole market with the same product and marketing mix creates a wide scale appeal in general. However, since it does not appeal to a differentiated target market, competitors are not directly influenced and therefore their reaction is limited in nature. Competitive reaction to an undifferentiated strategy in such cases would be more limited to the introduction of a new product.

Another consideration regarding the target market is that when a new product, even a radically new product, is introduced in a niche market, because of the specificity of the product and smallness of the target market, it may not get proper attention from competitors. Thus, competitive reaction may be small or negligible, however if our company is on the receiving end, meaning that it is not introducing that new product but being a competitor. These situations pose a real threat since most companies, including ours, may be ignoring such major potential threats.

The ability to detect a significant happening or a major change in the market swiftly is part of the last item in Exhibit 1. Making a defensive, but preferably offensive move on short notice is, more than partially, detecting the market changes fast.

All good intentions and activities in routine research and development do not come close to dealing with the drive which, this author believes, stems from the corporate culture.

Keeping A Watchful Eye on Emerging Niche Markets:

Moore (1995) discusses niche markets as a bowling alley. It represents that part of the market in which the new technology is most likely to be adopted. He further maintains that niche markets are to be entered one at a time until the mass market is cultivated. The innovative and proactive firm must always be on the look out for newly emerging market niches and products, again, to avoid chaos and capitalize on new opportunities.

Learning to Commit Resources to Product Breakthroughs:

Developing and maintaining a futuristic portfolio and cultivating the possibilities of product breakthroughs is a critical part of the innovative dynamics. Samli and Weber (2000) posit that breakthroughs are much more costly and risky than developing and introducing simple product line extension. Therefore, breakthroughs need to be managed differently. In such circumstances the aggressive movement towards generating breakthroughs requires a long time and large financial commitments. Behind the whole process is the company foresight. This is closely related to the firm's market knowledge and competence. Here if the company is trying to minimize the risk it also minimizes the chances of developing breakthrough products. Thus, the company foresight can be translated into serious risk taking, in other words, the foresight goes much beyond developing better quality products in less time for lower costs, which is conventional wisdom and incrementalism, and is depicted also as *new product myopia*. Since such a product is a radical deviation from conventional activity, consumers may have some degree of anxiety due to the newness of the product and perhaps prevailing technophobia. Such counter-development forces, by definition, indicate, to some degree, slower acceptance. The higher the technological complexity and newness of the product, the more hesitant the consumers are in accepting it. Thus, staying power on the part of the company is critical. If and when there is a radically different product introduced in the market by a competitor, all the attempts to develop another one on the part of our company become more realistic and our radically different product becomes more acceptable by the market. For instance, the promotion of hybrid cars and their acceptance will play an important role in the acceptance of fuel cell cars. Both are radical innovations, but the fact that one is gaining acceptance creates a rather open mind for the consumer to explore even further, evaluate and accept other radical deviations from the conventional technologies.

Swiftly Reacting to Opportunities and Threats:

Speed to market has been mentioned already. But in order to facilitate the speed to market, first, opportunities and/or treats must be detected and assessed. Again, dwelling upon the statement of we may not get a second chance to make a first impression, we must be very sensitive to market developments and decisive on the innovational paths we take. The reaction time on the part of the company to, say, a chaotic development, must be minimized. Certainly earlier points of commitment to manpower, financial resources and staying power all shorten the reaction time and make the company much more resilient.

Always Exploring Latent Needs:

Latent need exploration is extremely critical for dynamic innovative behavior. After all, if we don't know where we are going we are not likely to get there. In terms of a general orientation to analyzing latent demand, Exhibit 3 is constructed. There are at least five key areas where latent demand characteristics look from the firm's perspectives into societal consumer behaviors. A brief discussion of these five areas is presented.

one or more of these according to their assessed importance, and according to our company's both financial and know-how capabilities. In all of these seven functional areas the firm must maintain a macro orientation. All of the innovative activities must reach out and positively impact large groups of consumers so that society, not only a select few, will be better off.

Our Company Must See Beneath The Surface

Dynamic corporate drive to innovate, as our discussion indicates, must see beneath the surface of what is happening. In describing stock market behavior, it has been said that amateurs think that if it is up, it is going to go up farther and if it is down, it will go down further. The dynamic corporate innovative behavior must not fall into such a trap. Here it is necessary to see what is happening beneath the surface. If wholesale clubs or retail supercenters are emerging, that does not necessarily mean that there is a need for more of these. It may mean that another approach that will yield better results may be needed.

Here the disruptive technologies teach a lesson. Certainly they indicate there are other and better ways of solving a problem than simply conventional wisdom.

Conclusions

Perhaps the most important message of this article is that opportunities do not happen all by themselves, they are made. Indicating that the company has an innovative tradition is not enough. A dynamic innovative behavior is extremely critical. Such a dynamic behavior is proactive. It receives its dynamism from the corporate culture. Our firm has (or should have) an uncanny ability to detect new risks and opportunities. Furthermore, our firm is capable of prioritizing such risks and opportunities. By eliminating the tendencies to become an incumbent and by cultivating the improvisation skills our firm can develop a highly functional list of opportunities that are carefully prioritized. Here it is argued that our firm has to be ambidextrous and, while dealing with the future, not to neglect the present. This means, if needed, our firm cannibalizes its own current products and, at times, incrementalizes innovations as it also radicalizes innovations, both on extremely short notice. It must also be emphasized that in dealing with a drive to innovate the firm can and should consider not a select few but the whole society. If the innovations are not far-reaching in a macro sense, there is a question if the firm is really accomplishing enough.

In discussing the essentials of a dynamic innovative behavior. Here a seven-point discussion is presented.

Finally, a special section is presented that deals with exploration of latent needs which happens to be one of the most critical factors in creating radical product developments. Five critical questions are raised dealing with what kind of business we are in, our customers' current priorities, continuity of our current target markets, what are the most problematic areas our customers are facing and, finally, what are the key societal trends.

It is maintained in this article that as the company goes for radical innovations, not only its opportunities for greater profit are advanced, but the societal benefits are also enhanced. In fact, the fact that the radical innovation is accepted by the market indicates the importance of such a new product and its far-reaching benefits. It may be concluded that the society may also take special steps in encouraging the drive to innovate radical products. Much research is needed to determine how the society might encourage the drives to innovate more social important products than run-of-the-mill product innovations.

Technology or Human Interaction: What Brings More Satisfaction to Consumers in Retail Service Encounters?

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Abstract

This exploratory study examined the effect that technology or human interaction as types of service encounters have on customer satisfaction. The purpose of the study was to determine if a self-service technology presents a difference in customer satisfaction when compared to an interpersonal service encounter. The dimensions of easiness of the transaction and time spent on the process of paying for purchases were used for operationalizing the satisfaction level of customers. This exploratory research is the first study about the role and effects of self-serve scanning terminals in a real retail service environment. The self-serve technology used for this study were self-serve scanning terminals located at a Big-Kmart store in the Metropolitan area of San Juan, Puerto Rico. The results suggest that there is no significant difference in customer satisfaction in a technologically based service encounter when compared to an interpersonal service encounter. Nevertheless, the results point to the direction that the level of satisfaction is somewhat higher with the technological interface, and to the usage of technology as an alternative dyadic relationship that could delight customers as well as human to human interactions. The paper also addresses the impact that technology infusion in services has on social relationships.

Brief Literature Review

Service encounters used to be analyzed as a dyadic relationship between the customer and a representative of the company, representing a human-to-human relationship. Changes in the business and technological environment have created a new dimension in the service encounter, with relationships between a machine and a human being (Bitner, Brown and Meuter, 2000).

Numerous organizations have implemented technology into their operations and some of them even have completely substituted technology for humans in the process of dealing with customers. Almost half of all the transactions performed by banks at the retail level are conducted without the assistance of a bank teller (Meuter, Ostrom, Roundtree & Bitner, 2000). The penetration of technology into today's operations affects customer behavior and the process of evaluating the quality of service (Bitner, Brown and Meuter 2000). Integrating technology in the service encounter strengthens the sales force ability of a company to better develop and maintain customer relationships (Shoemaker, 2001).

Technology can be introduced in a service encounter with three purposes: to be used for customer service, for transactions and as self-help (Bitner, Ostrom and Meuter. 2002). Among the technological interfaces that are available today are: telephone/ interactive voice response, online/Internet, interactive kiosks and video/CD (Meuter, Ostrom, Roundtree and Bitner, 2000).

self-serve technologies such as voice-mail menus, Internet pages, automatic teller machines, pre-taped telemarketing messages and others (Bitner, Ostrom and Meuter, 2002).

A study conducted by Meuter, Ostrom, Roundtree and Bitner (2000) concluded that customers react positively to self-serve technologies when they bail them out of difficult situations, and when the performance of technology is better than the interpersonal alternative, when technology proves that it works. On the other hand, customers do not like self-serve technology if any of the following situations happens: when it fails to perform, when it is poorly designed, when it is difficult to use or understand, when it allows the customer to easily ruin a service-encounter situation, and when the technology does not provide for service recovery.

Research Questions

The service encounter in an interpersonal context has been extensively analyzed. However, now that technology has invaded the service encounter arena, new research is needed. As stated in Meuter, Ostrom, Roundtree and Bitner (2000), little is known about the effects that the technological interfaces have in the satisfaction-formation process.

Customers have become more and more sophisticated and they have increased their expectations regarding the quality of the products and services they require. This situation has forced companies to search for new innovative methods of serving their markets. One of today's means of improving service quality is through the insertion of technology into the service encounter. Sasser, Olson and Wyckoff (1978) stated that the form in which service is delivered (service encounter) is an integral part of service quality. Technology influences the technical quality as well as the functional quality of any given service.

By incorporating technology into the service-encounter process, organizations need to evaluate its effect in the satisfaction process. There are many dimensions and factors that can affect the satisfaction process. Meuter, Ostrom, Roundtree and Bitner (2000), identified several dimensions that provide satisfaction during a service encounter that has technology integrated. Among these factors are ease of use and the time saved. Service encounter and technology are directly connected to the customer satisfaction process; thus, the research questions examined in this exploratory study were the following:

What brings more satisfaction to consumers: a self-serve service encounter (technology interaction) or an interpersonal service encounter (human interaction), with respect to:

1. the easiness of the transaction ?
2. transaction time?

Research Methodology

A non-experimental research procedure was conducted to examine the effect of type of service encounter (interpersonal – human interaction or self-service – technology interaction) on consumers' satisfaction with respect to easiness in transaction and transaction time in a real retail service setting. The research design used to test the research questions included two groups. One group was customers that had used a self-service cashier and the other group was customers that used the regular cashier at a K-mart store in the Metropolitan area of San Juan, Puerto Rico.

The dependent variable in the study was satisfaction. Easiness of the transaction and time were used as attributes to operationalize the variable.

performance of technology is better than the interpersonal alternative (Meuter, Ostrom, Roundtree and Bitner 2000). The results also suggest the usage of technology as an alternative dyadic relationship that can delight customers as well as human to human interactions in retail service encounters.

This study is an answer to Bitner, Booms and Tetreault's (1990) recommendations for further research of the role of non-human elements in service-encounter process that leads to dissatisfaction and satisfaction.

One of the contributions that this research brings to the current stream of research available is the specific area analyzed, the contribution of a technological interface with respect to the time and ease that it brings into a service-encounter situation and how this affects the satisfaction process. Time and ease of use are two of the most important advantages identified when analyzing the use of technology in the service-encounter process. This research provides empirical information regarding the role played by these two dimensions into the service-encounter process and specifically in the expectations, performance, disconfirmation and satisfaction process.

One of the managerial contributions of this study is finding that a technological interface that saves time in the service-encounter process will produce more satisfied customers. This finding justifies the investment of resources in research and development, acquisition and implementation of technology to be incorporated in service encounter.

Further research is needed in the area of the service encounter and technology. Dimensions such as time, age, loyalty, and level of experience using a certain technological interface needs to be examined further in order to better understand the role and importance that technology has on the satisfaction process.

Another area that can be further investigated is the effect that other types of technological interface will have in the satisfaction process, and the effect that this self-serve cash register will have in the satisfaction process if used in another type of store. This study was implemented using a certain sample of people, with a specific profile. Further research is needed with respect to the social level or educational level of the sample to be used. Further research is needed in the service encounter topic, specifically, on how technology affects the service encounter and short-term and long-term satisfaction.

Among the questions that the current service encounter and technology literature have not been able to answer are: Is there a significant difference in the relationship generated in a service encounter when it is performed by a non-human interface instead of a human? Do technological interfaces during a service encounter delight customers? Is a specific technological interface or the lack of one significantly affecting the customer's service quality expectations? Is there a specific timing regarding the introduction of technology into an encounter for a particular service? Is there a significant increase or decrease in the level of satisfaction generated by a specific technological interface (such as the new cashier-less terminal available at a Kmart store in Puerto Rico)? What relationship creates more loyal customers, one between machines and customers, or one between customers and humans, and up to what level can we trust a machine? Can a relationship be transferred to a machine? (Bitner, Ostrom and Meuter, 2002; Meuter Ostrom, Roundtree and Bitner, 2000).

The above questions reflect some of the issues that need further research in this field. Technology is going to transform the way business is conducted, but its impact needs to be measured in order to design intelligent and useful marketing strategies to ultimately delight customers.

Roundtree and Bitner 2000).

As stated by Bitner, Brown and Meuter (2000) not all customers will be enthused about the increasing role of technology in service encounters. Some consumers may prefer the social aspects of interacting closely and developing relationships with service providers or other customers during service encounters. Firms that consider the implementation of technology should closely involve customers in the design process. Satisfying specific customer needs and creating an open dialogue to address concerns. It is also critical to provide customers with alternatives. Enabling customers to freely select between technologically or interpersonally based encounters allows them to experience the encounter as desired. It is a dangerous strategy to force customers to use technology in the service encounter without other viable options. However, it may be as harmful to fail to offer technologically oriented service options, forcing customers to rely exclusively on interpersonal encounters. Concurrently, the receptivity of both employees and customers to the technology infusion must be astutely gauged. In moving toward enabling technology use in service encounters, it is important to retain the traditional low-tech, high-touch approach as a viable option for customers (Bitner, Brown and Meuter 2000).

In the future the task for managers will not only be on designing and implementing successful self-service technologies, but also of knowing when and where to deploy these technologies vs. maintaining the human touch (Bitner, Ostrom and Meuter 2002).

An empirical study demonstrated the importance of contact personnel and the social interpersonal aspects of commercial relationships suggesting that technology and administrative procedures should be considered as tactical rather than strategic in that they should provide support for the social interaction between the service provider and the client rather than being ends in themselves (Paulin, Ferguson and Payaud 2000).

Service encounter focuses on face to face interactions between customers and personnel in a service setting and in many cases interaction is a major element of the service offered. The concept of interactive marketing has been transferred to services with the aim of covering the marketing impact on customers during the service consumption process when customers interact with various systems such as physical resources and personnel. The customer's role as producers in the service encounter makes service unique and therefore they have to be viewed as an integral part of the process. It has been suggested that consumers' perceptions of a service are tightly linked with personnel. If this is correct, the way customers perceive service encounter and how service production and delivery are organized cannot be considered in isolation from each other (Jarvinen, Lehtinen and Vuorinen 2003).

Some customers resist all kinds of technology replacing social contact and in many cases the acceptance of customers cannot be assumed when the changes concern service delivery. Therefore, service providers should look at changes from the customers' standpoint to avoid resistance and failure (Jarvinen, Lehtinen and Vuorinen 2003).

Personnel's positive attitude is the first step to learning and utilizing new technology. The implications of technology for personnel should be education. Greater empowerment and decentralization at the contact level, and shift from routine tasks to customer interactions (Jarvinen, Lehtinen and Vuorinen 2003).

The need for human contact in service encounter was very important to some customers. Some people feel strongly that the use of machines in a service encounter dehumanizes the interaction (Dabbolkar 1992). But others argue that, instead of the dehumanization often experience in other realms, well-implemented service automation actually increase the independence and value of lower level jobs. At the

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campaign (Weiner, 1991) incurring, as Phil Knight Nike CEO recalls, "a ton of criticism" (McCarthy, 2003:pp1). The Beatles record label Apple, sued Nike and the surviving musicians issued the following statement: "The Beatles position is that they don't sing jingles to peddle sneakers, beer, pantyhose or anything else. Their position is that they wrote and recorded these songs as artists and not as pitchmen for any product" (Dowling, 1989:pp208). Angry Beatles fans wrote letters to Nike objecting to the co-optation (Scott, 1994). In a recent article in *The Nation*, former drummer for the Doors John Densmore said it "cut me to the core when I heard John Lennon's *Revolution* selling tennis shoes... and Nikes to boot! That song was the soundtrack to part of my youth, when the streets were filled with passionate citizens' (Densmore, 2002:pp3). Whilst songs were regularly being used in advertisements, this was a special case as Weiner wrote at the time "Does anyone care that the Fifth Dimension's *Up, Up and Away* has become a TWA commercial? But the *Revolution* ad is different. The song had a meaning that Nike is destroying" (Weiner, 1991/1987:pp293). He regarded the ad as 'the most outrageous example of a familiar aspect of pop culture in the later Age of Reagan' (pp292).

Whilst the instance of Nike's appropriation of *Revolution* is peppered by the unusual dynamics involved in the relationship between Yoko Ono, Paul McCartney and Michael Jackson (who owned the copyright and gave permission to Nike) (Scott, 1994; Weiner, 1991), the outrage mostly referred to the song's socio-historical meaning and the inferred intention behind its use, using the "revolution" to sell shoes (Scott, 1994). This introduces discourses of "sell-out" defined by Hesmondhalgh as "the abandonment of idealism for financial reward" (Hesmondhalgh, 1999:pp44) or by Frith & Horne as 'to switch from artistic to commercial logic' (Frith and Horne, 1987:pp171) and the appropriation of music for advertising is an instance where the label of "sell-out" often exists in its most intensive and emotive form (Englis and Pennell, 1994) with many musicians purposefully refusing to allow their music to be used in ads (Weiner, 1991). However Adorno & Horkheimer (1998) have asserted that the production of music within the culture industry tends towards the process of commodification and hence cannot be considered as oppositional and therefore discourses of sell-out become a sham debate. This leads back to the questions raised by Desmond et al regarding what constitutes counterculture and what it implies about culture and consumption (Desmond et al., 2000).

What is counterculture?

In considering these issues, we consider the Adorneon perspective which derives from the critical theorist Adorno, and in particular his theory of culture industry which he developed with Horkheimer. As already stated, there is a resurgence of interest in Adorneon theory and this paper seeks to address macromarketing issues through this lens. A fundamental part of Adorneon theory is that culture and administration exist dialectically; "whoever speaks of culture speaks of administration as well" (Adorno, 2002c:pp107). The relationship therefore is one of oppositions co-existing uncomfortably, "culture would like to be higher and more pure, something untouchable which cannot be tailored according to any tactical or technical considerations... no half-way sensitive person can overcome the discomfort conditioned by his consciousness of a culture which is indeed administrated" (pp108). The clash of culture and administration could be applied to music and commerce and the discomfort described by Adorno is similar to the anger incurred when certain pieces of music are used in advertisements - as USA comedian Bill Hicks once warned musicians "do a commercial and you are off the artistic roll call for ever!" (Mueller, 2002:pp4) As distinct from Schroeder and Borgerson (2002) who developed a model of artists and patrons co-existing comfortably, the Adorneon perspective calls on us to regard music and marketing as belonging to a dialectic. From this perspective, it is interesting to return to counterculture theory.

made clichés to be slotted in anywhere”; “in light music, once the trained ear has heard the first notes of the hit song, it can guess what is coming and feel flattered when it does come” (pp125). *Revolution* conforms to the standard 12-bar blues form and hence can be regarded as a highly predictable piece of music. The outcome of such standardised composition where the whole and the parts are alike, according to Adorno & Horkheimer, is that there is no antithesis and hence Adorno & Horkheimer would not consider the song as oppositional but rather a piece of music that called for regressive listening habits and ultimately led to reification (pp126). The political message contained within the lyrics – conformist though they may well be – would not impress Adorno who argued that politically committed art that exists within the commodity form is a mere “pantomime” as art can only resist by its form alone (cited by Kellner, 2002:pp92). Furthermore the existence of the Beatles within the commercial form renders any oppositional qualities within the music, according to Adorno, to naught:

Whatever raises from within itself a claim to being autonomous, critical and antithetical – while at the same time never able to assert this claim with total legitimacy – must necessarily come to naught; this is particularly true when its impulses are integrated into something heteronymous to them, which has been worked out previously from above, that is to say, when it is granted the space in which to draw breath immediately by that power against which it rebels (Adorno, 2002b:pp118).

The reverence in which the public held the music of the Beatles that led to the Nike controversy would be accounted for by Adorno by fetishisation in which consumers start to revere the commodity; “before the theological caprices of commodities, the consumers become temple slaves” (Adorno, 2002a:pp39). Also part of this process is how the music becomes linked to the cult of the personality – in the case of the Beatles a very large cult indeed - in this form of fetishisation the artists becomes the commodity to be consumed (Szimigin, 2001) again alienating the listener from the music. In this case the fetishised reaction of the Beatles fans to the music has become isolated from the music itself (which in any case is already a commodity), as Adorno put it: “where they react at all, it no longer makes any difference whether it is to Beethoven’s Seventh Symphony or to a bikini” (pp37).

Within this context Adorno & Horkheimer would have viewed the controversy surrounding the Nike ad as a sham debate because the song *Revolution* exists so much in the commodity form that it is already interchangeable with Nike products. As Weiner pointed out, using the music of the Beatles is different from using *Up, Up and Away* by Fifth Dimension and this would be accounted for by the Adorneon perspective as due to audience fetishisation of the Beatles. The debate acts as a deception because the viewpoint of *Revolution* as counter-cultural to Nike fails to acknowledge its commodity form; “Those who succumb to the ideology are precisely those who cover up the contradiction instead of taking it into the consciousness of their production” (Adorno and Horkheimer, 1998:pp157). Adorno described the process of pseudo-activity as where people, who not yet fully reified, seek to distance themselves from the mechanism of music reification by becoming more active consumers and exploring musical alternatives however all they succeed in doing is further integrating themselves into fetishism (Adorno, 2002a:pp52). Applying the Adornean perspective, the outrage surrounding the Nike advertisement may therefore be considered as a pseudo-activity.

Other Aesthetic Perspectives

As opposed to the inherent cultural pessimism of Adorno & Horkheimer’s thesis, Hesmondalgh has argued that the relationship between art and commerce takes the form of a continuing struggle and hence can be regarded as more ambivalent, contested and complex than were allowed for by

consideration of the attitudes of musicians towards the phenomenon within the context of their self-conception as an artist. A series of in-depth and non-directive interviews which had an average duration of 40 minutes, were conducted with 21 professional musicians from diverse musical backgrounds, i.e. composers, session musicians, rock stars, folk singers, electronic musicians. The respondents all had experience in dealing with advertisements in numerous contexts ranging from jingle writers, session musicians who have performed in ads to musicians who have both declined and given permission for their music to be used in local, national and multi-national advertising campaigns. Musicians were contacted drawing from experience and contacts made from previous employment in the music publishing industry. Unlike the instance of *Revolution* where the composers allowed the publishing rights to pass out of their ownership (Weiner, 1991), the musicians interviewed in this study own their copyright and are able to decline permission to advertisers seeking to license their material. As many of these musicians perform in the public domain, it was possible to conduct considerable research into each of them before the interview meaning that each interview was unique to the person. Seeking musicians from diverse musical backgrounds follows Adorno & Horkheimer's approach which did not differentiate between musical styles, genres or classifications of high versus low music and instead seeks to subject all musicians to the same methodological questions as was called for by Shepherd (1987). A large range of issues were addressed in the interviews however for the purposes of this paper the data is organised into three emergent themes; attitudes towards licensing music, reflexivity and music as ideology.

Analysis - Theme 1 – Licensing music

Some musicians stated an outright rejection of using their music for any form of advertisement for a variety of reasons. One common reason was the reluctance to link their music (the sacred) with commodity products (the profane); *"I'm always resistant to my music being used to sell product, to sell petrol or chemicals or fucking holidays"*. Another musician stated that advertisements were so ephemeral and period specific that they did not stand the test of time and therefore were unworthy for his music; *"I'm interested in music that lasts and ads are disposable"*. A very common viewpoint was that the meaning of the piece of music would become hijacked by brand association which one musician described as being *"dishonest"*. This also relates back to the argument of authenticity in counter-culture as musicians saw using music in ads as refusing to mix their song (regarded as being authentic) with the ad (not authentic): *"its about taking whatever integrity your music is perceived to have and associating your brand with that and its in the hope of some of that integrity reflecting on their brand and that's kind of a, its not a, it doesn't sit well with me"*.

Other musicians saw no moral qualms regarding using the music in advertisements, only an opportunity to make money and gain exposure in the process: *"We'd never refuse to do an ad, money was money and an ad was promotion, we were being promoted"*. With regard to the commodity form of the music, one musician argued that *"you've got to look back as to why it was composed and why it was written and mainly it was written and composed to exploit it, to commercially exploit it, to make money from it and to make the public hear it so therefore whatever methods are needed or used to, eh, achieve those objectives, they're the ones that we should go for"*.

For the most part musicians found themselves in a position where saying 'no' to advertisement offers was not a realistic financial option. A common justification was that the arrival of family resulted in a changing of values, one musician quoted Warhol; *"Morals, I can't afford them!"* This instance lends support to the popular notion of the uncomfortable relationship between music and advertising, in many cases the musicians would prefer not to allow their music to be

One musician argued that the genesis of most musical traditions is opposition and that music is profoundly ideological: "*I think the very enactment of something musical involves people somehow collectively identifying with something that's theirs*", even though that that can sometimes be used for very cynical purposes like in right wing regimes. Like you think of militaristic regimes like the German regime in the Second World War where political song was used as a very negative rallying point. For the most part, when I think of music, I think of it as a power against evil and a power against the forces of oppression". In this instance music is both identified as an oppositional counter-culture but also has its reifying role stressed; it can be used to transform individuals into a unified mass. As the musician stated, this role can have both positive – resisting colonialism - and negative effects – serving fascism. In this sense the possibility of using music to reify an audience and then encourage them to buy a product has obvious attractions for advertisers.

Discussion

The debate regarding the use of music in advertising can be regarded as highly complex where there is little consensus amongst musicians. For some musicians it is a good opportunity for promoting their music which in any case is a commodity too, for others it is a regrettable case of economic necessity whilst for some there are artistic merits to be found in some form of advertising but not in others. What is perhaps most relevant in the context of counter-culture is the belief that music should remain aloof from advertising and explanations here ranged from not wanting the meaning of the music to be married to a product, regarding music as being more sacred than a profane commodity and finally regarding music as being oppositional.

This debate adds a further dimension to what has been described as the societal conundrum of intellectual property rights. Further to the political and economic interests which Schultz and Nill (2002) addressed are the emotive nature of various pieces of copyright. In European Union law the intellectual copyright for music composition expires after seventy years which means that the Beatles' music will enter the public domain. When this happens advertisers will be free to use the music at will meaning that a new generation will be exposed to the songs of the Beatles via advertisements.

The musician who laid claim to music as being counter-cultural but also of having powers of reification draws attention to an important paradox, can counter-cultural be reifying? According to Adorno & Horkheimer commodified music lends itself towards reification and it is reification that art is supposed to oppose: "This promise held out by the work of art that it will create truth by lending shape to the conventional social forms is as necessary as it is hypocritical. It unconditionally posits the real forms of life as it is by suggesting that fulfilment lies in their aesthetic derivatives. To this extent the claim of art is always ideological too" (Adorno and Horkheimer, 1998:pp130). Whilst music as commodity counter-culture could possibly lead to political upheaval³, this would not be a meaningful liberation. According to Horkheimerean post-Marxist analysis, the bourgeois struggle for liberation is marked from the beginning by the deception of the masses. Under this view the bourgeois use the masses as an ally in their struggle against the ruling structure deploying them as a kind of battering ram (Steinert, 2003). Counter-culture music which is reifying carries the danger that it could commit the masses to a struggle that ultimately is not in their interest (Adorno uses the example of Wagner and its inspiration

³ To be sure consumers can interpret music in wildly different ways. An example is how *Revolution* and the rest of the white album has been described as indirectly responsible for murder because of the bizarre interpretation taken by Charles Manson [Quantick, D. 2002. *Revolution - the making of the Beatles' white album*. London: Unanimous Ltd]

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Purchase Democracy: The Role of Voting in Consumption Choice

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Abstract

Everyday as consumers we vote in a market system through our purchases. Arguably, therefore, consumers participate in creating the societies of which they are a part by their purchases, just as they may influence their environments by their votes in political elections. Indeed, an increasing number of ethical or socially conscious consumers wish to actively use their consumption vote in the marketplace and are motivated beyond economic maximization (e.g., Doane 2001; Shaw and Shiu 2003). Such consumers seek to address wider societal concerns through their consumption choices. Despite the importance of this concept, consumer voting has not flourished in research. Part of the reason for this could be linked to the perspective of many economists that individuals ought to maximize their utilities, often regardless of wider societal concerns. The current work in progress, therefore, seeks to examine the increasing group of ethical consumers who feel a responsibility to evaluate the consequences of their purchases on society, and the role and importance of consumption as voting to this consumer group in addressing ethical concerns. In seeking to examine the role and nature of consumer voting in actual consumption choices this research will take the consumer as its central focus.

Work In Progress

Consumer purchasing and consumption, and their levels, are important to society for many reasons. Although it is important to note that consumers are only one important player in an economy, purchasing by consumers is a key component of the economic system of many countries. Consumer purchasing also influences the social and cultural aspects of society. Individuals reflect their values and beliefs by what they purchase and do not purchase (Dickinson and Hollander 1991). Further, consumption can fill the hunger for a space in which to construct a sense of self and what is important in life (Kozinets 2001). Indeed, consumption has become the principle framework in many societies, for some filling the vacuum left by a previously dominant religious framework (Jackson 2002). Set in this context, high levels of desire or greed can be perceived as a dominant thrust of society (Holbrook forthcoming). The establishment of a consumption orientation has resulted in mounting consumer concern in the West generally about the impact of consumption levels on the natural environment as well as on individual and societal well being. Notions of consumer citizenship have become important, therefore, as an increasing number of consumers seek to act beyond their own interests as a consumer and consider the impact of their choices on wider society. Indeed, the term consumer citizenship has been used to describe the obligations of consumers to consider their contributions to society through their economic votes (Dickinson 1996).

consumption choices. In a study of ethical consumers Shaw and Clarke (1999) found that many consumers felt that they had to fight against the values of a society that pressures individuals to consume in excess. Such consumers described feelings of “responsibility to each other” as we “don’t live in glorious isolation” (p. 116). Perhaps not surprising is research that has found ethical obligation to be an important driver underlying behavior among ethically concerned consumers (Shaw and Clarke 1999; Shaw, Shiu and Clarke 2000; Shaw and Shiu 2003). Although Shaw and Clarke (1999) found that consumers were concerned about overall consumption levels, many believed that to reduce their consumption would lessen their power in the marketplace, due to an inability to then vote via their “purse strings” (p. 116). Therefore, consumers wished to enact change by consuming, and thus changing the status quo from within the existing market system. This is reflected in studies of voluntary simplifiers who adopted consumption strategies of both reducing overall consumption levels and refining consumption to more ethical or sustainable alternatives, thereby continuing to use marketplace choices (Shaw and Newholm 2002; Shaw and Grehan under review). A common vote for change, however, may be enacted differently in the marketplace among individual consumers. This is illustrated in an example outlined by Shaw and Clarke (1999) where two ethical consumers described a common goal to demonstrate a demand for fair trade² coffee. While one consumer deliberately purchased this coffee from supermarkets, despite a negative attitude towards supermarket chains, due to a desire to encourage, retain and create demand for this product among mainstream consumers and retailers, the other consumer sought to support an alternative trader due to their genuine commitment to ethical product lines. This highlights how two individuals both working for a common goal can send a conflicting vote to the marketplace concerning preferred place of purchase. This highlights the notion of collective voting as a more effective strategy for change. Indeed, while the adoption of voting strategies emphasizes consumer citizenship and feelings of responsibility to enact change, many consumers do not believe they have the power individually to produce change (Burgess *et al* 1995; Shaw and Duff 2002). A feeling of collective action, however, can enhance feelings of sovereignty in the marketplace (e.g., Shaw and Clarke 1999).

Boycotting represents one form of consumer voting (or non voting) that has been used for centuries (e.g., Friedman 1996; Smith 1990). Boycotting is generally seen as a collective act. Indeed, as the boycott component of voting suggests, group action is likely to be more useful in creating substantial change. This is in keeping with the notion of consumer sovereignty where if many consumers vote the same way, the marketing systems of most societies will have to respond. Boycotts focus on the negative aspect of economic votes as they ask consumers to withdraw purchases from their target. This action attempts, in general, to hurt particular firms or sectors by creating an emotional response from the larger culture that is translated into economic action by consumers. Boycotts have been brought against all kinds of activities and firms, including high profile boycott calls for Gap and Nike in response to claims of use of sweatshop labor (Tomolillo and Shaw 2003). Examples of successful boycotts include Shell’s decision not to dump the Brent Spar oil platform at sea, UK consumer rejection of genetically modified foods and Nestlé’s turnaround on their compensation claim on the Ethiopian government, which resulted in a decision to accept a reduced compensation claim which was then donated to the famine relief in Ethiopia. Although there has been evidence of boycott success, it is important to note that other boycotts, such as the ‘baby milk action’ boycott against Nestle have been long running. Research has revealed that even where consumers are uncertain of the likelihood of a boycotts success they will continue to support the boycott due to a personal belief that it is the correct action to take (Shaw and Duff 2002). Effective boycotts disseminate information and values to others. The internet has become a key vehicle in this role and enables individuals and groups to more effectively get information out to larger numbers of people. This is illustrated in the high number of boycott calls documented on the internet. While boycotts focus on consumer exit, buycotts refer to positive votes and take the form of supporting products and/or firms representing social responsibility. The greatest impact of consumer votes, therefore, if generally

² Fairly traded products are those purchased under equitable trading agreements, involving co-operative rather than competitive trading principles, ensuring a fair price and fair working conditions for the producers and suppliers.

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The Glocalization of Political Consumerist Action: The case of the Coca-Cola ban

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Abstract

This paper considers issues that arise from a global campaign against Coca-Cola. Political consumerism is taking an increasingly global-local pattern with the Internet a central player. The case introduced here explores a number of these dynamics and their implications for both affected parties and consumers.

Introduction

Consumer boycotts have a long and varied history (see Cohen 2003; Michelletti 2003; Friedman 1999; Smith 1990), as a means of protest against corporate and/or governmental wrongdoing. Recent literature (Michelletti 2003; Kennedy 2004; Bennet 2004; Stolle & Micheletti 2003) on consumer boycotts/ political consumerism notes how contemporary social changes are effecting both the nature and structure of political consumer acts. One of the most recent calls for a global consumer boycott involves Coca-Cola. This case highlights a number of key theoretical debates, which fall within the remit of macromarketing, namely globalisation and global/local dynamics, political consumerism and consumer agency, and global internet resistance networks in late-modernity. As such, the issues involved require further examination.

The case of the Coca-Cola ban:

This case explores the campaign to ban Coca-Cola in University College Dublin (UCD), Ireland during the period of October/November 2003. The campaign in UCD involved a myriad of actors and agendas yet the core issue rested upon political and ethical questions involving concerns about human rights intertwined with issues of consumption. The background to the ban, and the actors involved are described in the next section.

Background and Origins:

“We are seeking your help to stop a gruesome cycle of murders, kidnappings and torture of union leaders and organizers involved in daily life-and-death struggles at Coca-Cola bottling plants in Colombia, South America”.

www.killercoke.org (Notice for Campaign to stop Killer Coke).

The above extract sums up, at a basic level, the central cause for the global-wide attempt by a number of loosely connected groups calling for a Coca-Cola Boycott. The origins of this cause relates back to the controversial deaths of eight workers and trade unionists in a number of franchised Coca-Cola Bottling plants in Colombia between 1994 through to 1996. Among the numerous atrocities known, it is the killing of trade union leader Isidro Segundo Gil by paramilitaries on 5th December 1996 that is most documented. SINALTRAINAL (Colombian

Firstly, the Pro-ban side decided that they would not partake in the debate because they felt it was unnecessary and called for a boycott of the referendum itself. However, two weeks prior to the referendum they decided to participate. Yet at the same time through their talks and communication literature played up the seeming unfairness of the necessity for a second referendum.

Secondly and more interestingly in relation to third parties, SINALTRAINAL, Coca-Cola, and SIPTU (Services Industry and Professionals Trade Union), all became involved. Luis Eduardo Garcia, a representative of SINALTRAINAL, came to UCD to show support for the ban and to call for the continuation of the ban. While Coca-Cola also sent out a representative- Rafael Fernandez Quiros, Coca-Cola director of communications for Latin America- to call for the rescinding of the ban. The concerns held by the Coca-Cola were two-fold- in the first instance UCD represented a substantial business account for Coca-Cola products. Secondly, and more importantly, was the potential for the Pro-Ban campaign to spread to other universities and institutions. In fact, the Pro-Ban side had been in contact with student organisations in four separate Irish Universities and a number in the UK who were interested in implementing a similar ban and were beginning to campaign for a similar referendum. On top of this the ban was also already receiving media attention from a number of Irish newspapers.

However, one of the most significant aspects of this case is the involvement of SIPTU (the largest Irish Trade Union). This Union represents the workers at Coca-Cola franchise bottling plants in Ireland, and became very concerned when shop stewards in one of the franchise bottling plants approached the trade union concerned about the impact a ban would have on jobs at the plant. As a result of this SIPTU officials began to investigate the issue. Indeed prior to the ban controversy a SIPTU delegation attended a major international meeting of the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations (IUF) in New York. This meeting which took place in March 2003 brought together 27 representative organizations of Coca-Cola workers in 23 countries. The IUF had also asked Amnesty International to investigate the situation for them. As far as the IUF were concerned no direct evidence could be found to link the atrocities to Coca-Cola and subsequently they refused to endorse a global boycott of Coca-Cola products as called for by SINALTRAINAL. This position was adopted by SIPTU and relayed to their members in the bottling plants in Ireland. Workers at the Irish bottling plants then proceeded via SIPTU to print flyers opposed to the ban and attempted to distribute them outside the University during the second referendum.

Despite the anti-ban side initiating the campaign and having the actual support of SIPTU and the tacit support of Coca-Cola, Ireland, the second referendum to lift the ban failed to carry. Indeed the majority in favor of maintaining the ban increased substantially to over 500 in favor, with the largest number of voters ever partaking in a University referendum (23.2 % of the voting population). This result has been attributed, in part to the support of the ban by high-ranking Student Union officials, which included the Student Union President. Indeed, the leaders of the anti-ban side believe that the involvement of the Student Union President was a key factor in the referendum being defeated.

The authors believe that this case raises key theoretical issues for macromarketing specifically the impact of globalisation and technology on both global marketing systems and its nemesis the anti-corporate movement. These issues shall now be addressed below.

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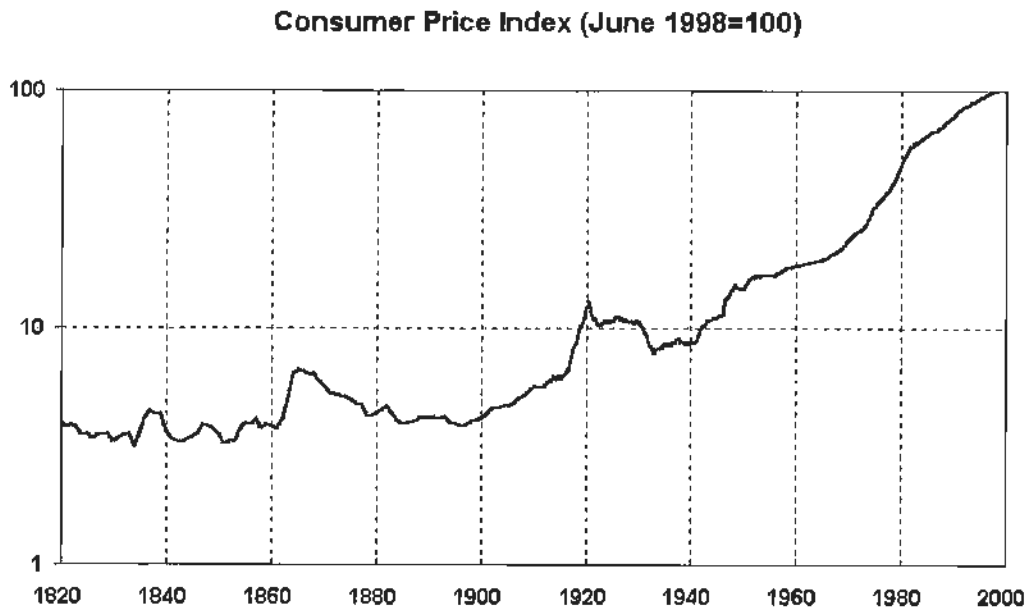


Figure 1: United States inflation since 1820

Roosevelt was in no doubt about the need for urgent economic control, while outlining the history of the situation succinctly, when he said in his Labour day address to the nation in 1942,

...I have received a recommendation from the Secretary of the Navy that Lieutenant John James Powers of New York City, missing in action, be awarded the Medal of Honor. I hereby and now make this award.

You and I are "the folks back home" for whose protection Lieutenant Powers fought and repeatedly risked his life. He said that we counted on him and his men. We did not count in vain. But have not those men a right to be counting on us? How are we playing our part "backhome" in winning this war?...

Our experience with the control of other prices during the past few months has brought out one important fact—the rising cost of living can be controlled, providing that all elements making up the cost of living are controlled at the same time....

I realize that it may seem out of proportion to you to be (worrying about) over-stressing these economic problems at a time like this, when we are all deeply concerned about the news from far distant fields of battle. But I give you the solemn assurance that failure to solve this problem here at home—and to solve it now—will make more difficult the winning of this war.

If the vicious spiral of inflation ever gets underway, the whole economic system will stagger. Prices and wages will go up so rapidly that the entire production program will be endangered. The cost of the war, paid by taxpayers, will jump beyond all present calculations....

Notes on the interview with Professor J.K. Galbraith

Professor Galbraith agreed to be interviewed about the OPA, after a request via email. A time was arranged for the interview, but when the appointed time arrived, he was unable to be interviewed due to ill health. The topic was sufficiently important for Professor Galbraith to arrange to be interviewed the next morning. On arriving for the interview I was escorted to his bedroom where he lay, an impressively tall man with a proud carriage. He requested that no tape, audio or video, be made of the interview. Professor Galbraith, having been aware of the topic for sometime, dictated his interview in a most impressive way. It was clear to the interviewer that he could see the answers in his head, as he would dictate each word and punctuation and at times would go back several lines and change a word that fitted better. I was clearly in the presence of an outstanding mind. In spite of having troubles breathing and obviously being very weak the 95 year old Professor Galbraith was obviously very lucid.

I was given a tour of Professor Galbraith's office after the interview and amongst the many pictures of Professor Galbraith with presidents, dignitaries, moviestars, etc., was a large framed cartoon of Keynes, his economic nemesis, lobbying on behalf of the pork producer board to the OPA.

As a transcript of the interview was handwritten by the interviewer, a copy of the following transcript was sent to Professor Galbraith to be checked for accuracy. In the interests of the integrity of Professor Galbraith's thoughts the entire transcript has been reproduced.

Interview transcript (conducted on the 16th August 2003 in the home of Prof. Galbraith)

The whole exercise was, in many ways, the key point in my life. In World War I the dominant domestic fact was a big increase in prices, about two times in the first year. Inflation was very much remembered. It was also remembered in Canada where it had a marked affect on Canadian farm prices. In both countries the cost of living became a major issue.

At the beginning of the war I had been asked by the White House to make a study of price policy and out of that study I was appointed to be in charge of price control, which came close to being economic policy in the war.

[When was the start of the war, 1939 or when America entered?] Pearl Harbour was the decision day in the United States. Before that there was the possibility of war and some preparation. After Pearl Harbour there was the reality of war.

I was in charge of both price control and rationing. One of my earliest steps was to put into place

No economist, indeed no scholar, should claim an impeccable record. Vigorous participation in public affairs always unquestionably invites error. In this the largest economic action of the time, which I should add involved setting aside some fashionable but ineffective constraints like that of the Federal Reserve system were, wage restraint possibly apart, not particularly effective.

I might add, as a note, that I was left with a deeply committed doubt as to the economic effects of Central Bank action. It depends not on results but the inescapability that anything having to do with money must be important. The relegation to nonentity of the Federal Reserve system was one of the effective developments of World War II. It may take a war to get economists, and especially the financial community, to shelve promiscuous error.

Had the world with the leadership and effect of the United States suffered in World War II from inflation it would be sadly remembered. I was assigned, and have been credited with, a major responsibility having made errors on other lines of thought I'm happy to accept success on this one.

I once did a major lecture tour of New Zealand, it was the most delightful thing I did. Each journey to the next lecture from the far North to the far South was more beautiful and more interesting than the journey before. My wife Katherine Galbraith rejoiced even more.

The success of the Office of Price Control and other agencies

As Figure 1 shows there was not a period of significant deflation after World War II. A period of prosperity followed World War II that cannot have been imagined by those who had studied the history of the postwar American economy, such as Paul Samuelson (Samuelson, 1943). In stark contrast to the depressed 1930s, the 1950s and 60s were the most prosperous and comfortable for many Americans (Reeves, 2000). "On the whole, the federal agencies made impressive contributions. By mid 1943, after a rocky start, the OPA was able to maintain a reasonable level of price stability. Consumer prices rose only 8.7 percent between October 1942 and the end of the war" (Reeves, 2000, p. 126).

The OPA was successful and its mission was fulfilled, the post World War II period did not see the hyper-inflation which occurred during World War I. The depression and deflation which had rocked the United States economy after the hyper inflation of World War I did not strike Americans after World War II and the policies of the OPA were deemed to have been a success, though not worthy of significant study (Galbraith, 2002). It obviously grated with Professor Galbraith that the OPA had not received the level of analysis that the failures of World War I economic policy had and he was eager to see some recognition of the OPA's, and thus his, success.



Figure 2: Pro-savings advertisement in Vogue 1944

As well as promotion and price controls there were restrictions on the production of some products, see Professor Galbraith's transcript above for a mention of rubber product restrictions. "Sugar, gasoline, meat, shoes, and tires were rationed, and the production of automobiles ceased" (Reeves, 2000, p.126).

There were also controls on wages through the National War Labour Board (Morris and Morris, 1996). Restricting wage rises was not the only production side change. During World War II, "Productivity soared. National product per capita (in constant dollars) nearly doubled in the United States from 1938 to 1944, the strongest surge of economic growth in modern American history" (Fischer, 1999, pp.196197). Combined with their strictions on wage increases the costs of production fell markedly during World War II. To a lesser extent distribution was controlled through restricting dealers in some products, i.e., authorized sellers (Morris and Morris, 1996).

The spectre of massive postwar inflation was tackled by a number of agencies including the public minded Pabst brewing company which sponsored the Pabst Postwar Employment Awards aimed at garnering the wisdom of members of American society to find a solution to the problem which had dogged the American economy after previous wars (Stein, 1944). Among the winning ten essays was one by Wroe Alderson, the "most influential marketing theorist to date" (Wooliscroft, 2003, p.484), titled "Full Employment Through Market Organization" (Alderson, 1944). Alderson also worked under Galbraith in the OPA during World War II, though in 2002 Galbraith did not recall Alderson (Galbraith, 2002; Wooliscroft, 2003). The controls did not end with the Japanese surrender, years of price and wage control were to follow.

Anti inflation measures after World War II

The end of the war did not see the end of anti inflation measures by the American government. The OPA's work was over but in February 1946 the Office of Economic Stabilization was established by the President to continue the job of guarding against the inflationary pressures, particularly of pent up savings during the war years. At the end of 1945 the National War Labour Board was replaced by the Wage Stabilization Board, which remained a feature of the American economy until 1952 (Morris and Morris, 1996).

Conclusion

America not only survived World War II without hyperinflation, or a postwar depression, but went on to some of the most prosperous decades that it has ever enjoyed the 1950s and 60s. It was not the free market which is responsible for those occurrences, rather it is the control of the market and active demarketing by government agencies which suppressed the typical wartime economic patterns of the past.

Perhaps it was Professor Galbraith's finest hour, in that he had the power to implement those policies that he considered best, and that those policies were seen to be successful, but it was not through price control and rationing alone that a postwar depression was averted.

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Agribusiness and the Relevance of Marketing Boards in Today's Global Economy: A Canadian Perspective

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Abstract

Marketing boards have been around for many decades in Canada and elsewhere including Israel, Australia and the UK. This agribusiness topic has been hotly debated by Canadian agricultural economists but has not been discussed in the business literature for many years, especially from a marketing perspective. The paper provides a brief history of agricultural marketing boards and other agricultural support programs. It attempts to discuss their relevancy in today's fast changing world of agribusiness in a globalized economy. This important sector of the Canadian economy has been particularly hard hit by the discovery of mad cow disease. To what extent can marketing boards and other marketing schemes that help producers be reorganized to allow them to respond faster to health issue threats as well as to changing market conditions? A plea is made for more managerially relevant studies in agricultural marketing, a neglected topic in mainstream marketing.

Introduction

Since the 1930s, the Canadian agricultural industry has responded fairly well to major political, economic and technological changes. Marketing boards have functioned more or less as expected, at least from a supply side (i.e. producers' vantage point) and from a government policy perspective. Despite the diversity of products involved, from wheat to pork, to dairy products, and the numerous provincial as well as federal jurisdictions over agriculture, it is an industry that is seldom in the news, at least until recently. Presently, the Canadian agribusiness industry is being subjected to unprecedented world pressures that call for changes in the way the food supply chain is now managed, especially for those producers involved in the marketing of livestock (beef) and related products. Specifically, there is an urgent need for the industry to respond more rapidly and more convincingly to events that pose a health risk to ordinary Canadian consumers, irrespective if the risk is real or perceived. This need is even more important for those producers whose livelihood depend on agribusiness trade with the US and other countries. After all, Canada is a trading nation with international trade accounting for over forty percent of the GDP. Any trade disruption can impact on the economic well being of the country.

The discovery of Canadian bovine spongiform encephalopathy (BSE) also referred to as mad cow disease in May of 2003, has upset the livestock industry and some of Canada's major trading partners, including the US and Japan, among others. Alberta was the hardest hit, given that 60% of its livestock are exported to the US. Soon after the discovery, most countries in the world stopped buying beef from Canada, despite the fact that only one cow out of more than six millions was discovered to have the disease. The near world embargo on Canadian beef was imposed despite the fact that the infected cow was not destined for human consumption and was not part of the food chain. Perhaps the safety concerns was the result of media hype? After all, Europe 'freaked out' with the discovery of BSE, which led to the death of some 140 people over a ten-year period (Smith, Young and Gibson 1999, Honoré 2001). Not only was the media blamed for 'fostering a culture of paranoia and panic' but politicians as well.

economists have been clamoring for more accountability, transparency and market efficiency measures of marketing boards (e. g. Abbott 1967, Green, 1982, Forbes 1982, Veeman 1982, 1987, 1997). Marketing boards have been criticized for not being innovative or not able to benefit from technology transfers while asking consumers to pay higher and higher prices. Green (1982) is particularly critical of them. They are not well known nor understood. Yet they have “economic, constitutional, and administrative law implications which are totally out of proportion to their relative obscurity” (p. 1). He adds “some marketing boards have transferred large amounts of income from consumers to producers and have substantially increased the wealth of a relatively small number of persons”(p. 2). Forbes (1982) is more blunt by adding that “the general aim of almost all boards is to ensure greater incomes for farmers and in many cases to funnel income transfers from the government and consumers to farmers when it is felt that the marketplace under-rewards producers for their efforts” (p. 28).

Such organizations raise important *macromarketing issues* that have implications not only on wealth redistribution but also serious administrative law and civil liberty issues as well, as discussed by Green (1982) and Forbes (1982), among others. Some marketing boards have serious supply management inefficiencies, notably those that have price fixing and quota setting powers that limit supply, with control entry power. Too many seem to protect themselves and to shy away for the need for market efficiencies in order to protect or provide relief to producers that are weak, unprepared or unable to upgrade their technological and managerial skills to compete in a more globalized and market-efficient world. Economic institutions of the 21st c. require them to be productive and be able to adapt and respond quickly to external changes and even threats in order to ensure their survival. Marketing boards (and other agribusiness subsidies) were born during the depression era when a large percentage of the population (over 40%) depended on agriculture for their standard of living compared to less than three percent today. This sector enjoys a disproportionate share of wealth and political power for their numbers. Some agribusinesses are big business, unlike the family farm of 50 years ago. This age of market globalization and accelerated market dynamics make marketing boards vulnerable to change. If they do not adapt and change, they will become anachronistic and Canadians will be poorer as a result.

How interorganizational relationships within agribusiness channels can be made more trustworthy and quicker to respond to threats for health security reason is a very complicated issue, certainly more complicated than merely incorporating changes in the way marketing boards are managed or changing aid support programs. Very little academic research has been done on marketing boards, especially from a managerial and marketing perspective (Abbott 1967, Green 1982, Forbes 1982). We know very little on how the agribusiness industry responded to previous health food problems in the supply chain. After all, contemporary marketing and management textbooks have shown only a modicum of interest toward business and marketing history per se. Moreover, current marketing and management cases that deal with this industry are very rare indeed. This is unlike the past (i.e. the pre-4Ps era) when agricultural marketing was an important topic covered in most marketing textbooks and much academic research was done. In fact, Bartels (1983) argued that the marketing discipline has given the false illusion of having expanded its horizons by embracing new topics (i.e. services marketing, cause marketing, social marketing, etc.), when in fact the discipline has constricted itself by neglecting important areas, such as agricultural marketing. After all, the money spent by consumers per year on agriculturally related products such as meats, fruits and vegetables far exceeds what is spent on toothpaste, razor blades or shampoo. The world market value for just fruits and vegetables is probably worth hundreds of billions of dollars and accounts for much more than the amount consumers spend on many convenience goods. Yet for reasons beyond the scope of this paper, the study of agricultural marketing is not part of mainstream marketing.

What is a Marketing Board?

Marketing boards not only exist in Canada but in Europe and elsewhere but not in the US. Green’s (1982) definition of a marketing board is more suitable for a supply management type: “A *compulsory horizontal* marketing organization for primary and processed natural products operating under government *delegated*

boards constitutional powers to special interest groups working within a province so that they may control the marketing of some agricultural products.

Notwithstanding the never ending federal–provincial disputes, agricultural producers have sought price stability due to the seasonal and cyclical nature of the agricultural business, its competitive nature with its high distribution costs, as well as the perishability of the products themselves. Managing supply, and to a lesser extent, demand, were the main reasons for the creation of marketing boards. Marketing boards also lessened the dependence of producers on processors and middlemen, since they could function as their own middlemen. However, control over supply and restricting entry into the industry and so forth could not be done without government conferring to marketing boards the right to intervene in the marketplace, i.e. to use boards as a replacement for a free market price–setting mechanism. Three arguments can be advanced to justify the motivation toward their creation. (1) An effort to reduce instability in returns to producers, thus giving producers a steady income. (2) An effort to offset the disadvantageous bargaining position of agricultural producers vs. processors and distributors (i.e. many sellers few buyers). This alleged lack of bargaining power by farmers assumes that producers are similar, share the same interests, have similar skills and aspirations, and so forth is often not the case. The second argument explains in part why farm cooperatives have not been popular in Canada relative to the US, except in Quebec. The voluntary nature of coops led to the establishment of marketing boards because some producers refused to go along (Drummond 1960). Marketing boards became an all or nothing proposition to producers. (3) The need to reduce the perceived high margins earned by food processors and distributors, at the expense of agricultural producers. The high margin argument was actually investigated during the 1901 *US Industrial Commission* (see Johnson and Hollander 1988). Moreover, it is an age-old argument that can be traced back to Aristotelian (anti middlemen) philosophy where farmers' share of the consumer dollar is minuscule compared to what distributors get. Of course, farmers and others too often forget the marketing functions, those intangible economic services that need to be performed all along the supply chain, which can account up to 60% of the consumer dollar, according to the classic study by Stewart, Dewhurst and Field (1939), *Does Distribution Cost Too Much?*

Organizational Structure of Marketing Boards

In essence, there are as many organizational structures as there are marketing boards (Abbott and Creupelandt 1966). Each marketing boards are organized in such a way as to reflect the sources of supply conditions particular to the agricultural commodity being marketed. Most Canadian marketing boards have a chief executive officer (director) elected by member farmers themselves. The government, at both levels, appoints others on the board. Consumers may also be members but as Forbes (1982) explained, they are merely token representatives, often unfamiliar with agricultural marketing, more likely to be women or wives whose husbands are powerful farmers. In other words, board composition is heavily weighted toward producers' interests. All marketing boards utilize marketing plans in order to coordinate and control the buying and selling activities of their commodity. Information gathering, price fixing, and supply management for the domestic and export markets, are some of the activities carried out by marketing boards. Administrative costs such as office expenses, salaries, accounting and legal expenses, travel, election costs, as well as the cost of managing the aid programs, plus the cost needed to perform the various marketing functions (i.e. Alderson's accumulation, sorting out, allocation, and assorting) with the need for capital intensive infrastructures, the need for grading, branding, promotion and public relation, make them costly alternatives to a market mechanism or even to farm cooperatives. In other words, marketing boards have all the attributes of a business organization in a non-market setting. A few marketing boards operate on a broad supply chain, such as dairy products, eggs, turkeys, chickens, or tobacco. In these cases, marketing boards boast a great deal of control and power within the industry throughout the country. Factors that differentiate one marketing board from another influence its impact on the commodity's distribution channel and ultimately market price.

The present fractional nature of the various marketing boards across provincial jurisdictions cannot hope to meet such a simple customer request due in part to the inter-provincial quagmire that has hindered inter provincial trade over the past century. Instead of marketing boards squabbling over issues such as managing the quantity being sold (i.e. is the number in accordance to the supply quota?) they should be tackling more strategic and pressing issues that pose more of a threat to their well being and survival. The current marketing board system discourages performance efficiencies and thwarts innovation in a fast changing world. Quotas have become hefty entrance barriers for new comers in some agricultural commodity industries (Veeman 1982). Marketing boards thus restrict the entry of potentially new and innovative participants. Such market restrictions are seldom seen in other industries.

Canada's major trading partners have not been pleased with the way marketing boards restrict imports. On the one hand, farmers have been active in finding new foreign markets for their products. On the other hand, marketing boards have limited agricultural imports into Canada. As a result, foreign countries have retaliated and have also restricted access to their own markets. The World Trade Organization (WTO) may well abolish the use of Canadian quotas in the future, similar to what was done in other industries. Veeman (1997) reports how marketing boards have had to adapt to the new rules imposed by NAFTA and the WTO. If a WTO resolution were to be adopted, Canadian farmers would suffer substantial losses due to the high price they paid for their supply quotas.

Political Economy and Agribusiness

Agriculture has been a central component of business development in the Canadian economy even before Confederation. The agricultural market structure in Canada is quite distinctive. It is comprised of a large number of producers, scattered over a wide geographical area with very few intermediaries that supply a large number of consumers (Drummond 1960). The agribusiness sector is hampered by unpredictable and often extreme weather conditions and the country's topography and wide distances have also affected the logistics of such goods.

The agribusiness sector is composed of a large number of interdependent groups and individuals having common as well as conflicting interests. Some are small family farms while others are very large. The divergent interests of these groups, their heterogeneity and the products involved make them turn to politicians to solve some of their market problems. Historically, political forces at both the provincial and federal levels have played a significant role in the establishment of marketing boards. Various governments in the past were notoriously active in upholding the virtues and presumed efficiencies of marketing boards. Such mechanisms represented the Canadian way of managing an economy, at least a sector of it. For example, the Trudeau government (the late 1960s and 1970s) was known to be a dogmatic defender and advocate of marketing boards (Loyns 1980). As a result, it is no wonder that agricultural policies that relate to marketing boards have had considerable support both from Ottawa as well as from provincial governments. The extent of government interference in Canadian agricultural marketing is in sharp contrast to the American philosophy.

Initially, marketing boards were established to protect and support producers during difficult financial times (the Depression years). Dairy products and poultry are the food products where agricultural producers have been the most highly protected from market price fluctuations. Some boards are administered at the federal level while others at the provincial level. Today, there are over one hundred marketing boards across the country, out of which over twenty are located in Ontario and more than twenty-five are located in the Province of Quebec. The current number is rather difficult to obtain given the lack of available information and some boards may not be active.

The majority of agricultural products have an inelastic demand, which makes agricultural prices highly susceptible to changes when supplies fluctuate (Bank of Nova Scotia 1977). Agricultural revenues can be easily affected by changes in weather patterns, climate conversion, and abrupt emergence of diseases or

marketing boards (SMB) that take into consideration the consumer in the marketing of agricultural products. According to them, SMBs would be concerned with policy issues and overall resource allotment. SMBs would focus their attention on generating benefits to all stakeholders, and not just to producers. Of course, such an ideal way of managing marketing boards is anathema to a board's very existence. This assumes that macromanagers exist in these government bodies and that they have the knowledge and training to act accordingly (Bartels and Jenkins 1980, Zif 1980).

Market Responsiveness and Risk

The topic of market responsiveness is not new. After all, a market economy is based on the destructive nature of capitalism in which old firms are replaced by more efficient ones. The agribusiness sector is now facing new and unprecedented threats. Yet the literature on market responsiveness in the agribusiness sector is limited. For example, Bailey, Jones and Dickinson (2002) argued that responsiveness in agribusiness, particularly in the cattle industry, needs to include measures of traceability, transparency, and accountability. According to Salin (2000), responsiveness is the core function of effective supply management in the cattle-beef sector.

What is market responsiveness? The marketing literature is not clear as to what is meant by responsiveness. Martin and Grbac (2002) argued that responsiveness is to respond to customer complaints, to anticipate changes in market needs and anticipate competitive actions in such a way as to bring about long-term profits. Responsiveness is also the ability to respond quickly to changes in order to improve customer satisfaction. One can explain responsiveness as those attributes of a supply chain capable of reacting quickly to unforeseen events or situations in order to better adapt to new market conditions. Of course, such views of market responsiveness are not new. These ideas reflect the very essence of what a market is. They are at the very foundation of a market economy.

Concomitant with responsiveness is the need to manage risk. Managing risk has become a significant problem for the agribusiness sector not only as a result of the mad cow crisis but also with genetically modified foods (Kerr 1999, Pearce and Hansson 2000). Some marketing researchers are now (re) studying market responsiveness within the supply chain in such areas as the health care sector (Becker and Kaldenberg 2000) and the car industry (Liker and Wu 2000), among others. In fact, the approach taken is reminiscent of the consumer complaint and consumer satisfaction/dissatisfaction studies of a decade ago.

There is no reason why agribusiness cannot follow suit. One controversial recommendation for the cattle industry to be more responsive to market demands is to test each animal for BSE as is done in Japan for all cattle aged 30 months and older. The US tested less than 20,000 animals out of 36 million that were slaughtered last year and Canada tested less than 4,000 animals (Weintraub 2004). The French test in a week what the US tests in a year! Is that the solution to reassure the public given the low risks involved? Fleming (2004) says it is not because BSE is not found in meats consumers eat such as ground beef, roasts and steaks. Besides, only one case per ten billion servings can lead to the disease and BSE can appear in cows sporadically (Munro 2001, Corcoran 2004). To put these numbers in their proper context, up to 100 people in Japan die each year from eating fugu (blowfish), a delicacy laced with enough tetrodotoxin to kill dozens of people. Yet no one has died eating BSE contaminated beef! The death of four US children in 1993, who ate contaminated hamburgers at a fast food restaurant, made food safety a hot media topic. The US then passed new regulations in the 1990s in the hope that the 5,000 people a year who die of food poisoning, compared with 600 in Britain, would be reduced (*The Economist* 2003).

Why focus on beef or GM foods when other foods (or food handling methods) are killing humans in much larger numbers? Before implementing extensive testing procedures we need to assess if the benefits (i.e. saving lives) outweigh the costs. Is any cost justified if it has the potential of making people feel secure? Are there other less costly alternatives that can achieve the same objective? Why not educate the public just like it is done for many other safety issues such as wearing a seat belt, slow down or don't drink and drive.

Conclusion

The monopoly powers of marketing boards and other aid programs available to Canadian agricultural producers are unparalleled relative to other sectors of the economy. The paper argued for the need to know more about them and how their role in 21st c. economy. The private club status they now enjoy is passé. More research is needed to know more about their organizational structure, management skills, their use of technologies and their market performance. No studies exist on the industry's past or present responsiveness to threats.

Information technologies and increased market prowess are removing economic and political boundaries that have protected this sector of the economy. We are slowly moving toward a borderless world marketplace. Marketing boards were created during an era when the world was less dynamic, less open and more regionally confined. Agricultural producers were protected and were conditioned to resist change. Of course, marketing boards are not the only reasons of agribusiness inaction, especially in times of crisis. Other factors not discussed in this paper also made the industry more resistant to change. However, events of 2003 offered producers unprecedented financial support. Are such support interorganizational inertia acceptable for the future? In fact, they are likely to prove even more inadequate to handle future turbulent environmental crises that are bound to occur. The appropriate size of subsidies given to producers is always difficult to estimate in advance. The existence of marketing boards is justified in order to regulate supply activities. However, their structure needs to be more open, more democratic, flexible and adaptable to changing market conditions. Perhaps with more freedom to adapt to market conditions, marketing boards will evolve into private institutions?

We are not recommending the abolishment of marketing boards per se. Rather, we need to know more about their modus operandi if we are to make them more efficient organizations acting more in the public interest. More managerial research needs to be done with a view for more accountability. Improvements in their way of responding to market forces in terms of increased shared investments, increased levels of trust and cooperation among members, and a greater sharing of market information are due. Such changes may be able to guarantee a vibrant and sustainable Canadian agricultural business sector as part of a global economic environment.

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Emerging Issues in Governance, Globalization and Development

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Abstract

Conflicts continue to occur around the globe. Parts of South, East, West, and Southeast Asia, Europe, Saharan and Sub-Saharan Africa, the Middle East, and Latin America are embroiled in a variety of conflicts, ranging from simmering unrest to explosive conflagrations. Varied factors underlie such instabilities. However, in each case, those who seek to resolve the conflict and promote peace and prosperity must address issues of governance, globalization, and development. Researchers use a variety of perspectives to examine such problems (Balakrishnan, Duvall, and Primeaux 2003; Ellis and Pecotich 2002). In this paper, we suggest that a Quality of Life (QOL) framework may enhance macromarketing scholars' contributions to the discourse surrounding public policy decisions that address these issues.

Social scientists have long recognized the need to assess cultural and social outcomes, in addition to economic, facets of development and growth (see Richard Estes' Social Development Index *University of Pennsylvania*; Curry 2003). To some degree, in arguing for a multi-faceted assessment QOL researchers bridge the gap between social science and economic views of development and growth (see Lee and Sirgy 1999). Unfortunately, the QOL perspective is just beginning to receive notice in the public policy arena.

Moreover, those in positions to most influence positive development and growth outcomes often fail to see the multi-dimensionality of the issue. They seem to continue to view development and growth as interchangeable constructs. In this paper, we suggest that such a flawed integration can often lead to decisions that fail to yield optimal long-term desired outcomes. We argue that that there are strategic and operational benefits in treating development as related but distinct from growth in regards to individual, local, regional, national, and global well-being. Growth, however, seems to be the driving dependent variable for most of the world's funding and aid organizations. The World Bank, Asia Development Bank, USAID, among others, often seem to be driven by the notion that economic expansion and growth will directly promote individual, local, regional, and national well-being.

Macromarketing scholars highlight the multi-faceted nature of these issues and the need for a broadened basis for planning and evaluation of development and growth agendas. For example, Ahuvia and Friedman (1998) indicate that citizens' well-being is driven by a variety of elements related to development and not merely by economic (growth) factors. In fact, they report a low correlation between income and subjective well-being. Bonsu (1998) also suggests universal unidimensional (economic) approaches for transforming economies neglect the significant role played by culture in the acceptance, utilization, and application of new technology. Nill (2003) underscores the need for global investors and marketers identify and adapt to the varied values and ethical norms in different societies. Other scholars also note the lack of multidimensional (noneconomic) considerations in development theory and policies. They suggest that these policies lead to misguided or unfocused development efforts, because they are insensitive to the complexities and needs of the societies involved and they lack adequate strategies for implementing and evaluating programs (cf. Curry 2003; Ray 2003).

ostensibly objective indicators of performance and progress with recognition of the roles of more intangible and subjective considerations. Second, decision makers in developing economies should balance their emphasis on obtaining objective and tangible inputs from sources outside their societies in the short-term with a concern for gaining long-term QOL outputs. Likewise, the various groups and institutions involved should recognize that their emphasis on inputs undercuts the potential for success in the long-term. Until these challenges are adequately addressed, sustainable development will continue to conflict with the short-term goals of business and government.

Grossbart (2003) decries the uniformity bias or “one size fits all” views in entities such as the World Bank, Asian Development Bank, and the International Monetary Fund, which fail to address many needs of developing and transitional nations. He argues that “creation” is the overarching consideration in governance, globalization, and development. He notes that discussions of societal and regional development typically gloss over the *why of development*, i.e., the purposes or goals of development efforts. Thus, they fail to recognize that development is a means of reaching specified life goals rather than a goal in itself (Fisk 1981). This oversight leads those involved to erroneously debate the virtues of development versus growth or to conflate development with growth (Kaufman 1987). These errors divert attention from the fundamental issue, which is the nature of the society that participants in a nation seek to create via efforts to stimulate development and growth.

Grossbart (2003) argues that development and growth are means rather than ends. Development programs do not necessarily result in uniform consequences in different societal contexts. They yield outcomes that reflect the cultural, social, political, and economic nature of the societies in question (Taylor and Omura 1994). In doing so, they offer opportunities for societal inflection, alternative indigenous forms of development (Curry 2003), and diverse types of dynamic adaptation (Carman and Dominguez 2001). However, negative or dysfunctional outcomes are apt to occur if the purposes of development are unclear.

Ignoring the question of creation results in short-term oriented, formula-like development strategies and programs that may fail or foster exploitive growth. Paradoxically, these programs may generate development (in conventionally defined terms) but still not establish the foundation for the type of society that is consistent with citizens’ desires and life goals. Thus, the key consideration is what we term as the *why of development*, which specifies its purpose(s) of and guides or focuses development efforts. Programs that treat development as an end in itself are unlikely to have more far-reaching goals or consider the four factors and related issues that are listed in Table 1.

The organization in Table 1 reflects the view that the *why of development* is an overarching consideration. It encompasses critical issues regarding *what* (priorities), *who* (human biases, people, and knowledge), *where* (markets and value chain components), and *when* (timing and pace of change). The macromarketing literature underscores the importance of these respective issues. Potential priorities are diverse and entail difficult trade-offs, in matters such as QOL of the destitute in war-ravaged areas (Shultz 1997); substantive freedoms (Kilbourne forthcoming); and health and nutrition (Dixon and Polyakov 1997). To address these priorities it is essential to: 1) consider the internal and external actors involved (Dehab, Gentry, and Sohi 1996; Vann and Kumcu 1995) and their needs and competencies (Arellano 1994; Bonsu 1998); 2) identify and understand the relevant markets and value chain components (Cordell 1993; Dahringer 1983); and 3) recognize that the timing and pace of change can create major conflicts that undermine the efficacy of development efforts (Kaufman 1987).

Thus, sustainable development programs should: involve integrated visions and efforts; encompass factors that are external and internal to a society or region; and link present and future considerations. Creating programs of this nature requires reflexive understanding of choices and of the likely social, environmental, and economic opportunity costs (Balakrishnan, Duvall and Primeaux 2003).

These initiatives may be endangered by what are termed as the traps of trying to be modern, cutting edge, and global. These traps undermine development programs via misallocation of resources and efforts. The modernity trap leads to imitative adoption of unsuitable policies based on the false notion that modernity has a uniform or homogeneous character (cf. Anderson, Li, Harrison, and Robson, 2003; Kumcu and Kumcu 1987; Ortiz-Buonofina 1987; Taylor and Omura 1994). The cutting edge trap leads to overadoption of technical innovations, due to the errors of equating technology with progress and neglecting the roles of human skills and knowledge as requisites for successful adaptation of technology into a society (Bonsu 1998). The trap of trying to be global involves dysfunctional imitation that results from confusing direction and connection. It is couched in the mistaken notion that globalization represents a *direction* toward a uniform or homogeneous future. Instead, globalization presents opportunities for *connections* that can serve different societies' needs in alternative ways (in terms of communication, economic, financial, and other flows and functions; cf. Kilbourne forthcoming).

In combining and extending these QOL sustainability and creation perspectives, we raise questions about the destinies of nations and regions that are less developed or in transition. In doing so, we refer to the long-held conviction in macromarketing that participatory processes should play a key roles in matters of economic development (Nason and White 1981). Evaluations of QOL and creation issues should involve the participation of those involved in these societies. The challenge is to refine and use this integrative perspective to shape their destinies, rather than to have their futures dictated by other more developed societies, international agencies, multinational firms, or competitor nations and regions.

To help meet this challenge, this paper underscores the need to combine varied streams of research to better understand the multi-faceted issues in governance, globalization, and development of emergent societies. QOL sustainability and creation perspectives have the potential to contribute to an enriched and non-identical future in these societies. They can help reduce the tension between particularism and universalism and the domination of cultural imperatives by economic imperatives, because the economy is part of the culture (Venkatesh 1999). Moreover, these can support the inflection of marketing relationships and practices in different societal settings and the alignment of sustainable development efforts with local conceptions of development priorities and life goals (Curry 2003).

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required by the defined benefits. This was true long before baby boomers. As early as 1995, Hungary's proportion of GDP allocated to social expenditures was far greater than its neighbors, and the government made a great effort to overhaul its welfare system, health care system, and other social benefits.

The second pillar is a mandatory, fully-funded, defined contribution program whereby workers have deducted from their pay a specific percentage of their earnings. This amount then goes into a fund which the government cannot tap. The invested funds could be managed by a government monopoly with a single, national database, and zero marketing expenses (the Polish approach), or it could be managed by private investment companies who could invest in public and prudent private security instruments, compete with one another, and maintain separate databases of their members accounts (the Chilean and Hungarian approach).

The third pillar is voluntary retirement programs that could be sponsored by employers, unions, or individual workers who would receive some tax benefits from participation. Such programs require fund managers, so private investment companies find third pillar programs attractive markets. This third, and depending on the investment restrictions, the second pillar make important contributions to the economic goals of the country: they increase personal saving; they direct domestic investment toward projects that may have more multiplier impact on economic growth than would government bonds; they facilitate international diversification which should reduce risk.

The Chilean and Hungarian Plans

Chile

In May 1981 Chile replaced its government PAYG pensions system with a mandatory, fully-funded, defined contribution program whereby workers have deducted from their pay ten percent of their earnings that is deposited in individual retirement accounts of their choice. Thus, Chile has had over twenty years of working with a three pillar retirement system. Because of its long history and success, it has been the model for similar programs in eight Latin American countries and in the Central European economies. The program has been modified and improved over the years so that Hungary and other countries have been able to learn from Chile how best to structure and operate a three pillar system.

The old PAYG system was an unfunded morass of conflicting administrative regulations, mismanagement, inequitable benefits based on occupation and political clout, evasion and low coverage. Even if the administration of this first pillar had been fixed, the federal budget was not going to be able to support the obligations of the program. There were only 2.2 workers to support the benefits to each pensioner; 18.1 percent of GDP was going to pay pensions with 4 percent of GDP going for pension demands that exceeded payroll contributions of about 26 percent of total payroll. In this respect, the situation was the same in both Chile and Hungary.

At the time of transition, the old system was closed to new entrants. All new workers were required to join the new system and those in the old system who were not within five years of retirement could opt to switch to the new system. For those who switched, employer contributions were eliminated and employees were given a mandated 18 percent wage increase, of which ten percent of the higher gross wages went to the workers retirement account. Employees were also given a "recognition bond" representing the value of accrued rights under the old system that was indexed for inflation and funded by general revenues but could not be redeemed until retirement. Pension fund management companies (AFP) were established to manage the contributions and the pension benefits upon retirement. Within 18 months, only 19 percent of total employment, including those not having the option, remained in the PAYG system. Today that percentage is less than five percent. This first pillar still serves as a *safety net*. The first

of voluntary plans, the AFP have over one million accounts but the average account assets has not grown as anticipated.

Hungary

Despite the burden Chile had with its PAYG obligation, those obligations in Hungary and its Central European neighbors was even greater. In Hungary, the grandparents of today's employed persons lost their private pension savings when the Austro-Hungarian Empire lost WWI; the parents of today's Hungarian workers lost their private pension savings when they were "strongly encouraged" to invest in Soviet bonds that were not inflation adjusted and became nearly worthless. Is private investment in a defined contribution plan going to fair any better under the present political structure? In addition, should 50 year old workers convert to a second pillar defined contribution pension when they know what to expect from their first pillar defined benefit pension? With the thinness of domestic investment opportunities, will the second pillar fund managers find anything other than government bonds in which to invest? Will the management fees of the second pillar eat up all the earnings? In short, selling the Hungarian people on the second pillar was not an easy sell. It should be pointed out that the third pillar was introduced in 1993, so when the debate in Parliament concerning problems in the PAYG program came up in 1996, voluntary (third pillar) plans were already in place. However, Hungary had no Pinochet to force implementation.

From the government point of view, something needed to be done. EU entry requirements required the federal budget get under control; this could not be done with the benefit obligation of the PAYG plan. Further, demographic time bombs were ticking (Palacios and Rocha 1998). As in the rest of the world, Hungarian birth rates jumped dramatically after WWII. Hungary had a burst of births between 1950 and 1956. Consequently, the number of people reaching retirement age is going to take a major jump in 2012 and there will be another large jump in 2030 in the number of people reaching the retirement age of 62. Meanwhile in recent years, birth rates have been declining and are forecast to remain low. There will be fewer workers after 2012 to support the pensioners. And of course, pensioners are living longer. The deficit between contributions to the PAYG scheme and the benefits paid to pensions by 2032 was forecast to be 3 % of GDP. Government had to act.

Hungary's first attempt at reform, in 1995, was ruled invalid by the Constitutional Court. The government then introduced its second pillar, mandatory plan in 1996. However, it lost the election that year and implementation fell to the new government. The whole idea was not popular with the electorate. The first pillar plan manager lobbied against it. Even the third pillar fund managers were not enthusiastic about having to administer the second pillar funds. The new government weakened the plan in a number of minor ways – such as modification of the counting of service credit for early retirement. But the major change was in employee contributions. If an employee stayed in the PAYG plan, the employer old age security tax rate was 21 % of gross wages, the employee tax 9 % of gross wages. If an employee switched to the second pillar plan, the employer tax rate stayed at 21 %, the employee paid 1 % of gross wages to the PAYG plan and 8 %, after a transition, to the second pillar fund. The transition called for a employee contribution to 6 % for 1998, 7 % for 1999, and the 8 % for 2000. But the new, left wing, government didn't even stick with this. In 2000, the employee contribution was still 6 % and the employer contribution 24 %. (It should be emphasized that public policy called for keeping total employment costs as low as possible and employers were also being asked to shoulder a rapidly rising costs of the government health care program.) In this spirit, the new government gave more flexibility to workers to stay in the first pillar plan. The result is that the Hungarian plan as now structured places a greater reliance, i.e., budget drain, on the first pillar than do plans in the other transition countries, including Chile.

Second Pillar Competitive Dynamics

Chile

The AFP are specialized pension management companies who do nothing else. They market their services to individual workers. Neither their unions nor employers can select or restrict the available options. Once selected, the AFP collects contributions from employees, invest the funds, keep individual account records, provide information on performance, and handle the payout of benefits to retired workers. Workers may switch plans about twice each year; however switching is not common.

Since the Chilean system has been in existence since 1981, there is more history to observe. The system began with 12 plans and rose to a peak of 21 in 1993. The growth was not only entrepreneurial; there were provincial funds, labor union funds, and other affinity groups who started funds and found that this was not a business for amateurs. Since 1993, the number of firms has decreased at a relatively steady rate, mainly through merger, until today there are just seven. As recently as ten years ago, all economies of scale were thought to be achieved at about 60,000 participants. (Note that since this is the only fund managed by these companies, costs cannot be spread to other investment products as is true in Hungary.) However, as consolidations have continued, the number of participants for maximum efficiency now is thought to be even greater, perhaps in excess of 200,000.

In both Chile and Hungary, IT and marketing costs were substantial in the early years of the system. Once IT systems were in place, these costs stabilized. Marketing costs were another matter. The idea was to use market competition between the plans to drive toward efficient operation. Employers did not select plans, individual workers did. Thus the competition was at the retail level. During initial enrollment, competition worked well; direct marketing was intense; members were allowed to switch plans as often as every three months. As the result of high-pressure sales tactics, many did. After most workers had been enrolled, the AFP could grow market share only by new workers and stealing members from one another. The result was that marketing costs rose dramatically, competition for enrollment was intense, and a few liquidations and many mergers took place. Finally after 1997, allowable switching frequency was reduced, about a fourth of the registered sales agents were delisted for illegal practices, and marketing costs per member began to decline. The remaining firms, as their main competitive tools, turned to service and product differentiation, in terms of the menu of risk-return options available.

Perhaps what is most interesting about this is that it has taken so long to occur. After over ten years of growth in the number of firms, it has taken another ten to consolidate from 21 to 7, with only three firms exiting via liquidation. Notice how this pattern is the typical one in the developed world – entry into a growing market, intense competition with the weak players dropping out, then a more stable oligopoly structure with hopefully workable competition. The market share structure as of the end of 2001 is shown in the following table. Notice the very minor presence of Chilean firms. At the end of the day, globalization has won out. These shares are in terms of assets under management. The shares in terms of number of customers could vary by as much as $\pm 25\%$ of the asset percentage.

Hungary

The response to the 1998 second pillar legislation in Hungary came from at least two different directions. First, since existing financial services firms were not prohibited from entering, the big banks and insurance companies who were in, or interested in entering, the pension annuity business formed mutual benefit societies and began to offer their plans to the public. Second, major employers offered their employees the opportunity to form an employee based mutual benefit society sponsored by the firm. In both cases, many of these new firms had third pillar plans in operation, so the second pillar would appear to be convenient for both employee and fund administrator. Note that since the funds have to keep individual accounts, the existence of an employee database at the work place gave the employer funds a big leg up in terms of IT expense. The same is true for marketing expenses. The independent funds used insurance brokers to sell into a minor feeding frenzy to sign up individual workers.

Obviously, not all funds were equally successful in these marketing efforts. Some competitors ended up with too few members to justify the necessary front-end investment. There has been and is an ongoing shake-out. Before describing the market structure that existed in 2001, it will be helpful to explain why employee groups, either employer or union sponsored, are not the predominant form of mutual benefit society fund. Certainly, this is the case in the US and in Switzerland. The Swiss, with a similar three pillar system, have predominantly company funds with only a few bank/insurance sponsored funds. The company funds are administered by a few financial institutions, all of whom have enough companies and employees to have captured the available economies of scale. In this model, the employers and particularly the employees see themselves as the owners of these funds and the bank as simply a hired investment manager.

The difference is in the role of unions and the size of firm. Unions are not popular or trusted in Hungary. Only 15 % of the labor force is unionized. Perhaps also because of the way economic activity was relaxed in Hungary after 1982, there are approximately 700,000 small firms, legally organized as limited liability companies that even in the last half of the 1990s could be organized with a capitalization of just US\$ 10,500. These tiny firms may employ a few family members and friends, but certainly are not in a position to administer employee benefit plans. In round numbers, this leaves 100,000 firms employing fewer than 5 million people – an average work force of 50 persons. Only a hand-full of private firms in the entire country employ enough people to have a fully staffed HR department and modern employee benefit program. Most of this work force had to look to the mutual benefit societies sponsored by the independent financial institutions.

In mid-2001, just 51 % or about 2.5 million people are members of 24 remaining second pillar plans. Very few of these members are over 40 years of age, and the average age is about 30. At the end of 2000, the funds managed about US\$ 530 million. Of these 24 funds: 11, including the largest, are organized by banks/insurance companies; 8 by large employers; 5 by employee/professional/employer combines. In the market share data reported in the following table, the shares include both second pillar and third pillar funds. When ranked by second pillar market share only, OTP and Hungaria switch places, i.e., OPT first and Hungaria fifth; K&H/ABN-Amro would move up in the ranking.

made. In Hungary, the employers deduct the contribution from earnings, so the only enforcement required is to ensure the employer makes the monthly transfer to the fund. Chilean workers have come up with creative schema for avoiding contributing and then asking the safety net to pay their retirement benefit.

In both countries, IT and marketing expenses were substantial in the early years. Marketing expense deserves special mention. Like health plans, if employers do not limit the number of plans workers choose from, marketing costs and marketing tactics produce undesirable performance. This clearly happened in Chile and would have happened in Hungary had the sellers not recognized the problem.

With regard to the US, public policy makers never seem to be able to speak clearly about the three pillar system. Instead we get a politicized ideological argument about whether a portion of our first pillar should be allowed to be invested in a new second-pillar-like system. This debate often centers on the relative efficiency of a private market system vs. a public system. In this paper we have tried to at least suggest that free rider, transaction cost, equity, welfare, and income redistribution concerns need to be addressed as well.

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43 years, Rostow's taxonomy has withstood the tests of time and numerous critics. It has provided a substantive base of departure for subsequent work. Further, the stages of growth provide a framework for comparison of the economic performance of countries that have become non-Communist, although not necessarily with a "free market" economic system or democratic governments. Significant vestiges of Communism persist in the political and economic structure of the ten republics. (Please see Appendix A for brief profiles of each republic's politico-economic system.)

While this paper starts with Rostow's five stages, it departs quickly from his highly aggregated and generalized approach in several ways. This paper is intended to disaggregate ten national economies and their related socio-political situations. The most important departure is by recognizing the dramatic distinctions between rural and urban components of the economies. No attribute of the post-Communist economies more distinctly illustrates the anomalies than the urban-rural dichotomy. The second way the stages are disaggregated is by sectors. Ten sectors have been chosen to represent key components of the newly evolving market economies. The sectors are: agriculture, communications, education, electronics, finance, manufacturing, marketing, public services, retail and transportation. While this set leaves some gaps, such as natural resources and technology, references are made to these and other economic sectors where they are pertinent in the text of this paper.

Stages of Economic Growth

Traditional Society

In Rostow's schema, a traditional society is one in which economic structure is developed with limited production functions. In this paper, consumption is given greater emphasis than in the original model. For this paper, the society has been up-dated from pre-Newtonian times (mid- 17th to mid-18th centuries) to pre-World War II science and technology and attitudes towards the physical world.

This stage is dominated by agriculture and limited productivity. Each of the ten republics has one or more economic sectors in this basic, subsistence stage. Much of the rural society and economy is traditional. People living in the rural areas are in a survival mode, characterized by widespread unemployment and underemployment, surviving from their subsistence level farming and barter trade. Economic conditions are impoverished. Most live in poor quality housing, have few and unreliable public services (utilities), eat a limited selection of foods and wear the same clothing throughout the year. Health, education and social assistance are limited or non-existent. Most families or households have some means of transportation, ranging from animals and cycles to motor vehicles of various types and configurations. Social activities are limited mainly to "at home" gatherings with family and friends and watching television on few channels.

Agriculture: All ten of the former Communist countries are basically agrarian societies with long histories of subsistence farming. Economically, socially and politically, they are highly dependent on agriculture. In six of the countries, agriculture relies on traditional means. To an appreciable extent, Bulgaria, Lithuania, Poland and Slovakia have developed beyond traditional farming. During Communist times, communal farms advanced to higher levels of development; in some areas, to the stage of high mass consumption. To a great extent, the break up of Communism has been dysfunctional to the agriculture sector of the republics. Most communal farms have been broken up, shut down and/or abandoned. Others function on a piecemeal basis, some having large tracts of lands and few, if any, farm machines to use in its operations. The communal system was based on economies of scale and low cost production. The farms have lost the scale economies that they could have used to support the size of a viable farm and a basis for

Finance: In the rural areas, finance is another economic sector in the traditional stage. It is greatly underdeveloped and underproductive. People in rural areas have limited or no access to banks or other financial institutions. Communism did not allow private financial institutions. In post-Communist times, banks and other financial institutions have been started up but, due to limited money, corruption and incompetence, many have failed. For various reasons, mainly the absence of safe, secure repositories and reliable institutions, people keep their money in their homes --- in cupboards, under mattresses or in cans buried in the yard or garden. Given the high exchange rates, inflation and limited value of the basic unit of currency, large quantities of bills are needed. Funds transfers and other modern financial transactions are limited or non-existent in areas outside of the major cities of the republics. Even in large cities, currency transactions in developed countries are difficult to do in the former Communist countries.

Manufacturing: The collapse of the Communist system broke up the well-established, large scale, secure, underdeveloped and underproductive system of business networks, with its central planning and administration, assured markets and flows of funds and limited need to compete in the markets of the world. Since 1989, throughout the former Communist countries, many manufacturing plants have been scaled back or shut down. Most were very large in size and vital to the communities in which they were located. Typically, the smaller cities relied on one industry. For example, a large former rocket plant was so vital to Pavlograd in southeastern Ukraine and the former Soviet Union that it was a "closed city". Bobrusk, in central Belarus, relied heavily on a huge tire manufacturing plant. Tambov, in southwestern Russia, depended on a very big plant that manufactured disparate product lines (gas masks, brass valves and plastic household items).

The net effect of scaling back and shutting down plants has been a retrenching of the manufacturing sector. A new state of traditional economy and society has been established. By the standards of industrialized nations worldwide, all ten of the republics have lost productivity and competitiveness. Most of the former Communist countries have slipped back to being underdeveloped. Much of the productive capacity of the countries has been broken down and is conspicuous by its lack of advanced technology and its extensive use of traditional craft skills. A range of products, such as woolen carpets, furniture, textiles and clothing, food processing and production, wine, pottery and other crafts and printing are being produced today in the same or similar ways that they were made historically.

Marketing: While major parts of the manufacturing sector have been shut down or scaled back, by the time the 1990s came to the former Communist countries the marketing sector had not attained a level beyond the traditional economy. Much of marketing's functions and activities is done through personal contacts and well-established networks. Except in the major cities, marketing is very traditional, limited to buying, selling, pricing and basic distribution, some as basic as central markets, open storage and transportation by horse drawn wagons and small trucks. Some product development is done, much of it spurred by foreign investment and takeovers. Advertising, sales promotion and product merchandising is limited, albeit developing. Marketing research is conducted very rarely. Much of the retailing is traditional and conducted from individual homes, small plants and kiosks on the corners and streets of villages, towns and cities.

Public Services: Consistent with the Communist system, public services are widespread but inadequately resourced, unreliable and generally deteriorating. Relative to other forms of employment, they provide some of the best paying "jobs", especially at senior levels where corruption is most "rewarding". In many respects, especially in rural areas, public services are underdeveloped, overstaffed and underproductive. The break up of the old system has resulted in

of housing unit. Household items range from very traditional, ancestral furniture and utensils to modern television sets, microwaves and electronics, particularly in the upper socio-economic classes. Few new vehicles are sold outside of the major cities. Most privately-owned vehicles were produced in the former Soviet Union, although large numbers of used vehicles are being imported from Western Europe, particularly from Germany. Transportation systems were described previously and are characterized by deterioration in most of the republics.

Preconditions/Preparation for Take-off

This is the transitional stage in economic development; the period when the preconditions for take-off are developed. It takes time to transform traditional societies, their economies and political systems. In post-Communist eastern Europe, significant backsliding has occurred. Such deterioration has to be stopped before development can be undertaken and sustained. Again, the ten republics earn "mixed reviews". Generally, major cities are in this stage of development or beyond while rural communities and areas tend to be traditional or slipping toward that stage. Four of the republics, identified previously, are in better condition for the take-off and, in several sectors, are taking off.

"The more general case in modern history ... saw the stage of precondition arise not endogenously but from some external intrusion by more advanced societies" (p. 6). Investment, modern science and technology are being imported and otherwise introduced into new production functions in industries that are necessary for domestic consumption, world markets and growing international competition. Society and its business, economic and political institutions are being exploited, either by internal and/or external forces, for ready profits. The introduction of democracy, to varying degrees, and "frontier capitalism" along with dramatically increased entrepreneurship, industrial technology and market-oriented business practices are major changes that have substantially altered and "shocked" the societies (especially older citizens), their politico-economic structures and techniques of production and distribution. These "invasions" have set in motion ideas and sentiments by which modern alternatives to the traditional society are being created and acted upon, especially by the youth of the republics. For example, some of the foreign companies being established have a policy of hiring only qualified personnel of 30 years of age or younger. Major marketing campaigns are aimed at youth segments.

As in Rostow's model, the imported ideas about democracy, capitalism and a market economy spread out, especially through television and newspapers. Other aims are pursued: national dignity, private profit and better, more consumptive, lives. New entrepreneurs appear who are willing to put their capital and other assets into risky initiatives for profit, power and other purposes. Numerous banks and other institutions are created for attracting capital and utilizing it. Unfortunately, poor performance, corruption of these and other organizations have been a major source of backsliding in the ten republics. As Rostow observed, "...all this activity proceeds at a limited pace within an economy and a society still mainly characterized by low-productivity methods, by the old social structure and values, and by the regionally based political institutions that developed in conjunction with them" (p.7). To these observations can be added such economic dysfunctions as abusive political power, social passivity and ignorance, poverty, corruption and criminality, industrial and infrastructural obsolescence and technological disadvantages.

In many sectors and geographical areas, social, political and economic activities occur systemically with those of the traditional society, its political and economic ways. The republics are not based on pure ideologies; they are a mix of communism, state enterprise, democracy, capitalism and pragmatism. Although the results are not clear and decisive, the forces of democracy and capitalism are overcoming communism and state enterprise, erratically and to

Electronics: This sector is a major indicator of technological advancement and socio-economic development. Virtually all of the contemporary electronics in the former Communist countries have been imported. Massive technology transfers have been made to non-military sectors such as communications, manufacturing, finance, marketing, and transport. Telecommunications and mass communications that are based on electronics, are well into the preparation for take-off or have taken off, especially in the capitals and other major cities. Business, educational, public service and consumer electronics have lagged behind, especially in rural areas of the republics.

Finance: With the break up of the Communist system, banks and other financial institutions had to be created and operated legitimately if finance was to contribute to economic development in the republics. Society had to overcome its reluctance to put their personal monies into such institutions. In the early years of post-Communism, numerous new banks were opened. Slowly, customers were attracted to deposit their savings and, albeit rarely, make a loan. Unfortunately, corruption, extortion and other criminal activities have plagued the sector with the result being a continued reluctance for individuals to trust and utilize banking and other financial services. Consequently, grey and black markets thrive in services such as currency exchange and business loans. Despite the setbacks and corrupt practices, the financial sector and especially banks, have been established as a reasonably sound precondition for the socio-economic takeoff in the cities.

Manufacturing: This sector has suffered the most from backsliding. Many, large plants have been scaled back or abandoned since the break up of the former Soviet Union. After 14 years, this sector has arrived at a new base from which to develop. The transition is underway. Selective new foreign investment and technology transfers have been made, mainly to countries bordering western Europe and having the best prospects for entry into the European Union. Industries such as automotive vehicles and parts, some consumer products, furniture and printing have been prepared for economic takeoff.

Marketing: The absence of marketing made the introduction of such activities much easier than if well-established programs, processes and attitudes already existed and had to be scaled back, eliminated and then redeveloped or transformed. Although the largest cities in Lithuania, Poland, Russia and Slovakia have experienced a take-off with the marketing of selected products and services, marketing generally is being prepared for take-off. As a result of newly trained personnel and technology transfers, marketing research is in an embryonic state. Major transfers and advances of marketing knowledge, talents, practices, materials and techniques have advanced advertising, sales promotion and merchandising to this stage of economic development. In general, business-to-business and commercial selling and sales management is underdeveloped but has reached the stage of preconditions for take-off.

Despite such advances, numerous opportunities exist in preparing the marketing field for takeoff. More marketing trained personnel and management, methods and investments are needed. Opportunities are especially apparent in logistics systems, storage and transportation, basic functions of marketing that have been underdeveloped, mainly for three reasons: inadequate security and protection against theft, deterioration and mishandling; the major investments needed to invest in such costly capital expenditures; and the long range capabilities and reliability of distribution services in western Europe, most notably from Germany .

Public Services: Due to the lack of economic development and funding, the public services of the former Communist countries have slipped back dramatically. Many of the advances in medical, dental, education, sciences and technologies have been missed. With the exceptions of the major cities in Lithuania, Poland and Slovakia, the major capital investments in hospitals, laboratories, clinics and other facilities have been "frozen" in time and progress. The basic medical

republics. Free trade will continue to exploit these re-developing countries and limit their development. Economic nationalism, including infant industry and other forms of protection, are necessary temporarily to establish and nurture new or innovative business and entrepreneurship.

Take-off: "We come now to the great watershed in the life of modern societies: the third stage in this sequence..." (p. 7). This is the stage where the old regimes, resistances and obstacles to steady growth are overcome. In the take-off stage, the social, political, economic and technological forces and conditions necessary for progress are expanded and utilized for the betterment of society. Growth becomes society's normal condition. Large investments, especially for technology, are the main stimuli for take-off. In the main centers of population, consumption is a major force of economic growth. Socio-political values, attitudes and behavior change to become empathetic and supportive of economic advancement and the changes needed for such progress.

In the former Communist countries, various sets of social, political, economic and technological forces and conditions have evolved. Most, if not all, of the republics have corrupt, authoritarian governments which limit, direct and exploit development. Elections have been "rigged" and power elites are exerting undue influence or control of the media and other key social institutions, eg, the police, military and security services. A minority of the republics are evolving into reasonably democratic and mixed private-public enterprise republics. Democratic processes appear to be functioning reasonably well. For example, through its parliament, Lithuania's President faces impeachment for alleged links to criminals. After a recent, general election, Georgia ousted its ex-Communist, authoritarian leader and voted in a new President.

For various politico-economic reasons, notably proximity to western Europe, Lithuania, Poland and Slovakia are well advanced and in the take-off mode more so than the other post-Communist countries. All of the republics are modernizing at various rates, starting with their capital cities and proceeding through a political hierarchy that is related to the descending sizes of cities and towns. With the exception of some major tourist attractions, villages, farms and other small areas of population have experienced limited development and lack vital pre-conditions for take-off. As a result, the take-off is limited to the major centers in seven of the ten republics.

According to Rostow's thinking, during the take-off stage, new (or revitalized) ...industries expand rapidly, yielding profits a large proportion of which are reinvested in new plant; and these new industries, in turn, stimulate, through their rapidly expanding requirement for factory workers, the services to support them, and for other manufactured goods, a further expansion in urban areas and in other modern industrial plants.

In the post-Communist countries currently, little evidence is found to support the ideal of large reinvestment of profits into new plant and new employment being created. Many of those possessing the power and position from the previous Communist regimes have become the main recipients of the financial and other benefits that have occurred so far in the recent economic development of their republics. Whether they are former senior party officials, cronies, business mafia, bureaucrats or opportunists, they have filled the gaps resulting from the changes and discontinuities arising from the politico-economic transition. Contrary to Rostow's theory, not a large proportion of the profits have been re-invested in new plant and equipment. Large sums, running well into many billions of U.S. dollars, have been siphoned away from productive purposes to personal indulgences, domestically and abroad. Consequently, the expectation that profits would be re-invested in new industries, plant, equipment and higher employment has resulted only to a limited extent. Foreign sources provide much of the new investment. In some of the republics, notably Russia, Ukraine and Kazakhstan, significant amounts of the foreign

example, private colleges in Belarus and Ukraine encounter on-going bureaucratic obstacles such as varying requirements, evaluations and submissions in their efforts to up-date their programs.

Electronics: This is one sector where all of the republics have reached or exceeded the take-off stage, at least in the major urban centres. Electronics are “in vogue” in virtually every aspect of the societies and economies of the post-Communist republics. In part, this is a carryover from Soviet times and a strong predisposition to technology. In large part, the mass appeal and development of electronics is the practical realization of their importance in many aspects of life, ranging from children’s education to retailing, business enterprises and administering the state. The widespread presence and use of computers and their software does not mean that post-Communist electronics are leading edge technology or manufactured in the republics. The take-off of the electronics sector is based largely on the importation of hardware and software from more developed countries in the world. But the technology is being transferred and the technical capabilities of the republics are contributing to the take-off in the electronics sector.

Finance: In most of the republics, finance has developed to the take-off stage, at least in the large cities. The establishment of banks and other financial institutions has been erratic since the Communist break up. In major centers of population, the growing number of banks, money exchanges and other financial organizations and their increasing range of services has been a major development in the republics. (Such services include the extortion of higher rates of interest.) Well-resourced, legitimate financial institutions are vital to the overall economic development of the republics. Since they are a new institution in post-Communist countries, their establishment and development has taken a considerable change in values and attitudes about private financial institutions, significant amounts of time, “trial and error” and resources to reach the take-off stage. Resistance to such changes as well as the unavailability of adequate resources has limited the development of financial organizations and services in rural areas.

Manufacturing: Since the majority of the republics are continuing to backslide, although at slowing rates, the proportion of manufacturing industries that have reached the take-off stage has been limited. Most of the manufacturers that continue to operate in the republics were leaders in Communist times. As such, they were exporters which had to compete and succeed in foreign markets. Very few of the manufacturers can compete in foreign markets currently. Technology and production processes are dated, if not obsolete by competitive, world standards. Those manufacturers that are able to compete tend to be located in large cities where there is significant domestic demand, established networks, low cost labor and other production and distribution advantages. Few of the products that are manufactured, processed or assembled and exported are of high quality. Those manufacturers that have taken off have done so based on the capacity developed during Soviet times. Investment, largely from foreign sources, has tended to be used for modernizing some existing plants rather than build new ones. Some state of the art technology has been transferred to the manufacturing sector from abroad, mainly from western Europe. Lithuania, Poland and Slovakia are republics that, in the main, have reached the take-off stage of economic development

Marketing: Marketing and manufacturing tend to go “hand in hand”. Product development, distribution, promotion and sales are necessary to move goods and services from producers and providers to consumers. Consequently, marketing is very much in the same stages of development as manufacturing is in the post-Communist republics. Again, the major cities are the locations from which marketing investments, programs and activities are taking off. Marketing organizations and services are concentrated in large cities even more so than manufacturing and very similar to financial institutions and communications companies. The take-off of marketing is very product and industry specific. The marketing of cigarettes, alcohol,

Lot, provide international services, although mainly limited to neighboring countries. All of the post-Communist republics are served by international carriers.

The other modes of transportation, namely roads, rail, bus and ship, have been back-sliding and in a state of stagnation or maintaining the status quo. In general, the transportation systems are sufficient to meet the preconditions for take-off stage of economic development.

Consumption: A combination of pent up demand, changing values, attitudes and behavior, especially among the young and the “nouveau riche”, and increased economic activity in urban centers have contributed to a “blast off” in consumer purchasing. The growth in personal consumption is manifest mainly by the retailing sector discussed previously. The new rich are building large homes and dachas, taking international vacations, buying expensive vehicles, appliances and other durables, luxury items, recreational services, including gambling, and numerous other elitist goods and services. This elite consumer segment is the exception; maybe comprising one percent of the populous of the post-Communist countries. Many of the very rich are also siphoning major amounts of their monies and other assets to “off-shore”, safe havens. Consequently, a significant part of their wealth and consumption is being transferred to developed countries and out of the economies that would benefit more from such personal wealth and spending.

Drive to Maturity

In Rostow’s theoretical world of economic development, a long period, ie, 40-60 years, of sustained, albeit fluctuating, progress follows the take-off stage. Since this paper does not have the benefit of such long-term activity and conditions, we are able only to look at indicators of economic maturity. Signs of progress are based mainly on two factors: entrepreneurship and the extension of modern technology throughout a nation’s economy. In all ten of the republics, entrepreneurship is present and expanding. It is a primary force of economic growth.

An extended period of time will be necessary to assess the impacts of modern technology on the post-Communist countries. To date, some major technology transfers have been made into the republics. The communications sector, notably telecommunications, have advanced with major foreign support and technology transfers. Telephone systems, internet services and related uses by electronic media have progressed dramatically with massive transfers of technology and expenditures. With the technology transfers have come some significant economic expansion and signs of economic maturity. However, it is limited, predominantly, to the urban centers in each republic. Little sustained investment, technology transfer and other key economic growth factors are present in post-Communist eastern Europe. Throughout the ten republics, modernization is not widespread, especially in the rural areas with its technologically backward peasantry. Even the major cities are not characterized by extensive development.

Contrary to Rostow’s postulation, new industries are not accelerating. Few new industries have been developed or even created. Older industries are often leveling off and, in many places, declining or dying. Investment is not being made at levels necessary for start up or sustained economic development. As a group of economies, major amounts, eg, 10–20 percent, of national income are not being steadily invested in the ten republics. Significant amounts of profits and returns on investments are being siphoned out of the economies. Output may not even be growing to meet the declining populations in seven of the republics. Imports from developed countries are accelerating and not being replaced by domestic production. The economies are not showing that they have sufficient entrepreneurial, financial and technological capabilities to “produce not everything, but anything that it chooses to produce” (p.8). By the lack of investment and competitive capability, employment, industrial utilization and productivity and profits are being

productive, technologically advanced and competitive in international markets are exceptions. The few, like a Belarussian steel wire plant, a Russian furniture maker, a Romanian auto plant and a Lithuanian distillery, have advanced on imported technology. During the 1990s, these enterprises did not expand to other locations. They did not have the resources, entrepreneurship or competitive capabilities to grow beyond their own plant. They became prime candidates for takeover.

Marketing: Marketing is similar to, although more underdeveloped than, manufacturing. In the former Communist system, marketing was considered to be a capitalist activity and repressed despite the fact that most of the marketing functions were performed. But as a body of thought and practice, marketing has not developed to the maturity stage. Modern marketing activities are not widespread. They are not technically advanced although some marketing research is done in major cities such as Warsaw, Sofia and Vilnius. Product research and development is virtually non-existent. Advanced storage and transportation is limited, in part due to the proximity to western Europe, notably Germany. Electronics and telecommunications have facilitated the advancement of buying, selling, advertising, finance, logistics and other functions of marketing but not to the extent that they are widespread and well-established throughout the republics.

Public Services: Mature, modern public services are provided predominantly in a few areas of new development or major renovations in centers of significant population. Throughout the republics, in urban and rural areas, energy and water supply as well as sewer services are woefully out-dated. Governments have not allocated sufficient resources to advance such public services on a widespread and modern basis. As the politico-governmental system is being transformed, the public sector has lagged seriously in economic development. Widespread corruption, cronyism, other illegal behavior and lack of funding have not contributed to the widespread development and maturity of public services in all of the post-Communist countries.

Retail: Retailing is one sector that has advanced into the drive for maturity stage, especially in the capital cities and urban centers of the republics. Major investments have been made in the retail sector. Technology has been utilized in store design and construction. Services have improved. Modernity in retailing is manifest mainly in consumer products and services, except technologically advanced ones such as repairs for electronic products and current model vehicles.

Transportation: In contrast to retailing, the transportation sector has not advanced to this stage. Like public services, transportation has been constrained by the lack of economic development, investment and technology transfers. Public spending and foreign aid have contributed to the maintenance of the transportation infrastructure but the general condition of the railways, buses, airlines and shipping is such that they belong in the preconditions for take-off stage. Those republics with international airlines and road networks in general are the main exceptions to the underdeveloped condition of transportation in the post-Communist countries.

Consumption: Consumption has reached the drive for maturity stage in two very small market segments; youth and the upper socio-economic class. Like "western" consumers, the youth and upper class of eastern Europe want to be and are to the best of their financial capabilities, modern and technologically advanced. Virtually, all of these products are imported. Few imports have been replaced by domestic production. Consumer purchases contribute little to the overall economic growth and development of the republics. They tend to be excess products of mass production from elsewhere in the world. They siphon off badly needed revenues, investment, construction, employment and other contributions to the economies of the post-Communist era.

and technological development since Rostow's theory of economic growth was published. Globalization pre-empts and prevents domestic enterprises from creating, establishing and developing businesses that can grow into major enterprises. Middle- or large-sized state enterprises that existed at the break up of the Soviet system have mostly been shut down, declined into stagnation and subsistence or been taken over by foreign investors. Very few, such as the Belarus Tractor Factory, Belshina Tire Plant and Atlant Appliances in Belarus, have survived by operating mainly in their own domestic economy. Even in such limited cases, these state enterprises have been supported by the authoritarian government of Belarus.

Ultimately, Rostow's theory of economic growth may be inapplicable for the post-Communist countries. Many socio-political factors have evolved and influenced economic performance in the republics since Rostow's model was developed. No longer is it a "non-Communist manifesto". At best, it may provide a structure by which to "bring order out of the chaos" of transforming developing economies.

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The Relevance of Privatization to Macromarketing

Hunt (1976a; 1976b) in his classic work on the “nature and scope of marketing” enumerated the fundamental dimensions that capture the essence of a structure for the evaluation of the issues associated with privatization in macromarketing. He presented three dichotomies, profit (organizations whose objective is the attainment of profit)/non-profit (organizations whose purpose is other than profit attainment), micro (involve individual units)/macro (involves aggregations), and positive (descriptive current states)/normative (prescriptive aimed at appropriate desired states involving values). Although there has been controversy (Hunt and Barnett 1982; Sheth et al. 1988). Hunt in 1977 (as cited in Sheth, Gardner, and Garrett 1988, p. 140) elaborated further on the nature of macromarketing as follows: “Macromarketing refers to the study of (1) marketing systems, (2) the impact and consequences of marketing systems on society and (3) the impact and consequences of society on marketing systems.” Moyer and Hutt (1978, p., 5) in a similar vein suggested that there are two aspects that capture the essence of macromarketing, i.e. it essentially deals with macro or aggregations of activities or institutions and that it is concerned with “social welfare” rather than the individual.

The fall of the Berlin wall of 1989, one of the major events of the twentieth century, signaled major economic changes as the former socialist nations began the transition back to the capitalism. A critical element of this transition was the necessity to *privatize* the state corporations. Privatization and the associated move to the market system were strongly advocated as the means to achieve growth and development and so to increase “social welfare.” The economic policy advice emphasized three elements: the liberalization of prices, tight monetary policy and balanced budgets, and privatization. The issues, therefore, are “macro” clearly concerned with “social welfare” and have been of great interest to macromarketing scholars (Carman and Dominguez 2001; Carman 1997).

Transition and Development: A Brief Retrospective

In the wake of globalization and integrated markets, the concept of a market economy is advocated as a necessary means for allocative efficiency and economic growth. Perfect competition, an aspiration of the market economy, embodies the theme of “let the fittest survive”. Yet this evolution displaces many people who are inherently disadvantaged by the rules of the system. The transition has been far from successful and has had some unforeseen surprises as previously organized, ordered states degenerate into instability, chaos, criminal domination and insurgency (Roland 2000). Outside of the developed nations (and even the minorities within those nations) humanity exists in circumstances of unprecedented conflict and poverty. The figures are stark, readily available and the reading of the daily newspapers is liable to drive even a rampant optimist to despair. Although China presents a tempered positive example, the former Soviet Union has been a basket case with continued decline in output, the rise of organized crime,³ high inflation, decline of the currency, asset diversion and capital flight (Roland 2000). The transition process has the capacity to influence the lives of over 2 billion people, it is therefore, important the ideological rhetoric and prescriptions not be uncritically accepted, particularly when ones notes the distorted and dishonest nature of current political public life.

Comparing public and private enterprise

Many scholars have researched and provided great detail of characteristics of public bureaucracy, often presuming that there is a distinction between public and private enterprise. There is also a wealth of literature comparing the performance outcomes of the two structures, many of which advocate the superiority of the private enterprise structure. These observations parallel the popular perception that bureaucracy and ‘red tape’ have made public enterprise far less efficient than its private counterparts. However, there are numerous studies that have cautioned against the presumption of the public-private distinction. In fact, many researchers have concluded that public enterprise does not differ

³ Indeed it is a standing joke that organized crime has developed faster than the markets, Roland, Gerard (2000), *Transition Economics: Politics, Markets, and Firms*. Cambridge, Massachusetts: The MIT Press.

thus transforming it into a streamlined entity with high productivity. In spite of this widely held belief, a review of literature has shown that this claim is not overwhelmingly convincing.

It is widely accepted that unlike private enterprise, which is motivated solely by profit-maximization, public enterprise has to balance multiple objectives. Hence it is reasoned that public enterprise loses efficiency because of greater goal ambiguity and increased bureaucracy. (Barton 1980; Boyne 2002; Officer and Quiggin 1999). Empirical results have been mixed. While there have been some studies that report a higher level of goal ambiguity in public enterprise (Baldwin 1987; Chubb and Moe 1988), there are others that report no differences between the two structures (Rainey 1983; Rainey et al. 1995). Another typical assertion is that government agencies are inefficient because of bureaucracy and red tape. Reports on this are also mixed. Some studies show that there is more red tape in public enterprise (Bozeman et al. 1992; Lan and Rainey 1992; Zeffane 1994), while others cite less formalization in public enterprise compared to private enterprise (Kurland and Egan 1999; Pugh et al. 1969).

The findings in other areas of efficiency are similar: the evidence is inconclusive that private enterprise is more efficient than its public counterparts. Several studies have found that there are no differences in operating efficiency arising from privatization (Byrnes et al. 1986; Forsyth 1993; Teeple and Glycer 1987). It is also uncertain whether privatization significantly improves productivity growth (Starr 1991). Amidst claims that the privatization of government-run programs would produce significant cost savings, some officials reported negligible or no savings to the government (Van Horn 1991).

The contention that private enterprise is more effective is also debatable. In a review of 204 privatizations in 41 countries, between one-fifth to one-third of privatized operations registered very slight to no performance improvements, or, in some cases, worsening situations (Megginson and Netter 2001). Another study showed that private enterprise was not more effective than public enterprise in finding employment for welfare beneficiaries (Crew and Camathe 2003). An examination of the financial performance of privatized and nationalized firms in the United Kingdom revealed privatization does not appear to guarantee improved performance, nor does nationalization worsen it (Parker and Hartley 1991).

While the relationship between public/private ownership and efficiency is unclear, it is certain that generalizations about the inefficiency of public enterprise fail to find unequivocal empirical support. Nor is it accurate to claim that private enterprise operates more efficiently and/or effectively than public enterprise. Rather than ownership, management philosophy and organizational culture may be more salient in the performance of an organization. The 'corporatization' (of management practice, not ownership) of public enterprise has enabled them to compete effectively with private enterprise (Officer and Quiggin 1999; Parker and Hartley 1991). Further, there is also sufficient evidence to demonstrate that privatization does not necessarily generate improvements in efficiency and effectiveness. Indeed improvements from privatization may have coincided with a change in management philosophy or policy. Hence, without adequate controls it is potentially misleading for advocates of privatization to suggest that privatization per se improves performance.

Forces of Influence

In extending the ownership dimension to include stakeholders and constituents, researchers have also used sources of organizational influence to distinguish public and private enterprise. Since taxpayers and profit-maximizing entrepreneurs represent the primary stakeholders for public and private enterprise respectively, it has been theorized that public enterprise is predominantly subject to constraints imposed by the political system, while its private counterpart is mostly governed by the market system (Dahl and Lindblom 1953). This proposition was then used as a basis to enumerate attributes to demonstrate how public enterprise differed from private enterprise (Rainey et al. 1976). However, this distinction of influence or control is still highly debatable (Bozeman 1987; Starr 1991).

grossly unrealistic. There are many industries where private enterprises constitute a monopoly or duopoly and effective competition does not exist (this is especially true where public services or utilities are privatized). The improvement in efficiency from privatization cannot be realized if it involves transferring monopoly power from public to private enterprise without increasing competition. Case in point: the two biggest privatizations in the United Kingdom, British Telecom and British Gas, merely turned public sector monopolies into private ones (The Economist 1987; Vickers and Yarrow 1988).

Implications for Macromarketing

Governments (along with economic policy advisers) often promote the idea of privatization as the most suitable remedial measure for ailing state-run projects. To legitimize its claims, they perpetuate the presumption that public and private enterprise are different and it is this difference that makes private enterprise a more suitable entity to manage these projects. However in examining evidence reporting on the two structures, it appears that this distinction and ultimately, privatization claims have become increasingly dubious. There is a convergence of evidence that some of the frequently asserted differences receive little or no empirical confirmation and that the public-private distinction may well involve oversimplification and stereotypes in those cases (Rainey and Bozeman 2000). By demystifying these *a priori* notions we hope to advance the discussion of the role of privatization and macromarketing in improving social equity and welfare. These aims are significant because the effects of privatization are at best, mixed and the issue is too important for the transitioning economies not to be critically re-examined by macromarketing scholars.

Conclusions

The transfer of ownership from public to private interests raises many implications for citizens and consumers. In ceding the provision of a public good or service, governments may also cede its responsibility for social equity and welfare if it fails to impose regulations to suit those ends. Privatization reforms tend to worsen income distribution, as the richer segments of the population tend to reap the (private) financial benefits before the poorer segments do (Estache et al. 2002; Prizzia 2003). Several researchers cite instances where a small number of institutional investors and shareholders reaped the highest profit from privatization because governments often under price the value of assets at the offering to secure the sale of the issue (Officer and Quiggin 1999; Sinha 1993). The average employment effects of privatization have tended to worsen distribution as many privatizations entail redundancies and layoffs (Birdsall and Nellis 2003)

Since the privatization of utilities is often accompanied by an increase in prices (Birdsall and Nellis 2003; Engen 1994; Johnson 1994), the new shareholders benefit at the expense of consumers. Higher utility charges also widen the income distribution gap, by disadvantaging the poor who previously paid little or nothing for these utilities. In a review of privatization efforts in many countries, it was observed that the overall benefits to consumers have been meager or even questionable (Hossain and Malbon 1998).

Without being constrained by theoretical development of the public-private distinction, privatization should not be a heuristic choice for ailing management. There are other more pragmatic approaches that might better address underlying problems. The corporatization of management practices in public enterprise has proven to improve performance (Duncan and Bollard 1992; Officer and Quiggin 1999). Changes in pricing may address the source of deficit in managing public utilities. Changes in management practices may address issues of bureaucracy or red tape. Changes in incentives may improve the issue of organizational efficiency and effectiveness. Market deregulation, where possible, may improve the allocative efficiency of the public enterprise. Changes in competition and management are probably more effective in improving organizational performance than a mere change in ownership status.

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Does Society Impact Marketing? The Case of Telemarketing

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Abstract

If society's wishes were speedily and thoroughly carried out by marketers, certain marketing practices would have been sharply reduced, if not eliminated, by now. Practices such as telemarketing and e-mail "spam" are obvious examples. What is equally obvious is that marketers who engage in such practices have consistently and willfully ignored society's wishes. Because most recipients are not parties to a transaction, these marketing practices constitute a negative externality. As non-consumers of the products and services being promoted, individuals annoyed by these promotions have little economic voice with which to influence marketers. The paper discusses three approaches to remediation: regulation, social responsibility, and property rights.

Introduction

Macromarketing has been defined quite differently by various researchers (e.g. Shawver and Nickels 1981; Chaganti 1981; Heede 1981). One particular definition served as a guideline for the *Journal of Macromarketing* (Fisk 1982), and seems to have been predominant since that time. In this, macromarketing is viewed as the study of: 1) the impact and consequences of micromarketing on society, 2) the impact and consequences of society on marketing systems, and 3) the understanding of marketing systems in their aggregate dimensions.

Since the early days of macromarketing scholarship, the study of marketing systems has been a frequent topic, as has the impact of marketing on society. Judging by both articles and conference papers, however, the impact of society on marketing appears to be a comparatively less frequently studied topic. The present paper focuses on a particular aspect of the society-to-marketing relationship, one in which the marketers involved have not only failed to be impacted by public concerns but have actively sought to subvert attempts at change. Intrusive and unwanted calls from telemarketers in the U.S. are an instance of this phenomenon; widespread public frustration with these marketing practices is well known.

The Non-Impact Of Non-Consumers

The impact of society on marketing has been elaborated, albeit briefly, in connection with the task of defining macromarketing. Society-to-marketing impacts encompass legal aspects of marketing as well as the consequences of different political and social value systems (Hunt 1981). This impact can occur in two basic ways: normal cultural and social influences, or public policy designed to affect the environment or the societal consequences of marketing actions (Fisk 1982). In order words values are important to understanding the society-to-marketing relationship, along with public policy.

unwanted exposure to promotions may sometimes bring unanticipated new information to individuals which benefits them, the case under consideration here is one of little or no benefit to the recipient. That is, telemarketing is a negative externality in which disruption and annoyance far outweigh any residual benefit to recipients.

As noted earlier, elaborators of the society-to-marketing aspect of the macromarketing definition focused on social/cultural values and policy actions (Fisk 1982; Hunt 1981). The following discussion encompasses these two broad alternatives in more specific terms. Five strategies are available for remediation of negative externalities: volunteerism, pressure of interest groups, government coercion, government reward and government nationalization (Nason 1987). For the present case, nationalization is not a realistic option. The most active interest groups in this instance are industry trade groups and, since these are controlled by industry members, this will be subsumed under volunteerism. Consequently volunteerism, governmental coercion and governmental reward are the focus of the following discussion. Volunteerism is an instance of the influence of social/cultural values while governmental coercion and rewards are instances of policy solutions.

Governmental coercion in the form of regulation is the remediation path that occurred in the case of telemarketing, and will be discussed first in the following. Volunteerism and governmental rewards were viable alternatives and may have represented a more desirable means of remediation from a societal standpoint. In order to give these two alternative approaches a more specific character, volunteerism is discussed in terms of corporate social responsibility and governmental reward is discussed in terms of property rights.

Regulation

Refusal to change objectionable marketing practices naturally invites government intervention, as it has done in the case of telemarketing. Governmental coercion in the form of regulation is a means by which society can impose its wishes on businesses when they decline to voluntarily respond to society's wishes. Regulation is most often invoked to improve market performance for consumers, with respect to such concerns as pricing, safety, or disclosure. Where the expected benefits of competition fail to accrue to consumers, the case for intervention is clear. However, the status of regulation for the benefit of non-consumers is somewhat less obvious. Further complicating the issue, negative effects of unwanted promotion on third-parties may be foreseen or unforeseen by the marketer (Nason 1986). Also, the effect may be the result of aggregation, in which the deleterious effects are brought on by multiple instances, whereas an isolated incident or two would not be cause for concern.

Harris and Carman (1983) identify nine conditions which define the ideal of market performance, one of which is the absence of externalities. Failure to attain the ideal on these conditions represents a market failure, in one degree or another. The question of degree is a salient one because degree may, or may not, justify regulatory intervention. In principle, a market might remain unregulated if the regulatory response would result in greater social costs than benefits.

In the cases of telemarketing, public opinion seems to support the argument for intervention on a cost vs. benefit basis. This market failure falls under the category of side effects: costs imposed on non-subjects (Harris and Carman 1983). The general result of this type of failure is misallocation of resources. One response to such a market failure addresses allocation problems by proscription (Harris and Carman 1984). Among various kinds of allocative controls proscription is the most market-delimiting type, which is justified by instances of significant conflict between market outcomes and social values (Harris and Carman 1984).

State and federal legislators have prodded both the Federal Trade Commission (FTC) and Federal Communication Commission (FCC) since the early 1990's for a federal regulatory response (Economist

socially responsible approach (Robin and Reidenbach 1987). Computer-generated calls and other electronic messages are extremely low cost-per-message techniques and are evidently quite profitable for the firms that employ them.

Corporate cultures that emphasize profitability over other considerations tend to attract and reward individuals who are characterized by a lack of moral reflection, that is, who are “. . . insensitive or indifferent to the concerns of others and may act to maximize personal rewards,” (Bone and Corey 1998; p. 105). In this environment, the complaints of numerous non-consumers pale in comparison to the chance to make additional profits. While it is possible that certain telemarketers may have experienced a twinge of social responsibility, the contrary inclinations of other firms as well as industry groups would have a dampening effect. Significant inhibition of volunteerism arises when competing firms decline to follow suit (Nason 1987).

The second basic position on corporate social responsibility is summarized in the title of Friedman's (1970) article, “The Social Responsibility of Business is to Increase Its Profits.” In this view, failure to vigorously pursue efficiency and profitability goals must result in an undesirable reduction in the set of social benefits. Here, businesses are seen as specialized institutions in society whose goals are precisely that of efficiency and profitability. The social benefits which derive from this specialized pursuit are said to include economic growth, employment, customer satisfaction and innovation. Businesses need only to stay within the “rules of the game” in order to ensure that social responsibility is achieved. Gaski (1985) further develops this theme in the context of marketing practice, and notes that marketers have no special competence in judging what exactly is the public good. Further, efforts to ascertain and address issues of social concern would lower profits and investment, result in higher prices and lower consumer satisfaction.

Telemarketers apparently have endorsed the responsibility-equals-profits position, declining both voluntary restraint by individual firms and limitations by industry self-regulation. However, Friedman's position implies that society has other specialized institutions to make its views known to businesses, that is, to establish the “rules of the game.”

Hardin (1968) notes that new restrictions always infringe on someone's perceived freedoms and typically generate resistance based on those previous freedoms. This much is a predictable result of self-interest, however the status of continued legal resistance is open to question in light of the responsibility-equals-profits position. Friedman's argument depends on the notion of an interplay of various specialist institutions to produce optimal social benefits. Continued resistance to society's notion expressed wishes to establish new “rules of the game” seems to undermine the legitimacy of differentiated roles for specialist institutions. Is continued resistance a legitimate expression of the Friedman position?

Property Rights

The final remediation strategy is governmental rewards and here involves the notion that unwanted promotion is a regrettable, but necessary, result of doing business. This approach views promotional activity as integral to the operation of competitive markets and necessary for such beneficial activities as comparison shopping or new product introductions. This approach also pragmatically acknowledges that promotions cannot be ideally targeted to reach only interested consumers while avoiding all disinterested consumers, so that some disinterested parties will always be inadvertently exposed. By the same token, targeting is not sufficiently accurate to exclude all the disinterested recipients without leaving some interested consumers unexposed. Targeting of communications is simply not accurate enough to reach these ideals.

Such a viewpoint of promotion is analogous to the environmental pollution occasioned by industrial production. As an unwanted byproduct of industrial production, environmental pollution is clearly a

outcome. Expected, that is, in the sense that the two alternatives appear less likely to occur because of constitutional speech rights. The prospect that commercial speech rights might prevail both undermines incentives for volunteerism or self-regulation and renders uncertain the government's ability to convert them into property. This same prospect indicates that policy may ultimately be decided in the courts. On the other hand, courts may sustain the argument that non-consumers have a superior right to remain undisturbed, so that spammers and others find greater incentives in the direction of self-regulation.

As noted earlier, the field of macromarketing is (partly) defined by the impact of marketing on society as well as the impact of society on marketing. These two relations can operate in a reciprocal manner, with marketing impacting society and society impacting marketing as a result. The next section outlines such a possibility.

The Impact of Marketing On Marketing: A Tragedy Of The Commons

Effective communication requires willingness on the part of a recipient to attend to the message. This is largely a matter of expected benefit to the recipient. The central issue is whether the recipient chooses to attend in the first place. While a number of cognitive concepts may be appropriate to assess this choice, I focus on the concept of trust. All potential message recipients have some degree of trust, high or low, that some as-yet unheard message may be of interest to them. For purposes of this discussion, trust is the commons. In other words, public trust that a commercial message is worth hearing is a resource shared in common by marketers.

A dilemma of the commons arises when some shared resource is subject to exploitation. More particularly, this happens when the selfish and noncooperative behavior of certain individuals causes a negative long-term consequence for the group (Shultz and Holbrook 1999). In his seminal article, *The Tragedy of the Commons*, Hardin (1968) focused mainly on overpopulation, but also dealt with issues related to pollution, one example of which was "distracting and unpleasant advertising."

If a large percentage of messages received were in fact of interest to most individuals, then the public would likely trust that future messages might also be of interest. The probability of attending to future messages would thus be correspondingly high. Naturally, such a level of trust is individually variable depending upon a number of factors, such as the message channel or the identity of the sender. If, on the other hand, comparatively few messages were evaluated as being of interest the individual would be unlikely to trust that future messages would be interesting and would have a correspondingly low probability of attending to future messages.

Understanding this, marketers might be expected to avoid uninteresting and annoying communications for two very self-interested reasons (shades of Adam Smith!). First, communications are costly, so that communications which fail to "connect" are inefficient and unprofitable. Second, since trust in the source is eroded, future communication is rendered more difficult or compromised altogether. In this light unwanted communications, including telemarketing calls, can only be viewed as poor marketing practice. Such activities are unpopular among consumers, consequently all marketers should be expected to curtail such practices.

The reason that telemarketers continue to call is that a small number of consumers do respond and do buy the products and services being promoted. Industry sources estimate that as few as 1% of telemarketing calls resulted in a sale, but those sales were worth over \$100 billion in revenues annually. In other words the resultant sales were material increments in both revenue and profit of telemarketing firms. Loss of trust among the more numerous nonresponders represents an opportunity cost which is shared not only

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Method for Testing Advertising and Psychological Sales Barometer” are the most prominent brand preference measurement works in the 1930s; their main interest was refining a survey that could provide statistically reliable measures of buying habits including repeat purchasing. In the 1940s Churchill (1942), Guest (1944), and McGregor (1940) studied and proposed new methodologies to measure brand preferences. McGregor’s (1940) study on the relationship of advertising and buying preferences was perhaps the first to use the term “loyalty” referring to customers that purchase the same brand repeatedly. McGregor (1940) concentrated on the relationship of advertising and brand purchasing and he proposed that advertising could influence “shifters” or consumers that shift from brand to brand into becoming brand loyal consumers. Both Churchill’s (1942) and Guest’s (1944) studies used the term brand loyalty to refer to repeat purchasing behavior. Churchill (1942) proposed and used consumer panels to measure brand loyalty rather than the more popular questionnaire approach that was being used at the time. Churchill believed that brand loyalty could only be measured by observing the brands that go into the pantry of a set of consumers and then asking them questions about the brands purchased. On the other hand, Guest (1944) argued that in order to understand and measure brand loyalty one needs to understand consumer attitudes; using questionnaires he offered empirical support that attitudes lead to purchasing behavior.

Popularization of Loyalty - 1950s to 1960s

It was not until George Brown’s (1952) work that brand loyalty became a popular construct to research (Jacoby & Chestnut, 1978). George Brown’s (1952) articles on brand loyalty received widespread exposure in *Advertising Age* and spurred the interest of marketing researchers and practitioners alike (Jacoby and Chestnut, 1978). The studies were based on a consumer panel operated by *The Chicago Tribute*, assisted by Brown (Brown, 1952a-f). *Advertising Age* commissioned the University of Chicago to analyze the panel’s purchasing data for 1951. Dr. George H. Brown, professor of marketing at the University of Chicago, and past president of the American Marketing Association, was the leading researcher (Brown, 1952a-f). Six consumer products: margarine, shampoo, coffee, cereal, toothpaste, and flour were analyzed. Brown also published some of the findings in the *Journal of Marketing* in 1952 and 1953.

Since Brown’s articles appeared, over than 300 studies on brand loyalty have been published, compared to less than 10 articles published before (Jacoby & Chestnut, 1978). Brown’s main contribution was popularizing the study of brand loyalty among marketing researchers and practitioners. Another contribution was defining brand loyalty using a mixture of attitudinal and behavioral concepts. Brown defined brand loyalty as “a deliberate decision to concentrate purchase on a single brand due to some real or imaginary superiority of that brand” (Brown, 1953; p. 32). Brown worked on defining a measurement of brand loyalty instead of expanding the understanding of brand loyalty such as studying its antecedents. However, his measurement operationalization of loyalty did not concur with his definition of loyalty.

Additionally, based on his sequence of purchase loyalty measurement, Brown suggested that there are different types of loyalty like divided loyalty, consistent loyalty, and unstable loyalty. Divided loyalty is when one switches from brand A to brand B in every purchase, consistent loyalty is when one consistently purchases the same brand, and unstable loyalty is when the one buys a brand for a while and then switches to purchase another brand for a while.

Subsequently, Cunningham (1956) proposed that brand loyalty was “the proportion of total purchases represented by the largest single brand used” (p. 118), which was referred as “market share concept” and replaced Brown’s measurement concept. Lipstein (1959) developed a similar measured of brand loyalty but he called it the hard-core-criterion. The advantage of using these measurements was that they provided numerical values that could be used to compare levels of brand loyalty among brands. However, the cut-off point that determined the presence of brand loyalty for the market share concept,

cognitive, affective, and conative. Jacoby defined attitudinal loyalty as the “underlying predispositions to behave” while behavioral loyalty was “the act of selective repeat purchasing based on evaluative psychological decision processes” (1971, p. 26). Jacoby proposed that by studying antecedents attitudinal aspect of loyalty the behavioral aspects of loyalty would be understood. Jacoby open the door to the belief that consumers may have a loyal attitude toward a brand but may not necessarily purchase it repeatedly or even purchase it at all, such as when consumers are not themselves the buyers.

Jacoby believed that a consumer classifies purchasing brand alternatives based on his attitude toward the brand as: acceptable brands, neutral brands, and rejected brands. Acceptable brands were those that solved the consumer’s requirements. Neutral brands were those that the consumer was indifferent toward, and rejected or disliked brands were those that the consumer actively disliked or avoided. By knowing the brands in each classification, Jacoby developed a brand loyalty strength measurement; as the number of brands in the accepted category decreases the level or strength of brand loyalty would increase. Jacoby created an index of loyalty strength (LS) based on the ratio of number of brands in the rejected region to brands in the accepted region ($LS = R/A$). Bennett and Kassarjian (1972) extended the mathematical model to include the neutral region to compute the index of loyalty strength. The mathematical model was one minus the neutral region from the loyalty strength ratio ($LS = R/A - (1 - N)$).

Jacoby (1971) and Jacoby and Kyner (1973) attempted to explain the antecedents or factors causing the development of brand loyalty. Six necessary conditions taken collectively defined loyalty. “Loyalty is 1) the biased (i.e. non-random), 2) behavioral response (i.e. purchase), 3) expressed over time, 4) by some decision-making unit, 5) with respect to one or more alternative brands, and 6) is a function of psychological (decision-making) processes” (p. 2). In Jacoby and Kyner (1973) the definition was empirically tested and they found that previous measures of brand loyalty such as the percentage or proportion of purchases devoted to a brand are not appropriate measures of loyalty. Thus repeat buying behavior without the six conditions described earlier is not a good measure of loyalty behavior. They also went on to explain each one of the conditions collectively necessary for brand loyalty. Until then brand loyalty was defined as the tendency to purchase one brand more than others.

Jacoby’s (1971) definition expanded the theoretical understanding of brand loyalty and provided causal factors that may produce brand loyalty. Until then no other researcher has created a definition of loyalty that included causal factors. Speller (1973) found a relationship between attitudinal factors and brand loyalty reinforcing Jacoby’s concept of brand loyalty. Tarpey (1974) believed that Jacoby & Kyner’s (1973) brand loyalty definition did not add any additional insight or understanding of the causal factor. His two main criticisms were that the definition failed to explain why consumers behave as loyal customers and that a nonrandom or bias behavior was required. If by definition all behavior was biased then the definition could not distinguish between brand loyalty and spurious loyalty.

Jacoby’s (1975) response emphasized the causal factors that Jacoby & Kyner’s (1973) definition described and pointed out that his definition was a good starting point to study the causal factors of brand loyalty. He noted that with the exception of Copeland’s (1923), Guest’s (1944), and Day’s (1969) definitions of brand loyalty, all other definitions emphasized how to measure brand loyalty but not how brand loyalty was caused. His main point was that the definition was conceptual and not operational and that it created an opportunity to understand causal factors of brand loyalty. He also mentioned that his view had strongly influenced the brand loyalty definition of Engel, Kollat, and Blackwell (1973) as well as Sheth & Park (1974). Their definitions adopted the concept of bias as well as the attitudinal component of brand loyalty proposed by Jacoby & Kyner’s (1973). Sheth & Park (1974) defined brand loyalty as “a positively biased emotive, evaluative and/or behavioral response tendency toward a branded, labeled, or graded alternative or choice by an individual in his capacity as the user, the choice maker, and/or the purchasing agent” (p. 450).

using the theory of disconfirmation of expectations (Oliver, 1980). Expectations were compared to perceived product performance to determine any difference called the level of disconfirmation. A positive disconfirmation (expectations are less than the perceived performance) leads to satisfaction while a negative disconfirmation (expectations are greater than the perceived performance) leads to dissatisfaction (Churchill & Suprenant, 1982; Oliver, 1980). Satisfaction has been studied since the 1960s, but it became a more popular research concept in the 1980s and 1990s. Based on empirical findings researchers and practitioners concluded that satisfaction of customers was all that was needed to obtain repeat or loyal buyers (Dick & Basu, 1994; Oliver, 1999). However by the mid 1990s researchers like Jones & Sasser (1995) and Richheld (1996) questioned the link between satisfaction and brand loyalty because their research had found that satisfied customer defected to other brands.

Snyder & Kenzierki (1982) pointed out that attitudes are only important if the consumer is aware of them and if the attitude is relevant to the decision and or situation. Beatty, Homer & Kahle (1988) incorporated attitude relevance in their involvement-commitment model, where ego involvement (hedonic) and purchase involvement (related to the situation) influence brand commitment (purchase intention toward a brand). Thus brand commitment is obtained when product/brands are important and produce some level of pleasure to the customer. Beatty, Homer & Kahle (1988) defined brand commitment as an emotional or psychological attachment to a brand similar to brand loyalty. Brand commitment did not imply repeat purchasing behavior and thus is considered to be similar to loyalty but not the same. Several researchers such as Delgado-Ballester and Munuera-Aleman (2001) have used brand commitment or purchase intention toward a brand as a measure of brand loyalty. However, as Jacoby & Chestnut (1978) pointed out attitudes are only indicators of behavior and not measurement of behavior.

The other attitude dimension stream of research that expanded or understanding of loyalty was product/service quality. Garvin's, (1983 & 1987), studies on the dimensions of perceived quality, Parasuraman, Zeithaml, & Berry's (1985, 1988, & 1996) studies on service quality, and Jacoby & Olson's (1985) book on perceived quality provided insight into one of the concepts believed to be the antecedent of satisfaction, value, and loyalty. All these studies emphasized the difference between objective and perceived quality. Objective quality is measurable and verifiable superiority of a product/service while perceived quality is the consumer's judgment about the superiority of a product or service (Zeithaml, 1988). Her study on the perception of price, quality, and value summarized the findings of the work done on perceived quality and theorized on its relationship with purchasing behavior. She also brought attention to concept of perceived value as an important component to understand satisfaction and loyalty behaviors. "Perceived value is the consumer's overall assessment of the utility of a product based on perceptions of what is received and what is given" and it influences purchasing behavior (Zeithaml, 1988; pag. 14) including loyalty and it is influenced by satisfaction (Sirdeshmukh, Singh, & Sabol, 2002).

Perhaps the most quoted study on perceived quality was Parasuraman, Zeithaml, & Berry's (1985, 1986, 1988, & 1996) work on service quality and the development of the SERVQUAL scale to measure it. The SERVQUAL scale was praised as well as criticized by many. Carman, (1990), Finn, & Lamb, (1991), and Cronin & Taylor (1992) among others, questioned the validity of the SERVQUAL scale pointing out the problems with using difference scores, the difficulties in generalizing the scale to different settings, and the weak link between perceived quality and purchase intentions. However, the SERVQUAL scale helped define the study of services in the marketing literature. The service quality scale contributed in the understanding of the differences between services and goods and in the measurement of quality as well as it furthered the understanding of satisfaction and loyalty.

By the end of the 1980s practitioners and researchers alike had adopted the satisfaction-loyalty paradigm to explain and measure loyalty (Oliver, 1999). Perhaps the best example that incorporates the studies of satisfaction and loyalty is the American Customer Satisfaction Index (ACSI) model, a customer based

product/brand not formed from marketing efforts, could also be used to explain loyalty behavior. Using individual fortitude and community/social support towards the brand (similar to social norms), Oliver (1999) created a loyalty framework to explain loyalty towards product depending on the level of individual fortitude and social support. Using a two by two matrix, he shows that low individual fortitude and low social support result in loyalty behavior based on product superiority.

When individual fortitude is high and there is high social support towards the brand, loyalty is part of one's self-identity (similar to Fournier's (1998) emotional attachment concept). However, when individual fortitude is high but social support is low one is isolated from others and is only loyal through adoration of the brand. When individual fortitude is low and social support high, loyalty only exists in public consumption while using other brands in the privacy of one's home. Fournier's (1998) and Oliver's (1999) studies open the door to study brand loyalty using relationship theory to account for the relationship that the consumer creates with a brand. The concept of brand trust was based on these studies as well as relationship theory.

The relationship between loyalty and the performance (profits) of the firm has been the major emphasis of the studies performed by Reichheld ((1996), ___ and Sheifter, (2000), and ___, Markey, & Hopton (2000)). In these studies Reichheld not only makes the point that loyalty can improve profits but also that trust is the driver of loyalty not satisfaction. Trust (brand trust, trust of the firms, etc.) has become one of the most important antecedents of loyalty currently being researched by marketers due to the strong relationship between loyalty and profits demonstrated by Reichheld. Lau & Lee (1999) and Chaudhuri & Holbrook (2001) incorporated trust as the determinant of loyalty through the concept of brand trust. In the marketing literature trust had been studied as trust in the retailer and trust in the salesperson but few studies had research trust in the brand. The concept of brand trust expanded the theoretical framework of trust and the understanding of its relationship with loyalty.

Singh & Sirdeshmukh (2000) also incorporate trust as the determinant of loyalty but relate it to the consequence of satisfaction. In another approach Sirdeshmukh, Singh, & Sabol (2002) use both trust in the firm and trust in the salesperson to represent trust and as the cause of value, and value and trust as the causes of loyalty. Delgado-Ballester and Munuera-Aleman (2001) incorporated brand trust, satisfaction, and customer involvement as the determinants of loyalty (operationalized as commitment in their study). Delgado-Ballester, Munuera-Aleman, and Yague-Guillen (2003) developed and validated a scale to measure brand trust and successfully tested it as one of the causes of brand loyalty.

Conclusion

The concept of brand loyalty in marketing has evolved from a mere idea (Copeland, 1923) determined based on repeat buying behavior (Brown, 1953) into a well founded theoretical concept (e.g.; Dick & Basu, 1994; Oliver, 1999) requiring the measurement of its antecedents to determine it (e.g.; Chaudhuri & Holbrook, 2001; Singh & Sirdeshmukh, 2000). Although our understanding of the concept has advanced tremendously there is still some areas that need to be researched. Brand loyalty importance lies in its influence on profits, maintaining customers, and the long term viability of a brand (e.g.: Jacoby & Chestnut, 1978; Reichheld, 1996)

The influence of emotions on brand loyalty has not been thoroughly studied as has attitude and behavioral antecedents. The marketing literature has little information about how emotional brand attachment is formed with the exception Fournier's (1998) work, and it also lacks studies relating emotions to loyalty and to attitude and behavioral predispositions towards a brand. However, the study of brand loyalty continues to be one of interest to researchers, which should further increase our understanding of this important marketing concept.

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Evolution of Marketing Philosophy in Charitable Organizations

The application of marketing philosophy to non-profit organizations has been discussed and practiced for several decades. Kotler and Levy (1969) were among the first to broaden the concept of marketing by noting: "The choice facing those who manage non-business organizations is not whether to market or not to market, for no organization can avoid marketing. The choice is whether to do it well or poorly..." (p.15). The idea was soon applied to the charity sector, beginning with Mindak and Bybee's (1971) work on the use of marketing techniques in fundraising. Charitable organizations were fast to use their "marketing arsenal" to confront an increasingly hostile environment. Sargeant (1999), Schlegelmilch and Love (1997), and others name decreasing governmental support, the contraction of the donor pool, and increasing competition as only a few of the setbacks fundraisers have faced in recent decades. It has been these setbacks that have led charitable organizations toward a more extensive use of marketing.

The evolution of charities' strategic orientation can be compared to that of the for-profit organizations, using the traditional classification scheme of *product orientation*, *sales orientation* and *marketing orientation*. For instance, Lindsay and Murphy (in Tapp, Lindsay, and Sorrell 1999) propose a three-phase charity evolution of a) *cause orientation*, b) *funding orientation*, followed by the c) *need orientation*. The *cause orientation* and the *funding orientation* are quite similar to what has traditionally been labeled as the product orientation and the sales orientation in the for profit sector. The third strategic orientation, i.e., the *need orientation*, has been introduced to account for the many inadequacies of cause and funding orientation (Tapp, Lindsay, and Sorrell 1999), and it closely resembles an organization's strategic approach traditionally labeled as the marketing orientation. It stresses the importance of having a clear vision of the charities' mission (the cause), which does not hinder its ability to raise funds but, instead, enables the organization to develop long-term relationships with donors who share this vision. While this approach seems effective, it fails to acknowledge the complexity of charity marketing. Charitable organizations face two sets of needs, i.e., the recipient's and the donor's. Whereas it is obvious that the recipients' needs constitute the essence of charities' existence, both sets of needs must be addressed. Moreover, they should be dealt with individually as neither of the two groups can be satisfied simply through satisfying the other. In other words, the donor's needs will not be satisfied simply by satisfying the recipient's and vice versa.

Literature Review on Donation Exchange

Hibbert and Horne (1998) propose a marketing view of donation to charity that builds on an exchange relationship between charitable organizations and their donors. The authors argue the basis of charitable giving lies in the donors' consumption of value through the donation itself. Theoretical underpinnings for such reasoning can be found in the Social Exchange Theory (Burnett and Wood 1988). This theory attempts to explain the exchange process in view of the rewards and costs incurred to the parties concerned. Benefits inherent in the proposed *donation exchange* include the resources received by the charitable organization on one side, and various benefits received by donors on the other.

In the existing research, the benefits received by the donor have been divided into two categories: *tangible* benefits (e.g., tax benefits) and *intangible* benefits (e.g., self-esteem). Both categories of benefits involve objects of economic value, implying that the study of donor behavior is an inherent part of the field of consumer behavior (Burnett and Wood 1988). Therefore, donation to charity can be viewed as a special type of consumption. The past two decades of research have yielded many models of donor behavior. Burnett and Wood (1988), Guy and Patton (1989), Bendapudi and Singh (1996) and Sargeant (1999) have all made significant contributions towards a better understanding of donation to charity, particularly as their models account for an array of factors underlying donation behavior that have been adapted from various fields of scientific inquiry. Despite some important differences among these models, they also share a common assumption. That is, the prevailing view holds donation to charity as a

maintain and enhance their self-concepts (Johar and Sirgy 1991). Thus, researchers often explore symbols by studying the ways consumers use them with regards to their self-concept and the ways others, who observe an individual's use of symbols, interpret them (Levy 1982). This issue has been addressed by the theory of attribution, which explores the way people attribute certain traits and dispositions to others and to themselves in an attempt to explain certain behavior (Burnkrant and Cousineau 1975). The process of attribution can provide valuable insights into the symbolic meaning of a specific behavior. The connection between the symbolic meaning and the self-concept can be illustrated using Schau's (2000) concept of *imagination*. The core idea of this concept is that there is no direct link between behavior (experience) and self-concept (identity). The connection between the two is mediated by the process of *imagination*, whereby an individual's behavior (experience) is being translated (abstraction), transformed into knowledge (comprehension) and later transcribed into a self-concept (used to infer a person's identity). A researcher aiming to explore symbolic meanings and their relation to self-concept must, therefore, tap into the individual's process of *imagination*.

Previous studies have explored the symbolic consumption/self-concept by using quantitative methods such as Q-sort methods (Belch and Landon 1977) and semantic differentials (e.g., Grubb and Hupp 1968; Birdwell 1968) as well as qualitative methods such as visual and verbal projective techniques (Belk, Bahn, and Mayer 1982; McGrath, Sherry, and Levy 1993). Regardless of the method used, there are several common concerns when dealing with this subject. First, symbolic meanings and the self-concept constitute a highly complex part of a person's everyday life, often rendering the self invisible, or at best, hard to express – a problem of *saliency* and *verbalization*. Because of the delicate, personal nature of this subject, the researcher is also faced with serious *disclosure* and *social desirability* problems (Sirgy 1982). Under such circumstances, the direct/quantitative approach usually produces neutral, superficial and tongue-tied respondent answers which seldom reflect reality. The situation just outlined is one which Rook (2000) describes as a perfect match for the use of projective techniques. By using metaphors, in-depth communication and a number of relevant cues, one can hope to tap the process of *imagination* and decipher the symbolic meaning of donation to charity. The interpretative nature of qualitative research (Gummesson 2003) may also provide a new starting point, enabling researchers to take a broad and holistic perspective of donor behavior. The latter is of utmost importance in this initial theory building stage of research.

The ZMET protocol (Zaltman 1997) was utilized in this empirical study to explore the symbolic nature of donation. In view of methodological issues discussed, it was deemed the most appropriate method for addressing problems similar to ours. This method was created to help researchers define a set of relevant constructs underlying a certain problem and the connections between them (Cathings 2000). It builds on the latest discoveries in the field of cognitive neuroscience, anthropology, sociology and semiotics. Visual stimuli are used to elicit respondent-generated metaphors later discussed in in-depth interviews. The method focuses on penetrating deeply into the thought process, unveiling mental models that lie beneath the respondent's thoughts and feelings in regards to a particular subject (Christensen and Olson 2002). The term mental models includes cognitive structures as well as emotions and feelings, symbols, actions goals, values, images, experiences and other building blocks that constitute an individual's process of abstraction and comprehension. In the words of Christensen and Olson (2002, p. 482), ZMET reveals "how the object of research fits into the consumer's life."

Eleven Slovene respondents (seven females and four males) were selected using the snowball sampling approach. The respondent's age varied between 21 and 52 years of age. Slovenia is believed to represent an excellent setting for this study because of its extraordinary dynamics in the charity sector over the past 10 years following the transition from a socialist to a free market economy. The development and current state of the Slovene non-profit sector resembles that of many other ex-socialist countries (PIC 2000) which have been overlooked in the past research of donor behavior. Starting with an initial introduction of our research, respondents were given one week to reflect upon the subject investigated – their thoughts

donating because of tax deductions or self-promotion). The paradox is apparent as the respondents both advocate the importance of altruism (i.e., complete focus on the Other), while at the same time dismissing the recipient's interests. The recipient's problem is solved regardless of the donor's real intention. The following quote by a male respondent in his late twenties illustrates this paradox:

"I think charities have become some sort of a supermarket where you pay for certain feelings. You give some money and in return receive some feelings, recognition, clear off your conscience, etc. There is no "romance"... People often see it as an investment. They make a calculation... That really bothers me."

These findings are consistent with what Wright (2002) calls the (British) *altruistic* giving ethos, which is very different from the (American) *generosity* giving ethos. The altruistic view implies donor's pure selflessness, supported by the donor's self-sacrifice, whereas the American view often openly encourages the donor's self-interest. Respondents in our empirical study showed a high regard for the donor's sensitivity to other persons' problems and his/hers emphatic response to the perceived problems. The fact that donors make a personal choice to donate, get really involved, coupled with their sincere intention to help others (not themselves) constitutes the real meaning of donation as experienced by our respondents. Furthermore, respondents attach a certain spiritual aura to donation, perceiving it as diametrically opposed to materialism and consumption.

Theme 3. You donate, therefore you are: Donor stereotypes theme.

Donation without doubt represents a strong potential for attribution. The results of our study suggest donors indirectly use donation to communicate their self-concept to others as well as to themselves. As expected, the respondents exhibited strong tendencies towards attributing personal traits (e.g., perceptiveness, naivety) based on the observed act of donation and/or refusal to donate. In other words, various assumptions about the individual are made, based on observing his donation behavior. During the interviews, thoughts and feelings about donor stereotypes spontaneously (i.e., without the interviewer's intervention) surfaced with the large majority of the respondents. The results reveal the complex impact of donating to charity on the donor self-concept. On the positive spectrum, the respondents often perceive donors as perceptive (they notice), emphatic (they care) and active (they respond). They believe the donor to be a "people" type of person (i.e., a friend) rather than an "egocentric and materialistic" type of person (i.e., a consumer). This is illustrated in the following quote by our respondent:

"... they [the ideal donors] are the "open" type of people. They are not egocentric. Rather, they have a good sense of what happens around them. They see and feel the people around them. To them, people matter most. Rather than just thinking of themselves, they concentrate on relationships and cherish personal ties."

On the other hand, respondents in this study also attribute some negative traits to donors. They perceive them as naïve (blind to deception), irrational and soft (clouded by emotion). We should, however, note the situational nature of the described process of attribution. The intensity and valence of attribution are largely determined by the donor's intention (the underlying motive), involvement and his/her ability to help.

Analysis of Data and Findings Part II: The Link between Marketing and Donation Symbolism

The second step of our analysis entailed an examination of the themes identified as well as other respondent generated material using Guy and Patton's (1989) five stage model. The donation decision process can be divided into five phases which represent different windows of opportunity for marketing to enhance helping behavior (Guy and Patton 1989). Despite the somewhat over-simplified nature (i.e., a linear process) and the previously mentioned limitations of the model (e.g., the passive view), the model provides a useful framework for investigation of the interactive relationship between charity marketing and donation symbolism.

in the context of donating to charity. Making donation look or feel 'easy' does, indeed, in some ways devalue the act of donating. The sacrifice made by the donor seems to represent the ultimate mediator of the donors' self-attribution. Our findings suggest that by over focusing on making the potential donors feel as being able to help and by trying to convince them their donation 'won't hurt', charities often decrease the donor's ability for self-attribution. By over simplifying and even "commercializing" the process of giving, the process gets perceived more as a typical transaction - as exemplified by the respondent's metaphor of charity as a supermarket presented earlier. Charities may wish to be careful when approaching the issue of donors' perception of their ability to help and designing different modes of giving. Our results seem to suggest organizations should strive to portray the gift as important to both parties (the recipient and the donor). While organizations should find ways for donors to execute their donation in an uncomplicated manner, they also need to account for the symbolic meaning of donation.

Conclusion

Theoretical and empirical analyses suggest that donor behavior has a strong symbolic meaning. Both the social issues addressed by charitable organizations and the ways individuals respond to them hold a very special position in people's lives. Donor behavior is laden with emotion that often surpasses the grip of rationality. It represents a rich source of attribution both for those who donate and for others who witness it. The act of donation can be used as a powerful tool to communicate a person's self-concept. The existing plea-response models of donor behavior disregard this aspect. However, reflecting on Schau's (2000) framework, attribution is only the last phase of the process of *imagination* (abstraction, interpretation and attribution). The true symbolic meaning of donation can only be uncovered by understanding the imagination process in a holistic manner.

By constructing their own meanings of donation to charity, donors and their referent others actively participate in the process of creating donating benefits. On the other hand, the donor's interaction with donation symbolism is in part determined by the marketing efforts of charitable organizations. These efforts need to recognize the existence of donation symbolism in order to prove themselves effective. Acknowledging the meaning donors ascribe to donation is a necessary step towards a true need orientation of charity marketing. This finding may be particularly relevant to charity marketers in ex-socialist economies who are often blind sighted by the fast changing environment and the rapid evolution of the charity sector. However, further research is necessary to extend our knowledge of donation symbolism as it relates to charity marketing in the cross-cultural context. Clearly, our study merely provides preliminary insights into the interdependency between donation symbolism and charity marketing. It is hoped that the findings of this research open up new avenues for researchers and marketers in the charity sector, and generate new knowledge development in the arena of macromarketing.

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Community-Initiated New Enterprise Development: A Business Model with Potential for Developing Social Capital as well as Economic Growth

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Abstract

The community banking initiative established in Australia by the Bendigo Bank is acknowledged by a diverse range of interests to be a success in social capital and community capacity building terms, as well as commercial and economic terms. This collaborative business model is predicated on a unique partnership between commercial enterprise and communities that is mutually beneficial. Because of its ability to foster social as well as economic growth and wealth creation, the community bank model would appear to hold potential for adaptation in other industry sectors. This model and practice provide a highly fertile opportunity for research that will serve to advance business knowledge, inform theory development and teaching curricula, and enable adaptation of the model elsewhere.

Introduction

The community banking initiative, established in Australia approximately five years ago under the auspices of the Bendigo Bank, is predicated on a unique ownership, structural and operational framework that has been widely acknowledged by a diverse range of interests to be a success in various terms of a social and community nature, as well as a commercial and economic nature. In this paper we explain this framework and what makes it different from community banks in North America. We also discuss implications germane to the development of a grounded theory appropriate to modelling, explaining and researching this framework and practice and, thereby, enabling its adaptation elsewhere.

The paper begins by explaining the genesis and nature of the community bank concept, and highlights some of its researched outcomes and impacts. We then consider theory germane to grounding and explaining the concept and its success but, correspondingly, discuss ways in which the community bank model appears to transcend or differ from what is contained in this literature. This culminates in a putative model that has been conceptualised for the purposes of further research.

Community Banks in the Australian Context - Genesis, Nature and Impacts

Over the past ten years or so, similar to experience elsewhere internationally (Denny 1995; Sraeel 1995), Australia has experienced a wave of bank branch closures in a wide range of areas deemed by the major banks to be of insufficient size and substance to warrant a branch presence and the costs of maintaining this (Ralston and Beal 2000). In other words the decision to close these bank branches has been largely for economic rather than any other reasons. More than one third of these closures have been in comparatively small country towns, many of which were left with no banking facility of any kind. This has had the impact of depriving individuals and business of convenient banking

capital, spending and employment, an enhanced sense of community, increased confidence in both the future of the community served and its ability to act in its own interest (Byrne *et al.* 2002). Economic effects were quantified using input-output analysis with a focus on the retail, medical and health and employment sectors. By far the largest effect was in the retail sector where the local spending induced by the presence of the community bank, resulted in an average increase in output (actual income) of 36 percent. In both the medical and health and employment sectors the average increases in output were 5 percent. When all economic sectors were considered, the analysis showed that the presence of a community bank resulted in an average increase in total output of between 3 and 7 percent.

Building community capacity has been identified by Australian state and federal governments to be critical to the on-going viability of relatively small regional communities. This implies skill development and leadership, inspiration and motivation, as well as the necessary physical and financial resources. These aims and aspirations are consistent with the articulated values and objectives of the BB. Ultimately, it is hoped that the desire to establish a community bank will be motivated by the community building benefits the initiative is capable of generating. In other words, the process of acquiring and operating a community bank of this type embraces key elements of the community building discourse, as well as more conventional considerations of a commercial, fiduciary and compliance nature.

It also bears noting that the role played by marketing in the resulting enterprise extends beyond that of marketing a range of services to pre-determined customer markets. Internal marketing is crucial to the cohesive and effective operation of each community bank, to the end of ensuring consonance of purpose and perspective among all stakeholders and staff and, thereby, enabling each enterprise to become soundly established within its particular community. Effective marketing of a community bank must also accommodate, reflect and respond to the social, cultural and capacity building needs and aspirations of communities in which they exist, in addition to the particular needs and requirements of customers served. That this has happened is attested to by the customer support for community banks and by the wider community support that they have engendered.

As a consequence, new and additional community banks continue to be established – but no longer solely in outlying rural and regional communities. Community banks have now begun to be established no less successfully in heavily populated suburban areas surrounding major metropolitan centers including Sydney, Melbourne, Brisbane and Perth. This raises a thought-provoking question about what constitutes and defines a community, particularly within large urbanized areas, and in what ways this serves to advantage the operation of community banks. A further question relates to what potential there is or might be to draw upon this sense of community, and the business model provided by the community banks, for the purpose of fostering new enterprise growth in other industry sectors. This warrants further investigation. First, however, it bears analyzing the nature of the community bank model with reference to relevant business theory, with the aim of illuminating its nature and uniqueness and identifying factors crucial to its success.

Towards Modelling the Community Bank Concept – Theoretical Underpinnings

The term ‘collaborative commerce’ has been used by some to characterise the Australian community bank initiative. This term, however, has been adopted and used by others elsewhere with different meaning (Deloitte Consulting 2002; Shuman and Twombly 2001), mainly in the context of supply chain management where it is advocated that web-based technology and systems can be used to facilitate communications, information, decision, process and resource sharing, and, thereby, to better integrate mutually dependent activities and reduce associated costs.

Customer relationship marketing and management programs provide yet further examples of attempts by firms to improve customer retention through maintained contact, communication and collaboration. All of these activities may be characterised as instances of collaboration, in one form or another, with suppliers, intermediary customers, business buyers or end consumers, but none take quite the same form as that exemplified by the BB community bank framework whereby collaboration with

Thus it can be seen that the BB conceptualisation of collaboration is more comprehensive and engaging than that apparent in the types of collaborative business relationships briefly described above. That this is so is given added weight when one considers that integral to the BB's business philosophy is the notion of mutual wealth creation, shared meaning, shared values and reciprocity; concepts that have strong social connotations as well as strategic implications. This notwithstanding, it must be acknowledged that the concept of collaborative business relationships, and the body of literature and theory that supports this, provides a germane and potentially useful frame of reference for the purpose of modelling and giving theoretical substance to the community banking paradigm and what makes it successful.

Customer Relationship Management

Customer relationship marketing and management, and collaborative marketing, provide yet further examples of theoretical constructs and practices that hold correspondences with the community banking initiative. The emphasis of the former is on systems and practices that enable an organisation to form and maintain an ongoing relationship with a customer, whereas collaborative marketing is predicated on the premise 'that companies conjointly work with customers to define, design, deliver and co-create value' (Sawhney 2002). Both are germane to the community banking concept, and both are alike in highlighting the role played by trust and commitment in establishing and sustaining these relationships (Garbarino and Johnson 1998; Morgan and Hunt 1994; Moorman *et al.* 1993; Dwyer *et al.* 1987). Trust and commitment are exemplified within the community banking paradigm through an inherent willingness of all partners to recognise and accommodate their respective and mutual needs, interests and aims including, significantly, those of customers and the local community being served, and through the enduring instrumental and attitudinal attachments of the partners.

Conjoint relationships in which trust and commitment are inherent elements, hold the potential for mutual value to be created, and encourage loyalty (Sirdeshmukh *et al.* 2002; Reicheld and Scheffer 2000). Organisations that work with customers to define, design, co-create and deliver value stand to contribute positively to their own bottom line performance by giving the customer what they want, and thereby foster loyalty. Value is thus co-created and equally shared. Community banks in the Australian context are community focussed enterprises that foster social, economic, commercial and community orientated value of potential benefit to a wide range of stakeholder interests. Thus value in this context has a multi-faceted meaning and multiple beneficiaries. This value is also co-created by all participants and stakeholder interests to mutual benefit, and is contained in a form wherein the commitment and loyalty of participants is structurally assured.

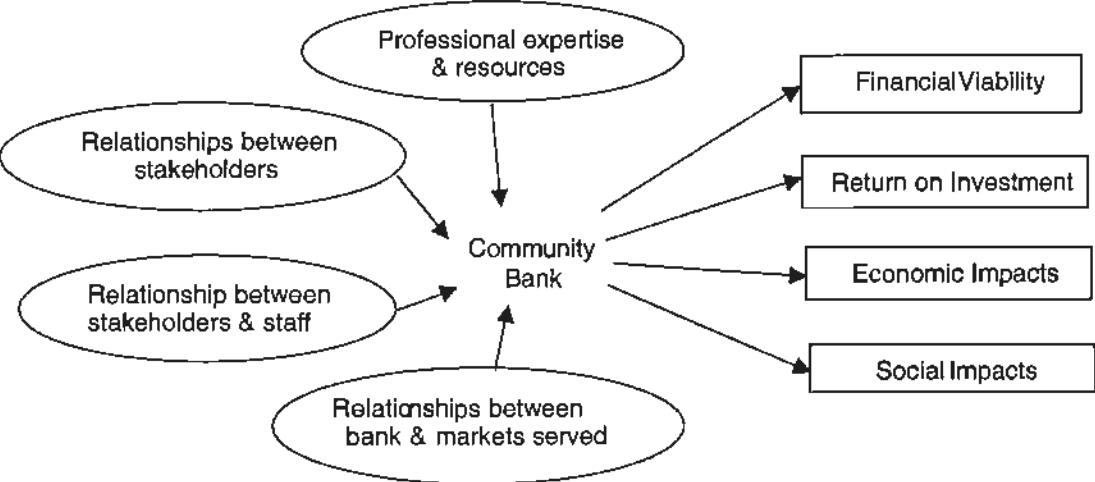
Conceptually, customer relationship management is predicated on the assumption that relational stakeholders are distinct and independent entities. By contrast, the partnership forged through the formation of a BB sponsored community bank is not independent of the community and customers it serves. Rather, it is a joint venture in which the community has multiple interests – social and emotional as well as economic and financial. Furthermore, the commercial, social and community exchanges that underpin the resulting enterprise highlight the interdependent nature of the community banking concept. These interdependencies are representative of the integrative nature of the community banking framework, and its ability to secure the commitment and loyalty of people not only as customers but, also, as joint stakeholders. Its success can be attributed to two inter-connected factors: first, an enlightened cognition of comprehensive needs of the external environment; and second, the ability to understand, accommodate and respond successfully to the disparate needs, interests, aims and aspirations of the participating parties. The diversity and strength of these interdependencies, coupled with the success of community banking, suggests that the participants have succeeded in advancing the concept of customer relationship management in new and different ways. Correspondingly, the commitment of the partners to work together to define, co-create and deliver mutual value would appear to fulfil the precepts of collaborative marketing, but in a form whereby the partners and other stakeholder interests are linked structurally rather than loosely.

Business Model Inputs

Relationships and their effective management appear to be a key factor in how the community banks operate. These include relationships between community bank stakeholders, inclusive of staff, and relationships with communities served. The ownership and organizational structure of community banks provides a framework and formal bond that underpins and serves to facilitate the former in a manner atypical of more conventional business organizations. Correspondingly, the bonds created with communities served also link the enterprise with customer markets in an uncommon and distinguishing way. Therefore these relationships are central to the constitution and operation of these community banks. As a consequence, the management of these relationships, how they are nurtured and maintained, also appears to be a key factor impacting on the performance of each community bank. This is not to underestimate the affect and importance of business acumen and other resources requisite to managing a successful commercial enterprise. This is acknowledged. As well, however, a distinguishing feature of the highly successful adoption and patronage of community banks appears to lie in the relationships that are forged within each bank and community, and how these are managed. These relationships are not necessarily unique to community banks but we argue that they and their management appear to take on heightened importance in this context and, therefore, may be reasonably expected to play a central role in the performance of each community bank.

As acknowledged earlier in this paper, intensive internal and external marketing also appear to be crucial to the successful operation of each community bank. In the model below this is intended to be accommodated within the professional expertise construct. At the same time, however, we acknowledge the possibility or likelihood that marketing may warrant more independent attention, particularly insofar as establishing the effect of what may be classified as marketing-related activity on the wider economic and social impact of community banks. We anticipate that this will be clarified in the course of ensuing research.

Figure 1: A Putative Business Model of Australian Community Banks



Business Model Outputs

Clearly the business performance of community banks, like any commercial enterprise, must be assessed in financial terms. Thus financial viability and return on investment represent measurable indicators of the financial health and success of a community bank. As well, however, their broader economic and social impacts must also be taken into account as performance measures, mindful that a stated aim of the BB is to establish community banks in such a way that the community contribution goes substantially beyond simply banking.

also exists to examine the concept through a variety of different disciplinary lenses or perspectives and with reference to the body of literature that supports each. In this way understanding of the concept and its successful operationalization will be enriched. Finally, research will enable the development and testing of a replicable framework elsewhere, and can also serve to identify markets and industry sectors likely to be conducive to the concept or model, or some adaptation of it. This research need not necessarily be geographically confined, and may be undertaken within, and/or with reference to, regions and markets nationally and even internationally. Findings derived from this research will serve to advance business knowledge and theory development. In turn, this cumulative body of knowledge can be drawn upon to inform teaching programs, and to enable adaptation of the concept in other industries and industry sectors.

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Business-Initiated Macromarketing: Seeking Public Policy Favours

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Abstract

It is presumed that at the receiving end of public policy, business is obligated to confer social good. The literature seldom explains why some successful businesses choose to contribute more social good than they are compelled to put in. This paper suggests that by strategically and proactively conferring social benefits to a segment of the society rather than reactively fulfilling social obligation to the society as a whole, businesses stand to influence the making and executing of public policy. Such execution appears to come with its own exchange logic: macromarketing exchange.

Introduction

In its fifteenth year of operation, Gloucester Coal Ltd, an open-pit coalmine near Newcastle, Australia is confronting a problem. The mining operation's annual return on investment has tumbled because of the depletion of the deposit, whereas the land value has appreciated because of soaring Sydney real estate prices. In order to carry out the will of the board, which is to maximise the overall return on investment, the management has no option but to enhance the land value. In essence, the technical and managerial means of enhancing mining productivity have been exhausted. One way of enhancing the land value is to identify needs of potential residents and to convert the mine site into a residential community. Gloucester Coal's altruism has exceeded expectations with the business contributing more than what the local community expected.

In adopting such a proactive societal approach the mining business resembles the operations of a government whose basic function is to ensure that a sufficient number of those governed are satisfied with the program of those who govern. Governments, local, state and federal are perceived to have positive societal virtues and are custodians of the resources and skills to make and execute public policy. However, researches have shown that businesses are effectively rivalling governments in both making and executing public policies (Bauer, Poll and Dexter 1972; Baysinger 1984; Douglas and Larche 1979; Kaysen 1975; Keim 1981;2002; Keim and Baysinger 1988; Zeithaml, Keim and Baysinger 1985; Zeithaml and Zeithaml 1984). Keim (2002) suggested that business has surpassed its co-operative role and now competes with government in making and executing public policy. This paper reinforces the role of business as a proactive contributor of social good and identifies that business is an important macromarketing exchange party that is increasingly becoming a proactive public policy influencer. This paper attempts to contribute to the emerging theory on business's marketing behaviour in a public policy setting. The paper begins with an examination of what constitutes a public policy market.

Rationale of a Public Policy Market

Friedman's (1970, p.122-126) newspaper editorial entitled "The Social Responsibility of Business is to Increase its Profits" has been the subject of much criticism from protagonists

to Pandya (1987) is determined by a centre of redistribution such as a government. Pandya (1987) implies that these seemingly non-reciprocated exchanges are political. What Pandya (1987) and others (eg. Banks 1985; Belk 1979; Pandya 1987) left unexplained was the rationale that underpins such redistributive exchanges and the possibility that the recipient of gift will discharge the remainder of reciprocity by delegating the centre of redistribution to reward the donor of social good.

Carroll (1979) argued that those businesses that exceed the parsimonious requirement fulfil their discretionary responsibility, which is the most generous form of businesses' contribution to the society. However, business ethicists Bowie and Freeman (1992) and Hasnas's (1998) argued that although there may be interim objectives, the ultimate objective of a business is profit enhancement as Friedman's earlier quote suggested. When the business realises that its discretionary offer of social good far exceeds what it is liable to offer, the business may retract the exceeded portion. Priddle (1994) and Sirgy and Lee (1996) argued that the ultimate goal of a business *should be* the production of social good rather than profit maximisation but this breaches the conventional wisdom which sees business as a profit seeking social entity (Hunt 2002;1976).

Other scholars (Belk 1979; Chaganti 1978; Fennel 1987) have also argued that business is not exclusively a profit maximiser. In the case of Ben and Jerry's Inc., the major stockholder chose to devote 7.5% of the publicly listed company's profit to benevolent organizations. However, Ben and Jerry's personal preference in producing social good that is hardly assorted had negative outcomes on the business (McInerney 1998). Unless the definition of business is made congruent with that of an entity that is inherently the representative of a society in its entirety, it could be argued that business *must, will and should* continue pursuing their inherent primary interest of profit maximisation, notwithstanding their voluntary or involuntary production of social good. Other scholars have been trying to reconcile the discrepancy between what business *should* offer and what business *is* offering. Holding the view that the ultimate goal of a business *should be* the production of social good, Maignan and McAlister (2003) recommended that businesses *should* proactively engage in operations that produce social good at little expense to financial performance. However, this recommendation does not explain why some successful businesses, in Maignan and McAlister's (2003) own examples, continue to engage in the contribution of social good at significant expenses to profitability.

We suggest that excess of social good over social responsibility is returned to business in the form of public policy favour, which complements an exchange between business and society. Based on general reciprocity of exchanges, a business donor of social good excess is rewarded by the society. The reward could be to convenience the business so that it could be a more significant and sustainable donor. The ranking of redistribution (Pandya 1987), for example, would concern not only the optimisation of the meeting of recipients' demand of social good, but also the optimisation of donors' supply. A public policy could be an institutional force that favours significant donors of social good excess. A business can choose to produce social good excess significant enough to elicit public policy favour. In the event of many business and non-business entities contributing significant social good excess, there are public policy markets which may be analogous to product markets in which cash and products are exchanged (Keim 2002). In a public policy market, a business exchanges with other businesses as well as with a government or governments (Hutt, Mokwa and Shapiro 1986; Keim 1981;2002; Keim and Baysinger 1988; Zeithaml, Keim and Baysinger 1985).

Competition and Segmentation in a Public Policy Market

The existence of competition in a public policy market is recognised on recognition of such market, because competition coexists with market (Day and Wensley 1983). Competition like the scissors of demand and supply is fundamental to the smooth operation of market.

The Exchange between Public Policy Favours and Social Good Excess

Instead of exhorting business to contribute social good excess, a macromarketing approach of competing in public policy market examines the rationale of such contribution. The essence of positive spill over effect of micromarketing is that the production and delivery of social good is inadvertent. The discharging of reciprocity of exchanges suggests that the social good excess over social responsibility is somehow returned to the donor. When the production and delivery of social good is inadvertent, the return is likely to be ad hoc in variety and quantity, by many unknown parties, in an unspecified time and unnoticeable. To maximise the utility of this return to the donor, the production and delivery of social good needs to be organised. If macromarketing is of marketing, and marketing benefits both marketer and marketee, macromarketing would benefit both macromarketer and macromarketee. More specifically, an exchange between public policy and social good excess is of macromarketing because a macromarketee would benefit from social good excess and a macromarketer would benefit from public policy.

Exchange between Social Good Excess and Public Policy Favours

Like many other social entities, by achieving some of the objectives of other entities involved, a business achieves its objective (Bagozzi 1975; Thibaut and Kelley 1986). That a social entity, such as a business, can achieve its primary objective without achieving that of others' and that an entity can be exhorted to primarily achieve the objective of others are not of an exchange perspective from which the business's willing contribution of social good excess can be explained.

To address these issues, Hu (2003) proposed a model identifying the rationale behind the Width and Depth of marketing:

- Width of marketing—the extent to which a marketer involves other social entities in effecting exchange
- Depth of marketing—the degree to which a marketer advances other social entities involved in effecting exchange

Being a continuum with micro and macro extremities, Width of marketing originates from the micro/macro dichotomy in Hunt's (1976) Three Dichotomy Model. Width of marketing essentially agrees with the micro/macro dichotomy in using the aggregation level to differentiate micromarketing from macromarketing. It disagrees with Hunt's (1977) dichotomisation that "...micromarketing focuses on the internal marketing interests of businesses, whereas macromarketing focuses on the interest of society concerning marketing activities". It agrees with Arndt (1982) that the interest of an intermediate level between business and society must also be integrated into the domain of marketing. It further recommended that this intermediate level could be expanded to the gamut of a continuum, which reconciles micromarketing and macromarketing instead of polarising them. Width of marketing is a marketer's discretionary value, which proposes that:

- Micromarketing focuses on the internal marketing interests of a marketer
- Macromarketing focuses on the interest of all of those involved in the marketer's marketing activities

Being a continuum with private and public extremities, Depth of marketing ranges from a marketer's private self-interest (which has absolutely no commonality with the interest of the

2. to contribute the same amount of social good as it is responsible to
3. to contribute insignificant social good excess
4. to contribute significant social good excess

A benefit a business has to seek is society's sanctioning of the legitimacy of the business. Hence, the first alternative is of an approach that could only be a short-term measure and is a non-option for many businesses. The parsimony of the second alternative essentially suggests that society grants sanctioning of the business but the business barely fulfils its social responsibility and seeks no public policy favour. The third alternative suggests that there could be a macromarketing exchange between social good excess and what is additional to a society's sanctioning the profitable operation of the business. In other words, insignificant social good excess is in exchange with ad hoc public policy favour. A business that has a macromarketing program in systematically and selectively contributing significant social good is in the position to influence public policy for the cause of its business.

That businesses of superior financial performance are proactive in systematically exchanging significant social good excess with public policy favours will be empirically tested in a study which this paper is part of.

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Moral Maturity and Ethics for International Economic Organizations: A Proposal for a Classification Scheme

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Abstract

This paper outlines a few ideas for a possible extension of an article recently accepted for publication (in 2004 or 2005) by the Journal of Business Ethics entitled: "When in Rome... Moral Maturity and Ethics for International Economic Organizations". Whereas this paper uses many of the same arguments as the previous paper, it seeks to extend it by developing a classification scheme (table one) for different approaches to business ethics for organizations working across multiple cultures. Your comments and suggestions are welcome.

Introduction

Ford, BP, Shell, Enron, Statoil, Ikea, GAP, Nestlé, NIKE and Parmalat are just some of the large international economic enterprises that have come under ethical scrutiny for their exchange/trade (marketing) activities over the past decade. Some of these have broken laws and engaged in criminal activity. Others have sought to maximize their earnings in ways that they thought were legitimate based on a straight forward, "**short term cost/benefit**" analysis without breaking local laws. As the news of these practices emerged, many were clearly violations of peoples' conventional sense of right and wrong. The response to this has been the emergence corporate offices of social responsibility and triple bottom line reporting. This has brought an increased sensitivity to these issues into the boardrooms as one has sought to align corporate values with the conventions present in the surrounding culture. This development can be described as the "**follow local conventions**" school of thought, because it pays to be ethical in the long run. However, in an ideal world, one might argue that one should act according to **basic ethical principles** because it is right to do so, not only when it is profitable. The purpose of this article is to look at the ethical maturity of economic and corporate reasoning and develop a classification scheme (see table one) for ethical analysis.

Ethical maturity

Lawrence Kohlberg (1971) suggested six possible stages of ethical maturity as he looked at how children achieve ethical maturity. Stages one and two (the *pre-conventional* stages) can be described as a rather egoistic, a "sticks and carrots" view of ethics. A child will typically seek to avoid pain and to seek pleasure. Dog obedience training takes on much the same characteristics; rewarding good behavior and not bad behavior. As we seek to apply this framework to economic organizations, we can say under this view of ethics, one may pay taxes because one fears the consequences of not paying, or one may pay or receive bribes if the risk of discovery is sufficiently low. If the expected value of the benefits of an act exceeds the expected value of the costs, one may proceed with the act. This view of ethics allows one to speed between the speed traps. For the purposes of this paper, this view of ethics will be referred to as the "**sticks and carrots**" view of ethics.

The following two stages in Kohlbergs work are based on adhering to the *conventions* of ones immediate group (stage three) or of society as a whole (stage four). It is important to do what the others are doing, follow fashion, get approval from ones immediate friends, act as the local culture expects, do what the others do because "everybody is doing it...". For economic organizations, this is the conventional ethics of the industry – how we do things in the oil

benefits while minimizing costs – or maximize pleasure and minimize pain. A good managers knows how to manage all the elasticities of the firm using each input in an optimal manner for maximum overall performance. For marketers this means finding the best product attribute combination for optimal market segment, choosing the optimal communications strategy, selecting a pricing policy that generates the optimal level of revenues and deciding on a distribution strategy that brings the offering to the selected segment as efficiently as possible. The exchange facilitation process, (the marketing process) needs to be efficient.

The cost/benefit analysis is at the core of business decision-making and mirrors some of the ethical schools in the *sticks and carrots* column in table one above. This view of ethics was used by Ford Motor Company when it was decided not to install a device which would protect the Ford Pinto from bursting into flames in left turn rear end collisions: $(\# \text{ of accidents})(\text{cost per accident}) < (\text{cost of part})(\# \text{ of vehicles sold})$ (see Shaw & Barry 1992, p 87). The application of this kind of sticks and carrots calculus met with public outrage and it was clear that it was unacceptable by convention in the American culture. Selfish egoism and objectivism would represent a narrow view of these schools of ethics. The "sticks and carrots view" represents much of what we teach in economics and finance in business schools. This kind of reasoning, however, requires an extensive set of social controls, increase transaction costs and not be very efficient in promoting the greatest good for the greatest number.

During the past 30 years, we have seen the emergence of very different views of the firm. From microeconomics and in finance we have seen the emergence of transaction cost economics and principal agent theory, both of which assume that man is opportunistic, selfish and not necessarily honest. We therefore need to create control systems (sticks) and incentive systems (carrots), which promote and protect the welfare of the owners or of society as a whole from opportunistic managers. The emerging area of corporate governance addresses these problems at the intersection between strategy and finance. This view assumes that individuals are selfish egoists and must be carefully controlled. The desirability of the carrots may have been stronger than the fear of the sticks in the cases of Enron, Parmalat and perhaps for some of the Russian oligarchs.

Multinational corporations (MNC's) may be associated with the *ethical egoist* view of ethics. MNC's have been seen as uncontrollable economic power houses pursuing their own interests with little regard for the environment or for the well-being of people in developing countries. This impression is consistent with a narrow view of the economic man's self interested behavior taught in many business schools. Transaction cost economics posits that man is opportunistic i.e. «self-interest seeking with guile, to include calculated efforts to mislead, deceive, obfuscate and otherwise confuse» (Williamson 1994, p. 102). Similar assumptions underlie the principal-agent model (PAM) where general shirking, effort aversion, and deceitfulness is assumed on part of the agent who is assumed to have no moral barriers against dishonest behavior (Jensen and Meckling, 1976, Bøhren, 1998). Business schools tend to recruit a disproportionately high number of self interested students (Frank et. al. 1993).

Business schools may reinforce this view and the students may conclude that if everyone thinks it is normal behavior to cheat and deceive, then people will cheat and deceive without feeling guilty (Noreen, 1988). Future managers learn that they should not trust the people they deal with inside and outside the firm as they are expected to cheat if they can. Indirectly, that makes it OK to cheat (if you do not get caught) as this is the expected behavior. Managers are taught to work for their own benefit and for the benefits of the owners, and the two are often connected through incentive programs that link the economic interests of the owners to the economic interests of the managers. If it is legal, go ahead and do it, use cost/benefit analysis as a (moral) guide. Pay as little as possible and charge as much as possible.

Conventional ethics: The ethical egoist view is quite different from the ideas espoused by the fathers of *utilitarianism* and economics, and how they saw the usefulness of markets and

and honesty. This view of man is more long term oriented and perhaps more in line with J. S. Mill's view of utilitarianism maximizing the happiness for the whole sentient creation.

An organization depends on the *trust* of its stake-holders (Freeman 1997) for long-term survival. Among such stake-holders are owners, customers, suppliers, business partners, governments, employees, NGO's, local communities and the public at large. The ethical failures that we have seen in the recent past have been due to excessive regards for the interests of the management at the expense of the interests of owners and other stakeholders. One cannot think of very many who would want to transact with people or organizations they could not trust. Trust is "the cement of society" (Elster 1998) "Trust is the expectation that arises within a community of regular, honest and cooperative behavior, based on commonly shared norms on the part of other members of that community." (Fukuyama 1995 p. 26). Trust can be seen as a shared set of expectations in a culture or adherence to conventions. It would be difficult to recruit and hold on to investors, suppliers, customers, employees, business partners and keep the confidence of governments and NGO's if one were not trustworthy. Without trust, the transaction costs would skyrocket and our ability to transact efficiently would be seriously impaired thus result in a disintegration of our economy. Every year, firms invest heavily in their own reputation and their brand names, making sure that they do live up to their promises implied in their reputation and their brand names.

Life itself would be intolerable for us and for the corporations if we could not trust the products we use everyday. Therefore we trust our banks, our food, our homes, our cars and our computers to do the job we expect them to do according to local conventions. I may not have high expectations of what a given fast food restaurant will serve, or how a computer program will perform - but as long as they produce what I expect - there is trust - or at least a degree of predictability. This may be called an enlightened view of self-interest. It is "good" for a firm to have good and trusting relationships with its key stakeholders. This may also benefit the owners in the long run. To say that the only social responsibility that a firm has is to maximize the return to its owners may not be at odds with a stakeholder view of the firm. It is up to civil society to set the rules of the game; create the institutions that govern what firms can and cannot do, and it is up to business to maximize wealth within these rules. In this view one can say that "ethics pays" in the long term. Thus the challenge is to provide sticks and carrots and governance mechanisms, which promote the long-term welfare for all, and combats individual short-term opportunism. This is what convention or a culture does well; provide moral guidance for long term survival based on the experiences and wisdom of the past. It is still related to a sticks and carrots view as the institutions developed do provide incentives to conform to the norms through various rewards like social acceptance and admiration and punishment like loss of face, shunning and social exclusion.

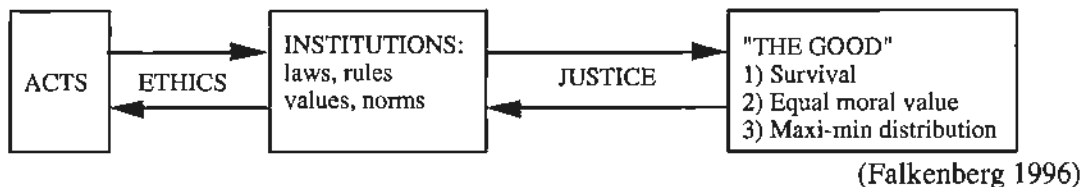
Convention: Institutions "traffic rules" for economic activity: Modern and well developed markets do not operate according to the "law of the jungle" with guile, opportunism and deceit. They function within a set of "traffic rules" or institutions, which have evolved over time. Institutions are humanly devised constraints that shape human interaction (North, 1990). Institutions include the *legal and regulatory framework in a jurisdiction as well as the norms, values, customs and patterns of behavior* present in a particular place at a given time.

In a democracy, the institutions reflect the cultural values present in a country. One can say that the institutions represent the current *conventions* to use Kohlberg's terminology. The will of the people is reflected in the institutions through a democratic process. Thus we will have different institutions in different cultures - as for example in the US, Scandinavia and China. Economic organizations therefore face a different set of institutions in different countries. In Western markets, these institutions generally make sure that the economic organizations do not act in a manner which causes harm, do not violate peoples' rights, the environment or break with principles of justice. Firms are expected to promote their own interests and the interests of society at large. The institutions are like traffic rules that are internalized in the members of a culture in a common set of do's and don'ts. (see Hofstede, 1984)

sexual orientation etc. Two persons of equal talent and equal motivation must be considered as equals when it comes to obtaining resources and entering different arenas like education, politics, employment, professions etc. (equal rights, equal opportunity; also equality before the law). One should maximize freedom given equal freedom for all. (Rawls, 1972). This is the most basic of principles. (Principle = first in authority). It should be noted that Equality does not mean equality of outcome, i.e. equal pay for all who work (or do not work), or equal wealth for all inhabitants. This can only be achieved through authoritarian removal of basic freedoms of choice. The Equality principle is commonly violated in many cultures. 60 million women and girls are missing in China. Pakistan and India also have a shortage of women in their population records. This is gender discrimination with deadly consequences. (Falkenberg, 1995).

2) *Just institutions*: A second test is based on justice and the ability to see the acts from the other persons' viewpoint. One part of justice is equality before the law as implied in the «golden rule»: Treat others as you would like to be treated. Children use this suggesting that a cake be divided by the "you cut it and I chose first" principle. A similar formulation was used by Immanuel Kant: "Act as if the maxim (= general truth, principle) of your action were to become, through your will, a universal law of nature" (Kant 1800) John Rawls (1972) takes this one step further as he suggests that we imagine ourselves in "the original position under a veil of ignorance" as we seek to derive a set of basic principles of justice. This can be extended to include an international perspective. If we do not know what lives we will live nor when or where we will live, then what institutions would we want to recommend for our society? Based on Rawls (1972), Falkenberg (1996) suggests that the test for just institutions (norms, values, laws and rules) is whether these promote three basic principles for «the Good». The three are 1) survival 2) equality of moral value and 3) a distribution of index goods according to the maxi-min principle.

Figure One: The relationship between ethics and justice



If individual or organizational utility maximization moves us farther from the three principles of «the Good», then the institutions are unjust and the acts may be considered unethical. Concerns for the bottom line must yield to concerns for justice. Profits gained by slavery, severe pollution, exploitation of weak groups or plundering natural resources are indeed ill-gotten.

3) *Rights and duties*: A third perspective is based on rights and duties. From the US Constitution (1789) and the French declaration of human rights (1789) to the UN declaration on human rights (1948) individual rights have been studied and developed as a basis for a humane and civilized society. Thomas Donaldson (1989) has developed a rights-based perspective useful for multinational firms based on Shue (1980).

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**Table one:
Three approaches to ethics in economic organizations:**

	Sticks and carrots ethics	Conventional ethics	Principled ethics
Basis	Reward and punishment	Follow convention	Follow universal principles
Unit of analysis	Micro (near, now) Individual, (organization)	Messo (local, now) Local society, culture	Macro (cross time and space) Cross cultural - universal
Time frame	Short term returns	Intermediate returns Quarterly - to 5 years	Long term good a work life across generations
Ethics	Sticks and carrots Selfish egoism Cost/benefit Consequentialist	Social acceptance Utilitarianism Cost/benefit Consequentialist	Based on Principles Justice/Human rights Justice/Rights driven Deontological
Behavioral assumptions	Shirking, opportunism Free riders	relationships, reciprocity trust, social controls	Driven to do what is right
Economics/ Business theory	PA theory Transaction cost theory Perfect comp./commodities Governance problems	Resource based view Stake-holder vlew Networks/relationships Branding/differentiation	Moral leadership Flow, positive reinforcement Stateamanship
Incentive structures	Short term Visible Controls/incentives Financial/material	longer term incentives financial and social local reputation	long term financial and intrinsic judgment of goodness
Problems	Individual interests versus the good of others Make money, honestly if you can, but make money	Culturally based ethnocentrism everybody is doing it... when in Rome...	Institutional change agent hard to get local acceptance could be costly
Corrective processes	Laws, regulations, police, discovery	NGO's and the press changing convention and institutions	Philosophy, human right advocates "movements" seeking to change cultures, conventions and institutions
Operationalization	Expected value calculation of rewards and punishment Speed between the speed traps	Expected long term value Enlightened self interest It pays to be good long term	Principled reasoning Good for its own sake Be good, even if it does not pay

The first investigation asks the research question: What is the content of issues within stakeholder groups that leading firms are addressing on their websites regarding corporate social responsibility? To address this query, a qualitative study of the legal, ethical and moral statements available on the websites of Forbes Magazine's top 50 U.S. and top 50 multinational firms of non-U.S. origin were analyzed within the context of stakeholder theory. The results will be presented thematically, with implications for social responsibility among marketers in global organizations as well as researchers interested in business ethics.

The second study examines the actions of firms designated by socially responsible investors as passing diverse screening criteria on appropriate corporate behavior. Ten firms were common among the twelve largest socially responsible mutual funds currently in operation, including Bank of America, Cisco, Coca-Cola, Fannie Mae, Intel, Johnson & Johnson, Merck, Microsoft, Pfizer, and Proctor & Gamble. A full census of these companies' websites and several hundred news stories that were listed on these sites represented the data for evaluation. Consistent with the first investigation, the findings will be presented thematically.

Both studies are completed; data are analyzed and fully available for discussion. Please see the following articles for more details.

Snider, Jamie, Ronald Paul Hill, and Diane Martin (2004), "Corporate Social Responsibility in the 21st Century: A View from the World's Most Successful Firms," Journal of Business Ethics, forthcoming.

Hill, Ronald Paul, Debra Stephens, and Iain Smith (2003), "Corporate Social Responsibility: An Examination of Individual Firm Behavior," Business and Society Review, 108 (September), 339-362.

The Domains of Consumer Behavior and Macromarketing

Arnould, Price, and Zinkhan (2004) present a deliberately broad definition: *We define consumer behavior as individuals or groups acquiring, using, and disposing of products, services, ideas, or experiences.* In their view, the activities of acquiring, using, and disposing define the domain of Consumer Behavior, as a field of study. Table 1 elaborates each of these major categories of consumer behavior into a set of more specific activities.

Table 1
The Domain of Consumer Behavior

Acquiring:	Consuming:	Disposing:
Receiving	Collecting	Nurturing
Finding	Cleaning	Preparing
Inheriting	Evaluating	Serving
Producing	Displaying	Storing
Purchasing	Wearing	Sharing
	Devouring	
		Giving
		Throwing away
		Recycling
		Depleting

Arnould, Price, and Zinkhan (2004), p. 9

Three observations should be made. First, the activities mentioned in Table 1 are behaviors of which purchasing is only one. Most are not conducted in an arena generally thought of as a “market,” but all, at least conceptually, are – or may be – performed as part of the “flows” of any provisioning system. Second, many of these behaviors are initiated by consumers and not necessarily in response to the actions of marketers. Third, many, if not all, involve actions that have consequences for others. Put differently, consumer behavior – as a set of activities – includes market and non-market behaviors by consumers that occur in a context of social interactions.

The “Guide for Submission of Manuscripts” for the *Journal of Macromarketing* describes the domain of Macromarketing as a field of study: “The *Journal of Macromarketing* focuses on important societal issues as they are affected by marketing and how society affects the conduct of marketing.” Put differently, the interactions between marketing and the larger social systems in which they are embedded are the stuff of our field. Obviously, consumers are part of that picture.

Table 2 attempts to show the possible interactions between the three broad categories of forces and actors that affect and are affected by the marketing system. First are the supra-

between, and among, cigarette advertisers and regulators. In an historical study, Solow (2001) found that the interaction among cigarette advertisers, in the form of collusion rather than regulation, was responsible for the end of fear advertising. While competition, as a force, would be defined as a supra-organizational phenomenon, straight-out studies of organizations' competitive activities and the effects on their competitors would be included in Cell 5, as in the study reported by Porter (1996) of the rivalry between large and small firms in colonial Nigeria. A quite different type of study, but still in this category, is the more prescriptive work of Samli and Jacobs (1995) who examined the benefits in international trade of strategy congruence between governments and firms.

Cells 2 and 4 define the interactions between supra-organizational phenomena and organizational behaviors. While interaction is an iterative process making the isolation of "causes" and "effects" an often futile exercise, most studies describe the effect of A on B, and the matrix reflects this convention. Thus, Cell 2 is intended to include those works in which the nature of the environment affects the decisions made by organizations. This would include such studies as Carman and Dominguez's work (2001) on the possibilities created for firms by the changing environment of transforming economies. Earlier work by Dahab, Gentry and Sohi (1996) examined the limitations transforming economies imposed on decision makers. In another study, Nill and Shultz (1997) looked at the ways in which the ethical systems of different cultures impact the decision makers who would market within those societies. By contrast, Cell 4 would call our attention to the effects of marketing decisions on the environment. For example, Belk and Groves (1999) studied the mixed effects of the development of marketing strategies for Australian aboriginal art on the Aboriginal culture. Other examples would include Polonsky and Wood's piece (2001) on the harm done to society by the over-commercialization of cause-related marketing, and Prothero and Fitchett's (2000) more prescriptive description of the possibilities for well-done marketing of green products to improve the physical environment.

The Domains Intersect

It can be argued that consumers, as participants in the market system, are necessarily part of any market interaction, when considered broadly. For example, there wouldn't be any effect on culture by the marketing of aboriginal art unless at least some consumers made purchases of the art, although it is conceptually trivial for the intended purpose of the Belk and Groves study. In the framework proposed here, Cells 3, 6, 7, 8, and 9 explicitly include the behaviors of consumers, and represent the intersection of the domains of Macromarketing and Consumer Behavior, as fields of study.

To begin with Cell 6, it describes the studies of the effects of marketers' (and public policy makers) actions on the behavior of households, which is to say the vast majority of the literature of Consumer Behavior, as the field now exists. While we tend to think of this cell as being beyond the bounds of Macromarketing, our literature shows that such studies are possible, as exemplified by research on the effects of promotion on the consumption of infant formula in developing countries (Gilly and Graham 1988), or the effects of specific marketing actions on the consumers' perceptions of quality-of-life (e.g., Sirgy, Mentzer, Rahtz and Meadow, 1991).

Less numerous in the Consumer Behavior literature are studies of the effects of supra-organizational phenomena on the behavior of consumers (Cell 3). Given the definition of

- How do peoples' gambling winnings and (ultimately) losses affect their purchasing behavior? What are the effects on providers of other goods and services?
- How does antique collecting, in which collectors appear to define for themselves what is "collectible" and, therefore valuable, affect the nature of this market, especially its pricing?

Conclusion

It would seem that Macromarketing research is not only about the unit of analysis, but really about interactions in the market and the outcomes of those interactions. Consumers are not merely the affected parties of these interactions; their behaviors affect others. Acquisition, consumption, and disposal are important activities in our society and they have consequences for our environment, the structure and performance of the market economy and, in the end, for all of us. There are, or should be, many macro/consumer behavior questions to study.

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The Interrelationship between the Retailing Industry and the Economy in Transition - The Case of Croatia

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Abstract

This paper considers changes occurring in the Croatian retailing, providing the historical, economic, political and sociocultural context. In its long history Croatia experienced different stages of retail development. The historical background brings out different assumptions for retailing development that had appeared in the period of transformation from feudalism to capitalism era, and had continued in communism. Entering the new free market system Croatian retailing was changing at rapid pace. It was characterized by the entrance of the foreign retailers, the concentration process, linking of the retailing with the production sector, and changing structure of the consumption.

Introduction

Distribution channels, especially retailing, are among the most complex phenomena encountered in an economy. There is a multiplicity of factors such as economic, political, demographic, social, cultural and technological that provides opportunities or obstacles to the development of retailing (Boutsouki 1997, Sternquist and Kacker 1994, Bromley and Thomas 1993). On the other hand, the changing structure of retailing has many implications on economic development because it affects the industry (by directing the production programs towards the changing consumers' characteristics), the consumer sector (by creating new consumption patterns, new style of life, etc.), the employment, the social welfare, etc. To a large extent, distribution holds the key to improve living conditions around the globe (Kumar 1997). More emphasized, breakdowns in the distribution system are, at root, a threat to social and political order (Findlay, Paddison and Dawson 1990, 7).

If we observe the above mentioned in the context of the transition country such as Croatia, the complexity of the subject is more obvious. The process of transition is the process or a period of changing from one state or condition to another and its goal is efficient economic development under conditions of political democracy and social justice. Thus, to the implementation of this goal must be submitted all segments of transition (Vojnić, 2001) starting from the restructuring up of retailing (since it represents a vital link from production to consumption in nearly all economic systems, it is clear that the situation in manufacturing and consumption sectors depends upon the retailing efficiency).

There is large amount of Croatian literature in retailing which addressed the large set of issues, such as internationalization (Anić 1999, Segetlija 1999, Segetlija and Lamza-Maronić 2000, Gavranović 2003, Pavlek 2000), cooperation between retailing and production (Puljić 2002, Bilić 2002), concentration (Anić 2001, Knego 1999, Knego 2003, Tipurić 1994), the impact of international institutions (Šohinger, Galinec and Harrison 2000, Rupčić 2003, Matić and Lazibat 2001, Škuflić and Vlahinić-Dizdarević 2001), the marketing mix (Kesić and Soče 2001, Mihić 2001, Sudar and Keller 1991, Brčić-Stipčević and Renko 2003), consumer protection (Brčić-Stipčević, Renko and Delić 2000, Brčić-Stipčević and Renko 2002, Kesić and Piri Rajh 2000), ecological perspective (Brčić-Stipčević and Renko 2003), etc. The importance of the retailing for the Croatian public was illustrated by many media debates and by publishing many journals concerning the trends in retailing (e.g., *Suvremena trgovina*, *Progressive*, *RRIF*, etc.).

GDP, the agriculture had the largest level of employed and the largest portion of the population was poor. There was the lack of food, the productivity was very low, the production stagnated and the transport was completely incapacitated. The local retailers dominated in that period. After the First World War the economic crisis was indicated mostly in agriculture, which suffered from the effects of «the price scissors» of industrial and agricultural products (prices of agricultural products declined faster than prices of industrial products). As we said earlier, the majority of population was employed in agriculture and the decline in their buying power resulted in the decline of turnover in retailing. At that point of time almost every community represented separate market where prices were also created separately to each community, due to local conditions and relations between manufacturers and the first in-line middleman. The retailing was developing faster in quantitative than in qualitative sense. The retailing structure was characterized by many small undeveloped groceries. Also, the further development of the stores was considerably slowed down by the undeveloped legislation. Thus, in Croatia between two world wars, there were the following retailing formats (Segetlija 1999, 54):

- department stores (The first department store on that territory was «Kästner & Ohler» established in Zagreb between 1912 and 1914. It made a business on the principles of large European department stores and had its own catalog sale.),
- factory outlets (Some manufacturers had their own retailing network, like «Bata» in Borovo.),
- consumer cooperatives (It was the retailing format inherited from the Austro-Hungarian empire.)
- small private stores.

Retailing after the Second World War

In the immediate post Second World War period the Yugoslav government (we point out that Croatia was constituent part of Yugoslavia) faced different problems accentuated by the devastation due to the war and underdevelopment (Pecotich, Renko and Rocco 1992, 950). The socialist orientation brought a philosophy contradictory to the capitalist free market system. In an attempt to solve the problem of incentives and efficiency the government introduced self-management into all state-owned enterprises. After 1945, the number of retailing outlets was dramatically reduced, due to the mentioned socialist orientation and the lack of merchandise. The concentration process began in 1956. on the basis of state-managed integrations of some retailing companies. The higher level of economic development after 1965 led to the more rapid development of channels of distribution (Table 1).

Table 1
The retail sector development in Croatia (1966-2001)

Year	Number of sales outlets	Selling space (m ²)	Number of inhabitants per outlet
1966	11458	512939	341
1970	14605	760691	268
1974	16398	988372	-
1978	16985	1215076	253
1982	17873	1428562	250
1986	19193	1600818	235
1990	22088	1820366	214
1994	17355	-	282
1998	24006	*	199
2000	23805	*	184
2002	24406	500000	95

Source: Statistical Yearbook of the Republic of Croatia, 1989, 1992, 2003.

* From 1998 to 2003 the selling space was increased to 500 000m² (Croatian Chamber of Economy 2003)

Although the marketing definition of retailing (e.g. Kotler 2001, 563) was accepted in Yugoslav marketing theory, as we said earlier, socialist self-management understood it as the prolonged hand of

Table 3
Gross value added (real growth by sectors)

	1998	1999	2000	2001	2002	2003
Industry	5,8	3,0	3,4	4,8	4,0	6,3
Trade	-0,8	-11,2	4,0	10,6	12,7	8,9
Financial intermediation and real estate	4,0	3,8	0,4	4,0	6,4	7,0
Public administration and defense	2,6	3,0	1,7	0,2	0,2	-0,1
Agriculture	5,6	-2,6	1,2	0,7	2,0	-4,5
Transport	4,3	-5,1	4,5	6,9	6,8	7,9
Construction	0,5	-10,0	-7,1	2,3	13,9	20,5
Tourism	0,7	0,0	15,7	5,7	7,5	7,9

Source: Croatian National Bank, Bilten no. 88.

Table 4
Origins of GDP

	% of total
Agriculture, forestry & fishing	8.4
Manufacturing & mining	24.3
Construction	5.5
Transport & trade	24.1
Public services	21.4
Other services	16.3

Source: Economist Intelligence Unit 1999

Growth in the retail trade, after rising rapidly in 2002, decelerated steadily through the first half of the year, and third-quarter figures suggest that there was a continued slowdown over the rest of 2003, as the Croatian National Bank's implied measures (different kind of measures were implied to limit growth of Commercial Banks in the amount more than 16% a year) that began to effect the growth in household borrowing. We thought that the table (Table 5) with the annual indicators should be presented in the paper to show the continuing growth of GDP and the complete situation in the economy.

Table 5
Annual indicators

	1999	2000	2001	2002	2003*
GDP at market prices (HRK bn)	141.6	152.5	162.9	176.4	187.9
GDP (US\$ bn)	19.9	18.4	19.5	22.4	28.1
GDP per capita (USD)	4371	4153	4477	5057	-
Retail price inflation (av; %)	4.2	6.5	5.2	2.3	1.6
Inflation (%)	4.4	7.4	2.6	2.3	-
Population (m)	4.6	4.4	4.4	4.4*	4.4
Exports of goods (% of GDP)	40.8	47.0	48.5	47.1	-
Imports of goods (% of GDP)	49.2	52.1	54.4	58.2	-
Current-account balance (US\$ m)	-1,397	-459	-726	-1,587	-1,741
Foreign-exchange reserves excl gold (US\$ m)	3,025	3,524	4,703	5,885	6,926
Total external debt (US\$ bn)	9.7	10.5	10.7	15.2*	21.2
Debt-service ratio, paid (%)	19.6	23.1	27.5	20.0*	15.2
Exchange rate (av) HRK:US\$	7.11	8.28	8.34	7.87	6.69

Source: Retail Intelligence 2003, The Economist, 5.

Accordingly, Croatian consumers have proved the efficiency of the combination of large assortments and lower prices that larger stores can offer.

We have to point out that there is high regional allocation and that the retail development is focused around large urban areas (Retail Intelligence 1999). At this point of time more than 3 800 settlements (mostly geographically dislocated and low-income areas) are without any retail outlet. It means that one of the leading roles of the trade doesn't work well: the movement of goods to households and final consumers.

As we can see from this short review of the historical background of the development of the retailing in the case of Croatia, the function of the retailing changed as society changed.

In centrally planned economy of Croatia, retailing was very poorly developed what has resulted with very low and inefficient circulation of goods and services.

In the new market economy retailing is soon understood as one of the fundamental marketing activities that has important task, through delivering goods and services to satisfy consumers' needs and organizational goals.

Table 8
The number of retail outlets compared to selling space

Selling space in m ²	Total		Small enterprises		Middle enterprises		Large enterprises	
	Number	%	Number	%	Number	%	Number	%
Total	29 342	100,0	20 331	100,0	4 465	100,0	4 546	100,0
Up to 60	14 823	50,5	11 186	55,0	1 531	34,3	2 106	46,3
61-120	5 547	18,9	3 677	18,1	796	17,8	1 074	23,6
121-200	1 166	4,0	377	1,9	333	7,5	456	10,0
201-400	712	2,4	162	0,8	249	5,6	301	6,6
401-500	254	0,9	146	0,7	49	1,1	59	1,3
501-1000	284	1,0	137	0,7	66	1,5	81	1,8
1001-2000	91	0,3	15	0,1	44	1,0	32	0,7
2001-2500	88	0,3	63	0,3	12	0,3	13	0,3
2501-3000	26	0,1	0	0,0	18	0,4	8	0,2
3001-5000	17	0,1	3	0,0	8	0,2	6	0,1
5001-10000	17	0,1	2	0,0	6	0,1	9	0,2
10000 and more	5	0,0	1	0,0	3	0,1	1	0,0
No selling space	6 312	21,5	4 562	22,4	1 350	30,2	400	8,8

Source: Knego 2003, 16

Final discussion

From the Macromarketing point of view which studies marketing within the context of the entire economic system, retailing is one of the most important part considering its role to deliver and facilitate the movement of goods or services from the producers to the consumers. Due to its geographic position and characteristics, Croatia had all prerequisites to become one of the powerful trading countries. In its long history Croatia experienced different stages of retail development. The historical background brings out different assumptions for retailing development that had appeared in the period of transformation from feudalism to capitalism era, and had continued in communism. Then the socialist self-management understood trade as the prolonged hand of the production. Generally, distribution channels were not integrated with other elements of the marketing mix and the focus was on mechanical aspects of physical distribution. Entering the new era, Croatian retailing was changing at a rapid pace. It faces a number of challenges ranging from increased competition in the domestic market, higher concentration, the introduction of new technologies, new store formats, the introduction of private brands, etc. Many large foreign retailers (especially in the food sector) have

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Equitable, Effective and Safe Food Marketing Systems

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Abstract

This special session considers the broad area of food marketing, with specific attention to channel structure, consumer responsibility and government policy and regulation. Each of the three topics studied is relevant to the systemic nature of marketing and the welfare of stakeholders within food marketing systems, and therefore each presentation should be of particular interest to macromarketing conference participants.

Food marketing is a multifaceted and systemic endeavor, hence intrinsically germane to the macromarketing discourse. It comprises the many tasks that affect the processes of production, distribution, pricing, promotion and consumption of food, as it passes through the supply chain from farm to fork. It also comprises, or at least addresses, the many factors that affect movement through the supply chain, including policy and government regulation, consumer decision making, environmental and cultural forces, marketing research, product development and branding issues, B to B marketing and corporate/government alliances, export and emerging market development, and societal marketing through, for example, hunger-relief and consumer protection.

One could argue nothing is more important than food; it is vital to every consumer on the planet. Each day innumerable producers, distributors and other entities add value throughout the food supply chain with attempts to satisfy the demand of 6 billion consumers. From the battles of the soft drink brands, to the distribution of subsistence-level nutrients to refugees, some of the world's most recognized firms/brands, institutions, multilateral aid agencies, and virtually all governments are committed to various aspects of food marketing. Furthermore, some of the most compelling and contentious issues in marketing today, e.g., genetically modified organisms, trade and globalization, food safety, intellectual property rights, poverty and societal welfare, directly involve food marketing (Shultz, Grbac, Burkink, Renko & Damjan 2003; Shultz, Burkink, Manfredo, Grbac, Renko, & Damjan 2003)

This special session will offer an examination of a diverse set of macromarketing issues related to food marketing. The first paper examines channel structure for fruit and vegetables in Mexico by looking for barriers small producers face in accessing the U.S. export market. The goal is to find policy action that could help address an inequitable access to export markets. The second paper looks at the impact of channel structure on food safety violations in Arizona restaurants. To the extent that certain restaurant types are more susceptible to violations, policymakers and supply chain participants can play a role in improving the restaurants' safety record. The third paper

Distribution channels for food products can at times be volatile, tenuous, monopolistic and/or domesticated, the latter referring to long-term arrangements between buyers and sellers which tend to lessen horizontal competition among sellers (Redmond, 1989). Often times the route that fresh fruits and vegetables take from Mexican farm gates to U.S. supermarkets and processors is complex. Product must pass through various hands until it finally reaches the buyer: transportation, border brokers, wholesalers and buyer-brokers, and then manufacturers or retailers. Put very simply, the only way to sell one's product is to find a buyer. The question is whether small farmers are at a disadvantage in finding these buyers compared to their counterparts with bigger farms. It can be argued that smaller farmers do have greater difficulties and that the effects of domestic policy shifts and free trade should therefore be tempered by appropriate adjustment programs. For agricultural policy shifts to ultimately be successful, they must address the ability of the small producers to compete. With respect to international trade, that means attention must be given to the facets of the distribution channel that present the most challenge to smaller producers.

This study seeks to uncover these factors by examining the perceptions that U.S. importers of fresh fruits and vegetables have of smaller Mexican producers in comparison to their larger counterparts. The hypothesis is that importers who are familiar with and accustomed to working with larger Mexican producers will be hesitant to replace those sources with smaller producers for a number of reasons. The goal of the study is to identify the principal reasons for their hesitancy and suggest areas of policy that could address those concerns.

Pilot Study Results

The first stage of research consisted of a pilot study of Arizona importers, wholesalers and distributors. Approximately 155 surveys were mailed in Spring 2002 using the Thomas Food Industry Registry and the Fresh Produce Association of the Americas as sampling frames.

Respondents were asked to rate 11 factors on their importance to a successful trade transaction with Mexican producers of fresh produce. Regular communication, verification of sanitation conditions, and when appropriate, knowing and meeting organic certification criteria, were the top three abilities expected from the Mexican grower. Respondents were also asked how they viewed the relative difficulty smaller farmers would have in meeting the 11 factors. The greatest difficulties were perceived to come from the grower's ability to meet all supply requirements (volume question), supply consistent product each season (variability of output) and ensure APHIS certification. In respondents' judgment, the actions which would most help in overcoming their negative perceptions of smaller farmers were government guarantees for investment with smaller farmers, coordination between smaller growers to create one point of contact, and bringing growers to importer facilities for information exchange.

Preliminary Implications

Therefore, areas in which the Mexican government could make a positive impact include offering special guarantees for importers who work with and invest in small growers, helping cooperatives to become more competitive, thus allowing importers to have one point of contact rather than several smaller ones, and helping to arrange for growers to visit importers in the U.S. to see what expectations are.

Improving the legal environment for importers is one policy avenue that the Mexican government could take to encourage U.S. importers to work with smaller farmers. If importers feel more

As potential solutions to the general reluctance to work with smaller farmers, respondents emphasized the same actions as were observed in the pilot study, namely some sort of government investment guarantee to those who work with smaller farmers, more cooperative organization among smaller producers and bringing smaller producers to importer facilities for information exchange.

Additional results and analysis will be offered at the conference.

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Health Department Violations in Restaurants by Ownership and Format Type: Analysis and Policy Implications

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Background

Food borne diseases cause nearly 76 million illnesses in the United States each year. Changes in the food marketing system, including how food is processed, distributed and consumed, facilitate the spread of food-related illnesses. One notable trend driving the spread of food borne illness is the increasing tendency of consumers to eat more meals in restaurants. Currently, U.S. consumers spend approximately one-half of their food dollars on food consumed away-from-home, usually at restaurants (Marquardt and Burkink 2002). Improper preparation of food in restaurants is the primary culprit of food borne illness, according to the Centers for Disease Control, who estimate that 80% of food borne bacteria outbreaks come from food prepared outside the home (Han and Walker 1998).

There are significant societal costs arising from food borne illnesses, including lost productivity, increased healthcare costs, and the tragic opportunity costs from deaths. These costs have been estimated at \$7.7 to \$23 billion per year (Council for Agricultural Science and Technology 1995). Perhaps the most well known incident occurred in 1993, when undercooking of meat contaminated with E coli led to over 500 illnesses and four deaths among people who ate at Jack-in-the-Box restaurants. Firms responsible for food borne outbreaks often face devastating financial losses, resulting from tarnished reputations and legal settlements.

coordination has been shown to be positively related to interfirm knowledge transfer (Darr, Argote, and Epple 1995; Burkink 2002). In this context, the superior channel coordination resulting from channel integration might result in enhanced knowledge transfer with respect to the communication and monitoring of proper food handling processes.

Second, compared to full-service outlets, limited-service outlets exhibit a significantly lower incidence of violations:

Full-Service Outlets > Limited-Service Outlets

Although not specifically explored before, it has been suggested that limited-service restaurants should have fewer food safety violations because there is less opportunity for time-temperature violations in these environments due to relatively simpler preparation techniques and faster turnover of product (Seiver and Hatfield 2000). From a scientific management perspective, limited-service restaurants resemble large batch/mass production compared to full-service outlets that tend toward small batch/unit production. The limited-service restaurants are essentially assembly-line operations, which are characterized by formalized procedures, centralization, and mechanistic overall structure (Woodward 1958).

Implications

These results have important implications for many stakeholders in the food marketing value chain, including consumers, public health officials, suppliers and restaurants. First, consumers should exercise great care in selecting restaurants. These results do not suggest that consumers should avoid independent restaurants, but they should monitor the health department records of the restaurants they patronize. These records are often available to the public and many states publish these records on websites. In the Seattle area, the restaurant inspection webpages have been visited over 1 million times during the first two years (King County Public Health Department). This recommendation must be tempered with the caveat that more analysis is needed into the most effective way to make this information public to avoid both consumer confusion and unwarranted harm to the reputation of the restaurants (Pfeiffer 2000).

Public health officials, in addition to inspecting food service outlets, have a critical education role. These results indicate that independent restaurants should be targeted with more education on proper food handling techniques. In addition, the results may suggest that independent restaurants need more monitoring from these oversight agencies.

In addition to enhancing effective public access to this information, public health officials should provide additional information on food safety, such as safe food handling practices at home, which will heighten public awareness about food safety. Public health officials may also need to consider additional regulations, such as a no bare hand contact policy, prohibiting restaurant workers from making bare hand contact with ready-to-eat foods (King County Public Health Department).

Suppliers should play a role in improving the food safety performance of their independent customers. In franchise organizations, the franchisor is very active in providing their franchisees with information about a wide variety of topics, including food safety. In addition, the franchisor provides additional monitoring, which is provided for in franchise contracts. Independents do not have the benefit of this strong central presence. To some degree, their suppliers can help fill this void by providing regular education and training to the restaurateurs. For example, suppliers can offer educational seminars on food safety.

prevalence of excess weight and obesity has nearly doubled among children and adolescents since 1980 (Nestle 2002; McBean and Miller 1999). Type 2 diabetes, previously considered an adult-onset disease, has increased drastically among youth nationwide and is now considered a national health epidemic for children (U.S. Department of Health and Human Services, 2000). Other maladies, such as asthma, allergies and hypertension are consequently also rapidly increasing among children (Journal of the Canadian Medical Association, 2002).

Many studies have documented the poor health effects of diets high in trans-fatty acids, sugar, sodium, and certain food colorings (Pollock and Warner 1990; Rowe and Rowe 1994; Schneider 1996). The food industry claims it is the responsibility of parents to monitor their children's food choices, but do parents have the knowledge and information needed to make informed decisions?

Researchers have found a number of influencers on the purchase of children's food. Consumers seek convenient foods as a result of busy work schedules and the demise of the stay-at-home parent. Other factors that have been found for purchasing children's food products include: the purchase influence children exert; the need to alleviate parents' guilt, the encouragement of certain positive behaviors (Baughcum et al. 1998), and the socioeconomic status of the family (Omar, Coleman, and Hoerr 2001; Mathios 1996).

As new children's food products – high in sugar, trans fatty acids, preservatives, and dyes – continue to be developed, taking over scarce shelf space in supermarkets, and as the government and food industry have shifted responsibility for food purchase decisions to buyers, it becomes important to understand the variables that influence parents' attitudes toward, and purchase of, children's food products.

As an exploratory first step, the following research questions are investigated:

- When buying food for their children, are consumers knowledgeable about the ingredients in the foods they buy?
- What are the forces, and their relative strength, that influence parents' attitudes toward children's food products?

Objective

This study takes a first step in exploring why parents buy certain children's foods. More specifically, we seek to identify the relationship between food attitudes and parental knowledge and beliefs about the 'hidden' ingredients of children's food products. In addition, we explore the influences on parents' attitudes toward certain children's food products. Finally, the relative strength of known purchase influencers (e.g., child's influence) on attitude is examined.

Methodology

A survey questionnaire was developed and used to explore the influences on parents' attitudes toward, and preferences for, children's food products. Undergraduate students from two marketing courses were used as administrators. These students received credit in the class for administering the questionnaire to parents with children between the ages of three and twelve. The study utilizes a convenience sample.

The survey instrument contained a number of validated scales that measure variables believed to influence food purchases. Also included were a number of items to ascertain demographic characteristics of respondents, their knowledge of food attributes and their attitudes toward certain 'popular' children's food products.

options include offering a greater variety of children's food products to include more healthful options. Again, Frito Lay serves as an example with the addition of their organic line of snack foods made without the trans fatty acids (though with just as much sodium) found in their 'conventional' counterparts. Finally, food companies could adopt the practice of clearly labeling their products sooner than 2006. However food companies have lobbied hard against the labeling option (Nestle 2002). These are the voluntary steps food companies can, and should, take. Because the consumption of partially hydrogenated fats is almost universal in the United States, the number of deaths attributable to such fats is likely to be substantial (Willett and Ascherio 1994). Children's diets are characterized by too much fat and sugar, leading to a sharp increase in childhood diseases and setting the stage for chronic health problems in adulthood (McBean and Miller 1999). If food companies continue with their present practices, not only may federal regulations mandate appropriate action, but legal investigation of food industry culpability may become increasingly common.

These results also have important implications for public health education. The identified psychographic profiles may help to better target public health messages to consumers. Understanding why various segments buy certain foods, the foods they buy, and why they buy them (the influences on their purchasing) can help health educators to craft more effective messages.

Parents exert a significant influence on children's food choices (Perry, Crockett and Pirie 1987; Kennedy 1997; Klesges, Stein, Eck, Isbell and Klesges 1991). Parents are often told that it is their job to promote healthy nutrition, even as corporations undermine their efforts by spending billions of dollars marketing junk food to children.

In order to improve the quality of children's diets and to prevent the proliferation of future chronic disease, public health officials need to work to educate the population and increase their access to relevant food product information.

