

ISSN 1918-719X

International Journal of Marketing Studies

**Vol. 1, No. 1
May 2009**



Canadian Center of Science and Education

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A Review of Marketing Mix: 4Ps or More?

Chai Lee Goi

Department of Marketing & Management, School of Business, Curtin University of Technology

CDT 250, 98009 Miri, Sarawak, Malaysia

Tel: 60-85-443-939 E-mail: goi.chai.lee@curtin.edu.my

Abstract

The main objective of this study is to review the present marketing mix applies particularly to the marketing. This study provides an idea to the marketers and can be used as tools to assist them in pursuing their marketing objectives. Borden (1965) claims to be the first to have used the term marketing mix and that it was suggested to him by Culliton's (1948). McCarthy (1964) offered marketing mix, often referred to as the 4Ps, as a means of translating marketing planning into practice (Bennett, 1997). Marketing mix is originating from the single P (price) of microeconomic theory (Chong, 2003). New Ps were introduced into the marketing scene in order to face up into a highly competitively charged environment (Low and Tan, 1995). Even, Möller (2006) presents an up-to-date picture of the current standing in the debate around the Mix as marketing paradigm and predominant marketing management tool by reviewing academic views from five marketing management sub-disciplines (consumer marketing, relationship marketing, services marketing, retail marketing and industrial marketing) and an emerging marketing (E-Commerce). The concept of 4Ps has been criticised by number of studies, examples Lauterborn (1990), Möller (2006), Popovic (2006) and Fakeideas (2008). However, in spite of its deficiencies, the 4Ps remain a staple of the marketing mix. The subsequent Ps have yet to overcome a consensus about eligibility and agreement over the practical application (Kent and Brown, 2006).

Keywords: Marketing mix, P

1. Introduction

Marketing mix is originating from the single P (price) of microeconomic theory (Chong, 2003). McCarthy (1964) offered the "marketing mix", often referred to as the "4Ps", as a means of translating marketing planning into practice (Bennett, 1997). Marketing mix is not a scientific theory, but merely a conceptual framework that identifies the principal decision making managers make in configuring their offerings to suit consumers' needs. The tools can be used to develop both long-term strategies and short-term tactical programmes (Palmer, 2004). The idea of the marketing mix is the same idea as when mixing a cake. A baker will alter the proportions of ingredients in a cake depending on the type of cake we wishes to bake. The proportions in the marketing mix can be altered in the same way and differ from the product to product (Hodder Education, n.d). The marketing mix management paradigm has dominated marketing thought, research and practice (Grönroos, 1994), and "as a creator of differentiation" (Van Waterschoot, n.d) since it was introduced in 1940s. Kent (1986) refers to the 4Ps of the marketing mix as "the holy quadruple...of the marketing faith...written in tablets of stone". Marketing mix has been extremely influential in informing the development of both marketing theory and practise (Möller, 2006).

The main reasons the marketing mix is a powerful concept are It makes marketing seem easy to handle, allows the separation of marketing from other activities of the firm and the delegation of marketing tasks to specialists; and - The components of the marketing mix can change a firm's competitive position (Grönroos, 1994). The marketing mix concept also has two important benefits. First, it is an important tool used to enable one to see that the marketing manager's job is, in a large part, a matter of trading off the benefits of one's competitive strengths in the marketing mix against the benefits of others. The second benefit of the marketing mix is that it helps to reveal another dimension of the marketing manager's job. All managers have to allocate available resources among various demands, and the marketing manager will in turn allocate these available resources among the various competitive devices of the marketing mix. In doing so, this will help to instil the marketing philosophy in the organisation (Low and Tan, 1995).

However, Möller (2006) highlighted that the shortcomings of the 4Ps marketing mix framework, as the pillars of the traditional marketing management have frequently become the target of intense criticism. A number of critics even go as far as rejecting the 4Ps altogether, proposing alternative frameworks (see Table 1-6).

2. Objective

Since its introduction, developments on the commercial landscape and changes in consumer and organisational attitudes over the last few decades (1940s – 2000s) have frequently prompted marketing thinkers to explore new theoretical approaches and expanding the scope of the marketing mix concept. Number of researchers (eg. Grönroos, 1994; Constantinides, 2002; Goi, 2005; Möller, 2006) explores more 'P's instead of traditional 4Ps only currently applied in the market. However, the creation of new 'P' seem like unstop. New Ps were introduced into the marketing scene in order to face up into a highly competitively charged environment (Low and Tan, 1995). Thus, the main objective of this study is to review the present marketing mix applies particularly to the marketing.

3. History and Implementation of Marketing Mix

Borden (1965) claims to be the first to have used the term "marketing mix" and that it was suggested to him by Culliton's (1948) description of a business executive as "mixer of ingredients". An executive is "a mixer of ingredients, who sometimes follows a recipe as he goes along, sometimes adapts a recipe to the ingredients immediately available, and sometimes experiments with or invents ingredients no one else has tried" (Culliton, 1948).

The early marketing concept in a similar way to the notion of the marketing mix, based on the idea of action parameters presented in 1930s by Stackelberg (1939). Rasmussen (1955) then developed what became known as parameter theory. He proposes that the four determinants of competition and sales are price, quality, service and advertising. Mickwitz (1959) applies this theory to the Product Life Cycle Concept.

Borden's original marketing mix had a set of 12 elements namely: product planning; pricing; branding; channels of distribution; personal selling; advertising; promotions; packaging; display; servicing; physical handling; and fact finding and analysis. Frey (1961) suggests that marketing variables should be divided into two parts: the offering (product, packaging, brand, price and service) and the methods and tools (distribution channels, personal selling, advertising, sales promotion and publicity). On the other hand, Lazer and Kelly (1962) and Lazer, Culley and Staudt (1973) suggested three elements of marketing mix: the goods and services mix, the distribution mix and the communication mix. McCarthy (1964) refined Borden's (1965) idea further and defined the marketing mix as a combination of all of the factors at a marketing manager's command to satisfy the target market. He regrouped Borden's 12 elements to four elements or 4Ps, namely product, price, promotion and place at a marketing manager's command to satisfy the target market.

Especially in 1980s onward, number of researchers proposes new 'P' into the marketing mix. Judd (1987) proposes a fifth P (people). Booms and Bitner (1980) add 3 Ps (participants, physical evidence and process) to the original 4 Ps to apply the marketing mix concept to service. Kotler (1986) adds political power and public opinion formation to the Ps concept. Baumgartner (1991) suggests the concept of 15 Ps. MaGrath (1986) suggests the addition of 3 Ps (personnel, physical facilities and process management). Vignalis and Davis (1994) suggests the addition of S (service) to the marketing mix. Goldsmith (1999) suggests that there should be 8 Ps (product, price, place, promotion, participants, physical evidence, process and personalisation).

Möller (2006) presents an up-to-date picture of the current standing in the debate around the Mix as marketing paradigm and predominant marketing management tool by reviewing academic views from five marketing management sub-disciplines (consumer marketing, relationship marketing, services marketing, retail marketing and industrial marketing) and an emerging marketing (E-Commerce) (Table 1-6). Most of researchers and writers reviewed in these domains express serious doubts as to the role of the Mix as marketing management tool in its original form, proposing alternative approaches, which is adding new parameters to the original Mix or replacing it with alternative frameworks altogether.

4. Criticise on Marketing Mix

4Ps delimits four distinct, well-defined and independent management processes. Despite the consistent effort by many physical businesses to deal with the 4P in an integrated manner, the drafting but mainly the implementation of the P policies remains largely the task of various departments and persons within the organisation. Even more significant thought is the fact that the customer is typically experiencing the individual effects of each of the 4Ps in diverse occasions, times and places, even in case that some companies take great pains to fully integrate their marketing activities internally (Constantinides, 2002; Wang, Wang and Yao, 2005). However, a study by Rafiq and Ahmed (1995) suggested that there is a high degree of dissatisfaction with the 4Ps framework. Even, Overall these results provide fairly strong support Booms and Bitner's (1981) 7P framework should replace McCarthy's 4Ps framework as the generic marketing mix. Development of marketing mix has received considerable academic and industry attention. Numerous modifications to the 4Ps framework have been proposed, the most concerted criticism has come from the services marketing area (Rafiq and Ahmed, 1995).

The introductory marketing texts suggest that all parts of the marketing mix (4Ps) are equally important, since a deficiency in any one can mean failure (Kellerman, Gordon and Hekmat, 1995). Number of studies of industrial

marketers and purchasers indicated that the marketing mix components differ significantly in importance (Jackson, Burdick and Keith, 1985). Two surveys focused on determination of key marketing policies and procedures common to successful manufacturing firms (Jackson, Burdick and Keith, 1985). Udell (1964) determined that these key policies and procedures included those related to product efforts and sales efforts. This followed in order by promotion, price, and place. In a replication of this survey, Robicheaux (1976) found that key marketing policies had changed significantly. Pricing was considered the most important marketing activity in Robicheaux's (1976) survey, although it ranked only sixth in Udell's (1964) survey. Udell (1968) found that sales efforts were rated as most important, followed by product efforts, pricing, and distribution. LaLonde (1977) found product related criteria to be most important, followed by distribution, price, and promotion. Perreault and Russ (1976) found that product quality was considered most important, followed by distribution service and price. McDaniel and Hise, (1984) found that chief executive officers judge two of the 4 Ps, pricing and product to be somewhat more important than the other two – place (physical distribution) and promotion. Kurtz and Boone (1987) found that on the average, business persons ranked the 4 Ps to be of most importance in the following order: price, product, distribution, and promotion. Thus, it appears from these studies that business executives do not really view the 4 Ps as being equally important, but consider the price and product components to be the most important (Kellerman, Gordon and Hekmat, 1995).

The concept of 4Ps has been criticised as being a production-oriented definition of marketing, and not a customer-oriented (Popovic, 2006). It's referred to as a marketing management perspective. Lauterborn (1990) claims that each of these variables should also be seen from a consumer's perspective. This transformation is accomplished by converting product into customer solution, price into cost to the customer, place into convenience, and promotion into communication, or the 4C's. Möller (2006) highlighted 3-4 key criticisms against the Marketing Mix framework:

- The Mix does not consider customer behaviour but is internally oriented.
- The Mix regards customers as passive; it does not allow interaction and cannot capture relationships.
- The Mix is void of theoretical content; it works primarily as a simplistic device focusing the attention of management.
- The Mix does not offer help for personification of marketing activities.

A review of another article, "Revision: Reviewing the Marketing Mix" (Fakeideas, 2008) found that:

- The mix does not take into consideration the unique elements of services marketing.
- Product is stated in the singular but most companies do not sell a product in isolation. Marketers sell product lines, or brands, all interconnected in the mind of the consumer
- The mix does not mention relationship building which has become a major marketing focus, or the experiences that consumers buy.
- The conceptualisation of the mix has implied marketers are the central element. This is not the case. Marketing is meant to be 'customer-focused management'.

Even, a study by Rafiq and Ahmed (1995) found that there is a high degree of dissatisfaction with the 4Ps, however, 4Ps is thought to be most relevant for introductory marketing and consumer marketing. The result also suggests that the 7Ps framework has already achieved a high degree of acceptance as a generic marketing mix among our sample of respondents. Rafiq and Ahmed (1995) also highlighted the strengths and weaknesses of the 4Ps and 7Ps mixes (Table 7).

5. Conclusion

Marketing mix management paradigm has dominated marketing since 1940s and McCarthy (1964) further developed this idea and refined the principle to what is generally known today as the 4Ps. However, in the post dot-com boom, marketing managers are learning to cope with a whole host of new marketing elements that have emerged from the online world of the Internet. In some ways these new marketing elements have close analogs in the offline world, and yet from another perspective they are revolutionary and worthy of a new characterisation into the E-Marketing mix (or the e-marketing delta to the traditional marketing mix) (Kalyanam and McIntyre, 2002).

Marketing mix used by a particular firm will vary according to its resources, market conditions and changing needs of clients. The importance of some elements within the marketing mix will vary at any one point in time. Decisions cannot be made on one element of the marketing mix without considering its impact on other elements (Low and Kok, 1997). As McCarthy (1960) pointed out that "the number of possible strategies of the marketing mix is infinite.

Even number of criticisms on 4Ps, however, it has been extremely influential in informing the development of both marketing theory and practise. There is also too little reflection on the theoretical foundations of the normative advice found in abundance in the text books (Möller, 2006). Marketing mix was particularly useful in the early days of the marketing concept when physical products represented a larger portion of the economy. Today, with marketing more

integrated into organisations and with a wider variety of products and markets, some authors have attempted to extend its usefulness by proposing a fifth P, such as packaging, people and process. Today however, the marketing mix most commonly remains based on the 4 P's. Despite its limitations and perhaps because of its simplicity, the use of this framework remains strong and many marketing textbooks have been organised around it (NetMBA, n.d). In spite of its deficiencies, the 4Ps remain a staple of the marketing mix (Kent and Brown, 2006).

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Table 1. Review of consumer marketing theory literature

Author	Arguments	Proposition
Kotler (1984)	External and uncontrollable environmental factors are very important elements of the marketing strategy Programs.	The Marketing Mix should include customers, environmental variables, and competitive variables. Two additional Ps to the 4 traditional ones: Political power, and public opinion formulation.
Ohmae (1982)	No strategic elements are to be found in the marketing mix. The marketing strategy is defined by three factors.	Three Cs define and shape the marketing strategy: Customers, competitors, and corporation.
Robins (1991)	The 4Ps Marketing Mix is too much internally oriented.	Four Cs expressing the external orientation of a Marketing Mix: Customers, competitors, capabilities, and company.
Vignalli and Davies (1994)	Marketing planning will contribute to the organisational success if it is closely related to strategy. The Marketing Mix is limited to internal and non-strategic issues.	The MIXMAP technique allows the exact mapping of marketing mix elements and variables, allowing the consistency between strategy and tactics.
Doyle (1994)	While the 4Ps dominate the marketing Management activities most marketing practitioners would add two more elements in this mix in order to position their products and achieve the marketing objectives.	Two more factors must be added to the 4P mix: Services, and staff.
Bennett (1997)	Focused on internal variables therefore incomplete basis for marketing. Customers are disposed to buy products from the opposite direction to that suggested by the Marketing Mix	Five Vs are the criteria of customer disposition: Value, viability, variety, volume, and virtue.
Yudelso 1999	The 4Ps are not the proper basis of the 21 st century marketing. The Marketing developments of the last 40 years require a new flexible Platform while the simplicity of the old model remains an attractive facto.	4 new Ps based on exchange activities: Product → Performance Price → Penalty Promotion → Perceptions Place → Process
Schultz 2001	Marketplaces today are customer oriented. The 4Ps have less relevance today, they made sense the time they were invented	End-consumer controls the market Network systems should define the orientation of a new Marketing A new Marketing mix must be based on the Marketing Triad Marketer, Employee and Customer

Adapted from: Möller (2006)

Table 2. Review of relationship marketing literature

Author	Arguments	Proposition
Lauterborn (1990)	The 4Ps Marketing Mix is product oriented The successful marketing plan must place the customer in the centre of the marketing planning	Four Cs replace the 4Ps, indicating the customer orientation: Customer needs, convenience, cost (customer's), and communication.
Rozenberg and Czepiel (1992)	Keeping existing customers is as important as acquiring new ones. The approach towards existing customers must be active, based on a separate marketing mix for customer retention.	Retention Marketing Mix: Product extras, reinforcing promotions, sales-force connections, specialised distribution, and post-purchase communication
Gummesson (1994, 1997)	...“The role of the 4Ps is changing from being founding Parameters of Marketing to one of being contributing parameters to relationships, network and interaction”...	30 R(relationship) parameters illustrate the role of marketing as a mix of relationships, networks and interaction.
Grönroos (1994)	Several arguments underlying the limitations of the marketing mix as the Marketing paradigm: Obsolete, not integrative, based on conditions not common to all markets, production oriented, not interactive etc.	Relationship marketing offers all the necessary ingredients to become the new Marketing Paradigm, while the Marketing Mix is not suitable to support a relation-based approach.
Goldsmith (1999)	The trend towards personalisation has resulted in an increasing contribution of services to the marketing of products. Personalisation must become the basis of the marketing management trajectory.	The personalised Marketing Plan includes 4 more P's next to the traditional Ps of the Marketing Mix • Personalisation • Personnel • Physical Assets • Procedures
Patterson and Ward (2000)	The traditional Marketing Mix therefore has a clearly offensive character because the strategies associated to the 4Ps tend to be function-oriented and output oriented. Well-managed organisations must shift the emphasis in managing valued customer relationships in order to retain and increase their customer base.	Four information-intensive strategies form the “new Cs” of Marketing: • Communication • Customisation • Collaboration • - Clairvoyance
Healy et al. (2001)	The weight of Marketing Management is clearly switching towards relationship marketing as the future marketing paradigm	The Relationship Marketing addresses the elements of Marketing Management identified by the Marketing Relationship trilogy: • Relationships • Neo-Relationship Marketing • Networks

Adapted from: Möller (2006)

Table 3. Review of services marketing literature

Author	Arguments	Proposition
Booms and Bitner (1981)	Recognising the special character of the services as products, they demonstrated the importance of Environmental factors (Physical Evidence) influencing the quality perception. They included the Participants (personnel and customers) and the Process of service delivery as the additional Marketing Mix factors.	The Services Marketing Mix includes next to the 4Ps three more P's: • Participants • Physical Evidence • Process
Cowell (1984)	Three aspects justifying the revision of the original Marketing mix framework: • the original mix was developed for manufacturing companies • empirical evidence suggesting that marketing practitioners in the service sector find the marketing mix not being inclusive enough for their needs	Adopts the framework proposed by Booms and Bitner
Brunner (1989)	The 4P Marketing mix elements must be extended to include more factors affecting the services marketing thus becoming mixes themselves	Concept Mix, Cost Mix, Channels Mix, Communication Mix
Ruston and Carson (1989)	The unique characteristics of the services - intangibility, inseparability, perishability and variability - make the control of the marketing process, using the generalised tools of marketing, inadequate	New instruments and concepts must be developed to explain and manage the services intangibility
Fryar (1991)	Segmentation and differentiation is the basis of successful positioning of services. Furthermore the personal relationship with the customer and the quality of the service are important elements of the services Marketing	The Marketing of services requires: • Differentiation based on segmentation and positioning • Customer contact • Unique vision on quality
Heuvel (1993)	Interaction between the one delivering the service and the customer is very important and has direct effect on the service quality and quality perception. The Product element can be better demonstrated as having two components, the primary and secondary service elements as well as the process	The Services Marketing Mix: • Personnel • Product • Place • Price • Promotion
Doyle (1994)	While recognising that the content of the 4Ps in the service sector is somehow different from that of the tangibles he does accept the 4Ps as the elements of the services marketing mix. He identifies special difficulties in Promotion and Place preferring to replace them by the terms Communication and Distribution	Service Marketing Mix: • Product • Price • Communication • Distribution

Table 4. Review of Services Marketing Literature (continued)

Author	Arguments	Proposition
Melewar and Saunders (2000)	The Corporate Visual Identity System (CVIS) is the basis of the corporate differentiation and the core of the company's visual identity.	A new P must be added to the 4Ps of the Marketing Mix (and the 3Ps of the Services Mix) namely the Publications
English (2000)	The traditional Marketing has never been an effective tool for health services marketing	A new framework emerges, emphasising the 4 Rs: Relevance, Response, Relationships, and Results.
Grove et al. (2000)	Services Marketing can be compared to a theatrical production. How the service is performed is as important as what is performed. Critical factor is therefore the customer experience. The traditional Marketing Mix does not adequately capture the special circumstances that are present when marketing a service product	Four strategic theatrical elements constitute the Services Experience: Actors, Audience, Setting, and Performance These elements must be added to the extended services Marketing Mix model of Booms en Bitner
Beckwith (2001)	Marketing services in a changing world requires focusing on increasing the customer satisfaction and rejecting old product paradigms and marketing fallacies.	The four keys of Modern (services) Marketing: Price, Brand, Packaging, and Relationships

Adapted from: Möller (2006)

Table 5. Review of retail marketing literature

Author	Arguments	Proposition
Ster van der (1993)	The retail format is the focus of retail marketing, the basis of merchant differentiation and the element that attracts potential customers in the retail outlet. The Marketing Mix for retailers is divided into two groups of factors the logistical and commercial ones	The Retailing Marketing Mix: - Logistics Concept: Place mix, physical distribution mix, and personnel mix - Commercial Concept: Product mix, presentation mix, price mix, and promotion mix
Boekema et al. (1995)	The consumer choice for a retail outlet depends on the “Shop Picture” the customer develops. The retailers can use the Marketing mix instruments in order to give form to their retail format (retail formula) which addresses the consumer’s expectations and influences his/her choice	The Retailing Marketing Mix: - Place - Assortment - Shop Presentation - Price Policy - Personnel - Promotion
Rousey and Morganosky (1996)	Empirical evidence suggests that the retail formats rather than the individual elements of the Marketing Mix are the building blocks of customer value.	Retailing marketers should replace the 4Ps with the Lauterborn’s 4 C’s: Customer needs, convenience, cost (customer’s), and communication
Mulhern (1997)	Modern retailing is increasingly based on a shift from traditional merchandising that usually places attention to marketing mix elements, towards active customer management by means of an integrated approach to retailing. More emphasis to customer relationships, rewarding regular customers and close cooperation with manufacturers	Elements of the integrated Retailing Strategy are: - Store location - Store positioning - Store image - Physical environment - Retail service
Wang et al. (2000)	While the 4Ps form the basis of the traditional marketing, the task of marketers in relationship marketing is different: The main tasks are identifying, establishing, maintaining and enhancing relationships (Grönroos 1996).	The Basic components of Web retail are the three basic components of relationship marketing: - Database - Interaction - Network
Kotler (2003)	The customer sophistication has forced retailers to review their strategies. Factors like procurement and service have become basic elements of the retailer’s marketing mix	Retailer’s marketing Decisions: - Target Market - Product assortment and Procurement - Services and Store Atmosphere - Price Decision - Promotion decision - Place Decision

Adapted from: Möller (2006)

Table 6. Review of industrial marketing literature

Author	Arguments	Proposition
Turnbull et. al (1996)	More than 20 years of research by the International Marketing and Purchasing Group (IMP) indicate that success in Business to Business Marketing is based on the degree and the quality of the interdependence between firms	Competitive advantage of firms engaged in B2B marketing will depend on: Interaction with customers, interaction strategies, organisation evolution, improvements in customer portfolios, inter-organisational – personal contacts, and network mobilisation
Davis and Brush (1997)	The 4Ps Marketing Mix is not suitable as the conceptual basis for the Marketing of the High-tech Industry. This because: a. The 4Ps are based on marketing of consumer products, b. International elements are not taken into consideration	13 strategic elements form the marketing platform of the Hightech industry
Parasuraman (1998)	The key to value creation is assisting the customer to achieve his own corporate objectives.	The basis of Industrial Marketing is the Personalised Approach with special emphasis on: Customer service, teamwork, service quality, and excellence
Andersen and Narus (1999)	The role of business marketing in a value-based environment is the efficient management of relationships and networks.	Value-based positioning orients and updates each of the four Ps
Peattie (1997)	The new communication and interaction capabilities will change everything around marketing in many industries, yet the basic marketing concept will remain unchanged. New role for the 4P's of the Marketing Mix.	• Product: co-design and production • Price: more transparency • Place: direct contacts with customers • Promotion: more control of the customer, interaction
Aldridge et. al (1997)	There are several and important differences between the physical Marketing and the online marketing. Many new factors define the limitations of the traditional Marketing Management	While the 4P's can remain the backbone activities of Ecommerce they acquire a new and different role in the online marketplace.
Mosley-Matchett (1997)	A successful presence on the Internet is based on a Web site designed on the basis of a Marketing Mix of 5 W's	Who: Target audience / market, What: Content, When: Timing and updating, Where: Findability, Why: Unique Selling Proposition
Evans and King (1999)	There are four steps in building a successful B2B web site. Each of these steps brings with it a number of major managerial implications.	Web Planning: defining mission and goals, Web Access: How to get Web entry, Site Design and Implementation: Content, Site Promotion, Management and Evaluation: Commercial and managerial aspects

Table 7. Review of E-Commerce marketing literature

Author	Arguments	Proposition
Chaffey et al. (2000)	Argues that the Internet can provide opportunities to vary the elements of the traditional marketing mix, while he identifies six key elements for effective web site design: Capture, Content, Community, Commerce, Customer Orientation, Credibility.	The Internet marketing planning is based on eight critical factors: - Potential Audience - Integration - Marketing Support - Brand migration - Strategic Partnerships - Organisational Structure - Budget
Lawrence et al. (2000)	A hybrid approach suggesting that creating an online marketing activity should be based on the traditional Ps of the marketing mix (indeed with two add-ons; people and packaging) as well as the new five P's of Marketing	The New Five Ps of Marketing are: - Paradox - Perspective - Paradigm - Persuasion - Passion
Kambil and Nunes (2000)	Looking to the marketing of music products E-Commerce Marketing requires new approached from marketers, they have to move away from the traditional approach based on the 4P Marketing Mix	Important elements of the online marketing: - Community building - Original event programming - Convenience - Connectivity
O'Connor and Galvin (1997)	While concluding that the marketing is finding itself in a mid-life crisis they suggest that the 4P's can remain the backbone of online marketing they argue that technology can be implemented in order to improve and optimise the online, 4P-based marketing activities	New technology-based functionality maintains the 4P's as the basic planning tool for online marketing
Bhatt and Emdad (2001)	The virtual value chain is changing the nature of the 4P's and transforms them by adding new dimensions. Businesses still make their strategic marketing decisions based on the 4P Marketing Mix.	New Character of the 4P's - Product: new options for customised information - Place: no time and location restrictions, direct delivery - Price: price discrimination and customisation, price transparency - Promotion: action-oriented promotional activities are possible, promotional flexibility

Table 8. Review of E-Commerce marketing literature (continued)

Author	Arguments	Proposition
Schultz (2001)	Marketplaces today are customer oriented. The 4P's have less relevance today; they made sense the time they were invented. Succeeding in the 21 st century interactive marketplace means that marketing has to move from an internal orientation illustrated by the 4 Ps to a view of the network or system	• End-consumer controls the market • Network systems should define the orientation of a new Marketing • A new Marketing mix must be based on the Marketing Triad Marketer, Employee and customer
Allen and Fjermestad (2001)	Accept that the traditional 4P marketing Mix can be the basis of the E-Commerce strategy and identify the changes that are needed to make the model suitable for e-marketing	4P's major changes in an Ecommerce situation • Product: information, innovation • Place: Reach • Price: Increased competition • Promotion: More information, direct links
Constantinides (2002)	Some major flaws of the 4Ps mix as basis of online marketing activities: Lack of interactivity, lack of strategic elements in a constantly developing environment, the 4Ps are not the critical elements of online marketing	The 4S model offers a comprehensive, integral approach on managing the online presence: • Scope: Strategic issues • Site: Operational issues • Synergy: Organisational issues • System: Technological issues

Adapted from: Möller (2006)

Table 9. Strengths and weakness of the 4Ps and 7Ps

	7Ps	4Ps
Strengths	More comprehensive More detailed More refined Broader perspective Includes participants/ people and process It is a model Standardisation Signals marketing theory	Simplicity and ease of understanding Easy to memorise Good pedagogic tool, especially for introductory marketing Parsimony Useful conceptual framework Ability to adapt to various problems
Weaknesses	More complicated Extra elements can be incorporated in 4Ps Controllability of the three new elements	Too simple, not broad enough Lacking people, participants and process Physical evidence Relationship marketing Service Lack of connection/integration between variables Static nature of 4Ps

Adapted from: Rafiq and Ahmed (1995)



How to Perfect the Interpretation and Translation in Engineering Projects

Ying Shen

Foreign Language School, Peking University

Beijing 100871, China

E-mail: christieshen@hotmail.com

Abstract

Engineering Interpretation and Translation is an important branch of Language Translation. Through analyzing the engineering properties from the angle of Translation, this article shows that, due to its distinctiveness, the difficulty of proper Interpretation and Translation in Engineering Projects mainly rests with accurately understanding the meaning of source language and correctly using specialized vocabulary to effectively translate the original meaning to audience. To obtain satisfaction in the process of Engineering Interpretation and Translation, translators not only have to have theoretical knowledge and practical experience, but also need to know the industry-related vocabulary.

Keywords: Engineering interpretation and translation, Engineering, Specialized vocabulary

1. The theoretical knowledge of Engineering in the process of Interpretation and Translation

The Interpretation and Translation in the field of engineering, engineering technology, engineering design and construction could be defined as Engineering Interpretation and Translation. Engineering translation, technology translation, foreign trade and economy translation, literary translation and other social sciences translation are all categorized as the important part of Language Translation. Compared with the translation of other disciplines, the Interpretation and Translation of Engineering not only covers numerous subjects such as mechanical engineering, civil engineering, bioengineering and chemical engineering, but also gets involved in many technological process such as product design, metal smelting, rough forging, casting, workpiece heat treatment, welding, mechanical workout and quality testing; In addition, the Interpretation and Translation of Engineering is sometimes relevant to the Department of Legal, Logistics, Finance, Insurance, Taxation and Labor. In this complex situation, all translators are required to have the basic knowledge of mentioned subjects: the mission of translator is translating the source language into target language on the basis of well understanding the original meaning. It means translator should dominate not only the language but also the specialized knowledge.

I serve in an Italian enterprise as an Application Engineer and Translator and have worked in and visited to several countries. After finish some engineering projects, I realize that the well domination of specialize knowledge of translator would almost play a decisive role on effective translation. For example, there are many polysemous words in English. Although a number of monosigns are used in engineering vocabulary, many words that could indicate multi-table concept and multiple meanings are still used in this field. The common meaning of "cut" is "the act of reducing the amount or number", but it means "cubage of excavation" in Engineering Translation. In the process of translating the catalog of foreign machinery, translator should properly translate the component of machinery, for example, driving wheel and driven wheel may be translated into Sprocket, and idler wheel should be translated into the wheel. While translating the drawings, translators could not translate "Other bore sizes in imperial units are available" into "other metric units dimension sprockets are available" but into "Imperial units available in other sizes of the bore". Thereby, translator cannot perfectly finish the engineering translation without high degree of industrial sensitivity and well understanding of engineering knowledge. The mistakes of target language could seriously obstruct the completion of engineering projects.

However, the poor English level of engineers who master engineering principles and the little specialized knowledge of translators who are conversant with English result in the embarrassment of engineering translation. Generally speaking, translators learn foreign language and translation skill in the university but they fail to engage in professional knowledge. Whereas, most of translators have to face different discipline in different translation project, such as from mining to metallurgy, from ceramic to plastic injection and so on. Therefore, translators, whose nature should be curious, have to love their job, adhere to long-term study and good at sum up the previous experience.

According to my work experience and experience in Translation, to perfect the Interpretation and Translation in Engineering Projects, one should achieve several goals shown as follow besides the good capacity of translation:

(1) Familiar with the contents of Translation.

What do you focus on, a mechanical engineering project or a civil engineering project? What is your status, translator that required translation precision or interpreter that with time limits? What kind of the document, an engineering contract or an engineering drawing?Understanding the basic principle, construction, and components of relatively engineering is the first step in accurate translation.

(2) Find out what the object of target language and source language are.

Take translating Italian into Chinese for example. In Italian mechanical drawings, many words, which are neither Italian nor English, could not be found in the dictionary. All these fixed expressions established by usage could only accumulate by translators in normal times. Meanwhile, the marking of drawings in the Commonwealth countries and the Inter-American countries is different from other countries. Translators who have engaged in engineering project of these countries would notice that there are many English and non-English mixtures in their expression.

Finding out the object of target language is the second step in effective translation. In the process of engineering translation, translators serve not only the well-educated engineers and managers but also the factory workers who have never entered into the door of senior class. The name of some mechanical parts and accessories in Textbook may be different from the name known by our "apprenticeship system" workers. Thereby, translators should communicate with both sides before launching translation and use plain target language. Finding out the content and scope of the translation and well preparing to the existing problems and solution is the good way to perfect the translation in engineering projects.

(3) Do not overly rely on the Sino-British dictionary.

Perfect translation is from practice and accumulation, the same as engineering. Copy dictionary mechanically and apply it indiscriminately would be easy to confuse one thing with another. Take "gear" as an example, there are more than ten kinds of expressions in a dictionary such as gear, gear wheel, wheel gear, toothed wheel, toothed gear, tooth wheel, cog-wheel, cogwheel, cogging, tooth gear, central gear and so on. Before choosing one of them in the process of translation, translators should refer to the specific objectives and language situation:

A device for shifting gears on a bicycle by moving the chain between *sprocket wheels* of different sizes.

One *cog-wheel* engages with another.

A mechanism for changing from one *gear* to another in a transmission.

The *gearing* of this machine is unusual.

Therefore, translators should think about the details of engineering projects. Responsible translators would never rely on dictionaries or make a facile remark by intuition or common sense. They would comply with the translation principle of "Faithfulness, Expressiveness and Elegance" and use standard engineering terminologies in the process of translation.

(1) Not abbreviated translation.

If translators find spelling error or non-standard, abbreviated marking in documents or drawings of source language, they should communicate with engineers immediately. The detailed and accurate translation is praisable while the translation seemingly right but actually wrong is faultiness.

2. The accumulation of specialized vocabulary in Engineering Translation

There are three major features of specialized vocabulary in engineering, the first one is "**specialized**", non-insiders are often completely at sea when hearing these words; the second one is "**high frequency of utilization**", many translations are often center on one specialized issue; and the third one is "**limited quantity**". The latter two features are the breakthrough points of successful translation. In my opinion, the best shortcut for translator is thoroughly studying the tender. Engineering Tenders would cover all useful aspects of the project such as engineering requirements, construction progress, materials, construction methods, engineering inspection and insurance, etc. Through study tenders, translators could not only learn specialized vocabulary but also acquire professional knowledge.

I was with responsibility for the tender translation for a Changsha Construction Machinery Group in 2007. I translated the asphalt paver into Spreading Machine as I knew very little about the road machinery at that time. After checking the previous tenders, I replaced it by Asphalt Paver. In the process of tender study, I appreciate the tenders as a good teaching material for specialized vocabulary and professional knowledge. Translators could be competent for engineering translation after predominate a certain number of professional terminology, which can be easily obtained by studying tenders in-depth.

To sum up, perfect engineering translation is a cumulative process of practice, experience, the ever-expand range of professional knowledge and the mastery of terminology. Engineering students who just learn general knowledge in universities should enhance the practical experience and combine the theory and practice so as to obtain the basic skill of engineering translation. Professional translators should read pre-translated data, communicate with engineers before launching translation, learning-by-doing during the process of translation and write a summary after the translation. In doing so, translators could solve the problem of professional knowledge and terms more easily and finish the translation more perfectly.

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The Study of China Retail Business Development Strategy

Jing Sun

School of Business Management, Shenyang University

Shenyang 110041, China

E-mail: sunjing9819@yahoo.com.cn

Jingting Ma

School of Graduate, Shenyang University

Shenyang 110041, China

Abstract

After China joined the World Trade Organization (WTO), many retail investors from all over the world are developing quickly in China. They are expanding their market size and share, thus Chinese retailers are facing more severe competition. Chinese retailers need not only understand themselves as well as understanding their components so that Chinese retailing will continue to exist and develop in the acute competition environment

Keywords: Retail, Competition, Development strategy, Countermeasure

1. Foreign capital Retail business's trend of development and characteristic

1.1 The management strategy: The foreign capital Retail business constructs the trade integration management system in the industry, implements the global trade strategy.

These enterprises have the numerous subsidiary companies and stores in overseas, forms integrated and so on trade, sale, and information world management networks. In worldwide scale, the various subsidiary companies and branches under base companies unified command implements the unification supply, the unification allocation, the unification sale, the unification settles accounts. Facing the world market, they consider the whole world business strategy, thus causes the enterprise to obtain the greatest income.

1.2 The investment seize: the expansion order, proceeds in an orderly way, invests from the dispersion to the formalization investment management.

The centralism investment and the large-scale management is the foreign capital retail business's investment strategy in order to seize the international market. Demonstrated according to the material that the transnational retail business such as Wal-Mart, Carrefour, and Metro and so on direct investment in Beijing, Shanghai, and Shenzhen and so on, the highest investment cost reaches as high as more than 300,000,000 US dollars, the investment scale is bigger than existing commercial facilities in China.

1.3 The management position strategy: Every successful foreign capital Retail business in China, majority chooses the global most growing main force retail sales business strategy, grabbing the most growth prospect market domain.

They has adopted direct spanning traditional food supermarket and the standard food supermarket pattern in the supermarket management position, direct set up large-scale synthesis supermarket and warehousing type supermarket.

1.4 The technical strategy: The foreign capital retail business manages enterprise massively using the present information technology.

Wal-Mart's information system is the most advanced commercial information technology system, it has main feature including more invests, the function entire, the speed to be quick, intellectualized and global networking. Wal-Mart invested the large amount fund in the information technology; there are more than 2000 engineers who were responsible for the software design special in the company. At present, between Wal-Mart China Corporation and the American Corporation's relation is transmits through the satellite, thus caused China's chain store to integrate in truly its worldwide scale chain-like network, the competitive advantage was obvious. Metro Corporation utilized the computer technology to consummate a set science executive program from the purchase to the sales; the computer control system has grasped the commodity purchase, sales, storage process, thus it might control the inventory in the most reasonable

level. When commodity quantity is lower than the security reserves, the computer can produce the order form automatically, issues the ordering notice to the supplier, thus it has guaranteed the commodity continually supply and the low cost management. The computer reflect detailed the sales situation, not only has supplied sales quantity and each kind of information, and has also recorded each kind of customer purchase frequency and the shopping structure, thus may reflect accurately the customer demand tendency and the development trend, enable Metro Corporation to adjust promptly the goods structure and the management strategy.

2. Foreign capital retail business's trend of development to China retail business's impact and challenge

2.1 The foreign capital Retail business implements the formalization, the chain-like management, seizes China consumer market by the low price strategy, and forms the absolute cost advantage.

The foreign capital Retail business is mostly big enterprise that has the varying degree monopolistic position, the management scale is bigger, and some large-scale transnational Retail business's global annually sales volume even surpasses many national's gross industrial output value in the world. For example Wal-Mart Corporation's total sales were 193.2 billion U.S. dollars in 2000, the profit are 6.3 billion U.S. dollars. The economies of scale bring the scale benefit, not only causes the direct production cost of operation to reduce, moreover in aspects and so on allocation, retailing, has the absolute comparison cost advantage. Although the Wal-Mart retail price is lower than other supermarkets, what adopts is the low price sale strategy, but the sales ratio of margin actually achieves 21%, after the tax, the net profit achieves 3.3%.it is more higher than Chinese Retail business greatly. But China's Retail business, for example Beijing's Wang-fu-Jing department store, the Wuhan department store and so on, compares with the overseas Retail business, also can only be the Small business.

2.2 The foreign capital Retail business implements the modern goods allocation, establishes the manufacturer, the supplier and the retail merchant cooperation pattern, forces China Retail business to establish the new production and marketing relations.

Because China Retail business forms the unique market superiority under the buyers' market condition, forces the supplier has arrogated to oneself the commodity all operational risk when sales goods. But under the market economy condition, the enterprise takes an economic entity, its operational risk cost includes the enterprise product cost inevitably, and transforms to the commodity price, directly causes the commodity price to stay at a high level for a long time, dull sale. Thus, on the one hand causes the consumer welfare surplus reduction, on the other hand causes the production and marketing contradictory prominent, causes the enterprise to manage difficultly. From looking the foreign capital Retail business may discover that the foreign merchant in the commodity purchase is generally take the market demand as the choice standard, through the investment, the share-holding, the holding, sells outright and so on monopoly, establishes the more fixed upstream supplier and the goods supply base, guarantees the source of goods quality fineness, the price inexpensive and the variety quantity sufficiency. In the allocation aspect, the corporation has to adopt the "one-stop" work style, implements the unification allocation. For example German Metro Corporation investment constructs huge and the stable vegetables Support base in the Shanghai suburb. US's Wal-Mart Corporation direct or indirect the merchandise exports total amount which purchased in China reaches as high as 10 billion U.S. dollars annually in recent years , now the commodity headquarters of allocates and dispatches has been shifted to the Chinese Shenzhen. The modernized supply of commodities allocation chain pattern brings the international economy benefit which exceeds the quota.

2.3 The foreign capital Retail business implements the localization strategy in the investment management process, forms competing commercial talented person's competition aspect with China retail business

After China joins WTO, the foreign capital Retail business does not hesitate the price to attract the Chinese commercial domain outstanding talent. However, looked from the Chinese retail trade's operating condition that human resources' quality level is also very low, but also exists that the talented person does not be taken seriously and the waste phenomenon, these have restricted China Retail business's innovation and the reform seriously.

3. Facing the foreign capital Retail business's challenge, the countermeasure which China Retail business develops

3.1 Establishes and improves Chinese domestic trade protection policy and the market access mechanism

China has already joined WTO, must fulfill the WTO basic maxim completely, but this was not equal to that said joined WTO, China's retail market was the perfect competitive market, did not need the government to implement essential intervention and control. In fact, in does not violate the WTO rule under the premise, some country which joined WTO early has to formulate laws and regulations and the policy that conformed to oneself national condition, avoids harming oneself country excessively economic interest,. For example U.S. government in order to control the imported goods quantity, protects the domestic manufacturer benefit, implements the customs import quota to the partial products. Therefore, under the WTO criterion, China should also formulate policies and regulations that conform to the international convention to protect the domestic Retail business.

3.1.1 Formulates counter-dumping and antimonopoly law. When some transnational Retail business relies on their abundant fund, the advanced technology and the inexpensive price or implements the low price dumping strategy to some commodity's production and retailing implementation monopoly, may rest on this law to limit.

3.1.2 Implement the green barrier protection.

The green barrier protection refers to one kind to protect the limited resources and the public health name, through formulates a series of harsh environmental standard, to limit the project and the imported goods which the foreign capital Retail business invest.

3.1.3 Implement technology trade barrier. The technology trade barrier refers to one tariff barrier measure which the commodity import and export country in view of foreign commodity quality, specification, nutritional value, use and explanation, habitat proof, packing trademark and so on, formulation strict technologies, health quarantine. The WTO member nation government establishes the technical barrier generally, reduces the imported product competitive power. Therefore, China may also take the international advanced technical standard management commodity import, protects the domestic consumption market.

3.2 Implementation chain-like managements and improve China Retail business's market survivability, the competition strength and the develop power as soon as possible.

According to the commercial law of development, the sole shop's sales growth has certain limit, if the enterprise wants to obtain market space in the marketability degree high commercial domain, must transform through organization, implementation expansion strategy, and realizes the benefit growth. Setting up the chain store is an effective way. In fact, in the overseas, many big Retail businesses dependence chain-like way forms the scale benefit gradually. American Wal-Mart Corporation increased the approximately 30 billion U.S. dollars sales volumes in 2000, comes from the annexation and the new start shop completely. Is opposite says in the Chinese market, 8 Wal-Mart retails supermarket sales volume to be possible to reach 3 billion U.S. dollars to 4 billion U.S. dollars annually. Other international retail merchants, for example Carrefour, Metro, the chain-like supermarket which opens in China sells well mostly. Therefore, the chain-like management is most efficient paths one that breaks China Retail business tradition business model, promotes China Retail business's market survivability, the competition strength and develop power. The chain-like commercial essential characteristic requests its management and operation must realize standardization and scientific. In view of Chinese chain-like commercial management and operation present situation, the enterprise should strengthen standardized management from the following several aspects.

3.2.1 Implements headquarter global administration, should achieve unification enterprise recognition system, unification inventory, unification calculation, unification fixed price and so on.

3.2.2 Implements retail operation and management process standardized. The Developed country's Chain-like Company managed process management already to form high standardization, simplification, centralization and scientific style, used the computer management information system to aspect inventory, sale, memory, fund, finance data and the feedback information carries on processing promptly, at the right moment, accurate, highly effective, frugal cost. China retail chain enterprise must take standard management and management tool modernization fully, can adapt business management modernization request.

3.2.3 Takes marketing strategy and marketing method unity. The chain-like enterprise must take the target market localization, the commodity localization and the service localization, takes the enterprise overall strategy, from commodity equipment, service, shop site choice, price arrives and promotion, should have one whole complete strategy.

3.2.4 Unifies training, improves the enterprise staff's overall quality. Because chain-like enterprise's all branch stores should defer to the unification job specification to achieve the unification service standard, therefore, unification training is the global administration main part.

3.2.5 Implements the allocation center modernization. The allocation center is the chain store's distribution organization, its major function is that undertakes various chain stores inventory, stock, processing, transportation, to deliver goods and so on duties. The allocation center may communicate the headquarter and the branch shop, reduced circulated link through the centralism allocation and reduced the transaction cost, thus raised the commodity socialized level, has realized economies of scale, expanded selling profits. Establishes highly effective allocation center, may reduce purchasing cost, reduces storage expense, saves cartage expense, reduces selling costs, maximum limit raises the chain-like enterprise's economic efficiency.

3.2.6 Establishes scientific organizations and the chain-like network system. In the chain-like management process, gains the information to manage success or failure of the chain-like enterprise to be important. Therefore, China's chain-like retail business must speed up construct own message center, strengthens facility of communication network, cash register, bar code developments and application, by prompt, unimpeded information flow guarantee commercial interchange and distribution smoothness, accomplishes chain-like management and operation modernization diligently.

3.3 Implements management adjustment, multiplex development

3.3.1 Adjusts the target audience. Must unify own market historical and other factor to choice target client.

3.3.2 Adjusts the service function, by high-quality service win customers. From sole shopping function to entertainment, leisure, traveling, culture, dining and so on multi-purpose transformations.

3.3.3 Investment in the high tech, the infrastructure or other professions, forms one industry primarily, diversified management patterns.

3.4 Implement customer loyal strategy, expands the market share, enhances the competitive advantage.

The customer loyal strategy's core is that maintains the customer, enhances customer's loyalty. Raises the customer loyalty way and the measure includes:

3.4.1 Maintains the long-term close relationship with the customer. Establishes the customer data information bank, is the foundation of maintains for a long time with the customer contacting. The customer data information bank is a collection saves and analyzes with the enterprise customer's related each kind of information management system, the data information is obtained through market survey, may also through selling or the order register, the customer sues record and so on record to obtain. Each kind of information data should defer to the classified structure order memory which designs specially, like this may enhance analyzes and applies the customer information efficiency. At the same time, also progressive improvement and enhances the database information quality. The customer data information not only may help the enterprise to understand customer's consumer demand, by chance with the buying habit and so on important information, moreover may accord to information data which the database information provides, uses ways that provides product information, letter, telephone, visiting and so on regularly to strengthen with customer's communication, stimulates customer's redundant presence and redundant purchase.

3.4.2 Regards as the customer service's cost to the value investment. Provides satisfaction for the customer service usually spend certain cost, some enterprises regard as it to bear. In fact, provides satisfies service cost, is one item invests very valuably.

3.4.3 Regards as the enterprise staffs to the first essential factor. If enterprise want to enhance customer's loyalty, detains the customer, the key factor is enterprise's staff, especially directly the sales personals who contacts with the customer. But the staff treats customer's manner, is decided the enterprise treats staff's manner. If the enterprise respects the staff, kindly treats the staff, then the staff will also treat the customer by the similar way.

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Graduates' Work Experiences in Small and Medium Enterprises in the Northern States of Malaysia

Mohd Noor Mohd Shariff (Corresponding author)

College of Business, Universiti Utara Malaysia

06010 Sintok, Kedah, Malaysia

Tel: 60-4-928-5032 E-mail: mdnoor@uum.edu.my

Abu Mansor Ahmad

College of Business, Universiti Utara Malaysia

06010 Sintok, Kedah, Malaysia

Tel: 60-4-9285-005 E-mail: amansor@uum.edu.my

Azman Ismail

Faculty of Cognitive Sciences & Human Development, Universiti Malaysia Sarawak

94300 Kota Samarahan, Sarawak, Malaysia

Tel: 60-82-581-558 E-mail: iazman@fcs.unimas.my

The research is financed by Universiti Utara Malaysia.

Abstract

This paper was designed to examine university graduates' expectations and experiences of employment in small and medium enterprises (SMEs) in the Northern States of Malaysia. A self-reported questionnaire data was gathered from 84 graduate employees. Graduates reported positive experiences in many areas. These often exceeded their expectations, and in general over-met expectations were much more common than under-met ones. The graduates' work appeared to offer quite high autonomy, the chance to develop a wide range of skills, and to progress towards career goals, at least in the short term. In line with previous research, there were signs that pay; within enterprise career prospects and training were relatively weak areas. Taken as a whole, the results substantiated previous research done and challenge more negative images of employment in small enterprises, and also the preoccupation with under-met expectations in the literature on new entrants to enterprises.

Keywords: Employment, Experiences, Graduates, Northern States of Malaysia, Small-medium enterprises

1. Introduction

Small and medium-sized enterprises (SMEs) are considered to be an engine for growth in both developed and developing countries. They have the potential to play a crucial role in supporting balanced growth across the economy (Bannock & Albach, 1991). The benefits of a vibrant SME sector include: the creation of employment opportunities; the strengthening of industrial linkages; the promotion of flexibility and innovation; and the generation of export revenues (Harvie & Lee, 2001; Lerner, 2002; Mensah, 1996).

To sustain growth, an economy needs to be supported by its SMEs, because large-scale enterprises (LEs) might have negative as well as positive effects on the stability of a country (Moy & Lee, 2002). SMEs have the ability to innovate, diversify, and create new jobs (Garavan and O'Cinneide, 1994; Lauder et al., 1994). Policy makers in South Korea and the Eastern European countries believe that SMEs could bring their economies out of recession (Sohal & Ritter, 1995). However, A World Bank Report (World Bank, 1978) and ILO studies (International Labour Office, 1982) have shown that increasing employment, and thereby income, is the main reason for encouraging SME development in many countries.

In Malaysia, the role of SMEs will be increasingly important especially helping the nation towards becoming a fully-industrialised country by the year 2020 (Malaysia, 1991). A nationwide Census on Establishment and Enterprises conducted in 2005, found that SMEs represented 99.2 percent or 518,996 of the total number of businesses in Malaysia (Bank Negara Malaysia, 2005). Most of the SMEs (86.5 percent or 449,004) are in the services sector, mainly engaged in the retail, restaurant, wholesale, transportation and communication, and professional services businesses. The manufacturing sector (mainly in the textile and apparel, metal and mineral products, and food and beverage industries) and the agriculture sector (mostly in food crops, market produce and horticulture and livestock) accounted for 37,886 or 7.3 percent and 32,126 or 6.2 percent of the establishments respectively. (Note 1)

In terms of contribution to the economy, SMEs generated RM154 billion or 47.3 percent of value added and RM405 billion or 43.5 percent of output in 2003. The Census also showed that 4,257 SMEs exported their goods and services totalling RM38 billion in 2003. Productivity levels of SMEs are found to be significantly lower than Large Enterprises (LEs) recording value-added per establishment of RM0.3 million compared with RM41 million for LEs.

The Census results confirmed that SMEs are a major source of employment, providing jobs for over 3 million workers or 65.1 percent of total employment in these business establishments. Out of the 3 million workers, 2.2 million workers were employed in the services sector, while 740,000 and 131,000 workers were employed in the manufacturing and agriculture sectors respectively.

SMEs, like LEs, cited work schedules and lack of funding as hindering plan to train their workers. In addition, SMEs also cited lack of on-site training facilities and absence of suitable training schemes as reasons limiting worker training. However, according to Moy & Lee (2002), the effectiveness of the training fund, like other SME support measures, has been questioned by professional members of society, as low subsidy allows only a small number of beneficiaries, even when employers are willing to give their staff time off for training. Another criticism is that the fund might not have an immediate impact (Tien, 2001; Wong, 2001). LEs cited job-hopping after training, and lack of trainers as bigger stumbling blocks for their training programmes.

Both SME and LEs similarly ranked improved job performance, better product quality, higher productivity and better employee satisfaction as the major benefits participating in training programmes when it came to assessing the benefits gained from worker training programmes (Pembangunan Sumber Manusia Berhad, 2003).

Mohd Salleh et al. (2002) provided evidence of low graduates employment in SMEs. Out of the 1,587 Universiti Utara Malaysia graduates that responded to the study, only 3 graduates found employment as entrepreneurs or working in SMEs. Little research has been reported that examines these issues through an analysis of the experiences of recent graduates in SMEs in Malaysia.

Arnold et al. (2002) recommended that this study to be replicated in the same work in other countries since the sample of respondents in their study is relatively small. The main intention of examining the Northern States of Malaysia was to explore whether the results are indeed generalizable. Compared to Perlis and Kedah which is predominantly considered an agriculture states and Penang and Perak where many firms concentrated in manufacturing and services, some discussion of the regional context is appropriate. Barkham et al. (1996) found that a regional study on SMEs may suffer from bias, if differences in the characteristics of SMEs exist between regions. However, evidence from previous studies has refuted regional and locational factors as being important in the study of SMEs (Mahmud, 1981; Hakim, 1989; Storey et al., 1989; and Keasy & Watson, 1994).

1.1 Objectives of this study

The specific objectives of this study were as follows:

- 1.1.1 To examine the expectations and experiences of university graduates' working in small and medium enterprises;
- 1.1.2 To examine experiences in the areas of pay, training, and within-enterprise/organization career development than other experiences;
- 1.1.3 To determine experiences regarding responsibility, autonomy, and skill development than most other areas.

The structure of the paper is as follows. The following section describes essential background information on graduates' work experiences propagated by previous literatures. The next section reviews the methodology employed. Finally, the paper highlights and discusses the results on graduates' work experiences in SMEs in the Northern States of Malaysia.

2. Literature review

In much of Western Europe, the employment market for university graduates is dominated by large enterprises as opposed to small ones (Harvey et al., 1997; Mason, 1996). Large enterprises make great efforts to market themselves to graduates, university careers staff seek to foster links with them, and university students tend to prefer the prospect of the employment in a large enterprise over employment in a small one (Belfield, 1999).

Managers in small enterprises in general seem less willing and/or are able to participate in the graduate recruitment competition (Johnson & Pere-Verge, 1993). Often they fear that they will be unable to meet graduates aspirations in term of quality of work and material rewards (Johnson & Pere-Verge, 1993; Read, 1997). They may also doubt whether graduates have appropriate practical skills, even though it seems that the technical and specialist know-how offered by many graduates contribute substantially to the performance of small businesses (Bosworth & Wilson, 1993; Freel, 2000).

Some of the available research evidence suggests that graduates have good reason to prefer employment in large enterprises rather than small ones. The training provided in small enterprises has fairly consistently been found to be more limited in quality and scope than in larger enterprises (Marshall et al., 1993). SMEs tend to perceive training as a cost rather than an investment in Malaysia (SMIDEC, 2004). There is also clear evidence that pay is lower even allowing for sector (Belfield, 1999; Mellow, 1982). University students also perceived that small enterprises have fewer promotions and other career opportunity than large ones (Belfield, 1999).

On the other hand, there is also some reason to believe that small enterprises will in some respects offer graduates better employment experience than large ones. Extrapolation from this might suggest that recent graduates' work in small enterprises offers more development of a range of skills, and more responsibility and autonomy than in the large enterprises. Research on enterprise size indicates fairly clearly that large enterprises are more structured and centralized than small ones, and the roles are defined more closely (Ingham, 1970).

Furthermore, earlier research suggested that career development is often experienced as surprisingly restricted and/or unclear in large enterprises (Arnold & Mackenzie Davey, 1994), perhaps because of the prevalence of downsizing and restructuring. Even training might not be a major issue if good learning and development happen on the job, and there is some evidence that this is indeed the case in small enterprises (Joyce et al., 1995, Westhead & Storey, 1996). Recent contributions to the fairly abundant literature on training in SMEs have tended to question whether training is necessarily a causal factor in business success (Patton et al., 2000; Bannock, 2000).

There is long tradition of comparing experiences with expectations among young people entering employment (Wanous et al., 1992; Mabey et al., 1996). It has generally been found that newcomers have high expectations and that these are frequently not fully met, with negative consequences for outcomes such as newcomer tenure and commitment (Dean et al., 1988). The high expectations of newcomers are believed to be fuelled by the efforts of the employing enterprise's recruiters to emphasize the virtues of the post on offer and the enterprises as a whole as they try to attract high quality newcomers. There have been some attempts to counter this by developing the realistic job previews (Wanous, 1989), which attempt to portray the job and enterprise as the insiders see them.

Recruiters in small enterprises are likely to have more detailed knowledge of the jobs they are recruiting to than those in large enterprises (Rynes & Barber, 1990). They may also more careful to be accurate, because they may well have to work closely with the successful candidate. Robertson (2000) found that around the quarter of students across several European countries came from a background where their parents ran their own business, so some graduates should be aware of what to expect. Furthermore, the literature already reviewed gives some reason to believe that graduates' expectations of small enterprises are likely to be relatively realistic. All this may mean that unmet expectations of graduate newcomers are not a frequent problem in small enterprises.

Arnold et al. (2002) examined university graduates' expectations and experiences of employment in small enterprises in the UK and the Netherlands. From the study of 126 graduate employees in small enterprises, they found that graduates reported positive experiences in many areas such as they were offered quite high autonomy, develop a wide range of skills, and to progress towards career goals. Nevertheless, in line with previous research, there were some signs that pay, training and within-enterprise career prospects were relatively weak areas.

3. Methodology

3.1 Respondents and data collection

The list of names and addresses of the small-medium enterprises (SMEs) from the Ministry of Entrepreneur Cooperative Development (MECD) databases comprised the population frame for this study. The sample of the respondents (graduates) for the study was selected from the listing of the firms in the Northern States in Malaysia (Perlis, Kedah, Penang and Perak). Letters with translation in Malay and Chinese were sent to 300 firms' addresses selected randomly enquiring them about graduates' employment in their firms and permission for their graduates to answer the structured questionnaires.

The responses from these firms were quiet poor and only a few firms replied. The reasons for non-participation by the selected firms illustrate the problems of conducting research in a mixed-race, multi-lingual, developing country (Boocock & Mohd Shariff, 1996). For example: it was not possible to locate a number of firms, as the addresses were not up-to date; and others were not willing to disclose any information.

However, 90 respondents were willing to participate in the study and a follow-up letters together with the questionnaires were sent to them. Non-participants were not replaced, mainly because of constraints on time and resources. Of the 90, six were excluded from this study because either they were not graduates, or they had been employed too long, or they worked in an enterprise with 150 or more employees. This represents a response rate of 28 percent of the sample size. The sample size is considered appropriate compared to the previous study conducted by Boocock & Mohd Shariff (1996), where the researchers only managed to interviews 32 respondents. Research conducted by Arnold et al. (2002) also received a total of 77 responses representing a response rate of 25 percent of the 308 questionnaires that being sent out.

3.2 Questionnaire

The questionnaire used was divided into eight sections. The first and second section addressed the background of the respondents and their employing enterprises. Section three of the questionnaire aimed to capture information on the graduates' experiences at work by adopting instruments from previous literature reviews (Mackenzie Davey & Arnold, 1992; Freese & Schalk, 1997).

These were grouped into the following twelve categories; autonomy, responsibility, training, skill development, pay and benefits, working conditions, respect, boss, co-workers, organizational career, career progression and security. A five-point Likert scale (1 = strongly disagree; 2 = disagree; 3 = neither agree nor disagree; 4 = agree; 5 = strongly agree) was used for the items and fitted well. The fourth section focused on the match between expectations and experiences and was assessed using 12 items (Arnold et al., 2002), each reflecting one area of experience at work. Examples are "I received relevant training", and "my co-workers are helpful and supportive". For each item, respondents were asked "To what extent have your experiences met the expectations you had when you started working for this organization?" Answers were given on a five-point scale (1 = much less than I expected; 2 = somewhat less than I expected; 3 = as I expected; 4 = somewhat more than I expected; 5 = much more than I expected). Section five focused on the graduates settling in the organization and based on 6 open-ended questions. Section six highlighted the graduates expectation of themselves in terms of having made a promise or commitment to their employers based on the 11 items "yes" or "no" answer. Examples are "Assists others with their work", and "shares the organization's values". If they believed that they have made a promise or commitment, answers were given (1 = not at all; 2 = partly; 3 = completely). A final items (open-ended question) were given to gauge the respondents' views of any significant changes in what they consider to be their commitments or promises to their employers.

Attitudinal variables were also assessed in Section Seven. Eight item scales for affective commitment (i.e. emotional attachment) and continuance commitment (i.e. belief that the costs of moving would be too great) to the organization were drawn from Allen & Meyer (1990). A 4-item measure of trust was used. This was adapted from the longer measure employed by Robinson (1996). Finally, the 5-item measure of intention to leave developed by Mackenzie Davey & Arnold (1992) was also included.

Lastly, Section 8 discussed on the changes in graduates' attitudes to their organization and reasoned for those changes. A 3-item measure of changes in attitudes was adopted from Arnold et al. (2002). Answers were given on a five point-point scale (1 = considerable negative change; 2 = moderate negative change; 3 = no change; 4 = moderate positive change; 5 = considerable positive change).

3.3 Reliability test result

To determine the reliability of the responses given by the respondents, a reliability test was conducted to the dependent variable. The result of the test for the Cronbach's alpha for the above scale was obtained (Table 1). This shows that the responses given by the respondents were highly reliable as the Reliability Coefficient is closer to 1 (one).

4. Results

4.1 Characteristics of respondents

Table 2 shows the characteristics of the sample. The graduates had worked with their employers for an average of more than two years. The mean age of the graduates were 27 years. About three-quarters of the graduates reported being in a job intended specifically for a graduate. Nearly half of the graduates were females. Almost two-thirds of the graduates worked in enterprises with fewer than 50 employees. The majority of them studied business, economics, social science and information technology. Most common jobs held were marketing, general management, and accounting. Nearly three-quarters had obtained Bachelor's degrees. There was quite a lot of variation in perceptions of the employing organization's economic performance, though these perceptions tended towards positive.

Table 3 shows the number of graduates reporting that their expectations had been under- or over-met in each of the 12 areas. This results support the first prediction. In both the Perlis/Kedah (P/K) and Penang/Perak (P/P) and sub-samples under met expectation was only one and far between. The mean number for Perlis/Kedah graduates was 3.5, and for Penang/Perak graduates were 3.6. Furthermore, these were far exceeded by over-met expectations, with mean of 6.7 in

Perlis/Kedah group and a mean of 6.4 for Penang/Perak group. More than half the sample in the 10 areas indicated to a greater extent than they had expected. This is consistent with some earlier works on surprises experiences in employment by new graduates (Arnold, 1985; Arnold et al., 2002). Almost as many reported more responsibility, skill development and helpful co-workers than they had expected. The only area in which expectations were more frequently under-met than over-met was pay and benefits. Even here, however, more than half of the respondents reported under-met expectations, and about less than one-third of the respondents reported over-met expectations. The area of training was inconsistent with the earlier findings by Arnold et al. (2002), where more than two-fifth of the respondents reported over-met expectations than under-met expectations.

The idea that most newcomers have high expectations many of which are inevitably unmet (Wanous, 1989) is definitely not supported in this case. It is not possible to be certain whether this was simply because expectations were very low, and therefore almost any reality represented an improvement on them. However, the quite high mean scores on most of the experience scales suggest that this was not a case of rock bottom expectations being exceeded by mundane experiences.

There was a tendency for the Perlis/Kedah sub-sample to report fewer under-met expectations than the Penang/Perak sub-sample. For under-met expectation, this difference was most marked by pay and benefits. As mentioned earlier in the area of training, however, this results support the earlier findings by Arnold et al. (2002) in terms of Penang/Perak sub-sample reporting under-met expectations than the Perlis/Kedah sub-sample. Among the over-met expectations, the gap between the groups of states was biggest for skill development, responsibility and co-workers. The ratio between under-met and over-met expectations was however similar for both sub-samples (1:1.9 for the Perlis/Kedah graduates and 1:1.8 for the Penang/Perak graduates).

Data concerning prediction 2 and 3 are shown in Tables 4. Table 4 shows scores on the experience and attitude scales (i.e. the sets of questions designed to reflect key constructs). Some circumspection is required when comparing means on the different scales because mean scores may depend partly on how the questions in different scales were worded. However, 'extreme' words (e.g. very highly) were avoided in the questions, so any distortion should not be major. The first point to note (Table 4) is that all the means for the 12 experience scales were above the midpoint of the response scale. This suggests that experience scales were on the whole quite positive. The highest means were for Co-workers and Skill Development. The Penang/Perak sub-sample scored very significantly higher than Perlis/Kedah sub-sample on Autonomy and Working Condition; while Perlis/Kedah scored very significantly higher than Penang/Perak sub-sample on Training.

Prediction 2 stated that experiences concerning pay, training and within enterprise career development would tend to be less positive than others. This was largely supported by the data derived from the experience scales (see table 4): the mean scores for Organizational Career (3.10) and Pay and Benefits (3.26) were the lowest of the 12 areas, and Training was twelfth. There were two differences between the sub-samples. Experiences concerning Pay and Benefits were better for the Penang/Perak graduates than the Perlis/Kedah graduates, in terms of both mean score and rank order in the 12 experiences. Training was lower in rank order among the Penang/Perak graduates than the Perlis/Kedah graduates in terms of both mean score and rank order in the 12 experiences.

Prediction 3 was that experiences regarding Responsibility, Autonomy and Skill Development would be amongst the most positive than most other areas in the present sample. Table 4 shows strong support for the prediction in the cases of Skill Development (in both sub-samples only the Co-workers mean score was higher). The prediction is also supported regarding Autonomy in the Penang/Perak sub-sample, but not the Perlis/Kedah sample. The prediction is also supported regarding Responsibility in the Perlis/Kedah sub-sample, but not the Penang/Perak sample.

Some hunches and assertions about the nature of work in SMEs were supported by these results. The graduates seem to have experienced a lot of freedom to do things in their way and (perhaps as a consequence) to develop their skills. The Penang/Perak graduates in particular reported high autonomy, perhaps reflecting a tendency for more delegation in Penang/Perak SMEs. This is consistent with an image of SMEs as being relatively free of procedural constraints and tightly defined job descriptions.

Trust in the employer was quite high between both the Perlis/Kedah and the Penang/Perak graduates, but Affective Commitment (that is, a sense of emotional attachment) is distinctly provisional especially for the Perlis/Kedah sub-sample. Continuance commitment reflects the idea that the costs of leaving are too great to sustain, and/or the alternatives too few. This form of commitment is relatively high, though significantly higher among the Perlis/Kedah than the Penang/Perak graduates. Even so, Intention to leave is also somewhat lower, though significantly higher among the Perlis/Kedah than the Penang/Perak graduates.

5. Conclusion

This study extends our understanding of graduates' experiences in small and medium enterprises by providing quantitative data from 84 people in their first four years of post-graduation employment in enterprises with fewer than

150 employees in the Northern States of Malaysia. The most general and pervasive finding is that experiences were predominantly positive, probably to a greater extent than most existing literature would lead one to expect. Experiences were certainly more positive than the graduates themselves had expected.

On the whole, the results support those who argue that employment in small and medium enterprises tends to offer a great deal of freedom and skill development. This appeared not to be the case for some aspects of responsibility though. As predicted, experiences of training, pay and benefits and career prospects within the enterprise tended to be weak spots. But even this was not universal. The Penang/Perak graduates were relatively positive about pay and less negative than the Perlis/Kedah about training.

The results present a contrast to much of the unmet expectations literature, in that expectations were considerably more likely to be over-met (over one-third of expectations) than under-met (less than one-sixth). In a sense this might be taken to support the idea that newcomers in enterprise frequently experience 'reality shock' (Hughes, 1958). However, that term usually has connotations of getting less than expected rather than more. The present results are in line with Arnold's et al. (2002) finding that the majority of surprises experienced by new graduates were either positive or neutral in tone.

The results from this study provide further evidence that pay benefits, organizational career and (especially) training are relatively weak point for small and medium enterprises in the Northern States of Malaysia. They add to past work by showing that these areas are not relatively weak, but also tend to fall short of graduates' expectations. It may well be that good experiences in other areas compensate for this. An example is that high scores on skill development may mean that deficiencies in formal training matter relatively little to graduates. Nevertheless, recruitment and retention of graduates by small and medium enterprises may be helped either by improving graduate training, working condition and pay or by being very clear and accurate about what new recruits can expect in those areas.

Graduates' relatively negative perceptions of career prospects within the SMEs also accord with speculations in the literature. Here again, though the Penang/Perak graduates were more positive than their Perlis/Kedah counterparts. Almost by definition, one might think, SMEs offer less scope for career progression because there are few alternative positions or promotion ladders available. On the other hand, careers are supposedly more fluid and less defined by organizational structures than they once were (Arthur & Rousseau, 1996). This might mean that the changeable and diverse nature of work in SME businesses, with the accumulation of skills and experiences that implies, constitute a desirable career in itself. However, the data obtained here suggests otherwise- that these graduates saw careers in terms of formal positions, and that SMEs offered few of them. Yet most of them felt that at present they were making good progress towards their career goals, which perhaps indicates that they viewed their employment as fine for now but not for the longer term. It is not clear whether graduates in the present study aspired to set up their own small business, or whether they wanted to move to a larger enterprise. Evidence from a small number of follow-up interviews suggests that initiatives in entrepreneurial education are having only limited impact (Johnson & Tilley, 1999).

Other aspects of the results are perhaps less in line with common perceptions of employment in SMEs. First, it seems that at least one barrier to access to training (pressure of work) may be rather less salient in SMEs. Again, though, caution is needed here because pressure of work may well increase in enterprises of all sizes over the last decade (Worral & Cooper, 1998). Second, although opportunities for the development of range of skills were very positively perceived by graduates in this study, they were seen almost as positively by those in the large enterprises (Arnold et al., 2002). Third, the notion of responsibility probably needs to be broken down. It seems to be more individualized phenomenon in SMEs than in large ones; concerned more with making one's own decisions and less with supervising others. It is therefore inappropriate to state that work in SMEs involves more responsibility without specifying what the responsibility is for.

Perhaps the most significant practical message to be taken from these results is that SMEs appear to be underselling themselves to graduates. In both the Perlis/Kedah and Penang/Perak sub-samples, graduates tended to report receiving more than expected of things that are normally regarded as desirable. This is the reverse of the pattern suggested by most of the literatures in graduate recruitment and work-role transitions. Supplementary analyses showed that the number of over-met expectations correlated moderately positively (0.247) with graduates' affective commitment to the enterprises and negatively (-0.173) with the intention to leave, so this form of unmet expectations appears not to be a problem from the employer's point of view – indeed, rather the reverse. Nevertheless, if one is prepared to assume that low expectations put off potential applicants, then SME employers can afford to be less modest about the work they offer to graduates. It will be important not to be err in the opposite direction of course, but on the basis of these results there would be some distance to travel before that happened.

Finally, some limitations of the research reported here must be acknowledged. Although drawn from the Northern States of Malaysia, the sample size is relatively small and there is no guarantee that those who responded are representative of graduates entering SMEs in the Northern States of Malaysia. Also, the relatively high non-response rate may have led to a sample that is biased in unknown ways. Data about expectations were retrospective, so it is

impossible to be sure that what have said at the time of joining. On the other hand, their sense now of met and unmet expectations can be considered valid experiential data in themselves, irrespective of what the graduates might have indicated in the past. On that basis, the main conclusion of this work is that on the whole graduates were quite please with their experiences of working in SMEs, both in absolute terms and relative to expectation.

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- Note 1.** For the purpose of this article, the authors are using the National Small and Medium Enterprises Development Council (SMEDC) of Malaysia definition of SMEs as firms with fewer than 150 full-time employees.

Table 1. Test result of the reliability analysis of the responses

Scale	Number of Items	Sample Item	Reliability (Alpha)	Mean Overall (n = 84)
1. Autonomy	3	We are free to do our work in our own fashion	.710	3.45
2. Responsibility	4	Our work involves significant decision-making	.759	3.40
3. Training	2	We have received training which is useful in our day to day work	.551	2.66
4. Skill development	5	We are gaining a wide range of useful experiences	.577	3.89
5. Pay and benefits	3	Our pay and benefits are adequate in relations to the time/energy we contribute	.906	3.26
6. Working conditions	4	The right equipment and resources are available to us when we need them	.708	3.24
7. Respect	4	We are consulted over changes which affect our work	.703	3.35
8. Boss	4	Our boss praise us when we do a good job	.625	3.64
9. Co-workers	2	We are accepted by the people we work with	.841	4.08
10. Organizational career	2	We think we can develop our career in this organization	.614	3.10
11. Career progression	2	We are working good progress towards our career goals	.555	3.55
12. Security	2	We feel that our job in this organization is secure	.899	3.04
13. Affective commitment	5	We really feel as if this organization's problems are our own	.628	3.20
14. Continuance commitment	8	We feel that we have too few options to consider leaving this organization	.571	3.34
15. Trust	4	We consider our employer to be open and up front	.844	3.44
16. Intention to leave	5	We frequently find ourselve thinking about leaving this organization	.899	3.33

Description for the above table. *Source: Adopted from Arnold, J.R., Schalk, R., Bosley, S., & Van Overbeck, S. (2002). Graduates' experiences of works in small organisations in the UK and the Netherlands. International Small Business Journal, 20(4), 477-497.*

Table 2. Characteristic of respondents

		Northern States (n = 84)
Mean (SD) tenure		2.81 (1.99)
Mean (SD) age in years		27 (4.33)
Number in job intended for a graduate		
Yes	63	
No	17	
Number of gender		
Females	47	
Males	37	
Size of employing organization (employees)		
5 to 19		18
20 to 50		40
51 to 150		26
Subject of highest qualifications		
Engineering		14
Social science/IT		18
Business/economics		50
Science		2
Race of respondents		
Malay		57
Chinese		16
Indian and Others		11
Job role		
Engineering/production		19
Marketing/general management/		
Accountant		52
Computer/IT/Architect		13
Nature of highest qualification		
Diploma's		19
Bachelor's		60
Master's		5
Owner of organization		
Owner-managed		14
Partnership		18
Family business		13
Private company		28
Public company		8
Others		3
Describing organization's current economic position		
Strong		19
Sound		24
Satisfactory		33
Struggling		8

Description for the above table. Source: Adopted from Arnold, J.R., Schalk, R., Bosley, S., & Van Overbeck, S. (2002). Graduates' experiences of works in small organisations in the UK and the Netherlands. *International Small Business Journal*, 20(4), 477-497.

Table 3. Number of respondents reporting under-met and over-met expectations in each of twelve areas

	Under-met (i.e. expectations exceed experiences)			Over-met (i.e. experiences exceed expectations)		
	Perlis/Kedah (n = 52)	Penang/Perak (n = 32)	Total (n = 84)	Perlis/Kedah (n = 52)	Penang/Perak (n = 32)	Total (n = 84)
Autonomy	19	11	30	27	20	47
Responsibility	6	3	9	39	22	61
Skill- development	8	6	14	31	18	49
Training	17	17	34	25	11	36
Long-term career development	9	9	18	32	17	49
Consultation	17	13	30	31	15	46
Helpful co- workers	10	4	14	27	21	48
Pay and benefits	32	14	46	18	13	31
Approachable boss	21	8	29	24	18	42
Fair treatment	16	12	28	32	14	46
Job security	23	11	34	27	18	45
Work environment	11	8	19	30	19	49
Mean number of under-met and over-met expectation per person	3.5	3.6	3.6	6.7	6.4	6.5

Description for the above table. *Source: Adopted from Arnold, J.R., Schalk, R., Bosley, S., & Van Overbeck, S. (2002). Graduates' experiences of works in small organisations in the UK and the Netherlands. International Small Business Journal, 20(4), 477-497.*

Table 4. Descriptive data for scale assessing aspects of graduate experiences

Scale	Number of items	Sample Item	Overall (n=84)	P/K (n=52)	P/P (n=32)	T-test Pk vs PP
1. Autonomy	3	I am free to do my work in my own fashion	3.45	3.31	3.67	2.03*
2. Responsibility	4	My work involves significant decision-making	3.40	3.49	3.26	NS
3. Training	2	I have received training which is useful in my Day to day work	2.66	3.57	2.73	4.49***
4. Skill development	5	I am gaining a wide range of useful experiences	3.89	3.86	3.96	NS
5. Pay and benefits	3	My pay and benefits are adequate in relations to the time/energy I contribute	3.26	3.20	3.36	NS
6. Working conditions	4	The right equipment and resources are available to me when I need them	3.24	3.10	3.48	2.17*
7. Respect	4	I am consulted over changes which affect my work.	3.35	3.38	3.36	NS
8. Boss	4	My boss praise me when I do a good job	3.64	3.60	3.11	NS
9. Co-workers	2	I am accepted by the people I work with	4.08	4.12	4.03	NS
10. Organizational career	2	I think I can develop my career in this organization	3.10	2.95	3.34	NS
11. Career Progression	2	I am working good progress towards my career goals	3.55	3.59	3.47	NS
12. Security	2	I feel that my job in this organization is secure	3.04	2.90	3.23	NS
13. Affective commitment	5	I really feel as if this organization's problems are my own	3.20	3.21	3.12	NS
14. Continuance commitment	8	I feel that I have too few options to consider leaving this organization	3.34	3.40	3.24	NS
15. Trust	4	I consider my employer to be open and up front	3.44	3.43	3.43	NS
16. Intention to leave	5	I frequently find myself thinking about leaving this organization	3.33	3.57	2.96	3.05**

Note: Items were score on five-point scale 1 = strongly disagree 5 = strongly agree, * $p < 0.05$; ** $p < 0.01$; *** $p < 0.001$

Description for the above table. Source: Adopted from Arnold, J.R., Schalk, R., Bosley, S., & Van Overbeck, S. (2002). Graduates' experiences of works in small organisations in the UK and the Netherlands. *International Small Business Journal*, 20(4), 477-497.



McDonald's New Communication Strategy on Changing Attitudes and Lifestyle

Tianbai Deng

MBA Marketing, SolBridge International School of Business

Daejeon 305-340, South Korea

E-mail: dengtianbai@hotmail.com

Abstract

Achieving and maintaining wide-scale positive dietary and lifestyle change is a complex and formidable endeavor, given the current food environment. Moreover, for positive change to occur, nutrition messages should be communicated in a scientifically precise, yet practical and motivating manner. McDonald's tries its best to adapt communication strategies to changing situation.

In the paper, discussions regarding communication efforts and the best methods to take, deliver, and evaluate the impact of nutrition messages illustrated both the challenges and the opportunities McDonald's is facing.

The description of communication analysis, channels and strategies illustrate McDonald's communication strategies in the near future.

Keywords: McDonald's, Communication strategies, Lifestyle change

1. Analysis of the Situation

1.1 Health situation in America

Nowadays, some two-thirds of Americans are overweight, roughly 30 percent of American children are overweight or obese, and Big Macs and super-size French fries have drawn criticism and lawsuits for McDonald's promoting obesity. Governments and influential health advocates around the world blame the marketers for explosion in childhood obesity. Many countries have taken some measures to ban fast food TV advertisings with the cartoon character directly to children, force fast food advertisings to include healthy-eating messages, or take greater self-regulations.

1.2 McDonald's Key Issue

To respond to the global criticism and "Super Size Me" negative effects on McDonald's, McDonald's has already done a lot of active marketing and communication strategies to avoid such negative effects on the brand image: broke a "Change" campaign that replaced McDonald's Golden Arches with a question mark to show its dramatic change on food nutrition structure, promoted menu changes with healthier salad, fruit...and small portion size, offered "Happy Meal" for adults and children, encouraging a balanced and healthy lifestyle...

Despite McDonald's great effort on changing people's attitude towards McDonald's and making public aware of new healthy products without abandoning the Arches, research showed that the chain hadn't received the hoped-for awareness for some of the newer items on its menu and frequent users didn't like to admit to friends that they ate at McDonald's. With the commission to helping solve the U.S. obesity problem and advocating a balanced lifestyle between daily calorie intake and physical activity, McDonald's found although people know a lot about the balanced food and healthy lifestyle, it is still very difficult to change people's behavior of keeping on taking junk foods in McDonald's and to associate McDonald's brand image with healthy food.

1.3 SWOT Analysis

Strength:

- Strong brand name and reputation
- Sales increased 7.4% in 2008, confidence market toward McDonald.
- Strong and wide communication channel in the market.

Weakness:

- Narrow product lines.

- McDonald brand association as junk foods.

Opportunity:

- Opportunity to enlarge market, the consumers who care about healthy issue.
- Slightly changing market brand image about McDonald.

Threat:

- Changing taste of the consumers.
- Public attack about obesity issue.

1.4 Core of McDonald's Current Problem

The core of the current problem is that people still keep on buying only junk foods in McDonald's although they know much about what is healthy and nutritional food, what can damage his health; people still think McDonald's is a junk food restaurant although it also provides healthy foods. Also, the confusion and skepticism about fast food nutrition messages are contributing to the problem.

The media today are full of information about nutrition. News about health and fitness can be found almost daily on television. Most major newspapers devote regular columns to nutrition, health, and dieting. Even the Internet focuses on health—a recent Google search revealed over 46,000,000 Web sites related to the terms “nutrition advice.”

Americans report that they do indeed use the media as a source of information about nutrition, and that television (72%) and magazines (58%) are relied upon more often for nutritional guidance than are family and friends (17%). (The American Dietetic Association, <http://www.eatright.org>) At the same time, many adults also feel that the media contain information that is often confusing and contradictory. In one recent study, adults who reported more confusion and skepticism about nutrition messages in the media also were more likely to eat a fat-laden diet. (Patterson RE, Satia JA, Kristal AR, Neuhouser ML, Drewnowski A, 2001) The authors of the study speculated that the proliferation of media information may be contributing to a nutrition backlash among certain subgroups of people.

2. Communication Analysis

2.1 New Campaign Objectives

According to the current situation, McDonald's designs a new communication campaign to change the dietary behaviors of a large number of people, including potential health-oriented customers and frequent junk food users. McDonald's new communication Campaign called “Happy Exercise And Love Touch Health (HEALTH)” project, in partnership with WHO, nutritionists, local communities, fitness centers and various media channels, etc. This campaign initially is planned to be carried out in U.S. during one year and later it will be brought into effect in other countries all over the world adaptively.

McDonald's HEALTH campaign includes organized, communication-based interventions aimed at different groups of people and social marketing efforts that include communication activities.

McDonald's are to take more social responsibility to serve for two Objectives:

- 1) To change the image of Mc. Donald from the junk food restaurant to become friendly and healthy food restaurant. This objective has a purpose to attract those who are health-oriented and pay much attention on healthy foods and healthy lifestyle, enlarging the market.
- 2) To change behavior of the existing consumers who are keeping on taking only junk foods, persuading frequent fast food users to change their lifestyle by buying balanced meal with McDonald's traditional foods and new healthy foods together.

Clearly, McDonald's nutrition promoters are facing some major challenges because achieving and maintaining wide-scale positive dietary change is a complex and formidable endeavor. Moreover, for positive change to occur, McDonald's need to design nutrition messages that attract attention, make sense, and help to encourage change in people's established attitudes and behaviors to the target audience in a scientifically precise, yet practical and motivating manner. McDonald's will concern much more on how people interpret particular messages in the media and on what types of messages are more effective with which types of target audiences from the perspectives of communication and psychology.

2.2 Target Audiences

One of the most important tasks for McDonald's communicators is to know the audience. Because different people are influenced by messages in different ways, if they fail to attract attention or they are misinterpreted, it will do no effects on people and waste a lot of money on marketing.

Therefore, in McDonald's case, audiences could be segmented in terms of age, current dietary practices, existing nutritional attitudes and eating behaviors.

As reported, the American Dietetic Association, segments adults into three groups based on public opinion polls of people's nutritional beliefs and behaviors. The first group, the "I'm already doing it" segment, consists of individuals who are knowledgeable about nutrition and are already eating healthfully and exercising. This segment, which accounts for approximately 38% of adults, is presumably eager for the latest nutrition information and does not need strong persuasive tactics. The second group, the "I know I should but ..." segment, constitutes about 30% of adults. These people are knowledgeable about nutrition and believe healthful eating is important, but they do not necessarily practice health-promoting behaviors. Health messages for this group need to overcome behavioral rather than attitudinal resistance. The final group, the "don't bother me" segment, is the toughest to change. About 32% of adults do not care, are in denial, or have other concerns that seem more crucial. They are not likely to pay much attention to nutrition information in the news or in health campaigns. (The American Dietetic Association, <http://www.eatright.org>)

Referring to the segmentation by the American Dietetic Association and other elements such as McDonald's current socially responsible target marketing considered, we would like to use psychographic segmentation to target on two general categories of audiences on the basis of knowledge of health, attitude and opinion of McDonald's.

One segment is "I'm already doing it" segment that is really caring about healthy lifestyle and considering McDonald's foods as only junk foods.

The other one is those that frequently go to eat in McDonald's and do not want to buy healthy foods in McDonald's. In this segment, "I know I should but ..." group and "Don't bother me" group are included. Why we segment them together? Actually there is no obvious boundary between their attitudes since their attitudes can be changing all the time through nutrition information sources. Even if they have different attitudes towards health, their behavior of lifestyle is almost the same and most of them are sensitive about social acceptance and the opinion of others.

If we sub-segment the second segmentation, it can be:

One is *young people* who can easily change attitudes and accept new ideas and paying much attention on beauty and figure. McDonald's strategy can be targeted from the perspective of "beauty-shaping".

One category is *children* who really believe someone whom they like such as Ronald. If they get the message of "1 hamburger + 1 salad + 1 game = 1 healthy love", they can be willing to accept that and try to persuade their families to change bad eating styles.

Another group is *adults* who frequently go to McDonald's. Most of them start to care about their health but cannot stop eating McDonald's. "Keep eating ours in a healthier way" seems good news for them.

2.3 Source Factors

One question that should be asked to McDonald's is whether the source of the message matters, whether we should the source of a dietitian or a celebrity or a "typical" consumer. These sources differ on several dimensions, most importantly in terms of credibility and attractiveness. Based on theories, a source can be considered credible based on at least two characteristics: expertise and trustworthiness. A registered dietitian (RD) is likely to be credible because she possesses special knowledge about the topic. Indeed, 90% of Americans believe that RDs are highly credible sources of information on the epidemic of obesity. (The American Dietetic Association, <http://www.eatright.org>)

Therefore, McDonald's HEALTH campaign messages use sources that possess both dimensions of expertise and trustworthiness to target on "I'm already doing it" segmentation because for this segment, trying McDonald's foods have high performance risk which cannot be taken easily through some sources which are not expert and trustworthy;

For the second segment which includes "I know I should but ..." and "Don't bother me", it is easier for McDonald's to use an attractive source to persuade them to try Healthy foods when they buy junk foods. And also they are sensitive about social acceptance and the opinions of others, so the attractive source and "typical" consumers can be effective for the second segmentation.

Sometimes, to maximize effectiveness, it's better to have a source that is both attractive and credible, but sometimes that combination is not possible. And it's difficult and risky to choose attractive spokespersons to show up as an expert. So maybe it's better for McDonald's to choose three kinds of endorsers: one is a dietitian who is expert and trustworthy; one is a sports star whose image and that of McDonald's new products he or she endorses is similar, which is called match-up hypothesis; another one is a nonhuman endorser who comes from the original Ronald but has the green color to show very strong health message.

2.4 Message Factors

Selecting the most appropriate source is only part of the challenge in creating a persuasive message. Additional issues must be confronted when the actual content of the message is designed. Four message strategies are particularly important:

- Whether to draw a firm conclusion in the message

- Whether to present a 1-sided or 2-sided message
- Whether to use fear appeals
- Whether to use examples or statistics

2.4.1 Drawing a Firm and Explicit Conclusion

Should a persuasive message explicitly draw conclusions, or should the message be crafted in an implicit way that encourages receivers to figure out the conclusions on their own? The research literature is pretty consistent here—persuasive messages that have an explicit conclusion or recommendation are more effective than are those that do not, according to a meta-analysis of such studies; Other evidence suggests that even with a highly motivated and intelligent target audience, explicit conclusions work better. (J.E. Maddux and R.W. Rogers, 1980) One likely explanation for this advantage is that vague messages leave room for receivers to draw inaccurate or even extremist conclusions. Along the same lines, McDonald's message should be given by an explicit recommendation by advocating a very specific course of action. For example, McDonald's ads can be one dietitian recommend a young mother who is worrying about children's health of eating McDonald's a lot that "1 hamburger + 1 salad + 1 game=1 healthy life", then the detailed instruction and nutrition structure can be learned by mothers and show their love to their children, which is more effective than offering only general guidelines.

2.4.2 Giving Two-sided Argument Messages

When we concern about whether to deal openly with opposing viewpoints, we decide to choose 2-sided message which presents both positive and negative sides of the McDonald's health issue because audiences today are exposed to so many competing and even contradictory messages. By using refutational arguments such as "Super Size Me" discussion, McDonald's can increase its source credibility by reducing reporting bias.

But we should control very well about the negative side: For the criticism to McDonald's, for example, we can present the opposition--"Super Size Me" movie and then rigorously refute it with evidence from another experiment to show that fat is caused by excess calories and less exercise but not McDonald's food. If you eat smartly and scientifically in McDonald's, we can also enjoy the foods there without getting fat.

2.4.3 Using Fear Appeals

McDonald's might hand on the nutrition message by using this strategy, for example, if it included vivid graphic information or a virtual experiment about the health risks associated with a high-fat diet to scare frequent fast food eaters. But later an effective response or scientific instruction should be followed to eliminate the excess fear.

2.4.4 Providing statistics or examples

McDonald's might show provide some statistics in their message together with vivid examples because we can touch different targeting audience at the same time, such as rational parents and playful children.

In a word, based on the particular theoretical perspective, the ELM, McDonald's should help differentiate audiences with different messages in terms of cognitive processing and elaboration. The "I'm already doing it" segmentation that is highly motivated and likes to think critically about health will use the central route; we should focus closely on the arguments and evidence in dealing with the message. "I know I should but..." and "Don't bother me" segmentations that are less motivated and who are less capable of understanding health issues will use the peripheral route; we can employ cognitive shortcuts and focus more on superficial aspects of a message.

3. Communication and consumer's behavior strategy

3.1 Preferred Channels of Communication

For McDonald's psychographic segmentation and the need of passing different messages, the HEALTH campaign focuses on advertising on TV or radio or magazines, print such as brochures, posters, scientific reports and Public Relations such as event, endorsements, and some new channels like internet and cell phone, etc.

3.2 Communication Strategy and Promotion

- Introducing of a new clown.

Ronald is now familiar with white-face, in a canary-yellow jumpsuit, and a fire-engine red wig. Ronald is still being strategically re-fashioned. In 1998, refashion Ronald's hair and increase the width of the red stripes on his socks.

The idea is to introducing the new endorser into Mc. Donald, called Ronnie. With this *product line extension (in this case, the new product represented by the new character)*, we would like to represent the healthier food with Ronnie. Ronnie is the same exact character like Ronald, the only thing that differentiate the two of them is their color. If Ronald has red to dominate his cloth, Ronnie has green. The color green represents life; Abundant in nature, green signifies growth, renewal, health, and environment (<http://desktoppub.about.com>).

The strategy is to put them together in every occasion so that people will notice that here in Mc. Donald, we have

something new to introduced that is healthy foods such as Salad topped with a grilled or crispy chicken breast, salad with free choice of Newman's Own all natural salad dressings, two sides of vegetables with each salad purchased. A Fruit and Walnut was added in 2005 that provides 2.5 servings of the daily recommended fruit for adults.

- **Healthy Meal Package**

The idea is to offering packages which have salad included with the cheaper price. The cheaper price for this salad packages have an objective to attract the existing consumers to switch their behavior to become healthier food with the lower price offered.

The lower price is the tool for *reinforce the consumer* to consume more healthy food.

- **Free Sport Coupon**

This strategy is made for the existing consumers who like to consume less healthy food in Mc. Donald: after the fifth times they come to McDonald, they deserve for swim free coupon. This free coupon will give the consumers a chance to exercise themselves and change their behavior toward exercise. McDonald has to collaborate with the existing sport center to build this strategy.

This strategy is a *form of positive reinforcement with reward*. The consumers expected to learn that exercise is really good for their life style balance.

- **Two meals at one price**

Another way to get an effective communication strategy is through *buzz marketing*. With this strategy we can get lots of advantage because the consumers themselves who do the marketing for us. The only matter is we have to create the right buzz and deliver it to them correctly; otherwise the buzz marketing will goes to another way than we expect it.

To create buzz, we planned to make an event for six months where people can buy two meals at one price in the particular hours. Since they can buy two healthy meals, they have to buy the food and eat in the restaurant and no take away. This event will encourage people to search for their pair to eat together in McDonald. This will create the buzz because the only way to get the discount, they have to find their pair at that time. Think about how many people will search for their pair and create the buzz for McDonald about the "healthy hours" in McDonald.

- **Donations**

People will feel good when they generate their money for other people who need it. With this consumers behavior we can create the donation program. For every healthy food that they buy from McDonald, we will generate 1% from the total amount of the transaction. This program expected to create a good buzz about McDonald especially the healthy menu in McDonald. This event can change McDonald image in the society, they will notice that McDonald do have healthy menus.

- **Negative Reinforcement.**

We are also using advertising as our strategy to change McDonald's consumers. In this case, we use *negative reinforcement*. People will shown the negative impact if they never take an exercise on their daily routine. The audiences are expected to avoid the scene with start to change their behavior with buy healthier food and/or exercise more.

- **Cell Phone**

Everybody has a cell phone right now. In 1994, 16 million Americans subscribed to cellular phone services. Today, more than 110 million Americans are subscribers. Some experts predict that worldwide subscribership reached 1.2 billion people by 2005 (<http://www.networkworld.com>). This means we can use cellular phone in our campaign and become more effective to communicate our message that McDonald has health menus. With this campaign, expected the audience will notice about the new McDonald and start to buy healthy food in McDonald.

- **Merchandising, credit card and on line order.**

As we know, McDonald produces many types of merchandise for their young consumers. We just like to add organic icons for their merchandise such as fruits and vegetables. We also will give free salad for consumers who pay with the credit card or on line orders. This reinforcement should communicate the message that McDonald is now selling the healthy food.

4. Conclusion

Some types of evaluation such as media clips, phone calls, surveys, blogs, interviews or reviews can be efficient ways to evaluate and research further about McDonald's communication performance and prepare for improvement all the time.

To conclude we would say that the voices of the people as those health advocates and other communities cannot be stopped and there is no end of this game. These issues would be raised again but what we need is to change the consumer's attitudes. We can maximize our wealth by changing consumer's attitudes. And by following this communication strategy we can make our all stakeholders happy.

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Empirical Research of the Capital Structure Influencing Factors of Electric Power Listed Companies

Yuanxin Liu & Xiangbo Ning

College of Business Administration, North China Electric Power University

Beijing 102206, China

E-mail: yuanxin09@126.com

Abstract

In this article, we selected 25 electric power listed companies in the electric power industry as the samples to study the influences of micro factors on the capital structure of listed companies, and the sample period was from 2002 to 2007, and these micro factors mainly included company scale, profitability, growth, non-debt tax shields, fluidity and capital structure. The research results showed that the company scale, non-debt tax shields and assets structure were not significantly correlated with the capital structure, and the profitability was significantly negatively correlated with the capital structure, and the fluidity of the assets was negatively correlated with the capital structure. Finally, we put forward that the share-reform and the macro influencing factors should be further researched.

Keywords: Capital structure, Listed companies, Electric power industry

1. Research actuality

About the empirical research of the enterprise capital structure, there are two directions in foreign and domestic academe, and one direction is to take the MM theory as the center and mainly discuss the relationship between the enterprise value and the capital structure, and the other direction is to mainly research various factors influencing the enterprise capital structure, which belongs to the decisive factor school of capital structure. In this article, we mainly study the influencing factors of the capital structure of the listed companies in the electric power industry. According to existing literatures, the factors influencing the capital structure of Chinese listed companies mainly include following aspects.

1.1 Influence of financing cost

1.1.1 Cost of debt financing

Many researches took the ratio of the after-tax profit and the equity capital market value as the equity capital, and the result indicated that the equity capital cost of Chinese listed company was higher than the debt capital cost, so as viewed from enhancing the value of enterprise, the debt financing should be better than the equity financing.

1.1.2 Cost of equity financing

Most domestic scholars thought that the equity capital costs included nominal cost and actual cost, and the nominal capital cost meant the ratio of the after-tax profit and the equity market value, but in practice, only small part of the profits of the listed companies was awarded as bonus, and the ratio of the cash outflow induced by the bonus and the actual equity financing quantum was the actual cost of the equity financing. From this view, the research result is that the equity financing is better than debt financing.

1.2 Influences of company management characters

1.2.1 Influence of company performance

The results of the empirical research on the relationship between the company performance and the debt ratio can be basically divided into two sorts. (1) The debt ration and the company performance showed a negative correlation. Generally, when the profitability of the enterprise is strong, the enterprise can keep more surpluses and fewer debts. And when the enterprise is in the loss, because it can not fulfill the condition of equity financing, it has to borrow large numbers of short-term debts to fulfill the demands of the capital. So the negative correlation between the profitability and the debt ratio can be easily understood and accepted. (2) The debt ratio and the company performance showed a positive correlation. Taking the net profit/ primary business income, and the net assets yield as the explanation variables,

and combining the empirical results with the balance theory, we can obtain the result that the listed company with strong profitability has relatively low financial risk, so the enterprise can select the high capital structure ratio, so the profitability and debt ratio present a positive correlation relationship.

1.2.2 Influence of enterprise scale

The results of the empirical research on the relationship between the enterprise scale and the debt ratio can be divided into three sorts. (1) The debt ratio and the enterprise scale showed a negative correlation. Taking the assets guarantee values and the total assets logarithm as the explanation variables, the empirical analysis indicated that both variables presented significant negative correlation, and with the expansion of the scale of the listed company, the debt would decline. (2) The relation between the debt ratio and the enterprise scale is not significant. Taking the primary business income logarithm and the assets guarantee value as the explanation variables to regressively analyze, the results indicated that though the enterprise scale presented positive correlation with the debt ratio, but the relation was not significant. (3) The debt ratio and the enterprise scale showed a positive correlation. Taking the total assets or the total assets logarithm as the explanation variable, the result indicated that the enterprise scale was larger, the debt level was higher. Generally speaking, the enterprise with larger scale has stronger credit, and it is more inclined to diversification strategy or the vertical integration to enhance the effective and disperse the risks, and the enterprise could possess low anticipated bankrupt cost and more debt, and the enterprise scale is larger, it is more easily to obtain the support of the government and the bank credit, so the enterprise scale and the debt ratio present positive correlation.

1.2.3 Influence of growth

The results of the empirical research on the relationship between the growth and the debt ratio can be divided into three sorts. (1) The debt ratio and the company growth showed a negative correlation. Taking the sales growth ratio or the assets growth ratio as the explanation variables, the result indicated that the debt ratio and the growth presented negative correlation. (2) The relation between the debt ratio and the enterprise growth is not significant. Taking the total assets change ratio as the explanation variable, the result indicated that the company growth and the debt ratio presented negative correlation, but the relation was not significant. And taking the primary business incomes in the past three years, the result indicated that the capital structure of the company didn't influenced by the growth. (3) The debt ratio and the company growth showed a positive correlation. Taking the primary business income growth ratio as the explanation variable, the result indicated that the growth speed of the company was quicker, the debt ratio was higher. Generally, most enterprises with high growth are those rising enterprises with shallow base, and they need more capitals, but the examining and approving time of the equity financing is too long, so they have to depend on the debt financing to fulfill the demands of the capital.

1.3 Influence of the company interior governance

Various domestic research results indicated that the intensive favor of equity financing universally existed in Chinese listed companies, which would directly influence the capital structure of the enterprise. Because of the absence of the owner in Chinese listed companies, the insider control occurs and the managers always select the financing mode and arrange the capital structure according to their own wills and value tropism, which makes the listed companies extract shareholders' money by the low costs but don't use these money with high efficiency. On the other hand, because the share price can not reflect the value of the company and the ability and endeavor of the manager layer, the change of the share price can not limit the manager layer which doesn't need to care about the share price falling because of placing.

1.4 Influence of the company exterior system environment

The whole economy of China is in the stage of transformation, and the market mechanism has not been perfected, and the color dominated by the policy is still very dense, and when the share market develops quickly, the enterprise debt market has not been developed correspondingly, which makes against the debt financing for the enterprise. On the other hand, stated majority shareholders' shares can not circulate in the secondary market to acquire the income of the capital, so they don't care about the share price change because of placing. The exterior environment of Chinese listed companies induces the universal equity financing favor and the low debt ratio.

2. Empirical analysis and test

As viewed from the capital demand, the electric power industry belongs to the industry with intensive capitals, and its development needs capital investments from various channels, and the capital structure of the electric power industry directly influences the financing cost and the market value of the company. Since 2003, the electric power shortage in China became more and more severe, and the country begun to strengthen the investment degree to the electric power industry. In 2006, there were 24 provinces pulling brake to be restricted for the electric power in China, and the "electric power shortage" still existed, and in 2007, the electric power supply was still severe, the maximum electric power shortage was about 25 million kilowatt, and the supply and demand conflict in the summer in North China and East China was still severe. So the development task of the electric power industry is still very tough. At present, the increasing capital market in China has offered a good base for the financing demand of the electric power industry, and

the electric power industry only fully utilizes the available resource in the capital market to optimize its own capital structure and enhance the enterprise performance, it can deliver the electric power supply pressure of the whole national economy and quicken the sustainable development of the electric power industry. So, it is very meaningful to study the capital structure of the electric power industry.

2.1 Selection of samples and data source

In the article, we select 25 listed companies in the electric power industry as the example, and the sample period is from 2002 to 2007, and the data mainly root in financial websites.

2.2 Selection of variables

The capital structure means the composing of various capitals and their proportion relationships in the enterprise. The generalized capital structure means the composing of all capitals of the enterprise. And the strict capital structure means the long-term capital structure, and the short-term debt capital is managed as the operation capital. In the article, we mainly study the influences of micro influencing factors on the capital structure, and these micro factors mainly include company scale, profitability, growth, non-debt tax shield, fluidity and assets structure.

2.2.1 Company scale (X1)

The primary business income of the company is used to measure the company scale. Generally, in the balance theory, the company scale increase, the marginal bankruptcy cost decreases progressively, and the company with big scale more easily obtains the debt financing. In addition, the information disclosure of big enterprise is more sufficient, and the asymmetric degree of information is lower, and the anti-risk ability is stronger, and according to the asymmetric information theory, the company with big scale is inclined to debt financing.

2.2.2 Profitability (X2)

The assets profit ratio of the company is used to measure the profitability of the company. According to the sequence financing theory, the enterprise more likes interior financing, and when the exterior financing is imperative under the situation, the company will lean to loan flotation. So under the sequence financing theory, the company should follow the sequence from interior financing to debt financing to equity financing. Therefore, the profitability of the company influences the capital structure.

2.2.3 Growth (X3)

The growth rate of the total assets is used to measure the growth of the company. According to the agent theory, the debt will form certain limitation and supervision for the managers of the enterprise. And according to the sequence financing theory, the industry with high growth always is hard to financing, so the enterprises have to adopt the suboptimal debt financing. Therefore, the growth influences the capital structure.

2.2.4 Non-debt tax shield (X4)

The ratio between the company depreciation amount and the total assets is used to measure the non-debt tax shield of the company. In the model with the tax factor, the non-debt tax shields (such as depreciation, tax loss and delay) can be substitutes of the tax preference of the debt financing, and the company with more non-debt tax shields will possess less debt financing.

2.2.5 Fluidity (X5)

The fluidity ratio (flow assets/ flow debt) is used to measure the fluidity of the company. The high fluidity ratio indicates that the capital turnover speed of the company is quick, and the company can utilize the flow assets to be new investment capitals to reduce the demands of the exterior financing. So the fluidity and capital structure show a negative correlation.

2.2.6 Capital structure (X6)

The value of (fixed assets+ stock-in-trade)/ total assets is used to measure the materiality of the assets and be the substitute variable of the capital structure. The guarantee of material assets can reduce the debt agent cost to certain extent, and according to the agent cost theory, the enterprise with more material assets more easily acquires the debt financing.

2.2.7 Capital structure (Y)

The assets debt ratio is used to measure the capital structure and be the explanation variable.

2.3 Regression test of the model

In the article, we adopt the linear regression model and the EXCEL to analyze and test the data, and the result is seen in Table 1.

Establish the following linear model.

$$Y=0.6699+0.01478*X1-3.2569*X2+0.1828*X3+0.3856*X4-0.1662*X5-0.1242*X6$$

After eliminate the insignificant variables including company scale (X1), non-debt tax shields (X4) and assets structure (X6), the regression result is seen in Table 2.

The residual errors are seen in Figure 1.

Establish the following linear model.

$$Y=0.7761-3.0988*X2+0.2119*X3-0.1571*X5$$

3. Analysis of results

3.1 Company scale, non-debt tax shields and capital structure

The company scale, the non-debt tax shield and the assets structure are not significantly correlative with the capital structure, and the reasons mainly include following aspects.

3.1.1 Companies' behavior emphasizing share but ignoring debt

The imperfection of Chinese securities business makes the sequence financing theory un-adopted in China, so the influences of company scale, non-debt tax shield and assets structure on the capital structure of the company are influenced. At present, the securities business (i.e. the primary market and the placing market which the companies can directly make financing) in China still is a seller's market, so if only the enterprise acquires the listed qualification or the listed company acquires the placing qualification, it can acquire many capitals with low cost. Though part of companies extend the management scale and enhance the profitability by the financed capitals, but there are quit many enterprises which have not the pressure to reward the bonus and distributions, and according to the estimation, the actual cost of the equity financing is about 2.42%, which is far lower than the debt financing cost and makes the factor of non-debt tax shields insignificant. And for the selection of the financing tools, the convertible bond, callable bond and other flexible financing tools have not be utilized effectively, which also induces the behavior emphasizing share but ignoring debt.

3.1.2 Low debt ratio could help the company to establish good management performance

Though the material character of the electric power industrial assets is strong, the proportion of the fixed assets in the total assets is higher, and the profitability of the assets is higher, and comparing with other industries, the electric power enterprise can acquire debt financing by the low debt agent costs, but the practice is not so. Because the electric power industry is influenced by the long-term planned economy, most companies all avoid the debt financing to establish the big status of the electric power industry. The assets guarantee and bonded behaviors of the company must be fully disclosed, which makes the listed company to avoid the debt financing, so the material character of the assets doesn't influence the capital structure of the company significantly.

3.2 Profitability of the company

The profitability of the company and the capital structure shows significant negative correlation, i.e. the profitability is stronger, and the debt ratio is lower. The electric industry is a stable monopolized industry, and it all long possesses better profitability and stable cash flow as the supports, which makes most companies in this industry possess more surpluses and fulfill the capital demands of the company by the interior financing with low costs, and when the interior financing can not fulfill the capital demands, the equity financing, not the debt financing is adopted, so the companies in this industry always has lower debt ratio.

3.3 Fluidity of the capital

The fluidity of the assets is negatively correlative with the capital structure, i.e. the fluidity of the assets is stronger, and the debt ratio is lower. The stable operation of the electric power industry and the stable growth of the primary business make the interior financing of the company possible, and the stock-in-trade of the electric power is few, and the electric power products have not the unmarketable problem, and the fluidity of the assets is strong, which make most companies in the electric power industry can find the capital sources from the flow assets to reduce the demands of the exterior financing. So the fluidity of the assets and the capital structure present negative correlation.

3.4 Growth of the company

The growth of the company is positively correlative with the capital structure, i.e. the growth of the company is stronger, and the debt ratio is higher. The "electric power shortage" in past several years promoted the expansion of the electric power industry, and the capital demands of various companies increased. Up to the late of 2007, the electric installed capacity in China achieved 622 million kilowatt, and increased 20.3% year-on-year. The electricity transmission loop length above 220 kilovolt achieved 281.5 thousand kilometers in China, and increased 10.4% year-on-year, and the power transformation capacity above 220 kilovolt achieved 0.98131 billion kilovolt-ampere, and increased 15.8% year-on-year. In 2006, the generated electrical energy in China achieved 2834.4 billion kilowatt, and increased 13.5%

year-on-year. In 2007, the power consumption of the whole society achieved 2824.8 billion kilowatt, and increased 14.0%, and the amplitude was higher 0.4% than the consumption in 2005. The expansion of the company would induce the growth of the debt financing, but because of the influence of the behavior emphasizing share but ignoring debt, the influence of the growth on the capital structure of the company is significant only when the significant level exceeds 10%, so though the growth is positively correlative with the capital structure, but the correlation is not significant.

Because of the selections of samples and variables, the conclusions may be different to the foregoing research conclusions. In a word, the capital structure of the electric power listed company is influenced by both the interior factors and the exterior factors, and from the micro view, it is mainly influence by the profitability and the fluidity of the assets. To optimize the capital structure of the listed companies in the electric power industry, we should perfect Chinese securities business, strengthen the bond market and stably implement the share-reform from the view of the market, and we should also enhance the profitability of the enterprise and extend the scale of the company reasonably to realize the maximization of the value.

4. Conclusions

The sample period selected in the article is from 2002 to 2007, and the variance of the equity structure because of the share-reform has not be considered completely, and as the limited circulation stocks gradually circulate in the market in future, the change of the equity structure also will influence the capital structure of the company, which can be further studied. In this article, we analyzed the influencing factors only from the micro view, and didn't introduce the macro influencing factors into the model, so the explanations about the influencing factors of the capital structure are not complete. In the future research, various financial factors and non-financial factors of the company can be brought into the strategic environment formed by these factors, and we can study the influences of the company strategy and other sub-strategies such as competition strategy, market strategy, research and development strategy, and human resource strategy on the capital structure, and analyze the factors influencing the capital structure in a wider and more systematic analysis underground. For same company, because of the variance of the strategic factors in different terms, it will adopt different strategies, which will form different capital structures. And because of the similarity of the interior strategic factors and the exterior strategic factors, different companies will adopt same strategy, which will form same capital structure.

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Table 1. Data analysis results ($R^2=0.79$, $F=5.01$ (P is 0.00349), $DW=2.601$, significant level is 5%)

	Coefficients	Standard error
Intercept	0.66995075	0.269822
Company scale (X1)	0.014780602	0.020015
Profitability (X2)	-3.256909965	0.719692
Growth (X3)	0.182790846	0.150702
Non-debt tax shields (X4)	0.385641492	1.012695
Fluidity (X5)	-0.166151508	0.072477
Capital structure (X6)	-0.124248989	0.183028
	t Stat	P-value
Intercept	2.482934	0.023113
Company scale (X1)	0.738487	0.469739
Profitability (X2)	-4.52542	0.000262
Growth (X3)	1.212928	0.240836
Non-debt tax shields (X4)	0.380807	0.707803
Fluidity (X5)	-2.29248	0.034143
Capital structure (X6)	-0.67885	0.505866

Table 2. Regression results ($R^2=0.87$, $F=10.72$ (P is 0.0000176), $DW=2.508$, significant level is 5%)

	Coefficients	Standard error
Intercept	0.776057	0.062306
Profitability (X2)	-3.0988	0.574984
Growth (X3)	0.211897	0.123284
Fluidity (X5)	-0.15711	0.052639
	t Stat	P-value
Intercept	12.45556	3.65E-11
Profitability (X2)	-5.38936	2.4E-05
Growth (X3)	1.718767	0.100366
Fluidity (X5)	-2.98465	0.007065

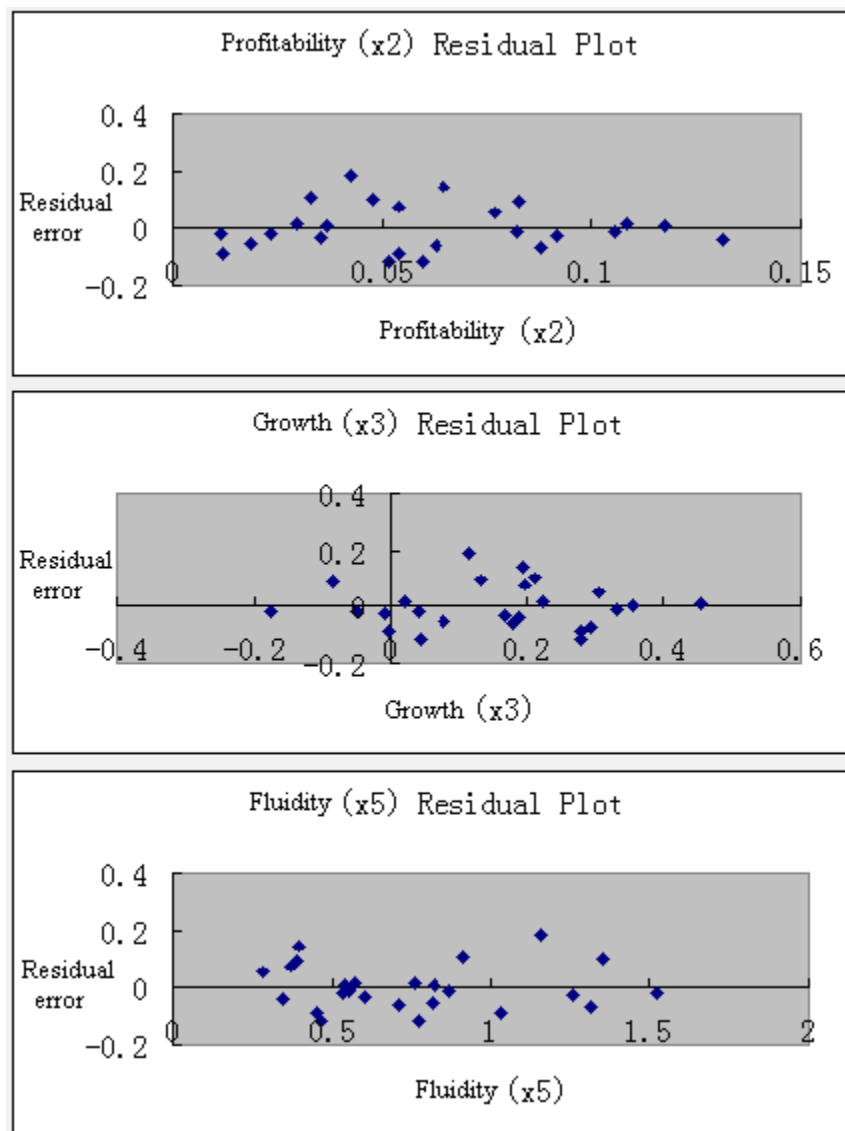


Figure 1. Residual Errors



GIS in Indian Retail Industry-A Strategic Tool

Sita Mishra

Institute of Management Technology

Raj Nagar, Ghaziabad, India

E-mail: smishra@imt.edu

Abstract

Geographic Information Systems (GIS) is increasingly becoming more important in the business world due to its applicability in various areas. In today's highly competitive retail environment, it is becoming ever more important for retailers to monitor their trade areas, assess the impact of competition, and choose new store locations strategically. GIS with its capability to manage, display, and analyze business information spatially, is emerging as a powerful location intelligence tool. The focus of this paper is on the use of GIS by retailers in their retail location decisions. Despite its numerous benefits, usage of GIS in retail in India is in nascent stage. There has been a slow diffusion of awareness and acceptance of its benefits. Therefore, in this paper attempt is made to outline the benefits and difficulties to the effective use of GIS as a strategic tool in retail industry in India.

Keywords: GIS, Geographic information systems, Retail location, Strategic tool

1. Introduction

One of the most important constituent of effective decision making is relevant information. Management must recognize the value of information as a vital resource to the organization and, indeed, to some extent management has already become an information-processing function (Christopher et al., 1980). Hess et al. (2004) in their review of the potential of GIS as part of a marketing information system examined how the analytical and data integration strengths of GIS can be used in internal reports, marketing intelligence systems, marketing decision support analysis and marketing research, with the overall aim of further understanding customer behavior. In today's dynamic and highly competitive retail environment, the importance of pertinent information cannot be overemphasized.

Geographic information systems (GIS) constitute a powerful new technology that can address many of the information needs of decision makers. GIS are becoming more prevalent in both day-to-day and strategic decision-making by retailers (Nasirin, 2003). GIS is giving retail analysts the ability to quantify spatial attributes, and to add these into the analytical mix alongside more traditional measures such as sales area and turnover (Goodwyn, 1998). Today, Environmental System Research Institute (ESRI) has adapted GIS to show where projected growth can and can't occur. ESRI uses aerial photographs combined with GIS technology to map geographic features. Finally, retail real estate professionals have access to technology capable of modeling demographics into comparisons of sales potentials among different locations (Fickes, 2006). Geographic Information Systems (GIS) allows decision makers to leverage their spatial data more efficiently, by visually bringing together relationships between customers, suppliers, and competitors (Mennecke, 2007). GIS vary in terms of their scope and sophistication but GIS are a powerful technology in terms of data storage, analysis and visualization, with the ability to combine information and mapping systems as analytical and modeling tools (Goodchild, 1991). GIS can be applied to many aspects of business viz. facilities management, logistics, inventory control, target marketing, market analysis, and site location.

Today, retail has been one of the growth areas in the global economy. It has witnessed a high growth rate in the developed countries and is poised for an exponential growth, in the emerging economies. The Indian retail market is expected to grow to US\$ 833 billion by 2013 and to \$1.3 trillion by 2018, at a CAGR of 10 percent (A. T. Kearney Report, 2008). According to a survey produced by Euromonitor International (Aug 2007), Indian retailers are forcing their way into the Top 500 list of retailers in Asia Pacific. There is great confidence in India's potential to sustain a period of high growth. Retail location and real estate are one of foremost keys to the growth of organized retail in India. The value of location as a business measure is fast becoming an important consideration for organizations. Making better site location decisions for the retail sector is about staying ahead of the competition, entering a new market, or just familiarizing oneself with the advancements in methods and technology.

Though globally, GIS is emerging as a powerful location intelligence tool but retailers in India are still not using GIS much. Although, the usage of GIS-based technologies is currently nascent in India, it is picking up at a fast pace as more

and more users realize its benefits. In today's competitive markets, GIS-based applications can be of tremendous use in sectors like retail (Financial Express Report, 2004). In the US and Europe, retailers started using GIS in the late '90s. Robins (1993) revealed that early retail users of GIS have focused on marketing applications and on-site selection. Miracle Food Mart of Canada implemented a system to replace hand-drawn maps that were used to assess customer distribution and to look at market share on a store-by-store basis. Dayton Hudson's Target stores have used GIS as a strategic tool enabling it to determine which areas are not being properly served (Robins, 1993). Major national chains such as Best Buy used GIS technology to assist their advertising, merchandising, human resources, distribution and other departments. In the US, Starbucks, Blockbuster, Sears, and many other businesses used census data and GIS software to help them understand what types of people buy their products and services, and how to better market to these consumers (Madigan, 1997, Duffy, 1999, Taneja, 1999). McDonald's uses a GIS system to overlay demographic information on maps to help identify promising new store sites (Alan, 2004).

Despite its global use, there is little published work on GIS implementation as applied to retailing in India. As mentioned by SBL Geomatics (2008) GIS is not as popular in India as in the western countries, the term GIS and its applications has just started gaining importance in India. Therefore, this paper focuses on how retailers can use GIS in various decisions especially location, to gain competitive advantage. This is because retail location decisions are extremely capital-intensive and locations themselves, once chosen, are (in the short term at least) fixed. Due to current economic climate and increased competition, it is becoming ever more important for retailers to monitor their trade areas, assess the impact of competition, and choose new store locations strategically.

2. Understanding of GIS

A common definition of Geographical Information Systems (GIS) found in literature relates this technology with a tool that associates databases and digitalized maps. Geographic Information Systems is a computerized system that combines physical geography with cultural geography. Geography fundamentally influences and connects culture, business, society, and lifestyle. Geography answers many business and marketing queries. Therefore, the tools that leverage geography, such as GIS, are very useful for business and bring value to organization and improve their bottom line. A computer-based GIS provides an electronic process for managing, integrating, and analyzing massive amounts of geographic information by combining locational features with descriptive data in a relational database management system. According to Environmental System Research Institute (ESRI), A GIS is an organized collection of computer hardware, software, geographic data, and personnel designed to efficiently capture, store, update, manipulate, analyze, and display all forms of geographically referenced information.

Figure 1. Process of geographic information system

Roger Tomlinson, one of the pioneers of GIS defines it as a configuration of computer hardware and software specially designed for the acquisition, maintenance and use of cartographic data. Burrough (1985) sees a GIS as a powerful set of tools for collecting, storing and retrieving at will, transforming and displaying spatial data from the real world. A geographic information system (GIS) is an information system that is designed to work with data referenced by spatial or geographic coordinates. In other words, a GIS is both a database system with specific capabilities for spatially-reference data, as well as a set of operations for working with data (Star and Estes, 1990).

Thus, a complete GIS consists of at least five components: software, hardware, geographical data, people and the organization. If a system is implemented in a company, only the software is not enough to work with the database and the digitalized map, is important that exists: qualified personnel, an objective in the use of the system and the interaction with other areas inside of the organization. Therefore, GIS is a collection of software, hardware, geographical data and people to facilitate the process of decision taking into consideration that involves the use of geo-referencing information in the organization. It digitized mapping with key locational data to graphically depict trading-area characteristics such as population demographics, data on customer purchases, listings of current, proposed, and competitor locations.

GIS mapping has evolved out of a long tradition of map making. Earlier all spatial analysis were done by manual processing procedures but now with the development of GIS, efficient handling of voluminous data and effective spatial analysis is possible. GIS mapping have emerged as very powerful technology because it allows geographers to integrate their data and methods in ways that support traditional forms of geographical analysis, such as map overlay analysis as well as new types of analysis and modeling that are beyond the capability of manual methods.

3. Importance of GIS

GIS is an information integration vehicle with a tremendous range of uses. It becomes more powerful, and dramatically more cost effective, the more different types of information are available for integration. The main advantage of GIS, the possibility of integrating spatial and alphanumeric data, has made it widely applicable to a variety of fields (Trubint et al, 2006). Digital geographic information, once captured, can be used for many productive purposes. The key to effective GIS use is creating mechanisms to share that data. Recently, there has been a growing interest in the business community to use GIS to enhance decision making processes at both strategic and operational levels. According to Chris Garthwaite,

stores marketing manager for Woolworths, the GIS system "is a very effective tool in understanding our local market, enabling us to respond to opportunities within key areas. It has been especially useful in understanding and responding to competitors' activity" (Reed, 1996). Ginger (1999) mentioned retailers' use of the GIS technology for applications beyond mapping for store site selections. GIS also allows the retailer to track its competition in a region, as well as its customer base. Moloney (1992) emphasized that GIS allows retailers, and virtually any business organization, to go beyond data integration and map generation to explore relationships within a wide range of data. Smith and Webb (1997) demonstrated how the use of GIS can improve estimates of future retail space demand.

GIS mapping supports spatial decision making and strategic planning and it is a rapidly evolving area that continues to expand. Everybody wants information in useable formats and this has led to continual increase in GIS as it is easier to use, more intuitive, more analytic and more embedded within a variety of technologies.

Geo-marketing is today a basic part for the decision taking process. With the use of a system based on digital maps, GIS software and diverse databases, the information are graphically distributed, being able itself, for example, to analyze the market trends, to monitor the competition, to visualize opportunities and to launch marketing campaigns. It can even be used for sales territory planning, meaning that a business will know how to deploy its sales staff so they don't overlap with each others' territories. GIS can also help optimize their "catchment" area. Understanding location is even more important when businesses go into new location.

To achieve a competitive edge, telecommunication companies such as Reliance Infocom Limited based in Mumbai, India, have embraced GIS as a technology that will enable them to survive, compete, and win market share. Reliance plans to leverage the data and applications developed as part of this GIS project in other their retail outlets too (ESRI news, 2002).

4. GIS – a Strategic Competitive tool for retailers

Advances in technology are rewriting the rules of the game in increasingly rapid cycles. ESRI considers that the future success of retail, real estate, and restaurants will be determined to a large degree by the competitive advantages of investing in and implementing smart technology. GIS is one of the smart technologies through which retailers can gain competitive advantage. In today's competitive marketplace geographical positioning of the retail business is a crucial issue with which the retailers must tackle with. All operating costs, except for lease rentals, are typically location neutral. Hence the retailer's profitability at a given location is directly dependent on the revenue potential vis a vis the occupancy cost. A poorly located store can impact dramatically on the retailers bottom-line (Sen, 2008). An incorrect decision of localization promotes a series of sequential errors in the concept of the marketing mix. This means that the 4 P's - place, price, product and promotion – are deeply related and depend one on the other. If a store is opened in the wrong place, all the others P's (price, product and promotion) will also have to be reviewed.

In today's fiercely competitive environment, retailers must use every advantage to acquire and retain customers, plan market expansion and contraction, locate profitable sites, stay abreast of changing consumer tastes, and act faster than the competition. Retail location analysis activity within the retail business deals with the collection, analysis and dissemination of spatially referenced information which is ideally handled by geographical information systems. GIS adds spatial intelligence, the one true source of sustainable competitive advantage, to retail organization. GIS can be applied to many aspects of retail business such as Demographic Analysis, Trade area analysis, competitive market analysis, site selection. Thus, GIS is a tool for managing business information of any kind according to where it's located. Retailers can keep track of where customers are, site businesses, target marketing campaigns, optimize sales territories, and model retail spending patterns. Fig 2 depicts integration of GIS with various retail decisions. A GIS gives retailers extra advantage to:

- Develop Intelligent-marketing strategies by combining census, street, and suburb information.
- Analyze target cities for roll-out, best suited locations for their formats.
- Investigate that whether the stores should be on the high street, in a shopping mall or part of an out-of town complex.
- Examining where exactly the high-income consumer group is located, which retail outlet has maximum customers traffic, which locality has maximum no of double income families
- Investigating whether retail outlets close to customer living places,
- Analyzing customer movement and whether customers moving from a particular location
- Change analysis by finding new trends created by changes in the city like new shopping malls, café strips or major roads.
- Analyze sales pattern and trends vis-à-vis geography and retail network
- Matching distribution network match with consumer location.
- Identification of a series of existing locations that resemble the proposed location.

- Compilation of maps and reports that highlight the crucial information about a potential site in a consistent and comparable manner, which shows changes in customer behavior through major censuses.
- Measure the impact of new store openings, relocations, remodels, closures, and competitive acquisitions.
- Analyzing competitors locations vis-à-vis yours and understanding the effects of competitive market moves.
- Gap analysis
- Links to CRMs

Figure 2. Integrating GIS with retail decisions

5. Reasons for slow adoption of GIS as tools in retail location planning

Trubent et al. (2006) mentioned that companies that have made large investments in GIS have achieved considerable cost savings. Robins (1993) indicated that due to decreasing costs and increasing PC power, more retailers are implementing geographic information systems (GIS). Despite numerous benefits of GIS, many retailers have been slow to investigate the possibilities of GISs (Simkin, 1985; Reynold, 1991). Goodchild (1991) mentioned that at a more immediate level GIS suffers from all of the problems of a rapidly expanding industry. It lacks a clear focus, a set of institutional structures around which it might be organized. Despite progress has been made, the lack of clear consensus on these issues remains a significant impediment to the use of GIS in market analysis. Clarke (1993) mentioned that there are a small but increasing number of individuals who feel that GISs are failing to deliver the much-promised business solutions about which there has been much publicity and even more hyperbole.

Clarke and Rowley (1995) emphasized that despite some significant success stories, there has been only a slow diffusion of awareness of the benefits and application of site evaluation techniques in general, and the application of geographical information systems (GISs) in particular. Consequently, the diffusion of the benefits and applications has been remarkably slow, with location planning still being, by and large, the preserve of the major grocery chains, joined more recently by DIY retailers, department and variety store operators, pubs, banks and building societies (Clarke and Rowley, 1995).

As discussed earlier, worldwide GIS is considered to be a powerful tool. Regardless of benefits which can be gained from investment in such systems retailers in India are still not using GIS to a great extent. This paper attempts to outline the barriers to the effective use of geographical information systems (GISs) as a strategic tool in retail organizations in India. Some of the apparent reasons are:

(1) Comparative balance between the costs and benefits of GISs- Reynold (1991) mentioned the various benefits of GIS in terms of productivity, speed, coordination, quality and continuity. GIS can act as both a valuable tool in initial location planning and also as a mechanism for monitoring and developing the marketing strategy of a specific store. The capabilities of most GIS allow data to be compared temporally as well as geographically, facilitating identification of trends and patterns. As a result, one would expect their widespread utilization as an input into both strategic and tactical decision making (O'Malley et al., 1997). It was disclosed by Andy Wood, managing director of Total DM, that GIS is rife among retailers. A survey of more than 100 UK retailers conducted at the 2003 GeoBusiness conference revealed that 33 percent of participants felt that their boards did not understand the impact of GIS. Only 28 percent fully understand its operational and marketing benefits (Michele, 2004).

All managers are reluctant to incur the costs associated with the implementation of information systems, unless convinced of the benefits. Costs of implementing GISs, both in terms of initial capital investment for hardware and software and also in terms of its influence on organizational structures and approaches to management decision making can be high. Over and above the costs of the systems themselves, additional staff in technical and managerial roles to manage them is also required. Another significant element is the cost of datasets which can be generated either internally or externally.

(2) There is an increasing recognition that, for information systems to be effective in supporting decision making, it is necessary that the manager has a better understanding of the data and models used by the information systems and an input into the design of these information systems. Therefore, an effective spatial decision support system (SDSS) needs to be developed and used jointly by managers and specialist location planners.

(3) Geographical information systems can be developed successfully only with today's database management systems. Database management is described as linking topology data and attributes to geographical elements. In India, precise statistical data on population density may not be available. Data available from the census relate to territorial units of such size as is not adequate enough for locating retail service users.

(4) Location problems arising in practice are, often, not a representative of single theoretical models but of their combination. There are, of course, many other factors we have to take simultaneously into consideration.

(5) Last but not the least, encouraged by flexible rentals and relatively low real estate costs in India, many retailers does not employ sophisticated location research methods.

6. Conclusion

Retail location decisions are said to be the most fundamental decisions because it facilitates getting the merchandise to the ultimate consumer at the right place, at the right time, in the right quantities, and at the right price. In addition, location decisions are strategically important for the retailer because they help in developing sustainable competitive advantage over the competitors that cannot be copied at any cost. Given a bright growth picture of Indian retail sector, retailers need to use information technology more intelligently to manage their retail businesses. As mentioned in this paper, retailers in US and Europe widely use census data and GIS software to understand their customers, analyze their competitors, evaluate current market position, identify optimal expansion and for innumerable other benefits. It can be concluded that GIS helps retailers to make strategic business plans with an exclusive set of planning services which helps them to make decisions in various competitive retail business segments. GIS is by no means a system that will give a final solution to a user, but it will provide the possibilities for a better and more organized analysis of information, which is a prerequisite for making quality decisions. Thus, retailers can go beyond standard data analysis by using GIS tools to integrate, view, and analyze data using geography.

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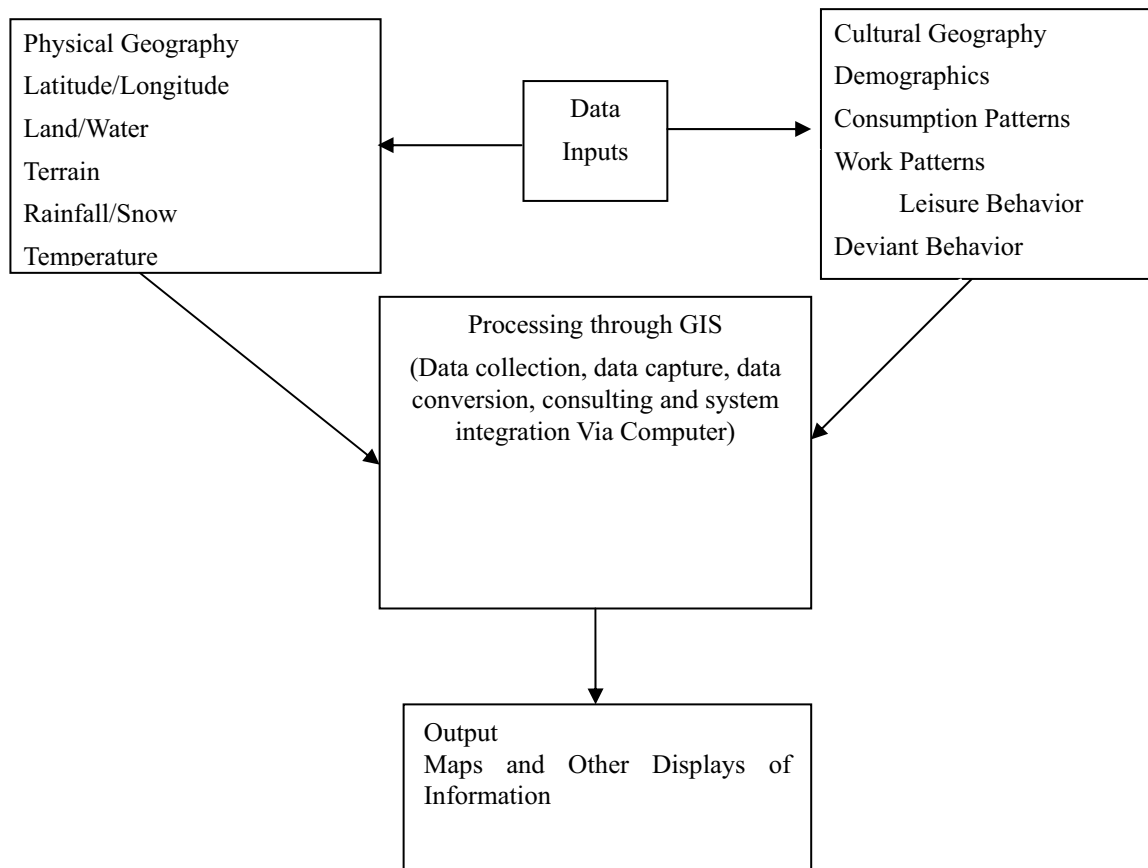


Figure 1. Process of geographic information system

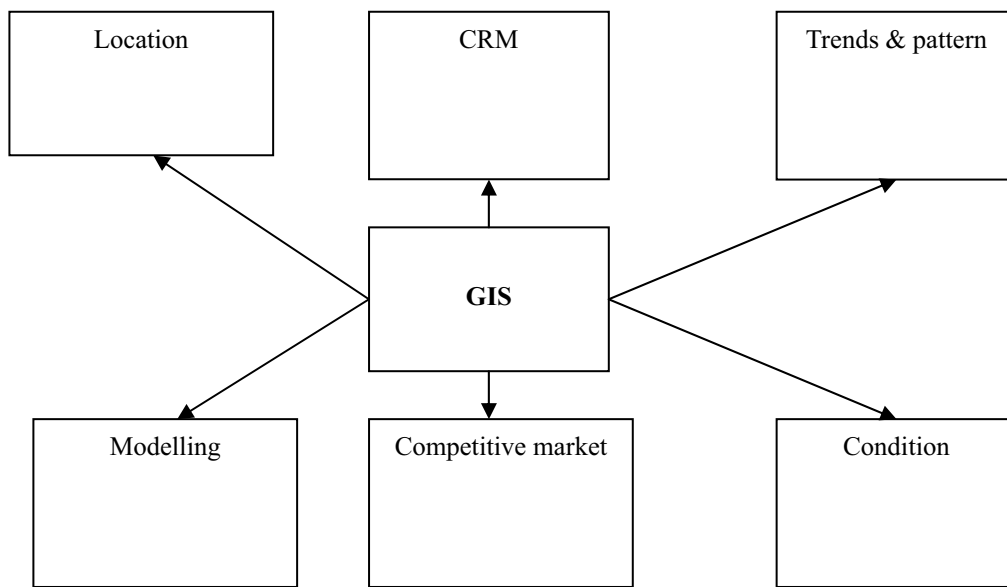


Figure 2. Integrating GIS with retail decisions



Analysis and Countermeasures of China's Network Marketing

Xiangyu Meng & Yake Cao

College of Industrial and Commercial, Tianjin Polytechnic University

Tianjin 300387, China

E-mail: aryu0929@163.com

Abstract

The development of network marketing go with the progress of Internet, it's an inevitable trend that network marketing instead of traditional marketing. The fact has wake the enterprises managers up to the circs, at the same time, more and more enterprise have made the decision to carry network marketing into execution. However, the imbalance of economic and the characteristics of network marketing, as a result lead to many problems. Therefore, we could summarize following problems, and give some countermeasures.

Keywords: Network marketing, Net security, The third logistics

1. Introduction

With the extensive use of computer technology and improvement of network technology, the informatization has been rapid development in our country. Network gets closer to our daily lives from the original web-based information browsing to variety network Mall building. We could command the real-time information and feel the unlimited fun of online shopping.

Network marketing is an integral part of the enterprise' overall marketing strategy, and the process to achieve the overall objectives, as various activities which is the basic means to create an online business environment. (Feng, 2002). Network marketing is the production of marketing practice, modern information, communication technology and computer network technology, which is the basic of information, the medium and means of computer net.

2. Analysis of Networking Status QUO in China

China's Network marketing started-up rather late, it started to try until 1996 in the enterprise, in recent years, with the rapid development of network technology, China's network marketing also flourishes. To promote the development of network marketing, China's created a good social and political environment. By the end of 1993, it began implementing the "three gold" project and the project started the domestic information technology prelude. In 1996, based on the Information-based joint meeting of the national economy, the Government established the Council Informationization Leading Group, listed the enterprise information technology, the e-commerce and the e-finance as the three key tasks, put forward the "push forward the informationization of the national economy, enterprise information is the foundation, financial computerizing is the guarantee, e-commerce is the core," as guiding ideology, encouraged Network Marketing pilot, strengthened the network of policy research, participated in international networks of dialogue. In 1999, China promulgated a new contract law of network marketing which has developed a number of norms, even though not yet ripe, but always step in a big step, they enable enterprises to carry out the activities of network marketing has some legal basis. In the first half of 2000, the Ministry of Information Industry Organization drafted a "national framework for the development of electronic commerce." Despite the great support of our government, but our network infrastructure were behind the developed countries overall, as well as the Internet technologies and the corresponding system was not perfect, it resulted in China's online marketing still had a large gap compared with developed countries, the level of integration is still relatively low, still at the initial stage.

According to the analysis about large and medium-sized enterprises, the mainly problems in the development of network marketing in the following aspects:

First, infrastructure of network drop behind the need of network marketing, there is a lack of hardware. Although in China, computers have been widely used in recent years, the rate of Internet users growth soon. However, it is imbalances that young people are the mainly users. There is a big inequality between east and west, county and city. There was a adding of Internet users about 91 million last year, of which more than 68.6 percent were youngster.

Youngster have the ability to accept new things, with the popularization of higher education, more and more youngster have the opportunities to receive continuing education, thereby increasing the likelihood to contact with network and computer. The imbalances of east-west economic resulting in the fact that the rate of the eastern computer ownership was lower than the western region.

Second, the protective procedures are incomplete, and network marketing develops difficultly. The protective procedures include that the laws and regulations safeguard against the inaccurate contents related to network marketing and the construction of firewall of computer network itself. Our current laws do not match the reality of network marketing. The rights and interests of consumers, the legal status of third-party certification, the punishments of cybercrime and so on involved in the network marketing are not clearly defined in the law of our country. Now the offensive capabilities of hackers are getting stronger and stronger, even if the specialized IT team is also very difficult to cope with them, so this threatens security of the important link of network marketing-online payment and online information of customer. These will inevitably affect the enthusiasm that enterprises or individuals engage in network marketing.

Third, the third-party logistics does not build perfectly. (Lin, 2005) For network marketing, the third-party logistics plays a key role in distribution of goods. In general, the thing to attract customers' eyeball in network marketing is the price advantage, and that is also the most principal advantage. If the costs of logistics and distribution are too high, it will reduce the price superiority of the network marketing or even offset it. The most important advantage of internet marketing-price advantage disappeared. In addition, if third-party logistics and distribution can not be guaranteed, it is difficult to ensure the timely arrival of goods to the hands of customers. Regarding some staple commodities or batch products, if such a situation happens, it will lead to very serious consequences. Therefore, the third-party logistics not only need ensure accurate and prompt distribution of commodities, but also should reduce greatly the loss in the allocation of commodity to ensure the price advantage of network marketing. At present, Chinese development of the third-party logistics is not very perfect, and can not be mentioned with abroad famous logistics companies such as Federal Express in the same breath, and under the impact of foreign perfect logistics companies, it is difficult for Chinese third-party logistics to build their own brands.

Fourth, the lack of the necessary talent of network marketing. Compared with the traditional mode of marketing, network marketing professionals should be required to have the computer technology and internet marketing knowledge, and these two aspects are indispensable, not an independent division of labor. This is because as network marketing involves to the construction, maintenance and updating of site, non-specialized computer personnel may not be able to complete the corresponding work; while general computer professionals are unable to achieve professional qualities which the traditional marketing models required. Thus, the specialized talent of network marketing seems particularly important.

Fifth, the shortcomings of the concepts and understanding(Kong, 2007, p. 9-10). Although network marketing is no longer a new thing, the current initial stage of domestic network marketing determines that the development of network marketing is bound to take a lot of detours, even the existence of circuitous. The leadership of companies have recognized the inevitable trend of the implementation of network marketing, and many companies have begun the implementation of online marketing, but they are not satisfied with the economic profit that network marketing brought about in a short period, thus give up the implementation of network marketing, which is the result of inadequate reorganization on network marketing, then led the network marketing of the majority of enterprises to the final form of a static page fruitlessly.

3. Suggestions and Countermeasures

In this regard, the business leaders who will prepare for the implementation of network marketing have to understand clearly network marketing. In a very short period it can not bring economic benefits for enterprises, and the whole implementation is a scratch of a fully new process. Only do a good job of long-term plan to marketing, can enterprise do a good job of network marketing and eventually it may became the main mode of the marketing of corporate and bring endless space of profits for the enterprise. Network marketing is the long war of "Eight years of the Anti-Japanese War", also a tough battle.

With the development of computer technology and network technology, network marketing is developed. Therefore, the computer technology and network technology problems also baffled the further development of network marketing. Through the above analysis, we can realize clearly, the hard problems that network marketing facing need to be solved by us. In view of the above problems, put forward following suggestions.

Firstly, infrastructure of network marketing need to be strengthen, effort to narrow the disparities among east and west, as well as urban and rural. In view of economic development imbalance between east and west, to fundamentally solve the problem of east-west gap in the network infrastructure issues, but also proceed with the economic development disparities between east and west. As a country, we must step up the economic construction devotion into the western

region. Infrastructure construction will be also progress and development going with the development of economic construction, however, there isn't no work to be done recently, we must root the network marketing idea in the enterprises, when some imperfections being in the construction of infrastructure, engaged in network marketing for the future lay the ideological foundation.

Compared to the western region, in many rural parts of China has achieved a moderately prosperous level, these rural homes where the computer penetration rate is not too high, but they are not paid network infrastructure building, just from the level of education and ideologically not realize that benefits network offer to them. Therefore, in terms of this part of rural families to allow them to receive a computer, acceptance network, network marketing to accept only a matter of time, as long as the popularity of computer knowledge, strengthen the construction of computer networks in rural investment, I believe that this gap between urban and rural areas will ultimately be resolved.

Secondly, improve the marketing network to the required safety building, including network security, legal security and credit security. Network security is the means needed to complete the online consumer transaction security, enterprises should protect their customer data is not stolen; when customers and enterprises to carry out online communication, it is necessary to ensure that their calls will not be a third party to steal content; online payment process to ensure that bank account number and password is not stolen. In this regard, to strengthen the technical maintenance of the network, including physical security, firewall security and network topology security. For network marketing business, it is necessary to the formation of a skilled team of IT, not only able to complete day-to-day network maintenance enterprises, and to build a secure network system, the formation and hackers opposing network security team to deal with from all sides network attacks, in order to ensure the smooth progress of network marketing.

Legal security refers to the different network security hazards arising from the conduct of Internet users to give a certain degree of legal sanctions. At present, China's laws for network security standards are not perfect, the network of fraud, theft of credit card password and other crimes, there is no specific sanctions, which also led to the current Internet crime and online fraud become increasingly rampant activities of the main reasons. The laws of State and regulations to strengthen the norms, and the expansion of cyber-crime conviction of space, and ensure network security, network marketing for the rapid development of legal protection.

Credit security, the so-called security is a means of credit in the process of network transactions, both basic information and transaction information from third-party access, and in order to ensure the successful completion of the transaction, the two sides should adhere to the provisions of the transaction. Credit security on the one hand, on an individual basis as the main course of personal credit problems, such as online transaction agreement will be as a child's play, I would like to sign on the sign, even if not required to comply with the signing, with breach of contract on the breach of contract; registered members process false information, false name and false ID number, etc., to disrupt the network order. In the network world, is there some people, doing nothing will be happy as a means of seeking a means of deception. On the other hand, enterprises do not pay attention to the protection of customer information, free leaked, leading to customer information on the network can transmit, which is bound to give troubled enterprises. Credit security, not only in need of legal restraints and, more importantly, moral constraints, only a profound understanding of the importance of credit security before they can provide for network marketing piece of pure land.

Third, enhance the development of the third logistics, ensure network marketing consignment favoring. Consignment is not only the finally step but also the most important tache which affect the quality, safety and betimes of commodity during the whole network marketing .The government should hearten the development of consignment by way of the macroeconomic control .On the one hand, debase the cost of fuel and repair, the other hand, afford some favorable prices to insure the development of the third logistics.

Fourth, constitute the scheme of network marketing talents; intensify the cooperation with colleges and scientific search departments. The requirement of professional network marketing talents is increasing with the development of network marketing .Enterprises should actively fetch in network marketing talents, at the same time, colleges should increase inputs in fostering professional. Colleges should tune the setting of subjects in order to give support to the network marketing.

Fifth, improve the cognition, envisage the orderliness of network marketing, and change the traditional thinking about profit. There is a big difference between network marketing and traditional marketing. Traditional marketing can make a definitude strategic target. So, it could create profit during a short time. But the particularity of network marketing make the result that network marketing can't create proceeds. It needs a long time to spread a company's web site. Therefore, it will cost two or three years that network marketing make function.(He,2000,p100)

Through analysis, we can clearly find the status and problems of network marketing. Network marketing is the upgrading of the traditional marketing; it can not be divorced from the traditional network marketing. The thinking and methods of traditional marketing is still applicable on the network marketing. Network marketing is the development of traditional marketing; enterprises should understand the necessity of network marketing and make a long-term preparation.

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XPCG System Innovation Research under the Conditions of Market Economy

Shaolei Liu, Shixue Qiang & You Hu

School of Economic and Trade, ShiHeZi University

Shihezi 832000, China

E-mail: woshilshizu@163.com

Abstract

Since established, a special management system which is a combination of the party, government, military and enterprises(CPFME) has being operated in XPCG. As China's market-oriented reforms continue to deepen, XPCG system has also become increasingly unfit for the requirements of the market mechanism. On the basis of fully Researching XPCG system and its practice of reform, this article has explored the reform of XPCG system and made appropriate policy recommendations.

Keywords: XPCG system, Market mechanism, Reform

1. The special history of the XPCG system

Originated from Qin dynasty, formed in Han, developed in Tang and flourished in Qing, **the XPCG system** has experienced more than a dozen of dynasties and decades of several governments with a history of two thousand years. The cultivating and guarding has become effective measures of prosperity and powerfulness. The central and local government had attached great importance to the cultivating and guarding is because it is related to the national unity and security, can get the support of local people and it is advanced compared to other forms on developing border.

After peacefully liberating Xinjiang in 1949, for the long-term stability and prosperity, the CPC Central Committee and the State Council ordered the People's Liberation Army to transfer its commission, from the Defense Force of battle to establishing the Xinjiang Production and Construction (XPCG), at the same time announced that XPCG implemented CPFME. In more than half a century, the XCPG system change can be summarized as three stages: the first stage is from the October of 1954 to the March of 1975, when XPCG system had a strong planned economy colour, and the production was included into the national economic plan. The second stage is from March 1975 to December 1981, when because of the destruction of the Cultural Revolution the XPCG system was withdrawn, and the original XPCG industry, transportation, construction and commercial enterprises all was handed over the autonomous region and the farms were given to the state to lead and guide. However, in view of the grim situation at home and abroad and Xinjiang special strategic position, in December 1981 the Central leader decided to resume the XPCG system. The third stage is from resuming to today, which is a period of rapid development of China's economy, but also an important period to XPCG when it carried out a number of reforms to fulfill its mission better.

2. The connotation of special management system of the XPCG

XPCG has the economic mission of developing and constructing in Xinjiang and promoting social progress, political mission of national unity and social stability and military mission of consolidating on the Northwest Frontier and the reunification of the motherland. The multiple tasks require complex system. Combining with China's actual conditions, the Chinese leaders, through summing up the historical experience, creatively raised that XPCG undertook special management system of CPFME. "Party" means there are Party organizations which play the central role of leadership on XPCG affairs in XPCG at all levels, and the party committee unifitely leads internal affairs and it is in charge of CPC Central Committee and Autonomous regions. "Governance" means the XPCG has the executive authorities and the political-legal organs or political and legal institutions so that XPCG has parts of the regime functions which manage the internal administration of judicial affairs and take on the development task of science and technology, education, culture and health. "Military" means there are military authorities and the armed institutions, and conserves armed forces which consists of farmers mainly, including reservists, armed police, other sounds armed and political and legal forces, which undertake to combat the "three forces", maintain stability in Xinjiang and consolidate the border of the motherland. "enterprise" means, with some nature of enterprises, XPCG can use the name "China's Xinjiang

Production and Construction Group” which manages a group of enterprises of agriculture, industry, traffic, construction and business to undertake the task of constructing economy.

Compared with other management system, XPCG system has tremendous advantages. Based on state-owned enterprises or state-owned enterprises, XPCG system exercises a high concentration of paramilitary management approach, which allows Crops has advantage of the highly systematism, prominent collectivize and strong sense of organizational discipline to concentrate its efforts on doing great things. Under extremely difficult conditions, XPCG can concentrate its limited manpower, material, financial resources to carry out large-scale economic development, and ensure the XPCG quick response to the unexpected political events and good results. The irregulation control the process of economic operation; according to the efficiency of production factors contribution and markets to allocate of resources. The premise of market economy is "economic man" hypothesis, but the XPCG as a unity government and military standing organization noly is "political" lacking of independent interests and complying the highest national interests. From the micro level, the main demands of the market economy is the market decentralized decision-making and property rights. As is a large enterprise, Crops exists the mixed functions of the government and enterprises, regardless of political funding, these subordinated enterprises are state-owned enterprises, which are the drawbacks of fuzzy property rights, mixed government and enterprises. From the macro level, the market economy request the government mainly to control the market, but the XPCG is only "sub-government", has some of the functions of the government, not the right of industrial and commercial tax revenues, so can not effectively carry out the economy. In view of this, the XPCG must deepen market-oriented reforms in order to keep the economy health and rapid development.

3. The constraints of XPCG system innovation

3.1 the constraints of path dependence in system innovation

Institutional economists believe the previous system often determines the choice of the future system changes, which is the dependence of system changes'. Due to various reasons, the impact is profound which path dependence of institutional change responds to the institutional change. Because the initial system choice will strengthen inertia of the existing system, the deep-seated reason why path dependence formed is interest factors. After the establishment of system, there will appear some vested interest groups, who have a strong demand for or rely on the system, seek to consolidate the existing system, impede the further reform, even if the new system more efficient than the existing system. XPCG with strong planning characteristics comes from the planned economy period, and the characteristics give some individuals or groups not only status, power but also many material benefits. After years of development, vested interests formed fixed thought of official position and mandatory, and such dependence on the institutional models, but who often is strong staff or groups who control over economic resources or the government right, lacking of enthusiasm of market-oriented reform. When reform measures need them to specific implementation, however, due to dependence on the previous system, these vested interests often weaken the extent of implementation. This is why, over the years, XPCG institutional innovation has always lingered in the system peripherals and difficultly break through the core and discard the impact of the planned economy. So, if crops want to speed up market-oriented reform, the leaders must break out the original pattern of interests, and establish the new interests distribution mechanism quickly.

3.2 Risk constraints

XPCG implement special management of CPFME. Officials at all levels of the system is an effective catalyst for institutional innovation. Innovation is to break the original resource integration and to establish a new resources integrated approach. The XPCG system is conducive to cultivating high-quality management personnel, but anyone can not be omnipotent, regardless of knowledge or character is all flawed. Different from any government in mainland provinces and cities, XPCG internal exercise vertical management, which as a whole is under the central authorities and the Xinjiang Autonomous Regional Government, but internal units is not affiliated with the local, which makes the internal officers at all levels only need to obey their superiors, and must be responsible for the leaders. so, in such conditions, if you want to innovate, maybe you have to cost much than the innovation itself because of the communicating with leaders and the departments. What's more, innovation must meet the leaders and departments' need. Otherwise, innovation can not be moved on. That brings great risk to innovation, especially the operational risk and political risk. Operational risk means the innovator's limited rationality, incomplete information and asymmetric the innovator which will face the risk of failure. Political risk is the centralized system, the innovator of innovative behavior and higher-level preferences arising from inconsistencies in their performance evaluation to reduce the risk of punishment or to give. These risks will make innovators lack motivation for innovation.

3.3 Constitutional and legal constraints

Constitutional and legal is the compass of government, which is the basic principle that government must to base. On one hand, constitutional and legal guarantees the order of governmance, on the other hand, they affect and constrain the government's institutional innovation, mainly because through the basic political, economic, and cultural systems the constitutional order sets out the general direction of institutional innovation. Responding to social issues, the

constitution and the law always has afterwards remedy features, which will let system innovation in the framework appear delay problem, and reduce the government's innovation capability. XPCG is the central dispatch agencies, and In the framework of central license to carry out activities of cultivating and guarding. Although the central government issued various documents XPCG, or even to adopt a plan to separate, the status and role of the XPCG does not to be given legal recognition. Today, the continuous development of market economy, it is clearly a major defect which constrains the development of XPCG. Despite the central government departments have made many efforts, some laws and regulations still not pass, and government rights which the market mechanism needs are not being given. Different from any organization, XPCG is the world's unique military and political economic organizations, so its Laws and regulations will inevitably differ from any other organizations. The absence of laws and regulations to protect, XPCG to carry out any innovation are likely to be qualitative assessment in accordance with existing laws and regulations by people, which is clearly inappropriate and will definitely lead to a misunderstanding, further allows the XPCG to stop innovation behavior. So if XPCG want to innovate, it must improve the relevant laws and regulations, otherwise, institutional innovation will be faced with many problems.

3.4 The effect of Ideology and socio-cultural

Ideology is an important factor to institutional innovation, well-known system economist Norse believes "the changes of social ideology are major factors in the change of system". Ideology is also a kind of institutional arrangements, moreover a non-institutional arrangement, which will affect people's behavior and views and understanding of the current system. Macro-level changes in the ideology will have two effects to system innovation: on the one hand, rulers ideology change will allow them to actively adapt to the changing environment, further changes in governance and initiatives carried out system innovation; on the other hand, the people's ideological change would create a driving force for institutional innovation, which promote the rulers to carry out a passive system innovation. If the Government can not meet the requirements of the mass, it will become an obstacle of institutional innovation. Socio-cultural system which is pass through long period of accumulation of social is the soft environment for innovation. As institutional innovation is not an isolated process, any of the institutional arrangements are always embedded in a complex structure of the system, and every specific institutional arrangements is mutual interactive and influent. During a long time XPCG community formed good XPCG culture, that is XPCG spirit of hard, industrious, dedication, At the same time, aslo formed bad social atmosphere of bureaucracy and inserting reform, which creates an extremely adverse impact on The new era of social change. A long time XPCG informal institutional arrangements form resistance to XPCG system innovation.

4. Policy recommendations

4.1 Hold on the same management system

This management system is a special management system to maintain the stability and prosperity of Xinjiang, during more than half a century, which is explored by CPC Central Committee and the XPCG who summed up historical experience and combined Marxism and Xinjiang practice. This management system advantages which is a high degree of organization, the group of prominent characteristics, to concentrate efforts to engage in major can help carry out large-scale development and construction in bad conditions and maintain national security in the complicated international and domestic situation. Different from the local government reform, in any case change, XPCG can not give up the system. So, when XPCG' market-oriented reforms meet the needs of the new situation of the socialist market economy, it must meet the need of special management system.

4.2 Continue to carry forward XPCG culture and strengthen the sense of innovation awareness

Culture is reflection to political and economic of certain social, and also counterproductive in the social political and economic. XPCG culture connotation can be summed up in four phrase, that is loving the motherland, selfless consecration, hard work and forge ahead which is valuable asset which the XPCG condenses into with sweat, reflection of XPCG' real life, spiritual bond which is to link up XPCG' generations. Today strengthening carry forward and study crops culture still have a positive significance which resolve the internal contradictions and reduce friction in the process of institutional innovation. Innovation has become an inexhaustible motive force for national prosperity, and XPCG must strengthen training for the sense of innovation. Working people is the main force of Historical development. And only that the XPCG have the sense of innovation can ensure the continued development of the XPCG.

4.3 To strengthen systematic study of the reform

Market-oriented reform is a systematic project. Domestic market-oriented reforms provide a lot of valuable experience for crops. However, XPCG reform must combine with its own characteristics, carry out carefully and detailed assessment and forecast to pre-reform, the middle of reform, the late of reform. After shaping the "first action group" of reform, timely actively promote the "second action group" of formation. Fully evaluate all kinds of difficulties reform encountered, and resolved timely. Often reform cannot achieve pareto optimal, and some people's loss should be granted to alleviate the social contradictions. At the same time, it is necessary to further improve the system of transfer payments and social security system.

4.4 Actively seek the support of the central legislation

XPCG system innovation capability is restricted by the entire system environment, and the most important thing is constitutional order, which is the basic rule in Setting up a collective choice, and directly affect the cost of Entering the political system, the degree of difficulty of establishing a new system and the way of using of public power. at the same time stable and viable constitutional order can introduce a sense of civilization order for reform which can Significantly reduce the risk of innovation. Although the XPCG is a local government to assume a large number of economic production Services, compared with the local governments lack the right of business management and tax which, undoubtedly, affect system decision's enthusiasm to carry out institutional innovation. Therefore, obtaining central legislative support for giving the powers of economic management will one of the elements of the current reform.

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Retaining Customers through Relationship Marketing in an Islamic Financial Institution in Malaysia

Kamsol Mohamed Kassim

Faculty of Business Management, Universiti Teknologi MARA Perlis

02600, Arau, Perlis, Malaysia

Tel: 60-4-9875-147 E-mail: kamsol@perlis.uitm.edu.my

Anuar Bahari

Faculty of Business Management, Universiti Teknologi MARA Perlis

02600, Arau, Perlis, Malaysia

Tel: 60-4-9875-021 E-mail: anuarbinbahari@perlis.uitm.edu.my

Norizah Kassim

Academy of Language Studies, Universiti Teknologi MARA Perlis

02600, Arau, Perlis, Malaysia

Tel: 60-4-9875-043 E-mail: norizahk@perlis.uitm.edu.my

Nik Ramli Nik Abdul Rashid

Faculty of Business Management, Universiti Teknologi MARA Perlis

026000, Arau, Perlis, Malaysia

Tel: 60-4-9874-252 E-mail: nikramli@perlis.uitm.edu.my

Kamaruzaman Jusoff (Corresponding author)

Faculty of Forestry, Universiti Putra Malaysia

43400, Serdang, Selangor, Malaysia

Tel: 60-19-2279-507 E-mail: kamaruz@putra.upm.edu.my

Abstract

Questions on ways to retain loyal customers and attract potential future customers in an Islamic financial institution led to a study on customer relationship marketing (CRM) strategies at the Pilgrims Fund Corporation or Tabung Haji (TH). This study aims to determine whether customer relationship marketing (CRM) influenced by the variables - customers' satisfaction, employees' commitment, customers' trust and customers' loyalty. Questionnaires and personal interviews with the respondents were used. 152 registered Tabung Haji depositors were selected as sample size. It was found that there is a significant relationship between customer relationship marketing- the four dependent variables. Findings from this study showed strong positive relationship between customer relationship marketing and customers' satisfaction (81%), customers' trust (77.8%), employees' commitment (76.2%) and customers' loyalty (69.5%). Findings from this study will help Tabung Haji to utilize appropriate customer relationship marketing strategies to retain the loyalty of existing customers. Simultaneously, Tabung Haji should make the most of its customer relationship marketing strategies (CRM) to attract future potential customers. It is hoped that Tabung Haji will be a progressive, dynamic and innovative financial institution through the utilization of appropriate strategies in customer relationship marketing (CRM).

Keywords: Customer relationship marketing, Customer satisfaction, Customer trust, Employee commitment, Customer loyalty

1. Introduction

Tabung Haji (TH) is indeed Malaysia's most popular label among Muslim nations. It is the envy of other parts of Muslim world for its efficiency and success in managing Malaysian pilgrims. (Mansor Lokman, NST p.2, 02/07/2004). However, TH has to strive endlessly to face future global challenges if it wishes to be ahead or at par with other financial institutions. Some of the measures taken by TH are adoption of technology, improvement of service quality, upgrading quality of human resources and employing aggressive marketing strategy to encourage Muslims to invest for pilgrimage and future needs. Hence, TH must adopt the best approach in managing depositors' fund that adheres to 'Syariah' guidelines and simultaneously retain the confidence of loyal and prospective customers.

Financial Institutions face many challenges with their loyalty programs in today's competitive market. They struggle in keeping tracking their customers' purchasing behavior and spending habits, capturing customer data, understanding who the customer is and how to use customer data to build strong, valuable relationships and retain customers. At the broadest level, the function of enterprise marketing is to bring buyers and sellers, to create customers. Getting customers is the fundamental to any business success, keeping customer is more important. The term relationship management (or relationship marketing) communicates the idea that a major goal of a business enterprise is to engage in interactions with customers over the long term

Tabung Haji Pulau Pinang started its operation in 1969 at Immigration Building located at Jalan Lebu Pantai. Since 1994, Tabung Haji State office was relocated at Tabung Haji Complex at Bayan Lepas. At present, there are four other Tabung Haji branches in Pulau Pinang. However, three of its branches – Kepala Batas, Butterworth and Bukit Mertajam are located in the mainland while Tabung Haji Lebu Bishop and Tabung Haji Bayan Lepas (THBL) are located on the island.

Kumar and Reinartz (2006) highlighted the importance of Relationship Marketing (RM) in creating a link or relation that benefits both the company and the customers. This marketing function can be broadly classified as Customer Relationship Management (CRM) and Supplier Relationship Management (SRM)

At present, Relationship Marketing (RM) has been widely considered as a company's activity that helps in developing and retaining customers through increased loyalty, satisfaction, trust and commitment. Thus, Tabung Haji should seriously focus on relationship marketing to retain and ensure existing loyal customers are satisfied and pleased with their services. In addition, RM could also captivate potential customers and enhance Tabung Haji's corporate image.

Findings from secondary data showed that although a large sum of money has been allocated for customer relation and services upgrading, but Tabung Haji was not aggressive in focusing on RM strategies when rendering financial services. Reports and observation also showed TH's uncommitted attitude in handling their RM strategies as compared to matters related to organizational management. TH enjoys its unwavering privileged status as the sole government-linked company that manages the pilgrims - a monopolistic company in a non-challenging marketplace. Hence, TH is confident of acquiring customers without facing any stiff competition as in oligopolistic or highly competitive market. However, in terms of savings account depositors, TH faces competition from banks that offer Islamic banking transactions. Storbacka et al. (1994) have highlighted the link between customers' perception and the decision to opt for alternatives in a highly competitive market.

Lately, TH received several complaints on personnel (front-line service employees) and counter services in almost all TH branches throughout Malaysia. Some customers aired their grievances through the Internet and newspapers. Other unofficial complaints were heard through conversations among TH depositors at the respective TH branches. Some depositors also compared TH counter service to that of other financial service providers such as banks. Based on the stated problem statements, Tabung Haji Bayan Lepas (THBL) should review its current counter and financial services particularly when dealing with customers. Although THBL is renowned as one of the most outstanding branches in Pulau Pinang, but it has to assess its services to retain loyal customers and attract potential customers.

The main objectives of this research are:

- To identify which element of Relationship Management (customer satisfaction, employee commitment, customer trust and loyalty) did Tabung Haji Bayan Lepas (TBHL) neglect when handling its counter services and other financial services? This will provide information on efforts undertaken by TBHL staff and management team in improving the quality of its relationship management strategies.
- To identify whether there is a relationship between customer satisfaction, trust, loyalty, employees commitment and TBHL relationship management strategies.

In a transactional approach, customers are consumers when they are the target marketing and sales efforts. Customers refer to a group with whom a business has dealings with and has expectation towards what they offer. However, Gronroos (2000) in his definition on services viewed customers differently, whereby services do not necessarily involve any transaction between customer and service employee or physical resources or goods and or systems of the service

provider. In fact services act as solutions to customer problems. Lovelock (2001) defined customer service as a provision of supplementary service elements by employees who are not engaged in selling activities.

Zeithami (2000) highlighted on the point that customers perceive service in terms of their satisfaction and the quality of the service provided to them. Kotler et al. (1998) emphasized the importance of effective interaction between service providers and customers to create superior value during service encounters. Studies on well-managed companies show that good customer service can set one business apart from other competitors. These companies possess distinctive strategies for satisfying customer needs that win customer loyalty. In addition, it can result in attracting new customers through word-of-mouth influence. Hence, customers' perception towards service quality is influenced by price, image, and quality.

The term Relationship marketing was assumed under different names before it was coined in the 1990s. In its wake, one-to-one marketing surfaced in the mid-1990s. Relationship marketing (RM) is the process of attracting, maintaining and enhancing relationships with key people (Young, 1988). Relationship marketing is more of a process rather than more isolated events that strengthen economic, technical and social ties between marketers and customers. There are many examples of companies that have successfully developed relationships with their customers through delivering added value and thereby earning greater profits (Palmer, 1996).

Morgan & Hunt (1994) also highlighted the importance of relationship marketing in establishing, developing and maintaining successful relational exchanges that benefit both the customers and the company.

Previously known as Customer Relationship Marketing, CRM (Customer Relationship Management) emerged as the favourite catchword in business world at the turn of the millennium (Storbacka & Lehtinen, 2000). One-to-one marketing and CRM are the same, though they may differ in emphasis and procedures. These and the host of other names are used by consultants to label their approaches. Today, CRM is the dominant and generally used designation, but in 1998 it was only one in a continuous flow of acronyms soliciting for attention. Fournier et al. (1998) cautiously warn the possibility of premature death of CRM if one-to-one communication does not exist. Hence, to ensure the continual existence of CRM, organization need to increase activities that, allow customers to interact personally with the staff so they (customers) will return to repeat transactions. According to Gummesson (2002), CRM is the values and strategies of relationship marketing that emphasize on customer relationships which could be turned into practical application. CRM is developing into a major element of corporate strategy for many organisations.

Customers of today are more service-minded and they tend to expect better services from financial institutions. According to Edelstein (2000), A CRM strategy should help organizations improve the profitability of their interactions with current and potential customers while at the same time making those interactions appear friendly through individualization and personalization. Zikmund, et al (2003) suggest that the purpose of a CRM system is to enhance customer service, improve customer satisfaction, and ensure customer retention by aligning business process with technology integration. CRM essentially means fundamental changes in the way that firms are organized (Rvals and Knox, 2001) and business processes are conducted (Hoffman and Kashmeri, 2000). Firms should pay heightened attention to the organizational challenges inherent in any CRM initiative (Agarwal et. al., 2004).

2. Method

The population of this study is THBL depositors. Questionnaires were distributed to the depositors who were chosen through systematic sampling method. A total of 300 respondents were approached to participate in the survey and only 170 completed and returned the instrument which translates to 56.7 percent response rate. Out of this, only 152 were useable as 18 were voided because of incomplete data. On, Simple Category Scale, Multiple Choice Single Response Scale and 5 point Likert Scale Summated Rating.

Thirty-two structured questions were distributed at THBL during normal working days. Questions have been designed based

In this study four independent variables chosen were favourites among previous researchers such as Morgan & Hunt (1994); Veloutsou et al., (2002) chose customer trust, Paolo & Ottavia (2004); Ndubisi et al., (2007) chose customer loyalty; Grossman (1998); Ndubisi et al., (2007) chose employee commitment and Leverin & Lijander (2006) chose customer satisfaction.

3. Result and discussion

Correlation coefficient is computed among the five variables. The results of the correlation analysis are presented in Table 1.

From the results, the dependent variable (relationship marketing) and four independent variables (customer satisfaction, employee commitment, customer trust and customer loyalty) are significantly positively correlated.

The R-value recorded for correlation value in customer satisfaction is 0.810, which means that it is 81.0%. This shows there is a positive relationship between customer satisfaction and relationship marketing. Thus, correlation of 81.0% shows a very strong relationship between the two variables.

The R-value recorded for correlation value in employee commitment is 0.762, which means that it is 76.02%. This shows there is a positive relationship between employee commitment and relationship marketing. Hence, it shows a very strong relationship between these two variables.

The R-value recorded for correlation value in customer trust is 0.778, which means that it is 77.8%. This shows there is a positive relationship between customer trust and relationship marketing. Therefore, it shows a very strong relationship between these two variables.

The R-value recorded for correlation value in customer loyalty is 0.695, which means that it is 69.5%. This shows there is a positive relationship between customer loyalty and relationship marketing. Thus, it shows a very strong relationship between these two variables.

Insert Table 1 here

THBL is considered as a unique state branch office because of its location and background. This branch is located in a sparsely-populated sub-urban part of Penang, where its development pace is not at par as other districts in the island. Nevertheless, THBL by far manages to obtain 40% of overall savings collection from depositors compared to other Penang's branches such as those located in Butterworth, Lebu Bishop, Kepala Batas and Bukit Mertajam. Hence, population density is not a contributing factor to the number of depositors and amount of money saved by them. In other words, there are other factors that encourage depositors to save their money at THBL. Some of the reasons mentioned by customers are good counter service practices, courteous personnel and convenient financial service such as online financial service.

THBL customers are chosen as respondents because findings and suggestions from this study will benefit and help THBL management team. Counter services refers to all related activities and transactions between THBL staff and their customers over the counter. Hence, this study focuses on the relationship marketing strategies practised by THBL staff (front-line service employees) when dealing with customers particularly during financial service transaction at the counter. In addition, researchers have to find out customers' perception towards the main element in relationship marketing strategies preferred by customers in terms of effective financial service transactions that deliver long-term value and benefits to them.

Results of Pearson Correlation Coefficient show all the above mentioned independent variables were positively significant with dependent variable. Thus, it can be concluded that there is a positive relationship between all these four variables and relationship marketing. Customer satisfaction scored the highest percentage (81.0%), which means satisfaction is the contributing factor for customers to return to THBL to repeat transactions. The second factor that influences customers to continuously use the service of THBL is customer trust (77.6%). The third factor that influences customers to frequent TH is employee commitment (76.2%). The last factor that influences customers' decision to make transaction at THBL is customer loyalty (69.5%). This demonstrates there are other unexplained factors that contribute to existing customers being loyal to TH by regularly making transactions at THBL.

Multiple regression analysis was employed to predict the construct relationship. According to table 2 shows R-square value obtained is 0.740. Thus the dependent variable is explained by independent variables by 74% of variance relationship marketing was significantly explained in this study. Based on the findings of Beta value from each independent variable, could conclude that customer satisfaction ($\beta=0.277$), employees commitment ($\beta=0.321$), customer trust ($\beta=0.584$) was significant related to relationship marketing. However, customer loyalty ($\beta=-0.264$) is no longer significant predictor to relationship marketing. The reason why loyalty is not significant in regression analysis is because of the poor level of self awareness among customer. Most of them think that the sole purpose of saving at TH is just for pilgrimage. On the contrast they did not mention their TH savings account can be used for future purpose besides pilgrimage.

Insert Table 2 here

4. Conclusion

This research highlight important aspects of relationship management elements overlooked by THBL staff (front-line service employees) when dealing with customers. Hence, researchers and THBL will mutually benefit in knowledge enrichment on major relationship management elements that improve the efficiency of financial service providers when dealing with loyal and potential customers. As a result, THBL management team will be able to enhance their relationship marketing strategies effectively by focusing and prioritizing on important elements that significantly improve their business performance particularly by retaining loyal customers and attracting future customers.

The most significant variable in customer relationship marketing (CRM) is customer's satisfaction. Hence, THBL should be more concerned on customer's satisfaction as an important element in developing its CRM strategy. The second most significant element is employee's commitment, followed by customer's trust and customer's loyalty. It was found that loyalty is not a significant factor that contributes to relationship marketing strategy. Nevertheless, it is not an implication that THBL should ignore this factor. THBL still need to focus on winning loyal enduring customers who have been their supporters for a long time.

This study suggests that good customer relationship marketing strategy that steer much of its focus on Customer Relationship Management is applicable to TH whose core business is on customer's savings.

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Table 1. Correlation Analysis

	Relationship Marketing	Customer Satisfaction	Employees Commitment	Customer Trust	Customer Loyalty
Relationship Marketing		.810**	.762**	.778**	.695**
Customer Satisfaction	.810**		.832**	.813**	.792**
Employees Commitment	.762**	.832**		.653**	.647**
Customer Trust	.778**	.813**	.653**		.647**
Customer Loyalty	.695**	.792**	.647**	.910**	

** Correlation is significant at the 0.01 level (2-tailed)

Table 2. Multiple Regression Analysis

	Beta	Sig.
Customer Satisfaction	.227	0.006
Employees Commitment	.321	0.000
Customer Trust	.584	0.000
Customer Loyalty	-0.264	0.012

R- Square **0.740**

Adjusted R-Square **0.733**



An Empirical Analysis on the Monopoly of Designated Health-Care Institutions in China's New-type Rural Cooperative Medical System

Shiwen Zeng

School of Economics, Southwestern University of Finance and Economics

Chengdu 610074, China

E-mail: lxin111107@sina.com

Yang Hao

School of Economics, Southwestern University of Finance and Economics

Chengdu 610074, China

Abstract

In accordance with the monopoly of designated health-care institutions in China's New-type Rural Cooperative Medical System, this article aims at establishing a model to reveal the manifestations of monopoly and its damage to peasants' benefits based on the statistics and empirical analysis on the data obtained from on-the-spot investigations as well as some indexes from relevant documents. It ends with some improvement plans to lessen or even smash up the monopoly of designated health-care institutions in China's present situation in order that both peasants and the whole Chinese society could benefit more.

Keywords: New-type Rural Cooperative Medical System (CMS), Monopoly, Medicine monopoly, Service monopoly, Lerner index

1. Introduction

The fundamental starting point of China's New-type Rural Cooperative Medical System can be summed up by a saying popular with people in China which reads "China's New-type Rural Cooperative Medical System provides a guarantee for people's health in which any person suffering from a disease will be helped by others as well as the government". As a result, this policy has settled the problem of poverty caused by peasants' diseases. However, monopoly of designated health-care institutions is increasingly apparent, due to which (a twofold monopoly: patients—health-care institutions—medicine and services) peasants' benefit from CMS has been affected, so has CMS's social profit. Originating from Mencius' works, "monopoly", in capitalist economy, refers to a union formed by a handful of big enterprises to earn high profit by controlling the production, sales and prices of one or several commodities. Chinese designated health-care institutions' dominance over the sales process and prices of medicine forms what we call "monopoly".

As an old saying goes, a nation will not stay stable without agriculture, will not prosper without industry and will not flourish without commerce. What is the purpose of China's economic construction if the health of peasants, who has 63.91% of China's total population, isn't attached importance to and gets improved? Written in the period of laying down medical reform policies, this article is of particular practical significance, with which we hope to make a contribution for the current medical reform.

2. Literature Review

Ever since its birth, CMS has undergone a lengthy period for development and improvement. However, when treated in designated health-care institutions, peasants are apparently struck by: the rising prices of drugs, prescribing unnecessary expensive drugs or drugs excluded from CMS medicare formulary which cannot be reimbursed, forcing patients with minor diseases to be hospitalized or even listing it as a precondition for reimbursement, an increasing number and variety of physical test items, the deteriorating service quality and attitudes delivered by the medical and nursing staff. It is these monopolistic behaviors of designated health-care institutions that have resulted in the damage to peasants' benefit.

As for how to lessen or even smash up monopoly, Fumin Sui and Feng Han think it essential for the improvement of the current asymmetrical information between doctors and patients to increase peasants' knowledge in health care (Sui, Han, 2008). According to Yanyan An and Biao Luo, to establish an access competitive system, to improve peasants' organizing and negotiating abilities as well as to transform the government's role and to perfect public health policies are three measures to get rid of the monopoly existing at county health-care markets. (An, Luo, 2007) All of these are good suggestions. Nevertheless, in the present studies on China's CMS, many experts mainly focus their attention to the perfection of CMS system (Chen, 2005), capital raising (Cai, Hao, 2005) and the participation rate in CMS (Li, 2008), leaving the monopoly of designated health-care institutions and relevant empirical analyses untouched. Actually, during the implementation of CMS, monopoly harasses the further development of the whole system to some degree. Only when they are settled will CMS be put into better effect.

When measuring the degree of monopoly or market power, different measurement indexes should be selected in accordance with different market structures and product homogeneity.

(1) Lerner Index: it is created by Abba Ptachya Lerner to measure the deviation degree of price from marginal cost, which can be applied to a monopolized market with simple structure and product homogeneity. The formula is as follows:

$$LI=1/|e|=(p-MC)/p$$

In this formula, $|e|$ refers to the price elasticity of demand, which is equal to $-(dq/dp) \cdot (p/q)$. Here, p is the market price and MC is the marginal cost of commodities.

(2) The generalized form of Lerner Index is fit for a monopolized market with complex structure and product homogeneity, which is expressed as:

$$mi=(p-MC)/p=(a/e)+[(1-a)/e]si$$

Supposing there are n manufacturers at market, $|e|$ is the price elasticity of demand, which is equal to $-(dq/dp) \cdot (p/q)$. Here, p is the market price, MC is the marginal cost of commodities and si refers to the market share of the i^{th} manufacturer.

(3) Surplus demand method: it is fit for a market with complex structure and without product homogeneity, taking every manufacturer's surplus demand function as well as the relations between the measurement profit rate and the monopoly power.

3. Current Implementation of CMS

By the end of 2008, China's total participation rate in CMS had been over 80%. In addition, the two-year period has improved the capital raising ability to 100 yuan.

As is revealed in our questionnaires, designated health-care institutions have formed market monopoly since all of them are owned by the government instead of a variety of economies, hence lacking in market competition. In addition, high medicine prices and inferior services are also harassing their development. These problems are summed up in two kinds of monopoly.

Medicine monopoly: rising prices, larger amount of doses, prescribing more kinds of drugs, expensive drugs or drugs not included in the medicare formulary.

Service monopoly: increasing test items or analysis items, forcing those patients with minor diseases to be hospitalized and a cool manner of service.

4. Empirical Analysis

By accumulating, arranging and analyzing relevant documents, we focus our attention on investigating, from the perspectives of index selection as well as model establishment, the monopoly of designated health-care institutions in drugs and services.

4.1 Index—Lerner Index

This index serves as an important measurement for market monopoly degree and market power, which is expressed in the following formula:

$$LI=1/|e|=(p-MC)/p$$

In this formula, $|e|$ is the price elasticity of demand, which is equal to $-(dq/dp) \cdot (p/q)$. Here, p is the market price and MC is the marginal cost of commodities.

(1) Supposing the market has a completely monopolized structure, we can get the price elasticity of demand with the given profit function starting with the profit-maximization goal of monopoly manufacturers. China's designated health-care market is divided into three levels: the county level, the district level and the city level. Due to the basically

same treatments peasants receive at the markets at different levels, it is safe to say that it is a completely monopolized market.

(2) Supposing the monopoly market has product homogeneity, with an exception of the different products provided in outpatient treatment and hospitalization treatment, it is safe to say that different products provided by the markets at different levels can replace each other totally in function. Here, in order to get the value of $|e|$, we have to set up a model of market price and demand

$$\ln q = a + b \ln p + u$$

In this model, p is the average price of the products provided at any outpatient market or hospitalization market, that is, the average price of an outpatient or hospitalization treatment at designated health-care institutions; q is the average price of the treatment peasants are willing to accept. By differentiating the two ends of the above model, we arrive at the result $b = (dq/dp) \cdot (p/q)$, which is $|e|$.

4.2 Model

Here, a model is employed to investigate the relations among medicine monopoly, service monopoly, per capita living expenditure and its monopoly degree (manifested by Lerner Index)

$$LI = \alpha_0 + \alpha_1 MEDMONO + \alpha_2 SERMONO + \alpha_3 \ln(EXPPER) + u$$

In this model, LI refers to Lerner Index, $MEDMONO$ to medicine monopoly, $SERMONO$ to service monopoly, $EXPPER$ to expenditure per person.

The source of data:

LI is obtained by establishing the above model;

$MEDMONO$ is obtained from the average difference between the prices of medicine before and after participating in CMS, that is,

$MEDMONO = (\text{the medicine price before participating in CMS} - \text{the medicine price after participating in CMS})/n$ (n refers to the valid number of interviewed peasants participating in CMS)

$SERMONO$ comes from the data in questionnaires, that is, the evaluation given by peasants participating in CMS on the services of designated health-care institutions, ranging from 1 to 10 points.

$EXPPER$, coming from questionnaires, is mainly employed to give great convenience to our investigation as well as to show the normality of our analysis.

4.3 Result

(1) by processing the data we have got as well as assessing the model with STATA, we finally reach the result-- $|e| = |b| = 1.088948, 1.080829, 1.332811, 0.812214, 1.107921, 0.884925, 0.97176, 0.952268, 1.291149, 1.13264$, which means that the prices of products provided by designated health-care institutions exceed the marginal cost by 108.8948%, 108.0829%, 133.2811%, 81.2214%, 110.7921%, 88.4925%, 97.176%, 95.2268%, 129.1149%, 113.264% respectively.

(2) based on the value of Lerner Index got from (1) and the data from other investigations, we have an assessment of model with the help of STATA

$$LI = 1.180665 - .0358 MEDMONO - .0275 SERMONO + .0471 \ln(EXPPER)$$

(2.9121) (.0292) (.0693) (.3782)

The following conclusions can be reached from the above model:

- a. the difference between the medicine prices before and after participating in CMS has an increase of one unit (supposing the medicine price before participating CMS remains unchanged, the one-unit increase in price difference means the decrease of one unit in medicine price after participating in CMS) and Lerner Index is reduced by 0.0358 unit (a 3.58% decrease in the degree of monopoly);
- b. service marks are improved by 1 point and the degree of monopoly is reduced by 0.0275 (2.75%);
- c. the expenditure per person is improved by 1% and the degree of monopoly is increased by 4.71%. It shows that, with peasants' higher average expenditure, the degree of monopoly in designated health-care institutions is increased accordingly, so is the degree of monopoly peasants with higher per capita expenditure have to face when treated in designated health-care institutions.

4.4 Causes for Monopoly

(1) the great variety of designated health-care institutions and the lack of a competition system have led to a decline in the service quality of designated health-care institutions.

(2) it has caused the medical staff's pursuit for quantity instead of quality when treating patients to integrate their wages and bonuses with the incomes of hospitals.

5. Countermeasure Suggestions

5.1 Increasing Peasants' Knowledge in Health Care

Due to the "externality" of public health, the policy of putting precaution first should be implemented fully in rural health-care field, that is to say, great efforts should be made to promote the construction of rural public health system. Currently, the increased medicine prices, unnecessary expensive medicine and a variety of test items have resulted in peasants' higher expenditure in medicine. However, only a tiny slice can be reimbursed. Therefore, it will help peasants to prevent themselves from having some diseases as well as to cut down their expenditure in medicine to increase their knowledge in health care.

5.2 Establishing Access Competitive Medical System

As for the establishment of access competitive medical system, peasants are not concerned about whether health-care institutions are designated or not, but lower expenditure in their medical treatment resulting from competition. Taking the poor service attitudes and quality as well as the higher medical expenses into consideration, we should introduce a competition system, in which the ownership of health-care institutions should be paid attention to to guarantee fair competition among health-care institutions of different natures. Accordingly, public health institutions are responsible for public health duties. Efforts can be made in the following two aspects:

(1) introducing competition among designated health-care institutions, only through which any institution will gain the priority as a designated one. Meanwhile, qualification standards for CMS designated health-care institutions should be established to assess the qualification of the existing ones. Only passing the assessment will an institution win the honorary title of "CMS Designated Health-care Institutions"

(2) introducing competition between designated health-care institutions and other medical treatment suppliers to give the latter a chance for survival. The qualification standards mentioned above also apply to the assessment of other medical treatment suppliers, through which those excellent ones will win honorary titles such as "Trustworthy Units" or "Excellent Units" and so on.

5.3 Strengthening Medical Staff's Moral Construction

When strengthening medical staff's moral construction, assessment standards for medical staff's wages and bonuses should be based on the result of treatment.

There is one point that distinguishes the health-care market and the ordinary market, which is adverse selection and moral risk. Due to patients' complete ignorance of medicine, doctors tend to give big prescriptions. In addition, the insurance system of CMS makes these big prescriptions be implemented. In such a situation, moral construction is not only essential but to be strengthened. However, the current system in which doctors' incomes are related to hospital incomes should be broken up by conducting a management system separating incomes from expenses. In addition to that, the medical staff is expected to have skills as well as kindness to solve the difficulties of patients effectively. Accordingly, their wages and bonuses should not be based on the incomes they create for their hospitals, but on the result of their treatment on patients.

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Market Orientation Critical Success Factors of Malaysian Manufacturers and Its Impact on Financial Performance

Sany Sanuri Mohd Mokhtar

College of Business, University Utara Malaysia

06010 UUM Sintok, Kedah, Malaysia

Tel: 60-4-9285-018 E-mail: sany@uum.edu.my

Rushami Zien Yusoff

College of Business, University Utara Malaysia

06010 UUM Sintok, Kedah, Malaysia

Tel: 60-4-9285-772 E-mail: rzy278@uum.edu.my

Rozita Arshad

College of Law, Government and International Studies, University Utara Malaysia

06010 UUM Sintok, Kedah, Malaysia

Tel: 60-4-9284-232 E-mail: roz@uum.edu.my

Abstract

The study examines critical success factors of market orientation in the context of Malaysian firms. Besides, the study also investigates the relationship between market orientation and financial performance. Malaysian manufacturing firms represent the sample of the study. Data was collected using mail questionnaire survey approach. One hundred and fifty eight Malaysian manufacturing organizations participated in this study. Results of this study indicated that there were five critical success factors of market orientation practices in the context of Malaysian manufacturing firms: market focus, market action, market planning, market feedback and market coordination. The results also revealed that market action and market planning were positively related to financial performance. The outcome of this study provides vital information from a developing country perspective on the impact of market orientation practices on manufacturing organisations' performance.

Keywords: Malaysian manufacturing industry, Market orientation, Performance

1. Introduction

Many studies have been carried out on market orientation, defined as the degree to which marketing concept has been adopted by an organisation (McCarthy & Perreault Jr., 1993; Parasuraman, 1981; Trustrum, 1989). Previous studies have also indicated the important role of market orientation in influencing organisational performance (Jaworski & Kohli, 1993; Langerak, 2003; Narver & Slater, 1990; Sandvik & Sandvik, 2003). Furthermore, market orientation has been regarded as a source of competitive advantage (Day, 1994; Slater & Narver, 1994b). However, despite the evidence and claim, most of the studies have been concentrated on developed countries, particularly the United States and European countries. There is limited research that has been conducted in developing countries. It is noted in the literature that the positive association between market orientation and performance does not necessarily hold true in developing countries (Appiah-Adu, 1998; Bhuian, 1997; Osuagwu, 2006). Factors that contributed to organisational performance between developed and developing countries were subjected to differences in relations to the economic structure, regulation aspect, competitive environment, cultural and the people elements, which is unique to a particular country. The need for market orientation investigations in the developing countries is still inadequate and ignored by many studies. According to Bathgate, Omar, Nwankwo, and Zhang (2006), although market orientation delivers superior performance in the western economies, the implementation of market orientation in other economies still leaves some gaps in both the theory and practice of marketing. Thus, to fill this research gap, the present study

examines the appropriate market orientation factors in the context of Malaysian firms and market orientation practices in relations to financial performance of Malaysian manufacturers.

2. Literature review

According to Lafferty & Hult (2001), the concept of recent market orientation literature can be categorized into five perspectives, namely (1) the decision making perspective; (2) the strategic perspective; (3) the customer orientation perspectives; (4) the market intelligence perspectives and (5) the culturally based behavioural perspectives.

The decision making perspectives involves top management commitment in pursuing open decision making practices among the functional and divisional employees as well as sharing information between the department (Shapiro, 1988). The strategic perspectives conceptualise market orientation by focusing on strategy development and execution. Market orientation has been defined in terms of three components: “(1) obtains and uses information from customers; (2) develops a strategy which will meet customer needs; and (3) implements that strategy by being responsive to customers needs and wants” (Ruekert, 1992, p. 228).

The customer orientation perspective suggested that customer orientation and market orientation are identical. In particular, the focus of this perspective is building a corporate culture based on customer orientation. Hence, customer orientation was proposed “as the set of beliefs that puts the customer’s interest first, while not excluding those of all other stakeholders such as owners, managers, and employees, in order to develop a long-term profitable enterprise” (Deshpande, Farley, & Webster Jr., 1993, p.27)

Despite various perspectives of market orientation, market intelligence and culturally based behavioural perspectives dominate market orientation research. Market orientation can be viewed as market intelligence through the work of Kohli and Jaworski (1990). Kohli and Jaworski (1990) introduce three elements of a market orientation, which are intelligence generation, dissemination, and responsiveness. According to them intelligence generation should not be seen in a narrow concept, whereby an organization obtain the information on the customer needs. However, the generation of intelligence should include obtaining information from other exogenous factors outside the organization system such as government regulation, technology, competitors, and environmental forces. In addition the information obtains is not limited to the current needs but also future needs of the customer since it is important for an organization to develop a new product offering.

Intelligence dissemination is the second element of market orientation, which involves distributing and sharing the information obtains throughout the organization. Kohli and Jaworski (1990) suggest that dissemination of the information need to be carried out effectively so that it will result collaborative actions among all the departments. As for the third element of market orientation, responsiveness requires organisation responding to market needs. Specifically, the result of generating the information and disseminating the information throughout the organization, action needs to be taken by the organization to respond to the market information.

The culturally based behavioural perspectives conceptualise market orientation as an organisational culture that force a business to achieve sustainable competitive advantage by creating superior value for customers (Narver & Slater, 1990). Thus, market orientation has been defined by Narver & Slater “as the organisation culture that most effectively and efficiently creates the necessary behaviours for the creation of superior value for buyers and, thus, continuous superior performance for the business” (Narver & Slater, 1990, p. 21). According to Narver & Slater (1990), market orientation consists of three behavioural components: customer orientation, competitor orientation and interfunctional coordination. These three components represent the operationalisation of marketing concept as they involves with activities in the organisation to create superior value for the customer.

Lafferty & Hult (2001, p.100) specified that there are four common areas of agreement in the five perspectives, which includes (1) an emphasis on customers; (2) the importance of shared knowledge (information); (3) interfunctional coordination of marketing activities and relationships; and (4) being responsiveness to market activities by taking the appropriate action.

2.1 Market orientation and firm performance

As mentioned earlier, market orientation has been regarded as a source of competitive advantage and can be an important determinant of firm performance. Superior organisational performance can be achieved as market oriented firms is able to satisfied customers through tracking and responding to customer needs and preferences (Jaworski & Kohli, 1993). Furthermore, a market oriented organisation performs better in the market since the firm develop an organisational culture in delivering superior value to customers (Narver & Slater, 1990; Pelham & Wilson, 1996; Slater & Narver, 1994b).

A number of empirical studies test the relationship of market orientation and firms’ performance. Some studies find that market orientation associate positively with business performance (e.g., Jaworski & Kohli, 1993; Loubser, 2000; Pelham, 1997; Pelham & Wilson, 1996; Pitt, Caruana, & Berthon, 1996; Pulendran, Speed, & Widing II, 2000; Ruekert,

1992). On the other hand, several studies do not find significant direct effect or weak relationships between market orientation and business performance (e.g., Diamantopoulos & Hart, 1993; Greenley, 1995; Han, Kim, & Srivastava, 1998; Siguaw, Simpson, & Baker, 1998)

The inconclusive findings in previous studies indicate that more test need to be carried out examining the impact of market orientation on performance across countries and cultures. This is especially in the case of a small economy like Malaysia where a relatively small market exists domestically. It is assumed that the organisational culture of this country is unique to the country specific factors such as the people and the business environment it operates. Based on this argument, the present study will identify the market orientation factors of Malaysian manufacturing firms and propose the following hypothesis:

H1: Market orientation is positively associated with Malaysian manufacturers' financial performance

3. Research Methods

The Malaysian manufacturing industry is the empirical context. The sampling frame is the Federation of Malaysian Manufacturers (FMM) database. A structured questionnaire was employed to collect data. Five managers pre-tested the questionnaire to check the face validity of the measures. Data was then collected by mail survey, using a key informant approach by selecting the individuals that have specific knowledge in market orientation practices in the organization. Thus, it was identified either the marketing manager or the CEO of the firms is the most knowledgeable on this topic.

The questionnaire was distributed randomly to 500 manufacturing firms. Of the 500 questionnaires posted, 158 usable questionnaires were returned, giving a response rate of 31.6%.

3.1 Measures

The constructs of this study combine three previous studies of market orientation measures, namely Gray et al. (1998), Kohli & Jaworski (1993) and Narver & Slater (1990). Using a six-point item scale, this construct measures the extent of market orientation practices in the organization. The four dimensions derived from the conceptualisation of market orientation are: (1) customer focus (Gray et al., 1998; Narver & Slater, 1990); (2) market intelligence generation; (3) market dissemination; and (4) responsiveness (Kohli & Jaworski, 1993).

Financial performance construct measures the degree of perceived financial performance of the organisation over the last three years. Financial indicators in the study involve the financial performance of the organisation such as profitability, sales growth and return on investment. Subjective measures of performance have been widely used in the study compare to objective performance measures. This is in line with previous research on organisations (Jaworski & Kohli, 1993; Narver & Slater, 1990; Pulendran et al., 2000; Ruekert, 1992; Sin & Tse, 2000; Slater & Narver, 1994a), whereby managers are reluctance to provide information, which they considered as confidential. In addition, previous studies have found a strong correlation between subjective performance measures and objective performance measures (Dawes, 1999; Dess & Robinson, 1984).

4. Analyses and Results

Factor analysis and reliability analysis were performed on these items to determine the validity and reliability of market orientation and financial performance variables. Factor analysis was also employed to investigate the critical success factors for market orientation practices in Malaysian manufacturing firms. The result of factor analysis for market orientation showed that five factors had emerged, with factor loadings ranging from 0.664 to 0.846, with six items eliminated. The measure of sampling adequacy (MSA) was 0.830, which was higher than the recommended value of 0.60 and the Bartlett's Test of Sphericity was significant. The percentage of total variance explained by the five factors was 66.74 percent. The first factor was defined by seven items and reflected the organisational action in detecting and taking action toward market changes in the business environment. Thus, this factor was named "Market Action". The second factor was dominated by items relating to customer focus, which are oriented toward creating customer value. Therefore, this factor was named "Market Focus". The third factor consisted of items pertaining to meeting and planning in responding toward market trend and development, thus this factor was named "Market Planning". The fourth factor consisted of items related to customer data collection on customer needs and satisfaction; hence this factor was named "Market Feedback". The fifth factor was dominated by items relating to sharing of information and working together between departments especially on the data collected from the market, thus this factor was named "Market Coordination". The results of the factor analysis and reliability tests are presented in Table 1.

Insert Table 1 here

As a result of factor analyses, new factors are created; hence the hypotheses were individualised into five sub-hypothesis.

H1a. Market action is positively associated with financial performance

H1b. Market focus is positively associated with financial performance

H1c. Market planning is positively associated with financial performance

H1d. Market feedback is positively associated with financial performance

H1e. Market coordination is positively associated with financial performance

A regression analysis on market orientation practices and financial performance was performed to test this hypothesis. The test will determine the relationship between market orientation variables with financial performance. Table 2 shows the results of the regression analysis in which indicates that R^2 is 0.182 indicating that 18.2 per cent of the variation in financial performance can be explained by market action, market focus, market planning, market feedback and market coordination. The model was significant at 1 percent level ($F=6.784$, sig. $F=0.000$). Only two of the predictor variables were found to have statistically significant association with financial performance. The two variables were market action ($\beta=0.164$, $p=0.038$) and market planning ($\beta=0.229$, $p=0.016$). Thus, H1a and H1c are supported. It can be concluded that market planning was the strongest contributing predictor that has the greatest on financial performance followed by market action.

Insert Table 2 here

5. Discussion and Conclusion

Results of this study indicated that there were five critical success factors of market orientation practices in the context of Malaysian manufacturing firms. They were market focus, market action, market planning, market coordination and market feedback. Of the five, market action and market planning were positively related to financial performance.

Several studies have identified that market orientation is a strong source and sustainable competitive advantage (Pelham, 2000; Pelham & Wilson, 1996; Slater & Narver, 1994b), offers capabilities that set the organisation ahead from competitors (Day, 1994), and performs better in the market since the activities involved are directed towards identifying and responding to customer needs and satisfying customers (Jaworski & Kohli, 1993). Although, some of the market orientation dimensions were not significantly related to organisational performance, the overall results of the present study confirm that market orientation activities contribute towards organisational performance. Thus, Malaysian manufacturing organisation should strive to become a market oriented organisation as they would benefit from being market-oriented. Special attention needs to be given to a specific activity or dimension of market orientation that is associated with a particular organisational performance variable.

For instance, market focus, market feedback as well as market coordination has no significant impact on financial performance. One plausible reason could be that the measurements for these three dimensions focus too much on customer programmes. Paying too much attention to customer programmes may affect financial performance as this makes the individuals of the organisation less responsive to activities that can lead to higher financial outcome.

Meanwhile, the results of the study suggest that for organisation to improve their financial performance, they need to pay attention to market action practices. Market action requires the organisation to take active action in detecting and responding toward market changes in the business environment and act swiftly in responding toward competitors' price changes in the market. Such activity includes promptly detecting changes in customer product preferences and fundamental shifts in the industry such as relating to competition, technology, and regulation.

Concurrently, organisations should focus on market planning activities. Market planning involves meeting and planning in responding toward market trend and development. Planning also includes conducting market needs analysis and plan for any changes that may take place in the business environment. By doing planning, organisations are moving ahead in anticipating and responding to the development of the market. Both market action and market planning involve with activities that provide competitive edge over rivals and this could possibly be the reason that these factors contribute toward higher financial performance.

This is consistent with previous literature that suggests the positive association between market orientation and performance does not necessarily hold true in developing countries (Appiah-Adu, 1998; Bhuian, 1997). The results of individual relationship between market orientation dimensions and performance of Malaysian manufacturing in this study supported previous studies carried out in other developing countries as not all market orientation variables have a direct effect on organisational performance. This confirm that there could be differences in term of economic structure, regulation aspect, competitive environment and the people elements, which are unique to a particular country (Yoon & Lee, 2005). However, more studies need to be carried out in other developing countries to confirm this relationships as this study did not take into account the cultural elements of the country.

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Table 1. Factor Analysis & Reliability Tests

Items	Factors	Mean	SD	Loading	α value
MA1	Market Action	4.248	.982	.731	0.85
MA2				.753	
MA3				.712	
MA4				.692	
MA5				.676	
MA6				.727	
MA7				.730	
MF1	Market Focus	5.194	.680	.773	0.88
MF2				.817	
MF3				.812	
MF4				.846	
MF5				.681	
MP1	Market Planning	4.443	.918	.667	0.75
MP2				.664	
MP3				.629	
MP4				.720	
MFB1	Market Feedback	4.636	1.172	.720	0.73
MFB2				.831	
MC1	Market Coordination	4.563	1.044	.759	0.75
MC2				.845	
FP1	Financial Performance	4.194	.887	.805	0.89
FP2				.897	
FP3				.817	
FP4				.749	

Table 2. Regression Result between Market Orientation and Financial Performance

Independent Variables	Standardized beta
Market Focus	0.132
Market Action	0.148*
Market Planning	0.221*
Market Coordination	0.037
Market Feedback	0.054
R ²	0.182
Adjusted R ²	0.156
F value	6.784

Level of significant: *0.05



The Impact and Countermeasures of RMB Appreciation on Export-Based Enterprises in China

Min Yuan

School of Economics, Tianjin Polytechnic University

Tianjin 300387, China

E-mail: wuna0915.student@sina.com

Zhuang Zhou

School of Economics, Tianjin Polytechnic University

Tianjin 300387, China

E-mail: zhouzhuang@tjpu.edu.cn

Abstract

RMB appreciation will pose a challenge to export-based enterprises in China, and bring a sense of crisis to them. Therefore, China's export enterprises should take active measures to deal with the impact caused by the RMB appreciation, so that export-oriented enterprises can better adapt to the changes in the global economy, thus materializing their sustainable and stable development.

Keywords: RMB appreciation, Export-based industries, Pros and cons, Countermeasures

The appreciation of the RMB has become much-discussed focus in the international economy and society. China has begun to implement the managed floating exchange rate system based on market supply and demand, with reference to a basket of currencies. RMB exchange rate is no longer pegged only to the U.S. dollar, and instead China has formulated a more flexible RMB exchange rate mechanism. RMB appreciation will pose a challenge to export-based enterprises in China, and bring a sense of crisis to them. Therefore, China's export enterprises should take active measures to deal with the impact caused by the rising Yuan, so that export-oriented enterprises can better adapt to the changes in the global economy, thus materializing their sustainable and stable development.

In June, 2008, the exchange rate of RMB against the U.S. dollar exceeded the 7:1 boundary. The trend of a Yuan's rise is foreseeable, and in the irreversible environment, we must take appropriate steps to prevent large fluctuations in RMB to mitigate its negative impact on the import and export trade, while at the same time making full use of the small rise in yuan to promote trade development. Yuan's rise is not only conducive to a decrease in import costs and domestic inflation, stimulation to consumption, acceleration of structural adjustment, promotion of foreign investment and the reduction in trade friction, but in the short term will also have a negative impact on exports, influencing foreign investment and employment.

1. Major industries damaged by and benefitting from Yuan's rise

The impact of a Yuan's rise on various kinds of sectors varies according to the different characteristics of industries. RMB appreciation brings advantages to the industries that need to import raw materials, but is not favorable to ones that are export-oriented. It also brings opportunities to the upgrade and optimization of these industries, though certain industries will be adversely affected by it.

The main industries benefitting from Yuan's rise are as follows: (1) real estate and infrastructure ones, which belong to the non-real estate industry, with its domestic real estate value comprehensively enhanced by a rise in Yuan; (2) ones such infrastructure industries as airports, ports, railways, and highways characterized by limited resources, monopoly, the long construction period, and small supply elasticity; (3) the financial sector, especially banking and securities, which is among capital-intensive industries dealing with currencies and capital. Because of good liquidity, it is categorized into the industry with a high value of RMB assets, benefitting from attracting a large amount of international capital; (4) ones such as aviation, electricity, oil refining, paper-making, engineering machinery, and so on, which will see a reduction in costs owing to its main dependence on procurement of foreign raw materials or

equipments, or because of the benefits resulted from large amounts of external debt service and the exchange gains and losses, in particular the aviation industry with the dominance of the domestic market; (5) high-tech ones relying upon importing technology, which don't have any advantage in intellectual property rights related to key sciences and technologies, will also maintain the momentum of a large amount of imports in a certain period of time, and are able to keep up their advantage in costs under the premise of a rise in Yuan.

Major industries damaged by Yuan's rise are as follows: (1) as for export-oriented ones, such as the textile industry (especially garment industry with the high degree of dependence on exports more damage, followed by the cotton spinning industry and wool industry), household appliances, building materials, whose product competitiveness will be weakened to a large extent; (2) foreign trade enterprises have a disadvantageous position in the industry chain, and their import business will be unable to gain excess profits from the appreciation of the RMB, with the export business suffering a lot; (3) mining, petrochemical, and non-ferrous metal industries, which will be given a big blow by their export business; (4) agriculture with a larger proportion of exports.

2. The impact of RMB appreciation on China's export enterprises

2.1 Adverse effects on China's export enterprises

2.1.1 The export of manufactured goods is greatly affected by fluctuations in exchange rate on a wide basis

RMB appreciation will induce a increase in currency exchange cost in Chinese export firms, resulting in the loss of price advantage. The cost refers to the RMB cost paid domestically on the net revenue from one dollar' worth of exports. China's manufacturing exports are more concentrated on low-end products, with competitive advantage weak. These products compete with other ones mainly by means of prizing, and as a result the Yuan's rise will have a retarding effect on their exports. For employees in the manufacturing sector, those that are seriously affected may face the reduced income, or even the risk of unemployment. The adverse impact of enterprises in labor-intensive industries will be greater than ones in capital-intensive industries.

2.1.2 Causing a slow growth in the export of most of products related to raw materials

The majority of products related to raw materials don't have any competitive edge in the export price, with a stronger reliance on the exchange rate, such as paper, cotton yarn, black metal (steel, manganese, etc.), aluminum, wood and other decorations. RMB appreciation will induce a slow growth in exports of these primary products and raw material products, having a negative impact on economic growth in the short run. It will also reduce the exports of crude oil, refined oil, timber, copper, gold and other resource-based commodities, and bring about the loss of the enterprises, worse still such cascade effects as increased unemployment and banking bad debts. Because our resources are not rich, these resource-based products belong to highly energy-consuming and polluting industries. Over-exports of resource-based products make it easy to intensify the tense contradiction between domestic coal, electricity and oil transportation in the short term. In the long term, it will increase the pressure of the domestic environment and resources, which is not conducive to the sustainable development of the domestic economy.

2.1.3 The psychological effect of trade impact on people

In the international market, the increase in production costs will be passed on to the price, and consequently the exchange rate appreciation will not affect the profits of these enterprises too much. China's export products cause the price fluctuations in foreign countries due to our currency appreciation, and the appreciation of the RMB will increase the domestic production costs of these enterprises, and in the international market these enterprises have a substantial cost advantage, with the minimal impact on the interests of traders. However, those with ulterior motives will instigate a negative psychological effect on China in the international community. People will believe the prices of products from China are higher, and foreign businessmen also believe that they will not made a lot of money from products imported from China, which causes the really adverse impact on China's exports.

2.2 Beneficial effects on China's export enterprises

2.2.1 Enhancing the independent innovation capacity of enterprises

At present, China is at a stage of technology overtaking, and enterprises have a strong capacity of technology introduction, digestion and absorption. And the Yuan's rise can reduce the cost of independent development, indirectly promote the technological upgrading of firms and enhance their core competitiveness, thus speeding up the pace of optimizing and upgrading the industrial structure and boosting the structure adjustment of exports.

2.2.2 Optimizing the structure of introduced foreign capital

RMB appreciation makes improve the treatment of workers, which is beneficial to attracting high-tech talents. Under the prerequisite of the country's independent innovation and technological progress, foreign capital will invest in those industries with a high technological content, thereby promoting industrial structure upgrading and optimizing the structure of exports.

2.2.3 Promoting China's enterprise investment overseas

For enterprises to invest directly in foreign nations, they must use the currency of investment destination country. The RMB appreciation significantly reduces their overseas investment costs, and meanwhile enhances the firm's international purchasing power and capacity of foreign investment, paving the way for a part of powerful enterprises to implement "going out" strategy.

2.2.4 Facilitating the development in service and trade industries

RMB appreciation can most effectively crowd out those firms in the manufacturing sector with low technology content and added value, poor management and low efficiency, to the benefit of changing the situation of excessive resources gathering to export industries (mainly the secondary industry), and thus make industrial structure service-industry-oriented, promoting the optimization and upgrading of industrial structure and facilitating the rapid development of service industries including trade services. This way, the coordinated development can be ultimately realized between service and commodity trade, enhancing the country's overall competitiveness.

2.2.5 Boosting China's imports of raw materials and technology

The prices of foreign consumer goods and capital goods are lower than ever before, and manufacturers dependent on importing raw materials witness a decline in costs, such as steel, electrolytic aluminum, gasoline, oil and other consumption goods more and more dependent on imports. China's industrialization need to purchase a large number of advanced foreign technology; the appreciation of the RMB can reduce the purchase cost of foreign technology. As imports increase, the purchasing power of foreign raw materials increase, with exports declining, so it is helpful to ease the current trade surplus, enhance the balance of China's international balance of payments and weaken the formation of the RMB foreign exchange accounting, and improve the independence and initiative of monetary policy and the balance of money supply.

2.2.6 Reducing pressure from external debt servicing

The appreciation of the RMB is advantageous to repaying foreign debts, and there is a corresponding reduction in the amount of outstanding external debt servicing.

2.2.7 Strengthening the international purchasing power of common people in our country

As the exchange rate rises, the prices of foreign consumer goods purchased by ordinary people will fall, promoting the import of consumer goods. At the same time the drop in the cost of travel abroad can promote the growth of national consumption.

3. Counter-measures by China's export firms after RMB appreciation

In theory, the rising RMB exchange rate is bound to have a negative effect on China's export enterprises, but according to the actual trade volume, it's still uncertain whether the rise in the RMB exchange rate lead to such results, which can be verified by the fact that China's foreign trade volume continues to maintain a favorable balance. However, export enterprises should response in a positive manner under the premise of the growing appreciation of the RMB.

3.1 *Avoiding exchange rate risk is an expedient measure for export enterprises to grapple with the appreciation of the RMB in the short run*

Faced with the steadily rising RMB exchange rate, export enterprises must take precautions, apart from enhancing its anti-risk capacity. In addition, financial instruments developed by banks and other financial institutions must also be relied on to be hedged against risks and prepare more "life buoy", so as to achieve the purposes of avoiding risks and improving operational efficiency.

3.1.1 Focus on the RMB exchange rate changes, and increase exchange rate risk awareness

Concern about the RMB exchange rate changes is one of long-term management tasks in export businesses, with great importance attached to this. Special force must be organized to learn exchange rate management knowledge and closely track the movement of the RMB exchange rate changes, in particular the movements in the recent exchange rate of RMB against the U.S. dollar, euro, Japanese Yen, and other major currencies. Firms have to conduct an in-depth study of the impact of RMB appreciation on export products, and strive to improve the relevance and effectiveness of work. Export enterprises should enhance the risk awareness of exchange rate changes, take control of the effective means of exchange rate risk, and continuously boost their capacity to deal with exchange rate risk. For instance, when signing export contracts, firms can add some relevant provisions of avoiding exchange rate risk to prevent unexpected situations.

3.1.2 Flexibly use various financial tools to lock and avoid exchange rate risks

Flexible and effective financial instruments should be adopted, such as the use of multi-currency clearing method to transfer exchange rate risk, appropriate use of foreign exchange forward trading, hedging and other means to lock the exchange rate risk. Through the appropriate U.S. dollar loans, interest payments and the losses can be reduced. In addition, under the conditional premise, this method can be used to keep the exchange rate risk within the business source through long-term foreign exchange transactions, options transactions and foreign exchange futures trading.

3.1.3 Accelerate the realization of exports, and reduce the occupation of receivable foreign exchange accounts

Export enterprises accelerate the documentation transfer, strive to withdraw export documentations as soon as possible, actively take notes trade, factoring and other ways to make timely settlement in hand instruments realizable, and use this method to implement the money worth more than half of the export volume into cash. Enterprises should carry out the more rapid recovery of the export business, appropriate control of the export business with a long recovery period, and at the same time increase the collection of receivable foreign exchange accounts, thus shortening the settlement period and reducing in-transit funds occupation as soon as possible.

3.1.4 Increase foreign exchange liabilities, and strike a balance between foreign exchange income and expenditure

Through the application of remittances, enterprises can replace Yuan loans for foreign exchange loans, delaying payment of imports and appropriately increasing foreign exchange liabilities. After the appreciation of the RMB, the amount of outstanding loans due to sell or buy foreign exchange return and external payment can be used to offset the risk of devaluation of foreign exchange assets, or directly profit from it.

3.2 Main strategies for export enterprises to deal with the long-term appreciation of the RMB

In the evasion of exchange rate risk, the pace of restructuring needs to be accelerated, and the ability of independent innovation and competitiveness enhanced. By strengthening internal management, carrying out technological transformation to develop the potential, and taking the road of branding, this is the long-term and fundamental solution to enterprise development.

3.2.1 Enterprises carry out the "going out" strategy

We ought to solve problems related to ideas, accelerate the pace of opening to the outside world, and encourage strong, qualified enterprises to conduct foreign investment and overseas acquisition of the ore, nonferrous metals and other important resources. In particular, electrolytic aluminum enterprises should give full play to the available import-export rights, invest in foreign nations and establish a supply base of stable alumina, bauxite and other resources. In the case of the appreciation of the RMB, the prices of imported raw materials can increase, further reducing production costs. We should seriously study the feasibility of setting up factories in developing countries and regions, develop new products, and increase the technological content of products. The value-added products should be increased, enterprise costs management strengthened, and production and operation costs lowered. The government should choose low value-added processing enterprises with sales network support them to set up production plants and put departments and services at home in these countries with lower labor costs, which can not only use goodwill and marketing networks built up for many year, but also keep part of work positions, thus achieving the curve exports and reducing the trade surplus with major trading countries and the pressure on RMB appreciation.

3.2.2 Optimize the structure of export commodities, and vigorously develop the international market

Export enterprises, especially production-oriented enterprises, ought to actively use new technology, develop new products and continuously improve the value-added products, reducing the exports with lowest profits and expanding own-brand product exports of good quality and efficiency. In addition, export enterprises should conscientiously strengthen the costs and cost management of procurement, production, marketing, financial planning and other aspects, fully develop the internal potential, and reduce costs and expenses, expanding product margins and increasing the competitiveness of export products. Only this way is the risk of exchange rate fluctuations avoided. During the RMB revaluation period, adjusting industrial structure of exports is a top priority. The international market is not infinite, and the traditional theory of comparative advantage in the international trade is greatly challenged. Some countries which have industries with comparative advantages face the issue of out-of-step growth in demand for international trade in the international market. This means that the protection of these industries may not be conducive to the long-term development of enterprises.

3.2.3 Speed up the upgrading of products, and improve the quality of export products

China is a manufacture-based country. If a product is sold well, there will be many homogenized products available on the market overnight, especially export enterprises. Many of China's enterprises are in the phrase of pursuit of survival, and lack long-term brand planning. The majority of export products win at low prices. Export enterprises based on production should increase technical transformation investment, speed up product upgrading, and strive to improve product quality and added value, improving the comprehensive competitiveness of export products and taking the road of difference and branding. The appreciation of the RMB may force some companies to upgrade products, enhancing export competitiveness in terms of quality and brand. At the moment, many light industrial products, particularly export products with high added value and high-tech content, remain relatively short. Therefore, enterprises should gradually conduct product restructuring and integration of resources, and vigorously develop the international market and export diversification strategy, achieving the output from product to capital and brand, product structure adjustment, and improvement in product quality and grades. Efforts to adjust the structure of export commodities need to intensified, and the opportunity of the appreciation of the RMB caught to actively import advanced equipment and technology, key components, promoting the restructuring in export industries and technological upgrading and transforming the mode of foreign trade growth.

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Publisher Canadian Center of Science and Education
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Telephone 1-416-208-4027
Fax 1-416-208-4028
E-mail ijms@ccsenet.org
Website www.ccsenet.org
Printer William Printing Inc.
Price CAD.\$ 20.00

ISSN 1918-719X

