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An Analysis on Transnational Investment of China's Automobile Industry under the Financial Crisis

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Abstract

This paper gives a detailed analysis on Chinese automobile industry under the condition of financial crisis and then conducts a research of the motivations of transnational investment of Chinese automobile industry and the challenges it is facing in depth, coming to the conclusion that it is advisable for them to push forward transnational investment. However, because of many restraining factors, there are a lot of challenges in the transnational investment of Chinese automobile industry. According to the analysis, the paper puts forward some suggestions.

Keywords: Automobile industry, Financial crisis, Transnational merger and acquisition, Brand strategy, Cluster strategy

1. Introduction

With the increasingly tense financial crisis, international automobile industry seems to have stepped into depression. Due to the crisis, three major Detroit automobile manufactures are facing the most severe impact ever since. In the United States, President Obama has officially announced the bankruptcy of Chrysler and it will be taken over by Fiat and the American Government. General and Ford are also considering selling their superior assets to overcome financing problems caused by their lower credit rating. Although U.S. Congress has recently issued a proposal to provide \$25 billion's low-interest loans to their automobile industry, which is a rare rescue, it will only temporarily and partly help their automobile manufactures alter their factories and update their facilities, unable to relieve these enterprises' pressure in financing. As a result, consumption of new cars is on the decline due to lost confidence, even influencing Japanese automobile industry which mainly relies on the American Market. Even Toyota has taken the cue of Detroit to attract consumers with zero-interest loans. In Japan, Germany and other auto manufacture powers, their domestic consumption has suffered from a serious decline. While in China, in spite of the lower growth this year, the financial crisis has exerted less impact on its automobile manufactures. With the rapid development in the recent years, a complete product series and production layout have been formed in China's automobile industry with some large-scale enterprises such as No.1 Automobile Corporation, Dongfeng Automobile Corporation, Shanghai Automobile Industry Corporation and so on. Domestic automobiles have taken up over 95% of China's automobile market. Currently, with china's domestic market getting increasingly saturated and lower sales growth, it seems urgent for China's automobile industry to get out of its domestic market.

2. Current Situation and Analysis on China's Automobile Industry

It is shown in the statistics of automobile import and export provided by China General Administration of the Customs that the export of automobiles was influenced greatly by the international environment in 2008. To be more specific, in the first half year, a general rapid-growth tendency was shown, but there was an obvious decline in growth from the third quarter, especially a five-month decline since August compared with the same periods of the previous year has worsen the general lower growth in automobile export in China. By the end of 2008, 680700 automobiles had been exported, a 11.10% increase compared with that of the same period in the previous year; compared with that of the first half year, the growth rate had been lowered by 48.27%; compared with that of the same period in the previous year, it had been lowered by 67.85%. In addition, the \$9.633 billion's export had been an 31.75% increase compared with that of the same period in the previous year; compared with that of the first half year, the growth rate had been lowered by 53.09%; compared with that of the same period in the previous year, it had been lowered by 101.44%. All these are shown in the following figure.

Insert Figure 1 here

It can be revealed that the export of China's automobile industry is restrained greatly by the financial crisis. Because of that, there has been a sharp decrease in the manufacturing and sales of automobiles in some major global markets such as Europe, North America and so on, which has dragged some newly-born markets including Russia and Latin America into depression. Besides, some other factors, such as the changed RMB exchange rate, the higher cost for production and sales and commercial barriers have also restrained the export of China's automobiles to some degree. According to the statistics issued by General Administrative of the Customs, from January to July in 2008 China had a sales-output ratio of 98.6% with its output of 593.2 automobiles and sales of 584.9%. In spite of the relative sales-output balance, China's automobile market still suffers from overcapacity. Due to few independent patented technologies and poor brand competitiveness, China's automobile industry has serious problems in itself in addition to the inferior external environment. However, some improved objective conditions in China, such as higher demands for small cars, the issuance of fuel tax as well as the lower price of finished oil, have stimulated China's sluggish automobile market. It is shown in the latest data that China replaced America to be No.1 automobile sales country in January 2009. Therefore, it is safe to say that China's automobile industry has huge potential in the future.

The financial crisis can be both an opportunity and a challenge for China's automobile industry. On one hand, China has taken a place in the formerly fierce automobile market while those large-scale manufacturers are dealing with their lower sales and even bankruptcy risks. China's automobile manufacturers can make use of their favorable objective environment and national financial support to open up their new markets for investment abroad as well as to facilitate their product innovation. On the other hand, due to the dominance of FDI investment pattern in China's automobile industry, we face great risks as well as opportunities. Lacking in relevant experience in international investment and M&A, they will suffer from even greater challenges after M&A. Therefore, they should remain calm when dealing with all these.

3. Investment Motivations of China's Automobile Enterprises under the Financial Crisis

On 10th Feb, 2009, Chana Automobile Corporation took an opposite measure to others to establish their plants in North America and signed a joint-venture agreement with Autopark in Mexico to produce and sell Beni, Joice and other products in the whole American Market including U.S.. With their success, this will be the 6th oversea factory of Chana Corporation. Meanwhile, Chery Corporation is having a negotiation with South America in which Chery Socma S.A. invested by China, Argentina and Uruguay plans to establish a new automobile assembly plant in Chaco, Argentina with the total investment of 450 to 500 million dollars. Conducted over a 4-year period, this investment plan is expected to create an annual output of 100,000 automobiles, most of which will be exported to Brazil. In addition, some domestic automobile manufacturers such as Chery have declared their plans to obtain technologies and sales networks through international M&A in order to further exert the advantage of China's low labor cost.

Against the background of 2008 financial crisis, China's automobile manufacturers' investment in spite of the current situation is really confusing. Due to the exterior environment and this industry's capacity structure as well as industrial structure, international automobile industry has stepped into depression. Currently, there are two diverse countermeasures to it: first is to pursue assistance from their nations' governments and seek for some potential clients to offer loan services, such as General and Chrysler; the other is to invest a large amount of capital to stimulate consumers' passion and to put forward environmental-friendly hybrid-power automobiles or electric ones to meet the market's demands, such as Ford and Toyota. Therefore, China's large investment in FDI and M&A seems quite irregular. What motivations do they have? And what influences will it exert on China's automobile manufacturers?

According to some relevant knowledge of international investment, there are four main aspects in international investment motivations generally: production internationalization, lower production cost, scattered and reduced enterprise risks and the realization of enterprises' global development strategy. However, China has three motivations according to its previous investment experience (with the case of the 6 overseas plants set up by Chana)

3.1 Seeking for Market Advantages

Here, market advantages refer to those factors attracting investment in the host nation's market, including market scale, potential, market consumption pattern, market competition, basic conditions of market and permission for a third country to enter the host nation' market and the like. Accordingly, Chinese automobile enterprises exert their direct overseas investment to seek for their market advantages mainly with the intention to open up new overseas markets based on their former one according to Kozima Kiyosi's theory of "the Expansion of Inter-enterprises", in order to seek for a way out from China's saturated domestic products, to pursue high-consumption market and to switch its technological advantages. In Kozima Kiyosi's opinion, with commercial barriers, if enterprises of direct investment stick to their transnational direct investment along Rybczynski Line, they will realize their complete replacement in commerce with relatively optimized efficiency and lowest cost in switching production elements. For instance, Chana's investment in Iran, Ukraine and Mexico is mainly intended to open up the potential markets in Middle East, East Europe, Latin America and so on. Because of their developing economy, they need these cheap automobiles produced by China, hence creating a wide market for Chinese automobile manufacturers.

3.2 Seeking for Resource Advantages

Here resource advantages cover a wide range, including not only the natural resources in the host nation, but science and technology, information, labor force, capital, social relations and so on. Accordingly, Chana establishes its joint ventures in U.S. just in order to take advantage of American manufacturers' advanced technologies, management methods and latest industrial information, those established in Malaysia and Vietnam are intended to use their low-price labor force.

3.3 Seeking for Environmental Advantages

Here environmental advantages cover a narrow range, mainly including the host nation's superior political environment, legal environment, economic environment as well as cultural environment and so on. Investors seek for preferential policies, industrial clusters and profit-oriented investment here in order to make use of different host nations' relative advantages and achieve their minimized cost and maximized profit. For instance, the plants set up by China in Vietnam are encouraged by Vietnamese Government due to their propelling force in its economy. And as well, convenient transportation can be turned to due to the short distance between Vietnam and China's southeastern coastal area.

All these mentioned above are the basic factors considered by China's automobile enterprises when making their investment. In the special period of financial crisis, some new characteristics emerge.

First, seen from the economic environment and resource advantages of the invested nations, Chinese enterprises are attracted by the advantageous resources in those nations, which include plenty of production materials (labor or capital), advanced technology and management patterns, open local markets, convenient transportation, preferential taxation policies and so on. Overall, compared with domestic investment, these advantages will help to cut down the investors' cost for production and operation and encourage them to transfer part of their capital or conduct M&A. therefore, under the circumstances of financial crisis, the economic environment should be closely related to the host nation to predict the future trends for development based on the current situation and to maximize the long-term investment profit.

Second, the financial crisis makes it possible for Chinese automobiles' global expansion. The current serious economic situation has dragged a large number of foreign automobile enterprises into depression, in which the bankruptcy of banks and the large-scale shrinking of sales have confronted them with capital shortage and overstocked products. In this situation, China's automobile manufacturers can help those enterprises out of depression with their abundant financial resources as well as buy the stock of foreign enterprises or have their M&A with unbelievably low prices.

Third, the financial crisis has also make trade protectionism emerge again, hence worsening China's pressure in export. As a result, they are eager to open up new markets. For example, in order to protect its domestic automobile industry, Russia decided to collect a 15% tariff which cannot be lower than € 5000 per car on imported automobiles in November 2008 and even raised that to 30% for second-hand cars with no more than 3 years' use and 35% for those used for 3 to 5 years from January to September 2009. Due to the important role of Russia in China's small automobile export, this series of measures have really exerted serious impact on the sales of Chinese automobiles in Russia. Therefore, it is one of the most significant tasks for China's automobile export to open up new markets especially those in developing countries.

To sum up, the investment made by China's automobile manufacturers in the current environment is a timely global expansion strategy which is favorable to their long-term automobile enterprises.

4. Challenges for Chinese Automobile Enterprises in Foreign Investment

Seen from the history of international M&A, a majority of large-scale M&A cases ended up with failure, which makes it critical to have a second thought before making any decision. American scholar Bruno analyzed thousands of M&A cases over the world with 137 survey reports, only to produce disappointing results:

- 17% M&A projects bring substantial benefits
- 33% M&A projects bring no benefits
- 20% M&A projects cause losses
- 30% M&A projects cause serious losses in possession

With such results, inexperienced Chinese investors should be cautious instead of being fickle and crazy because the financial crisis provides challenges other than opportunities. They should be reminded of Japan's painful lessons in crazy transnational M&A in 1980s. I totally agree with Professor Wu Qihong in that it is a long journey for Chinese enterprises to step into the international market and a lot of adjustments should be made with plenty of time. Just as what Darwin says in this book *Origin of Species*, not the most giant species or the most intelligent ones, but the most adaptable ones can survive. It is the biggest challenge confronting Chinese enterprise whether they can be adapted to changes under the current financial crisis. This will involve a conversion from Chinese thought to global thought and from isolated thought to open thought. Let's analyze the investment risks in the financial crisis from the perspective of

Chinese enterprises themselves.

First, many cases reveal that it is quite risky due to possible indigestion in spite of the positive effect in Chinese automobiles' influence power to merge the loss-suffering enterprises in developed countries. Tata Corporation in India bought Land Rover and Jaguar, only to be restricted by America in many aspects and suffer from a loss in 2008 due to their huge debts in the financial crisis. Shanghai Automobile-controlled SsangYong, who was once regarded as an example in transnational M&A, is now stuck into depression influenced by the financial crisis, resistance of the trade union as well as strikes. As is shown in the series of cases, it is a long and tough task for developing countries to conduct transnational M&A.

Second, under the negative current economic environment, all counties are protecting their different industries' domestic markets, causing Chinese automobile enterprises' rapidly-shrinking overseas sales. A customs report is as follows:

Insert Table 1 here

It is shown in this table that there is an overall reduction in the export to every country on the list in 2008, especially to Russia, mainly due to its much higher tariff in order to protect their domestic automobiles.

Third, China's automobile enterprises plan to achieve economic profits as well as brand reputation with their overseas investment but have to struggle their way due to their unfavorable conditions. First comes their product image. Chinese automobile enterprises mainly focus their attention to those nations with poorly-development automobile industry or those nonprofit regions, hence having relatively weak competition. Although they will gain part of the market in a short term with their cheap automobiles, it won't be the choice for the mainstream consumers. Therefore, they must take Japan's cue in 1960s and 1970s to conduct brand strategies, to create their middle to high end brands and therefore change the previous impression Chinese automobiles leave on consumers. Besides, lacking in experience, China's automobile enterprises tend to fail to predict and prevent some potential difficulties, hence suffering from passive situations, such as the case of Shanghai Automobile Corporation's merger of Ssangyong. Third are development strategies. Currently, the main advantage for China's automobiles, cheap ones are only fit for those low-class people, who tend to be most unstable in demands. Therefore, our current sales strategy seems not a good one on the long run. Fourth, our after-sale service drags Chinese automobiles backwards in overseas competition. In the current depression period, it has become the most powerful guarantee for any enterprise. However, the imperfect after-sale service system of Chinese automobile enterprises has caused serious problems in their competition with those foreign ones.

5. Conclusion and Suggestions

Financial crisis has brought about both challenges and opportunities to china's automobile industry. As is mentioned above, we should be optimistic about transnational M&A which is really a precious opportunity for us. However, sufficient preparation should be made in case of possible risks, because China's automobile industry will be faced with four major obstacles in their taking over the whole operation system of some automobile brands enjoying world reputation: deteriorating global sales, powerful overseas trade unions, the merged corporations' debts and great investment risks.

In order to solve the above problems, first of all, we should buy some capital selectively from those bankrupting companies instead of their whole companies, such as their technologies and brand logos. Although it will protect the merged companies' reputation and brand value and help to lessen the negative influences after merger to conduct M&A before bankruptcy and take relevant risks and debts, we must be cautious when pricing some invisible assets such as technologies, brands an so on.

Second, more experience from other nations' automobile enterprises, such as Japan, Korea, should be learned in China's foreign investment. More effects should be made to maintain equal communication, common ground while reserving differences, mutual respect, friendly cooperation, democracy and harmony with trade unions.

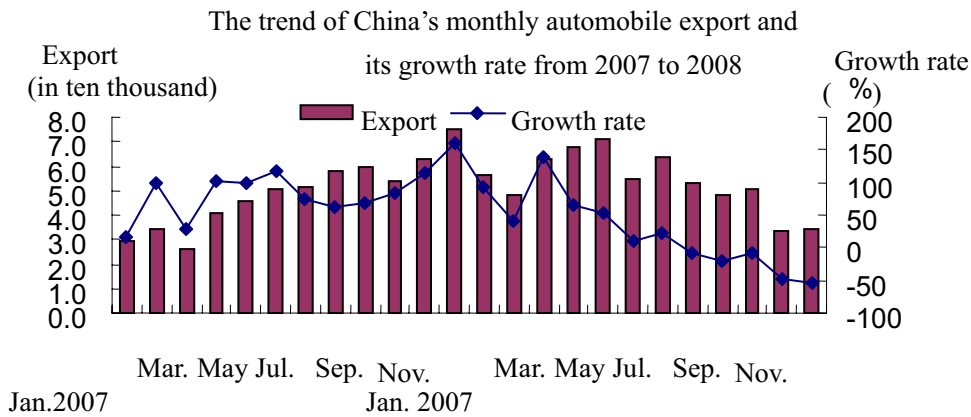
Third, some strategic unions led by government and made up of powerful enterprises should be established to tackle with risks in investment and enhance their anti-risk capacity.

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Table 1. China's automobile export to major export markets in 2008

Market	2008		2007	
	Export (in ten thousand)	Year-on-year percentage (%)	Export (in ten thousand)	Year-on-year percentage (%)
Total	64.4	9.4	58.8	85.7
Africa	14.0	17.4	11.9	92.5
Latin America	9.7	26.9	7.6	144.8
Russia	7.7	-27.0	10.6	180.4
ASEAN	6.4	57.6	4.1	36.4
EU	6.4	10.5	5.8	81.6





Indian Perspective about Advertising Appeal

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Abstract

Everyday consumers are bombarded with different advertising campaigns but they do not respond as they need something other than tangibles. There is need to explore something more than tangibles that can attract their attention. This can be done by using appropriate advertising appeal in the advertising campaign. If advertising appeal is interesting then it grabs the attention of the customers. For the present study survey method was used. It was done in two stages; in first stage initial questionnaire was prepared and implemented on 50 judges and after analyzing this data final questionnaire was prepared and was implemented on 200 respondents in the age group of 18-25 years. Findings of the study revealed that persuasiveness, distinctness, perfectness, fascinating, sensational, energetic, aesthetic, elegant and captivating were the factors that emerged for the advertising appeal and dimensions were energetic, sensational, persuasiveness, distinctness and captivating. Factor and dimensions were compared on the basis of gender. It was found that persuasiveness, perfectness, sensational factors and energetic, sensational and persuasiveness dimensions do not vary on the basis of gender as males and females both felt that these factors and dimensions were important but females perceived that distinctness factor and dimension and aesthetic factor is more important than males but for males fascinating factor was more important than the females.

Keywords: Advertising appeal, Advertising campaign

1. Introduction

Advertising appeal gives a reason to buy a product. An advertising campaign may have one or more advertising appeal. One appeal can be used and it can have sub themes in an advertising campaign. Appeal needs to be unique and needs to give positive impression about the product to the target audience. Every appeal that is used by the companies in the advertising is as per their competitors. Another important aspect of appeal is that it needs to be believable by the audience (Kumar, 1998). Audience gets attentive when the advertisement is there, they try to comprehend it and then finally their purchase behavior is inclined towards the brand. When audience behavior is molded by the advertiser towards the brand then only their purpose of advertisement is achieved. In order to do so advertisers understand the psychological aspects of the audience and then they try to develop the advertising appeal which can change their attitude towards the brand.

For advertiser it is very important to understand how the diffusion of the message that takes place in the target audience and in order to have a positive diffusion advertiser creates a favorable environment. Words play an important role in the advertising message as it directly affects the mind of the target audience. Psychologist feels that all the human activities are based on the needs (Lamb et al., 1992, Schewe, 1987). Consumers may have different types of needs like physiological, physical or latent. An individual who has a specific need always look for the information from the marketing world. When there is cue which is as per the need of the consumer then an individual responds for the product. Drivers that are present in an individual vary at the different levels. Consumer may be inclined towards the product because of the aura of prestige which is associated with the advertising appeals.

Advertising appeal is the main central message in the advertising message. It arouses the desires and addresses the human need that can be satisfied by the product which is advertised. Appeal is the underlying content in the advertising. Advertising appeal and execution are usually interdependent but advertising appeal can be used in all types of media but the execution style is different for different type of media. Advertising appeal is that something which attracts the consumers and develops interest in them. Some common consumer appeals are esteem, sex, fear, security and sensory

pleasure. Advertiser uses the word appeal to emphasis on the creativity. Advertising create desire for the product and appeals persuade the consumer to invest in the product. Appeals not always have all the product attributes but they create an atmosphere where the target audience desires are evoked towards the product. For example, if there is a product for the housewives then the appeal would be related to family.

2. Review of Literature

There are mainly two types of appeals rational and emotional appeals. Rational appeal addresses the consumer's functional needs of the product. Kotler (2000) opined that rational appeal is based on logic and product are been sold by highlighting the product attributes, quality, its problem solving capacity and its performance. Rational appeals are informative in nature and it focuses on the suitability of the product. This appeal is used by consumer durables and in competitive advertising. There are different types of rational appeal like feature appeal that focuses on important traits and features of the product. Information content in such kind of advertisement is very rich. It is used by high involvement product. There is another type of appeal named as competitive advantage appeal which gives a comparative picture of two or more brands. Comparison can be direct or indirect depending upon the brand and the product category. Price appeal is another type of rational appeal which focuses on the price or value of the product. This appeal is also used during the festival season. News appeal is used when a new product is introduced in the market or if certain modifications are done in the existing products. When the message is to be communicated to a larger audience and it is the established brand then popularity appeal is used as it emphasizes on the experience of the satisfied consumers.

Rational appeals are based on the logic and reason to buy to product. In the actual scenario both the appeals i.e., rational and emotional appeals works together. Emotional appeals are woven with the sensation of fun, love, enjoyment, fear etc (Ramaswamy and Namakumari, 2002). Kotler (2000) opined that there could be positive emotions as well as negative emotions but in the advertising campaign negative emotions can be converted to positive emotions. Emotional appeal is the feeling associated with the product. There are certain dreams and hope which are present in the individual which works consciously or subconsciously and gives pleasant feeling in the individual's psyche. Emotions also help in arousing and directing the behavior of an individual (Morris, 1999).

Emotions also affect the consumer's memory. When the state of mind is excited or agitated then it prompts the consumer to buy the product (Chunawalla et al, 1998). Therefore, emotional appeals are known as transformational appeals as they transform the feelings of the consumers towards the product. It gives positive mood to the consumers as it is related to the psychological attribute of the consumer. Emotional appeals are more effective for the older market than the newer or the younger market.

When the emotional appeals are used in the advertising then consumption pattern of the product is very enjoyable. Sex appeal is used in the advertisement of soaps Audience is attracted as the desire is evoked and then it helps in selling the product. Sex appeal mainly helps in attracting the opposite gender masculine or feminine (Wright, 2000). According to Bradley (1995) sex appeal considered to be an offence sometimes depending upon the culture and the country but if the sex appeal is not obscene then it is acceptable in the society. For the perfumes and cosmetics love appeal is used. These appeals are used more younger generation.

3. Objective of the Study

The primary objective of the study is to understand the dimensions of advertising appeal. The study also aims to study the concept of advertising appeal in consumer durables. The study tries to explore the consistency in the perception of the respondents across demographic variable of gender. The study is undertaken to distinguish between the dimensions of advertising appeal and its effects on consumers. The study aimed at the development of a specific framework of advertising appeal for consumer durable.

4. Methodology

The present investigation is an exploratory study undertaken to identify the dimensions of advertising appeal. The study was carried out with a multi-stage to understand the perceptions of the users about the appeal of an advertisement. The extraneous variables, such as casual responses, faking, culture, urban / rural background, educational background, family income and professional and non- professional education were controlled by randomization and elimination. The list of 128 appeal attributes developed on the basis of review of literature was screened to eliminate repetition, synonyms and attributes unrelated to appeal. Only those attributes were retained, which were likely to be associated with the appeal of inanimate product. A sample of 50 judges was shown the definition of advertising appeal framed after review of relevant literature. The list of 50 advertising appeal attributes having 75 percent and above acceptance was retained (refer Appendix 1). Questionnaire was prepared based on these attributes, then it was administered on the final sample of 200 respondents who were students in the age group of 18-25 years. The sample had a bivariate distribution in terms of gender.

The item-total correlation of the attributes is computed (refer Appendix 2). In first iteration 27 items are found insignificant therefore they are eliminated. In second iteration, 23 attributes are significant and are retained (level of significance being 0.05). They are significantly correlated with the total score. Further, to identify the factor pertaining to durable product, factor analysis is undertaken (refer Appendix 3,5). Second order factor analysis is employed to identify the dimensions of advertising appeal of consumer durable (refer Appendix 4, 6). 23 variables converged into 9 factors and then it converged into 9 dimensions. SPSS (version 14) software was used for the data analysis. Factors and dimensions were compared on the demographic variable of gender by using z-test (refer Appendix 7, 8).

The external validity and generalized ability of a psychometric measure depends upon the subjects on which the study is conducted. Keeping this in focus, a sample of the ad viewers was chosen. The simple random method of sampling was applied to collect data from the initial sample, which after screening for response error was retained for final analysis. The sample was collected from various professional and non-professional institutions. The respondents were exposed to the print advertisements (bike) and were asked to fill up the questionnaire. All subjects were well versed with English besides being multilingual. Thus, after ensuring the content validity of the items selected, the reliability of the questionnaire was determined by split-half method corrected for full length by applying Spearman Brown Prophecy formula on the data collected from the sample of 200 subjects in each category. The reliability coefficient was .91212. The assessment of advertising appeal of the product categories, and its validity was taken equivalent to reliability index i.e., 0.95505.

4.1 Results of the Study

(A) Factors

Factors that were emerged for advertising appeal were persuasiveness, distinctness, perfectness, fascinating, sensational, energetic, aesthetic, elegant and captivating.

4.1.1 Proposition 1: Persuasiveness = f (Gender * Product Category)

Problem 1: Is $(a)_{bp} = (b)_{bp}$

Wherein $(a)_{bp}$ is Persuasiveness as perceived by males in the case of bike.

$(b)_{bp}$ is Persuasiveness as perceived by females in the case of bike.

H_{01} : Males and females do not differ on the factor of Persuasiveness in the case of advertisements of bike.

H_{01} stands accepted ($z = 0.55545$).

4.1.2 Proposition 2 : Distinctness = f (Gender * Product Category)

Problem 2: Is $(a)_{bd} = (b)_{bd}$

Wherein $(a)_{bd}$ is Distinctness as perceived by males in the case of bike.

$(b)_{bd}$ is Distinctness as perceived by females in the case of bike.

H_{02} : Males and females do not differ on the factor of Distinctness in the case of advertisements of bike.

H_{02} stands rejected ($z = 2.61593$). Thus, females perceive the factor of Distinctness more in the advertisements of bike in comparison to the males.

4.1.3 Proposition 3: Perfectness = f (Gender * Product Category)

Problem 3: Is $(a)_{bpr} = (b)_{bpr}$

Wherein $(a)_{bpr}$ is Perfectness as perceived by males in the case of bike.

$(b)_{bpr}$ is Perfectness as perceived by females in the case of bike.

H_{03} : Males and females do not differ on the factor of Perfectness in the case of advertisements of bike.

H_{03} stands accepted ($z = 1.46395$).

4.1.4 Proposition 4: Fascinating = f (Gender * Product Category)

Problem 4: Is $(a)_{bf} = (b)_{bf}$

Wherein $(a)_{bf}$ is Fascinating as perceived by males in the case of bike.

$(b)_{bf}$ is Fascinating as perceived by females in the case of bike.

H_{04} : Males and females do not differ on the factor of Fascinating in the case of advertisements of bike.

H_{04} stands rejected ($z = 11.8569$). Thus, males perceive the factor of Fascinating more in the case of advertisements of bike than females.

4.1.5 Proposition 5: Sensational = f (Gender * Product Category)

Problem 5: Is $(a)_{bs} = (b)_{bs}$

Wherein $(a)_{bs}$ is Sensational as perceived by males in the case of bike.

$(b)_{bs}$ is Sensational as perceived by females in the case of bike.

H_{05} : Males and females do not differ on the factor of Sensational in the case of advertisements of bike.

H_{05} stands accepted ($z = 0.1229$).

4.1.6 Proposition 6: Energetic = f (Gender * Product Category)

Problem 6: Is $(a)_{be} = (b)_{be}$

Wherein $(a)_{be}$ is Energetic as perceived by males in the case of bike.

$(b)_{be}$ is Energetic as perceived by females in the case of bike.

H_{06} : Males and females do not differ on the factor of Energetic in the case of advertisements of bike.

H_{06} stands accepted ($z = 0.75827$).

4.1.7 Proposition 7: Aesthetic = f (Gender * Product Category)

Problem 7: Is $(a)_{ba} = (b)_{ba}$

Wherein $(a)_{ba}$ is Aesthetic as perceived by males in the case of bike.

$(b)_{ba}$ is Aesthetic as perceived by females in the case of bike.

H_{07} : Males and females do not differ on the factor of Aesthetic in the case of advertisements of bike.

H_{07} stands rejected ($z = 2.01541$). Thus, females perceive the factor of Aesthetic more in the case of advertisements of bike in comparison to the males.

(B) Dimensions

Results of the second order factor analysis revealed that there were four dimensions, they were Energetic, Sensational, Persuasiveness and Distinctness.

4.1.8 Proposition 8: Energetic = f (Gender * Product Category)

Problem 8: Is $(a)_{bE} = (b)_{bE}$

Wherein $(a)_{bE}$ is Energetic as perceived by males in the case of bike.

$(b)_{bE}$ is Energetic as perceived by females in the case of bike.

H_{08} : Males and females do not differ on the dimension of Energetic in the case of advertisements of bike.

H_{08} stands accepted ($z = 0.9883$).

4.1.9 Proposition 9: Sensational = f (Gender * Product Category)

Problem 9: Is $(a)_{bS} = (b)_{bS}$

Wherein $(a)_{bS}$ is Sensational as perceived by males in the case of bike.

$(b)_{bS}$ is Sensational as perceived by females in the case of bike.

H_{09} : Males and females do not differ on the dimension of Sensational in the case of advertisements of bike.

H_{09} stands accepted ($z = 1.1723$).

4.1.10 Proposition 10: Persuasiveness = f (Gender * Product Category)

Problem 10: Is $(a)_{bP} = (b)_{bP}$

Wherein $(a)_{bP}$ is Persuasiveness as perceived by males in the case of bike.

$(b)_{bP}$ is Persuasiveness as perceived by females in the case of bike.

H_{010} : Males and females do not differ on the dimension of Persuasiveness in the case of advertisements of bike.

H_{010} stands accepted ($z = 0.55545$).

4.1.11 Proposition 11: Distinctness = f (Gender * Product Category)

Problem 11: Is $(a)_{bD} = (b)_{bD}$

Wherein $(a)_{bD}$ is Distinctness as perceived by males in the case of bike.

$(b)_{bD}$ is Distinctness as perceived by females in the case of bike.

H_{011} : Males and females do not differ on the dimension of Distinctness in the case of advertisements of bike.

H_{011} stands rejected ($z = 2.61593$). Thus, females perceive the dimension of Distinctness more in the advertisements of bike in comparison to the males.

5. Discussion

Persuasiveness is a factor and a dimension that has emerged for the advertisement of bike. Males and females do not differ on the factor and dimension of Persuasiveness in the case of advertisements of bike. Choudhary (2004) explains that the nature of the product advertised plays a key role in determining the amount of cognition required to process an advertising message. Specifically, the amount of perceived risk associated with purchase pre-determines the level of interest given to a product's message.

Bike has a higher perceived risk and hence the degree of involvement is more in bike. Schiffman (2004) wrote that it is degree of involvement in product category that calls for persuading the target audience. Bradley (1995) wrote that women are more emotional than men and thus more responsive to emotional appeal but the results of the present study show that there is no difference between males and females regarding the basis of shaping the action and judgment. Consumers process the message logically before emotional values are transferred. Choudhary (1998) studies on luxury and necessity items have yielded information on the relationship between high-involvement and low-involvement products, perceived risk and emotional experience. High-involvement purchase decisions often involve high levels of perceived risk, sending consumers into a state of increased information search.

Distinctness was found to be a factor as well as a dimension for the advertisements of bike. The ads that are stylish and imaginative are able to have clear-cut impact on the respondent's memory and can be termed as unique. Advertisements that are unique can make space in memory of the respondents easily as compared to those ads, which are routine in nature. Best ads are unique and original. The buyers are exposed to a world of information. They may ignore certain pieces of information and actively seek out some other information. Further, they may merely overhear some message and may register in the mind. In other words buyers filters the information and tends to perceive events more easily as representatives of categories rather than unique and idiosyncratic. Therefore, it becomes important that cues in the consumers identification, categorization and perception of products must be given due emphasis. Petova and Cialdini (2005) concluded that marketers need to take their brands' imprints beyond the commonly used senses of sight and sound, and capitalize on the stronger impact. Males differ from females in their perception about distinctness factor and dimension in the advertisements of bike. Females perceive distinctness factor and dimension more in the advertisements of bike which can be attributed to the fact that females do not have first hand experience of operating the bike. They feel to have higher involvement in bike therefore, feel advertisements for bike should be distinct.

Perfect advertisements are completing not deficient or faultless. Complete event or action is capable of inducing fun and excitement while conveying the underlined message. Perfectness has emerged as a common factor in the advertisements of bike. However, males and females both perceived that perfect ness factor is important in the advertisements of bike. The essential point in perception is that whole is different from the sum of its parts. In other words, the whole carries a different and altogether greater meaning than its individual components. In viewing the whole, a cognitive process takes place the mind makes a leap from comprehending the parts to realizing the whole. Gestalt theory proposed that the operational principle of the brain is holistic, parallel, and analog, with self-organizing tendencies. The Gestalt effect refers to the forming capability of our senses, particularly with respect to the visual recognition of figures and whole forms instead of just a collection of simple lines and curves (Morris, 1993).

An advertisement is fascinating when it is a pleasant experience to watch and is accompanied with jest. It becomes exciting, irresistible attraction and worth remembering. Fascinating emerged as a common factor in the advertisements of bike. Males perceive that fascinating factor is more important in the case of advertisements of bike than females, the labeling of arousal depends on an attribution, which is the process of identifying the cause of some event.

Imagination involves the capability to think of possibilities. An unfettered freedom of expression beyond the limitation of what is known and believed breaks the established reality and can add to fascination. Reality environment seeks to elicit fantasies, as consumers blend fantasy with reality. These environments essentially thermatize the imaginary into desired form and facilitates in shifting the imagination among the consumers. Consumers focus attention on visual images and are a entranced in a thematized space (Martin, 2004). So, whenever there is a break from the established reality, the monotony is broken and the viewer is fascinated by the intuitive appeal.

Sensational emerged as a common factor and subsequently a common dimension in bike. If the advertisements are wonderful, the respondents are excited. Emotional motivation is at a sub-conscious level. Respondents prefer to believe that they make decisions based upon purely objective and observable criterion. Due to strong reaction their interest is evoked. Consumers prefer symbolic language and images that relate to their senses. They are far less receptive and responsive to language and images that relate to concepts as compared to symbolic language and images that express

what they feel, see, hear, smell, or taste. The language and images used in advertising should therefore, make sense to the audience (Lahey, 1995).

Consumer interprets physical sensations within a specific context. When consumers have no immediate explanation for their arousal, they would label their feelings in terms of the thoughts available to them and identify external cues. This labeling determines the emotion that is felt. Women may be more apt than men to develop emotional sensitivity. At the same time, men traditionally play roles in which emotional expressivities are downplayed and even discouraged. Traditional societal expectations lead women to develop more emotionality and men more restrained emotional style. Females and males perceive sensational factor and dimension more in the advertisements of bike. That shows that the sensational factor and dimension of the advertisements is product specific and more effective for durables like bike.

Energetic emerged as a common factor and dimension in the advertisements of bike. Advertisements with energetic appeal are able to infuse emphatically the message they want to convey. They infuse the feelings of being lively, vigorous and brisk through underlying information. Aggressive and creative ads are powerful and innovative enough to force the respondents to think about the product. Psychologists have identified the most fundamental human feelings of surprise, enjoyment, and anger occurring in combinations, influencing one another and account for the diversity of human feelings. Subjects interpret environmental cues of happiness or angry situations and are accordingly aroused (Fernald and Fernald, 1999).

When arousal from one experience carries over to an independent situation, it is called transferred excitation. People remain physiologically aroused longer. If the person feels aroused, he or she would accurately attribute the arousal to the experience he has undergone. Males and females perceived energetic factor and dimension is important in the advertisements of bike. Energetic information was effective in durables and low market segment.

Aesthetic is related to beauty or appreciation of beauty. Advertisements, which have a beautiful artistic presentation, are attractive and memorable as they have lasting impact on the respondent's memory. It is a pleasurable experience for the respondents to watch such ads. Females perceived aesthetic factor more important in the advertisements of bike as compared to males, which can be attributed to the fact that females do not drive bikes, see it as an object to be admired. Past experiences are really involved in perception, and memory does give them a distinct place in consciousness.

Content of consciousness may have an element of beauty in it. The truth is called beautiful because it thrills the soul with a peculiar feeling. The character is beautiful if it is embodiment of an ideal. There is a sense of satisfaction felt from any information conveyed by the truth. This feeling of satisfaction in the objective presentation of any harmonious ideal constitutes aesthetic sentiment (Dewey, 1998).

Elegant is a factor that has emerged for the advertisements of bike. Advertisements that are marked with style and grace can grab the attention of the respondents as the charm for the product increases. Consumers develop relation with brands if they assign a personality to a brand. A brand may be bought of as a male, young, fun loving or adventurous person. The brands may be perceived as masculine or feminine, modern or old fashioned, timid, aggressive, or self assured. Based on an assessment of overt and covert stimuli in the advertising, audience determines the personality of the brand. The brand must satisfy themselves, friends and colleagues thus, styling and presentation do matter to them. Bearden et al (1995) revealed that lifestyle traits are more concrete in acquisition, use and disposition of goods and services.

Captivating is another factor and dimension for bike. Respondents are attracted towards captivating advertisements as these advertisements affect their emotions. The arousal of any particular set of needs at a specific moment may be caused by internal stimuli generated by emotional or cognitive processes, or by stimuli in the outside environment. Attention, therefore, is the first processing response that an advertising element should generate if it has to produce the right kind of perception (Dewey, 1998).

6. Conclusion and Scope for Future Research

Factors that were emerged were persuasiveness, distinctness, perfectness, fascinating, sensational, energetic, aesthetic, elegant and captivating. When second order factor analysis was done then the dimensions that were emerged were energetic, sensational, persuasiveness, distinctness and captivating. Factor and dimensions were compared on the basis of gender. There are 11 hypotheses that were developed out of which 7 were accepted. It was found that persuasiveness, perfectness, sensational factors and energetic, sensational and persuasiveness dimensions do not vary on the basis of gender as males and females both felt that these factors and dimensions are important in the advertisement of consumer durable. Females perceived that distinctness factor and dimension and aesthetic factor is more important in advertising appeal than males. Males perceived that fascinating factor is more important in the advertising appeal than the females.

The study indicated that consumers see the advertisements as a person therefore, demographic and psychographic traits are very important in developing the advertising appeal. Advertising appeal affects the level of trust and the kind of relationship that the consumer has with the product. Advertising appeal helps in positioning the product in the mind of the consumers. As per the finding of the study he advertising appeal works on the whole brain concept as the dimension

are logical as well as emotional. Left brain works on the rational thinking and right brain works on the creative thinking therefore, while designing the advertising appeal it needs to be both. In this research work only one product category is considered, further research can be done while considering different product categories or services with various brands. In this project only one demographic variable is considered i.e., gender other socio-demographic variable like age, income, occupation education can also be considered for future research. Another study can be carried on where the correlation of the advertising appeal with the consumer behavior, emotions and attitude can be studied. The study can be expanded further in order to study the cross cultural effects.

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Appendix 1. Showing the Final List of 50 Advertising Attributes After Stage 3

Joy	Illustrative
Excitement	Relevancy
Style	Perfect
Uniqueness	Effective
Believable	Persuasive
Fun	Sensitive
Fantasy	Inspiration
Sex	Fascination
Wonderful	Touchy
Enthusiasm	Desirable
Entertainment	Clarity
Exclusiveness	Memorable
Understanding	Intelligence
Humor	Thinkable
Creativity	Competency
Product information	Credibility
Attractiveness	Reputation
Liveliness	Reality
Interesting	Pomp
Appreciation	Imagination
Distinctiveness	Emotional
Reliability	Energetic
Beauty	Assertiveness
Influential	Authenticity
Well planned	Glamorous

Note: The advertising attributes have been presented in the random order.

Appendix 2. Showing Item-Total Correlations for Bike (N=200)

Item name (characteristic)	Item-total correlation
Excitement	.709956
Style	.759524
Fun	.305487
Fantasy	.302963
Wonderful	.307264
Enthusiasm	.225871
Creativity	.808927
Product information	.320518
Attractiveness	.861635
Liveliness	.834978
Interesting	.263301
Distinctiveness	.206755
Beauty	.73731
Well planned	.783392
Perfect	.244
Fascination	.253722
Desirable	.784588
Clarity	.824061
Memorable	.813939
Thinkable	.330951
Imaginative	.354482
Emotional	.260491
Energetic	.87207

Note : The items are arranged in the random order.

Appendix 3. Showing Final Statistics of Factors of Bike arrange

Variable	Communality	Factor	Eigenvalue	Cum Pct
VAR00001	.45527	1	2.39221	10.4
VAR00002	.71041	2	1.59139	17.3
VAR00003	.40347	3	1.47642	23.7
VAR00004	.58455	4	1.34338	29.6
VAR00005	.58602	5	1.21363	34.9
VAR00006	.59251	6	1.18892	40.0
VAR00007	.55567	7	1.13809	45.0
VAR00008	.40442	8	1.10222	49.8
VAR00009	.59560	9	1.03582	54.3
VAR00010	.53638			
VAR00011	.51825			
VAR00012	.63206			
VAR00013	.58426			
VAR00014	.39683			
VAR00015	.58896			
VAR00016	.71581			
VAR00017	.57595			
VAR00018	.52916			
VAR00019	.53597			
VAR00020	.53870			
VAR00021	.48462			
VAR00022	.46597			
VAR00023	.49122			

Appendix 4. Showing Final Statistics Of The Dimensions Of Bike

Variable	Communality	Factor	Eigenvalue	Cum Pct
VAR00001	.76089	1	1.42435	15.8
VAR00002	.70509	2	1.21892	29.4
VAR00003	.51913	3	1.16321	42.3
VAR00004	.72086	4	1.10079	54.5
VAR00005	.76678	5	1.00909	65.7
VAR00006	.49614			
VAR00007	.87258			
VAR00008	.80086			
VAR00009	.27405			

Appendix 5. First Order Factor Analysis for Factors of Bike

S. no	Variable	Factor load	Factors
1	Desire	0.73482	Persuasiveness
2	Creativity	0.49465	
3	Distinctiveness	0.73378	Distinctiveness
4	Fantasy	0.61291	
5	Perfect	0.62717	<i>Perfectness</i>
6	Well planned	0.53859	
7	Fun	0.49521	
8	Fascination	0.80663	<i>Fascinating</i>
9	Excitement	0.41482	<i>Sensational</i>
10	Wonderful	0.64947	
11	Clarity	0.63925	
12	Energy	0.66775	<i>Energetic</i>
13	Thinkable	0.49604	
14	Imagination	0.48748	
15	Product information	0.48382	
16	Attractive	0.66526	<i>Aesthetic</i>
17	Memorable	0.63120	
18	Liveliness	0.62725	
19	Style	0.68624	<i>Elegant</i>
20	Beauty	0.68436	<i>Captivating</i>
21	Interesting	0.64658	
22	Emotional	0.64345	
23	Enthusiastic	0.54007	

Appendix 6. Second Order Factor analysis for Dimensions

S. no	Variable	Factor load	Dimension
1	Energetic	0.78011	Energetic
2	Elegant	0.51586	
3	Fascinating	0.46528	
4	Sensational	0.66959	Sensational
5	Perfect	0.65907	Persuasive
6	Persuasive	0.88120	
7	Distinct	0.92243	<i>Distinctness</i>
8	Captivating	0.81644	<i>Captivating</i>
9	Aesthetics	0.56030	

Appendix 7. Showing Mean Value of Male and Female as per the Factors

S. No	Factor	Mean 1 (X ₁)	Mean 2 (X ₂)
1	Persuasiveness	1.75	1.71
2	Distinctness	0.30	0.52
3	Perfectness	1.11	1.25
4	Fascinating	0.93	0.1
5	Sensational	1.16	1.17
6	Energetic	3.64	3.59
7	Aesthetic	2.64	2.81

Appendix 8. Showing Mean Value of Male and Female as the Dimensions

S. No	Dimension	Mean 1 (X ₁)	Mean 2 (X ₂)
1	Energetic	6.11	6.27
2	Sensational	2.27	2.42
3	Persuasiveness	1.75	1.71
4	Distinctness	0.30	0.52



Investigating Effective Factors on Iran's Pistachio Exportation

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Abstract

The problem of Iran's economic is depending on oil's incomes, therefore to increase non oil exportation like agricultural products is the main goal of country's economic development program.

The goal of this paper is to investigate effective factors in pistachio exportation and mentioned goal will be consider by variable factors such as export's principle, aflatoxin poison, and packaging.

The type of this paper is descriptive-cognition and the related information for this scope have been collected by using library resources such as books, scientific journals, moreover for collecting necessary data in order to confirm or reject research hypotheses a questionnaire designed by researcher have been used . Statistical society for this research includes the pistachio exporter in Kerman city, the method being used has been random sampling. Results of this investigation shows that the principles of exporting, aflatoxin poison and packaging have great influence in exporting Iran's pistachio.

Keywords: Pistachio, Principles of export, Packaging, Aflatoxin poison

1. Introduction

Agriculture always has a splendid role in non-oil exportations. It can have an effective share in Iran's exports development if it is looked out by correct management.

Iran has had priority in agriculture since many years ago, and pistachio is one of the most important ones. This crop mostly planted in rain-fed areas in drought and sub drought regions, they give high production when they are planted in region with relatively cold winters and long, hot summers. This is because pistachio needs comparatively cold winter temperatures in order to break bud dormancy. The tree is resistant to cold and wind but can not tolerate excessive dampness and high humidity. Pistachio need almost 10 years to start an early fruit period and 20 years to enter full production period, it is a crop subject to alternate bearing phenomena, in the bearing year the production is very good and in the alternative year is limited. Pistachio has a high nutritional value, 100 grams of the edible of a pistachio contains about 600 calories and is 53% fat, 21% protein, 18% carbohydrates, 2.2% fiber and no cholesterol. A pistachio has also several kinds of vitamins such as B1, B2, C, and E ([www.irandriedfruit.com / Iran-pistachio.php](http://www.irandriedfruit.com/iran-pistachio.php)).

Pistachio is also very important in economic terms, as a result it is so-called green gold, and it is one of the most important crops of non-oil exportations. It has been seeded for a long time in Iran. In 1990s share of this crop in non-oil exporting of Iran was almost 13.5%, and in agricultural exports was about 40%. But the amount of that in 2006 has the value of 1068.5 Million US dollars which has assigned 29% of whole non-oil exportation to itself, (Khalilian and Farhadi, 2002).

According to FAO statistical database in 2005, Iran, USA and Syria have the largest pistachio productive area accounting for 66% of global area devoted to pistachio for Iran and 9% for USA and 10% for Syria (Figure,1).

But as seen in figure 2, the first two producers are Iran with 40% of the global total and the second USA with 27% of the global total.

Although Iran is the biggest exporter around of the world due to 40% production of the world's pistachio and having 60.7% of the whole world's market (Figure,3), still couldn't compete with it's powerful competitors who have advanced technologies and only involved in various challenges such as, lack of producers that can use the modern methods in producing, packaging ,exporting and fighting against pistachio plague. Therefore at the moment those who are responsible have to pay special attention to these challenges, and with a correct management, using new equipment in producing and packaging, using scientific methods in marketing ,exporting and fighting against aflatoxin try to increase the quality of pistachio in a standard level and raise their Share in world's market.

Developing and even keeping the share in the world's market can cause to increase the inland production motivation, investing and making more job opportunities in the field of agriculture and pistachio. As a result, according to the position of Iran in the past and current situation, investigating place of the country in production and exportation of pistachio seems to be very essential.

In this article, it has been tried to recognize the effective factors in Iran's pistachio exportation and presenting appropriate solving methods to develop the exportation, by collecting necessary information.

2. Subjective literature

Pistachio is a fruit which comes originally from Iran, it has been cultivated through Iran and has the story of 4000 to 5000 years. About 2500 years ago it has been exported to neighbor countries by Hakhmaneshian kingdom (www.Pestico.blogfa.com)

Since two centuries ago, according to statistical data, it has been exported to foreign countries from following cities: Khorassan, Kerman, Ghazvin, and Damghan (Khalilian and Farhadi, 2002)

Iran's pistachio because of having good taste, beautiful color and standard shape, size is the most famous pistachio around of the world and many people like it, Iranian pistachios have different names according to their shapes. The major varieties are. Round pistachio (Fandoghi): These are the primary product for export, Long pistachio (Akbari): These are the most expensive and traditional, Long pistachio (Ahmad aghae): These are a favorite amongst people in Eastern Asia, Long pistachio (Badami): The shape of its kernel is similar to almond and Jumbo pistachio (Kale ghuchi): This kind is broad with an opened mouth (www.irandriedfruit.com).

2.1 Export

The easiest way to enter foreign markets is exportation, either direct or indirect. So to select the export policy depends on the volume of production. Case export policy happen when the company once in a while sells the crop to foreign countries because of exceeded productions, but active exports happen when the producer decides and guarantees export his product to the aim countries.

In, direct export there is an increase of the capital so benefit will also increase because there is no commission for the brokers but the risk of business is so much.

In, indirect export which is one of the easiest way and common method the product which is export will sale by brokers. This method has two advantages, first you don't have to invest a lot, second its risk is lower because the brokers of foreign markets based on formed relationship provide technical knowledge and necessary services, so the seller makes fewer mistakes.

For the time being, there are three different markets for buying Iran's pistachio. The first one that includes powerful markets, are European countries, Japan, and Canada; they do persist on healthiness and its quality. The second one which includes medium markets. They want crop with delicious taste and good shape such as; Arabic countries and the third group, East Asia, wants pistachio with low price. The most of the pistachio exportations presently are belong to Arab countries and East Asia, anyway according to FAO statistical database (figure, 3) Iran is the leading exporter of pistachio and the nearest competitor is USA.

2.2 Aflatoxin poison

Aflatoxin for the first time in 1960 discovered in England when more than thousands turkeys and ducks died within a few months, this disease between birds had been propagated with the symptoms of having no appetite, being sleepy, bended neck and loin, and weakness in wings. Simultaneously the same report for ducks, pheasants and trout had been appeared in different places around the world, after this happen researching group decided to separate *Asperilous Flavus* fungus from feed of the birds, then fed its poison separately to some animals as a experience, afterwards they saw the same symptoms as before, so they named this poison aflatoxin.(Abdolahi, 2005)

In the field of agriculture also aflatoxin is the major problem. Contamination can occur in the field, during harvest, or in storage and processing. Corn, rice, cottonseed, wheat, peanut, soybean, sunflower, spices, almond, pistachio, walnut, coconut and brazil nut are crops which frequently affected by aflatoxin.

There are two types of fungus, *A.parasiticus* and *A.flarus*, which have more effect on leaking aflatoxin poison and poisoning the seed of pistachio than other fungus. The first one has more power than second. This can happen when there is a suitable condition for growing and reproducing inside of pistachio or its seed. This inappropriate condition can happen inside of pistachio only if the crop or its seed encounters wet condition or the level of moisture gets higher.

The core of dry pistachio in the normal situation has between 5 to 7.5% water. Now, if the dry pistachio placed in moist land or water, its core will absorb some moist and distend. The humid pistachios found ability to absorb the pest or gets musty. So, the core of humid pistachio is a suitable place for fungus to grow and reproduce various kind of mould such

fungus that producing aflatoxin poison, another factor that causing penetration of fungus is the external shell of pistachio which split on tree so the core of pistachio directly attacked by fungus and pests.

As we know this poison is very dangerous and suggest that in human food is only acceptable with no detectable concentration .the maximum allowable concentration of aflatoxin set by the united states FDA is 20 parts per billion (ppb) , foreign markets usually reject grains with concentrations of 4 to 15

ppb due to the implementation of new European community regulation on aflatoxin.

2.3 Packaging

A product's package serves several functions, protecting, facilitating use of, and promoting the product, as well as providing information about the product and its use. The protection function is critical in both transport and storage, protecting a product under a variety of temperatures and moisture conditions and against being crushed or dropped during handling is no small undertaking.

Because of increasing competition among brands, packages have become an extension of the product and a way of identifying and differentiating products that can lead to increased loyalty, therefore several factors must be weighed in making packaging decisions. Shape, color, material and cost can influence on consumer perceptions and are very important.

Competition in pistachio's world market causes pondering for increasing the quality of this crop. In fact one of the most basic and practical solutions to prevent wholesaling in exportation is to strengthen transforming and completing industries in the field of agriculture and exporting pistachio in the appropriate packages which causes to sell pistachio in higher price; besides with motivating producer the production of the crop will increase too. Nowadays one of the most modern methods of packaging is in vacuum condition.

By using vacuum method the quality of pistachio doesn't change for a long time. This method, which is based on scientific ways, can protect the product against damages that made by hot or cold weather, and even direct sun shine for about two years and also keeps its quality as well as quality of packaging time.

3. Background of research

There have been several Studies about agriculture products especially pistachio.

Chambers and just(1981) analyze the effect of exchange rate fluctuations on America's agriculture the results of this analyze shows that the export and price of agricultural product is effected by exchange rate.

Nuri and Kuhpayi (2001), have analyzed about approximation functions of demand and supply of pistachio export. The results of this study shows that the demand extensile of pistachio export than rate of foreign exchange bourse is -0.389 which means the changes of foreign exchange rate has negative effect on the income earned by pistachio's export.

Sharzeyi and Ghanbari (2005), analyze the factors effect on pistachio demand and supply. The results of this analyze show that the demand and cost variables have positive and meaningful effect on supply and demand of pistachio.

4. Methodology

The type of this paper is descriptive-cognition and the related information for this scope have been collected by using library resources such as books, scientific journals ,moreover for collecting necessary data in order to confirm or reject research hypotheses , a questionnaire designed by the researcher is used. This mentioned questionnaire has five selective choices and their answers are varied between very less and very more. Furthermore the scope of this research from the view point of subject is investigating effective factors on Iran's pistachio exportation. The time that this research has been done is February 2009. Statistical society of the research includes 30 persons from pistachio exporter in Kerman city and random sampling method was used in this study.

Independent variables in this research include the principles of export, Aflatoxin poison, packaging and dependent variable of this research is the amount of pistachio being exported. In this research for summarizing extractive data to confirm or reject the hypotheses of research used SPSS software and presumption statistics methods (like T as single sample) have been used, which. T refers to statistic data, in case that Sig (meaningful level) is less than 0.05 hypothesis H0 will be rejected and hypothesis H1 will be accepted as well as df indicates free degree.

H0: $\mu \leq 0.05$

H1: $\mu \geq 0.05$

5. Data analysis

In this section by using given statistical methods, and collecting data and extractive results from questionnaires the research hypotheses have been tested.

5.1 First hypothesis

Familiarity with principle of export is effective on the amount of pistachio's export.

H0: Familiarity with principle of export is not effective on the amount of pistachio's export.

H1: Familiarity with principle of export is effective on the amount of pistachio's export.

As the significant level of (0.0005) is less than (0.05), so the H0 hypothesis will be rejected and H1 hypothesis will be accepted. Therefore familiarity with principle of export is effective on the amount of pistachio's export (table1).

5.2 Second hypothesis

Familiarity with Aflatoxin poison is effective on the amount of pistachio's export.

H0: Familiarity with Aflatoxin poison is not effective on the amount of pistachio's export.

H1: Familiarity with Aflatoxin poison is effective on the amount of pistachio's export.

As the significant level of (0.003) is less than (0.05), so the H0 hypothesis will be rejected and H1 hypothesis will be accepted. Therefore familiarity with aflatoxin poison is effective on the amount of pistachio's export (table2).

5.3 Third hypothesis

Packaging is effective on the amount of pistachio's export.

H0: Packaging is not effective on the amount of pistachio's export

H1: Packaging is effective on the amount of pistachio's export

As the significant level of (0.0003) is less than (0.05), so the H0 hypothesis will be rejected and H1 hypothesis will be accepted. Therefore packaging is effective on the amount of pistachio's export (table3).

6. Conclusion and Suggestions

Pistachio as the second product has an important and strategic place among Iran's non oil export and Iran has been always the most important producer and exporter of pistachio in the world and it allocate a big part of global market place, but during the recent years seems Iran's share has decreased a lot therefore it is an important factor to deliberate about effective elements and challenges on pistachio's export, such as using traditional method instead of scientific and standard ways for exporting, using unsuitable packaging, deficiency of good advertising and marketing in aim countries, having no knowledge regarding Pistachio's plagues especially aflatoxin poison which was the cause for reduction of Iran's pistachio share in world's market.

Working about pistachio shows that today's world and the people of that don't accept traditional method in marketing and exporting, people today are looking after attractive advertisement which be so effective and remain in their mine for long time, create new idea and give them more information regarding products. They are also after beautiful and suitable package, in fact many times we can see customer buy the goods just because of its beautiful package and because of this reason we can see the product that they use already long time ago still care of its package in their houses, therefore how can expect the people of the world buy a product with low package and no effective advertisement.

In exportation case also seems the exporter still use the old method instead of scientific ways because they have no knowledge about that, their mine is only to sale and they don't know which way is the best and how can develop their foreign market.

Above those problems that I mention is aflatoxin poison, this disease is not only the problem of Iran, in all of the world tree of pistachio suffer because of that but results of this investigation shows in Iran majority of pistachio producer don't know about this pest and some times even didn't heard its name while as we told aflatoxin poison is the most important cause of reduction of their pistachio share in world's markets.

There fore having a good, correct and proper programming for supervisors, training and educating the producer, exporter and making them familiar with modern and update knowledge, Combat with pests and decrease aflatoxin in pistachio, having effective advertisement in new markets and using suitable package are the factors that can help us to develop the export of Iran's pistachio and find new markets too.

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Table 1. Familiarity with principle of export is effective on the amount of pistachio's export

t	Average	Df(degree of freedom)	Sig
12.536	3.7375	29	0.0005

Hypothesis test in the error level of 0.05 (reliability level of 0.95)

Table 2. Familiarity with Aflatoxin poison is effective on the amount of pistachio's export.

t	Average	Df(degree of freedom)	Sig
3.229	3.2933	29	0.003

Hypotheses test in the error level of 0.05 (reliability level of 0.95)

Table 3. Packaging is effective on the amount of pistachio’s export

t	Average	Df(degree of freedom)	Sig
14.538	3.9667	29	0.0003

Hypothesis test in the error level of 0.05 (reliability level of 0.95)

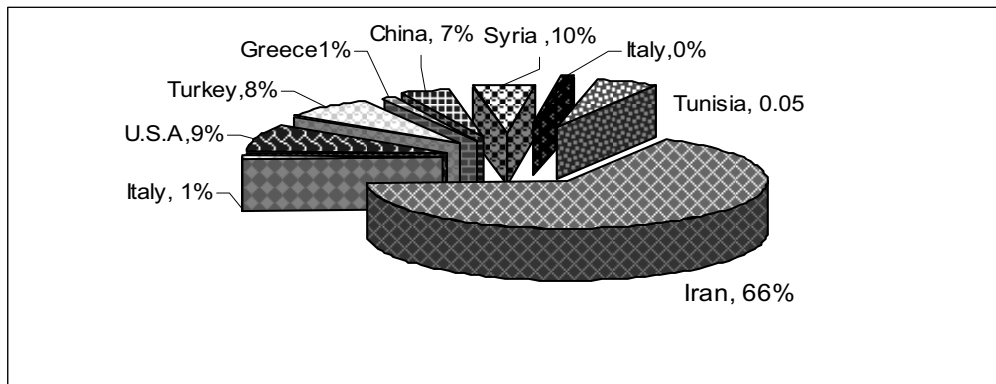


Figure 1. Global pistachio productive area, 2005

Source: Elaborated from fao statistical database

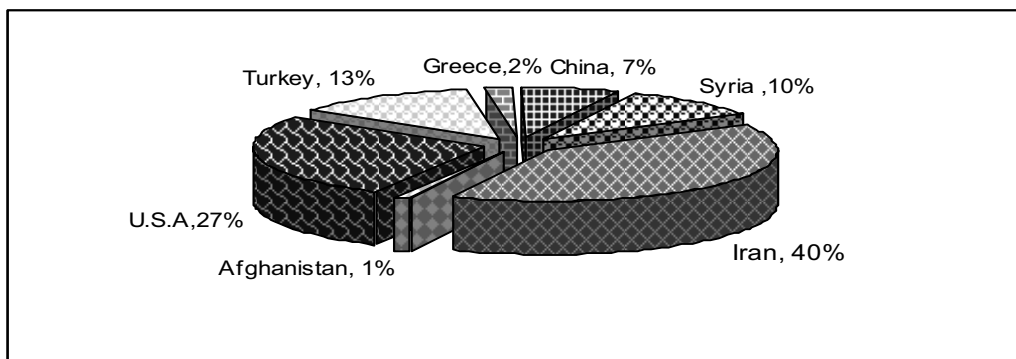


Figure 2. Pistachio production in the world, 2005

Source: Elaborated from FAO statistical database.

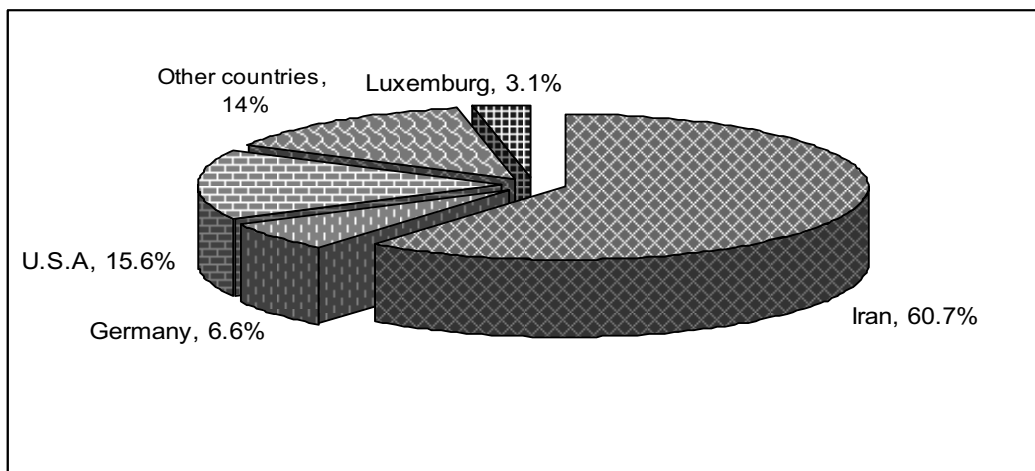


Figure 3. Iran's share in pistachio world’s market

Source: Elaborated from FAO statistical database.



Study on the Construction of Chinese Investment Banks' Ability for Asset Management Business

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Abstract

The asset management business is one of most potential business development directions for foreign and domestic Investment banks. The foreign asset management business has accumulated many key successful factors in many aspects such as market competition, professional investment and management. At present, the policy supervision space of domestic Investment banks' asset management business is being opened, and the competition situation is turning from the asset management product homogenization mode to the value difference mode, and in future, three kinds of ability construction including product design, sales management investment management should be strengthened to form their core competitive advantages to fulfill the market tendency with increasing individualization, capital market integration and product configuration globalization.

Keywords: Asset management, Supervision policy, Ability construction

As a kind of investment financing way under the agent relationship, the asset management business firmly occupies the core status in foreign Investment banks' incomes because of many characteristics such as renewable capability of charge, low risk and high profit margin, and with the stepwise perfection of domestic capital market supervision environment and market conditions, it is being one of most potential business development directions for domestic Investment banks in China. Therefore, it is very important to discuss Chinese Investment banks' ability construction of asset management business.

1. Key successful factors of the asset management business

The asset management operation possesses many common characteristics such as relatively independent operation, non-transparent information disclosure and individualized asset management. The clients' capital scales, investment requirements, risk endurance abilities and tax status are different. Through about thirty years' flourish development, the foreign asset management business has been divided into multiple types and modes, and its successful key factors include following aspects.

(1) As viewed from the participating subjects, the competitive subjects of the asset management business are numerous, and the market competition is increasingly drastic.

From the participating subjects of foreign and domestic asset management, securities company, trust company, insurance company and commercial bank all utilize their own advantages to set feet in this domain, and the competition is more and more drastic, and the boundary is more and more blurry. Domestic banks have formed obvious advantages in the investment of fixed income product, and the trust institutions have accumulated abundant investment experiences in many investment domains such as real estate, high-technology and energy traffic, and Investment banks' biggest advantage is in the products with high-risk benefit such as stock, close-ended fund, and derivatives. With the increasingly drastic competition, the asset management businesses of various finance institutions will filter each other more and more obviously.

(2) The management separates with operation to ensure the professional financing and expert management and fully fulfill the requirement of market segmentation.

Foreign investment banks generally set up the asset management department in its headquarters of the company, but the department only assumes the functions of harmony and management, and the concrete business is taken by its own subsidiary company or its own fund company. However, domestic Investment banks all manage the asset management business by the interior asset management department, and comparing with that, foreign separation management mode has following advantages. First, the "umbilical cord" between the asset management business department and the

company is cut, which can increase the management pressure of the management layer, and make the management layer to try to enhance the management performance, continually develop the business scale and acquire higher incomes. Second, the management risk can be insulated, and the large harm to the Investment bank can be avoided. Third, the financial license effect can be more easily exerted to attract more exterior capitals and acquire the influencing power from the market. Fourth, the specialization of the capital operation and the asset management can be improved in order to form subsidiary companies' special characters and fulfill different clients' demands.

(3) The main subject of the asset management investment changes with the development of the financial market.

The early foreign asset management invested the concrete commodities directly, and gradually turned to the securities about concrete material assets. With the full development of financial derivative products in 1960s and 1970s, many investment varieties and investment combinations derived from the asset management business by combining the securities with derivative products to fulfill clients' different income risk demands. The domestic asset management investment domain is still narrow, and it is mainly limited in stock and the products with fixed incomes, and many financial derivative products such as option, futures, swap and exchange still lack, and the Investment banks cannot disperse the risk of asset management business by the market method, which also blocks the development of Investment bank's asset management business.

(4) The asset management business is more and more combining with other internal departments of the company, and other financial institutions, and other financial products and services.

The development of the asset management business is decided not only by the asset managers' individual ability and level, but by the comprehensive strength and the harmony of interior resources of the company, and the transfer and utilization of the exterior resources. Different with the "seller" character of other business departments in the company, the asset management business is the Investment bank's "buyer business", and it should follow the management concept of "FUND of FUND", and even the financial group with deeper strength and wide business can not completely fulfill the demands of the asset management business, so the company should various interior and exterior resources and abilities to support the asset management business.

From foreign experiences, the trans-department cooperation is also the important reason for the success of the asset management business. From the domestic development tendency, the comprehensive competition of the asset management business just starts and it still needs to strive to draw out the business value chain of the company by the buyer business, increase and enhance additive values of various seller business lines, and realize the maximization of the total benefits of the company.

2. Development opportunities and challenges in front of Chinese Investment banks' asset management business

The asset management business of Chinese securities companies has lasted only about ten years, and in the early term, it is mainly embodied in the Investment bank's commitment financing business, and after 2001, the stock market fell and the Investment bank's commitment investment loss was increasingly serious, and facing the minimum guarantee article in the contract, the promise of high yield, and clients' debts recovering laws, many Investment banks got in the corner. At Feb 1 2004, "Client Asset Management Business of Securities Companies Trial Ways" put in force formally, and the Investment banks' "commitment asset management business" was formally renamed by "client asset management business". At May 31 2008, China's Securities Regulatory Commission issued "Integrated Asset Management Business of Securities Companies Trial Procedures" and "Detailed Implementing Rules for Specific Client Asset Management Business of Securities Companies (Interim)", and the asset management business was formally confirmed as one of three Investment bank's three services with consignment and broker by the government, and the Investment bank's asset management business begun to be identified highly by the supervision layer, and Chinese Investment bank's asset management business begun to meet the historical opportunity.

According to the statistical data from WIND Information, since 2005, 64 integrated asset management products have been authorized, 58 securities companies have acquired the permission of the securities asset management business, and 24 securities companies have developed the asset management business. With the rise of the secondary market and the quick authorized speed of supervision, the policy environment and market environment of the Investment bank's asset management business begun to gradually loose. In the first quarter of this year, 17 integrated asset management plans have been authorized, and 10 of them had be issued, and other 7 products are in the extension period, but in the first quarter of 2008, only 5 asset management products were issued and founded, and the authorized product amount in the first quarter of 2009 increased 183%. For the financing scale of the integrated asset management plan, the financing amount in the first quarter of 2008 was 5.8 billion Yuan, and the amount in the first quarter of this year achieved 12.1 billion Yuan, with an increase of 109% in the same period. In addition, the past integrated asset management planes often survived for 2~3 years, but the survive period of the products in this year are extended to 5 years. When the scale is extended, the competition is more and more drastic, Investment banks still should be careful to ensure the investment income, control risk, make the sustainable selling, and stabilize the scale of the asset management products.

At present, the supervision space of the design and development of Chinese asset management product has been opened. According to national laws, the investment range of the Investment bank's asset management business can be extended from the basic financial products to the derivative financial products, from the capital market to the coin market, and from domestic financial products to the foreign financial products, and the range includes not only the cash asset commitment, but the non-cash financial asset commitment. The urgent task is not to limit the product design by laws, but to develop Investment bank's product development ability grasping the investment opportunity of multiple markets in advance in the frame of laws and regulations, and the Investment bank should design the type of asset management, investment style and strategies according to clients' requirements and characteristics, and actively design multiple individualized asset management mode, match various clients' requirements, and offer wider selection range for clients according to different investors' types.

3. Chinese Investment banks' ability construction for the asset management business

At present, the competition situation of domestic asset management business has turned from the homogeneity mode of asset management products to the value difference mode. With the increasing individualization of domestic market demands, the integration of capital market and the view globalization of product allocation, the occurrence of the asset management product which can fulfill different segmentation markets is the future development tendency of the asset management business. From the research of the international asset management business, the product development design, the investment management and the marketing and client service ability are three core parts of the asset management business, and the differences among them are the key source to form the competitive advantages of the Investment bank's asset management.

3.1 Construction of product design ability

The advanced experiences of the international asset management business indicate that the design of the asset management product must be based on the whole asset management value chain, and the before the asset management product is pushed, the judgment of the market hotspot and demand, the understanding of the investment product in the market and the combined pricing right of the product should be studied deeply, which all can effectively the successful issuing of the asset management product.

For the example of the "Ji Hui Bao" asset management product pushed by the Bank of East Asia in May of 2005, the consumers of the product hope ensuring not to lose capital investment and acquiring potential high incomes with risk and a few conservative favors. Through analyzing of the product, the successfully issuing of the product mainly includes three key successful factors. The first one is the grasping of the market issuing opportunity, and when the product was pushed, the capital market rose, and investors had intensive investment design of the products with high incomes, so the product could effectively investors' interests in the market. The second factor is the diverse investments, and the relative three stock funds (including the Niu Bo US Stock Value Fund, the Morgan Fulinming Europe Strategic Value Fund and the Baring Hong Kong China Fund) which were distributed in America, Europe and China all had excellent historical performance and large market rallying point. The third factor is the exactly pricing. Whether the market rose or fell, if the relative fund defeated the market index, investors could profit (extra reward= performance of fund- market performance), and the relative subject of the investment needed not use investors' corpuses, and the risk could be reduced, and the attributes such as the redemption, melon-cutting and charge of the product should be clear for investors' understanding.

Foreign experiences indicate that to provide multiple integrated products, establish the guarantee of the investment combination of the multi-product base and the multi-investment, and exactly grasp the issuing opportunity of product design ability was the emphasis of the management mode conversion of Chinese Investment bank's asset management business. First, the reuse of the combination of investment products in the interiors of the company and in the market must be emphasized. Second, the development tendency of financial products with different styles and main characters such as yield, risk level and cycle characters should be grasped in time, and the main attributes of the product design from several dimensions such as investment risk, investment term and investment return ratio should be primarily built, and the product design direction should be form and the multi-product combinations should be established. In addition, the pricing ability is the core of the product design ability, and the pricing ability of asset management product not only aims at single product, but more concern the change of real values after the products are combined, because the recombination of risk, income and fluidity in the product combinations with different characters (such as the combination of the stock fund and derivative products) will influence the attributes of the product combination, and the pricing ability of the asset management product will be the competitive focus for Chinese asset management institutions in future.

In different market environments and market tendencies, the investment hotspots in the market changes with that, and whether the asset management products pushed in different terms could grasp the investment topic hotspot in their present own term is one key factors to realize the successful selling, so the asset management department should continually push the products fulfilling the market hotspot in advance, and acquire the increase of the scale and the

income. In addition, the asset management product design should nearly concern the market trends and grasp the life cycles of the asset management products with different types, and when the trend of the asset management scale of certain product reduces, the department should push new product, and make the whole asset management scale can acquire sustainable development by grasping the product issuing period. At the same time, with the change of exterior market environment, the investment financing products issued initially would also meet exterior risk and produce the change of the profit and loss, and the original investors' investment favors will be dynamically adjusted, and the asset management department should push corresponding product allocation to hedge the periodic risk of the initial product in time and achieve the client service effect of "turning risk into opportunity", which are very important to maintain the clients' loyalty and enhance the clients' total value incomes.

3.2 Construction of sales ability

The sales system of Chinese Investment bank's asset management business contains interior aspect and exterior aspect, and three layers including the asset management department marketing personnel, the sales department core marketing personnel and the exterior cooperative financing institution. The Investment bank's sales ability construction should mainly build three key parts, i.e. training expert consultant sales personnel, building the sales department network taking the sales orientation as the core, and establishing the third party's sales channel with good relationship.

(1)The marketing personnel in the asset management department should be expert and professional, and the construction of the product sales ability should closely connect with the product design ability.

The marketing experiences of foreign asset management proved that as a kind of innovational, professional and complex business, the asset management more needs the personnel with high quality to perform the marketing comparing with traditional business marketing domains such as broker and consignment. The complexity of the securities market requires the professional investment which requires the professional sale, and as the most important ligament between the company and clients, the personnel in the sales department under the Investment bank's asset management department should turn to investment counselors and experts, which has very important strategic meanings, and it requires not only to dig clients' potential demands, compare the characteristics of different products, and achieve the trade and perform after service, but offer the first-line support for the sales prediction of the company and competitors' strength judgment and strategy analysis, or else, the investment and financing business can not acquire good management performance, and this business can not be developed further.

(2)Depending on the core marketing personnel, enhancing the sales efficiency of the sales department and strengthening the direct marketing product sales ability

From the development trends of the international asset management business, the tendency of the integration of the asset management business and the securities broking business is more and more obvious, and the foreign Investment banks have walked out the stage simply commending individual stock for clients, and they utilizes their own professional research team to implement the product design, and continually push the possible optimal combinational of all products in the financial market which can follow the development tendency of the market for clients. To fulfill clients' multiple financial asset management demands to the largest extent is the chief premise enhancing the market share, and domestic Investment banks should fully utilize existing business net, enhance the sales efficiency of existing net, and turn the strategic orientation of the sales department to the sales orientation, establish the business development and investment management system taking the core marketing personnel as the main source of asset and directly facing big clients, and promote the effective integration of the asset management business and the broking business.

(3)Establishing the third party's sales channel with long-term cooperation and reciprocity and mutual benefit

At present, a financing market spanning various financial institutions in China has formed, and not only the competition but the mutual cooperation exist between securities financing products and other financial institution financing products. Though because of many reasons such as the homogeneity of products and the superposition of marketing subjects, the bank financing, trusting financing and risk financing all compete with Investment banks' asset management business, but these financial institutions are potential strategic cooperators. First, numerous branches and vast client advantages of banks are better than all Investment banks. Second, other financial institutions have certain differences with the Investment bank's asset management composing, and the fixed income product of bank and the PE products of trust company have obvious advantages, and the foreign financial institutions have stronger financing advantages, which all can be one part of the Investment bank's asset management product, and both parties can cooperate. Third, the financing ability of other financial institutions is stronger, and it is very important for the quick sale of the Investment bank's asset management products. Sales ability is the most important loop in the securities asset management business chain, and for Chinese Investment banks, the biggest challenges will be how to acquire relative competition advantages and realize the great-leap-forward development in the same business with others' help.

3.3 Construction of investment management ability

The construction of the investment management ability requires implementing initial product collocation oriented by clients' demands, and adjusting the investment combinations in the process of operation and supervision, and hedging the risks from the change of the market when the new product is pushed, and realizing the good operation. The process generally includes three stages such as the initial collocation of product and client demands, operation supervision, and investment combination adjustment or new product design. The asset managers need to dynamically adjust the investment proportions of various assets according to the macro economy, national policy, financial market tendency, investors' risk favor degrees and asset risk income, reduce the investment risk and increase the return of investment by means of proper selection and effective combination of assets, and accordingly realize consignors' long-term investment targets.

There are numerous factors to influence the fluctuation of the asset price, but the fundamentals decided by the economic layer is the most basic factor, so the active asset collocation according to the economic cycle is the effective collocation method. Foreign and domestic researches showed that in the four stages including depression, recover, overheat and stagflation in the economic cycle, according to the economic growth and inflation, the income differences of different assets such as stock, bond, commodity and cash are significantly different in different economic cycle stages. In the economic recover stage, the income of the stock asset is best, and the economy is in the ascending process, and the inflation level has not risen and the government will not adopt contractive policy to control. But in the stagflation stage that the inflation raises and the economy falls, the income of the stock asset is worst and here the optimal selection is to hold the commodity asset. In the depression stage that both the economy and inflation fell, the income of the bond is best. And in the stage that the inflation and economy rise, the income of commodity is best.

From the actuality of Chinese asset management at present, the emphasis degree to the commodity asset collocation is not enough obviously, that is related with the development stage of the domestic commodity futures market and the demands of the supervision layer controlling the risk, but starting from the experiences of developed countries, it is a kind of necessary trend that the commodity asset is emphasized. As the market economy of China is further developed, the cycle character of the economic growth will be more and more obvious, that means it will be a kind of tide to bring bulk commodity into the investment combination in the asset collocation. As the varieties of domestic commodity futures gradually increase, the structure is gradually optimized, and the stock index futures is about to come into the market, the more perfect environment will be provided for investors to allocate their assets.

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Contribution of Public Relations (PR) to Corporate Social Responsibility (CSR): A Review on Malaysia Perspective

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Abstract

The main objectives of this study are to review on current public relations (PR) contributions to corporate social responsibility (CSR) programs, and also to review the current CSR activities applied in Malaysia. Numbers of research have been done on PR and CSR (examples Freeman, 1984; Grunig and Hunt, 1984; Hooghiemstra, 2000; Cutlip et. al, 2006; Golob and Barlett, 2007; Harrison, 2007; and Argenti, 2007), and also impacts on the business (examples Cannon, 1992; Gray et al., 1995; Woodward et. al, 1996; Johnson & Johnson, 2000; Volkswagen AG, 2000; Doane, 2002; Abdul Rashid and Ibrahim, 2002; Van der Laan, 2004; Orlizty et. al, 2004; Kotler and Lee, 2005; Savitz and Weber, 2006; Porter and Kramer, 2006; Golob and Bartlett, 2007; and Jangu et. al, 2007). The objectives of the application of PR and CSR mainly related to “social responsibility of business which is encompasses the economic, legal, ethical and discretionary expectations that society has of organisations at a given point of time” (Carroll, 1979). The concept of PR and CSR are also concern for society, communities, environment, employees and ethics. CSR attracted great attention of the government, public-listed and private companies in Malaysia. This can be seen from various governmental and non-governmental efforts in creating awareness and provide initiatives to public listed and private companies to align their business objectives with CSR concerns (example The Malaysia Institute of Integrity (IIM), The Institute of Corporate Social Responsibility Malaysia (ICRM), Sahabat Alam Malaysia, and Federation of Malaysian Consumers Association and Consumers Association of Penang).

Keywords: Corporate social responsibility, Public relations

1. Introduction

The most cited definition of Public Relations is by Carroll (1979), “social responsibility of business encompasses the economic, legal, ethical and discretionary expectations that society has of organisations at a given point of time”. It was a theory that emphasises that other than focus on making profits, business should also concern for society, communities, environment, employees and ethics. World Business Council for Sustainable Development’s (2008) definition for CSR “is the continuing commitment by business to behave ethically and contribute to economic development while improving the quality of life of the workforce and their families as well as of the local community and society at large”.

CSR theory is very different from traditional business mind set, in fact, it is an opposite of the traditional business mind set of profits maximisation as proposed by Friedman (1973), Nobel Prize winner for Economics in his famous quote “the social responsibility of business is to increase its profits” and argued that, “corporation’s principal purpose is to maximise return to its shareholders, while obeying the laws of the countries within it works” (Golob and Barlett, 2007). Holmes (1976) examined the executives’ perceptions of CSR and how their opinions and the philosophies of their firms concerning social responsibility had changed. CSR has been viewed as the continuing commitment by business to behave ethically and to contribute to economic development while improving the quality of life of the workforce and their families (Abdul Rashid and Ibrahim, 2002).

A review on few companies from number of researches by Abdul Rashid and Ibrahim (2002) shows that some companies committed to the extent of socially responsible activities involved:

- Lord Sieff, the former chairman of Marks & Spencer plc said that business only contributes fully to society if it is efficient, profitable and socially responsible (Cannon, 1992).
- Johnson & Johnson (2000) believes it is a company's responsibility to be fair, honest, trustworthy, and respectful, in dealing with all its constituents.
- Volkswagen AG (2000) adopted the position that it is essential to build both shareholder value and worker value in order to deliver sustainable future growth. Volkswagen defined CSR as the ability of a company to incorporate its responsibility into society to develop solutions for economic and social problems. These positions suggest that CSR is still a major concern among companies worldwide.

2. PR, Stakeholders theory and CSR

Both PR and CSR theories emphasise the importance of business organisations pay attention to their stakeholders or publics, not just their shareholders and profits. This can be observed from various PR literatures.

Cutlip et. al (2006) define PR as a management function that maintains mutually beneficial relationships between organisations and publics. Wilcox et. al. (2006) also stated that PR should foster open, two-way communication where an organisation will change its attitudes and behaviour in the process, not just the target audience's.

One important theory related or contributed to the development of CSR is stakeholder theory. Freeman (1984); and Golob and Barlett (2007) found that there are reciprocal responsibilities between business and society, and with a range of stakeholders. Stakeholder theory, according to Freeman (1984); and Golob and Barlett (2007) also suggests that there is a wide range of groups in the social environment that an organisation can affect, and that these groups have legitimate claims on the organisation due to agency and property theories. These stakeholders are such as local communities, corporate governance, environmental impacts, employees, customers and suppliers, shareholders and government. The central to PR practice is maintaining an excellent communication with its various publics. The public with an "s" is not commonly used by other literatures outside of public relations literature however it is commonly agreed by the PR professionals that it can be understood as "stakeholders" (Harrison, 2007).

PR, Stakeholders theories and CSR therefore are related in many ways:

- They all focus on the relationship between organisations and society (or various publics or stakeholders) (Freeman, 1984)
- Hooghiemstra (2000); and Golob and Bartlett (2007) offered corporate communication as a model for organisation to use CSR reporting as a strategy to legitimise their activities.
- Grunig and Hunt (1984, p.48); and Golob and Barlett (2007) suggested that PR is the practice of social responsibility and that social responsibility has become a major reason for companies to employ communicators.
- Argenti (2007) includes CSR as a part of corporate communication or PR function.

3. Past Research on CSR's Implications for Businesses

- John Elkington, a UK consultant coined the term "Triple Bottom-Line" in 1980 which asked business to look into not just one, but three bottom line namely economy, social and environment as the business objectives (Savitz and Weber, 2006).
- Porter and Kramer (2006) published "The Link between Competitive Advantage and Corporate Social Responsibility" which argued that "license-to-operate" approach is a pragmatic way in balancing business goals and their inputs on CSR. Under this approach, a business will identify issues that that matter to its stakeholder and make decisions about them.
- Kotler and Lee (2005) designed an easy-to-follow model on CSR as a general guide for businesses.
- Van der Laan (2004); Woodward et. al (1996); Doane (2002); and Golob and Bartlett (2007) discovered that CSR reporting comes in three main approaches: mandatory, voluntary and solicited.
- Orlizty et. al (2004) found a correlation between social/ environmental performance and long-run financial returns.
- Previous studies found that a number of companies' characteristics such as size, profitability, leverage, size of audit firm, industry in which the company is identified and country of ownership influence corporate social disclosure practices (Gray et al., 1995; Janggu et. al, 2007):
 - CSR does appear to be related to company size but results are not reliable.
 - There is some evidence to industry effects but studies are not clear.

- CSR does not appear to be related to profitability in the same period but some evidence suggests that it might be related to lag profit.
- Country of ultimate ownership seems to have a significant effect.

4. CSR in Malaysia

In recent years, CSR attracted great attention of the government, public-listed and private companies in Malaysia. This can be seen from various governmental and non-governmental efforts in creating awareness and provide initiatives to public listed and private companies to align their business objectives with CSR concerns.

From the government, there is The Malaysia Institute of Integrity (IIM) established under National Integrity Plan (IIM, 2008) in 2004 to promote the practice of ethical principles, good values and integrity in both the public and private sector and to heed the call for CSR.

There is also The Institute of Corporate Social Responsibility Malaysia (ICRM), a not-for-profit network of corporate, regulatory institutions and an advisory panel comprises of the Securities Commission, Bursa Malaysia Berhad and Khazanah Nasional Berhad, with the commitment to promote the development of socially responsible business practices (ICRM, 2008).

Non-governmental organisations such as “Sahabat Alam Malaysia” (Environment Friends of Malaysia), Federation of Malaysian Consumers Association and Consumers Association of Penang have also raised issues related to CSR such as environmental pollution, health hazards products, product safety and discrimination against the handicapped (Rashid and Ibrahim, 2002).

In term of CSR awards which aim to give recognition to the companies which make an impact in the communities through their active involvement in CSR, there are The Prime Minister’s CSR Awards (2008) and Starbiz, namely ICR Malaysia’s corporate responsibility awards.

In 2005, MIA (Malaysia Institute of Accountants) reported that in Malaysia private and public listed companies had started to focus into the CSR. This shows a growing acceptance of socially responsible business. But somehow the effort is still not enough because only few of the big corporations or international corporations in Malaysia are the ones really involved in CSR projects (MIA, 2005).

Ng (2008) also reported that Malaysia listed corporations are far behind international standards when it comes to implementing CSR practices, with nearly two-thirds of those surveyed ranking between poor and average categories.

A study by Abdul Rashid and Ibrahim (2002) on the attitudes of Malaysian managers and executives towards social responsibility, the extent of socially responsible activities involved, corporate disclosure, and the factors determining the attitudes towards social responsibility shows that than 50% agreement or endorsement of socially responsible activities. 69% believed that involvement by a business in improving its community’s quality of life will also improve long run profitability 65% agreed that socially responsible activities provide a favourable public image. The companies were involved in socially responsible activities will responsive to consumers’ complaints and maintaining product/service quality.

5. Conclusion

There are numbers of CSR researches conducted in Malaysia, but mostly concerning CSR and management, which are related to executives and management attitudes towards CSR (Rashid and Ibrahim, 2002); ownership structure and CSR (Ghazali, 2007); and the current state of CSR among industrial companies in Malaysia (Jangu et. al, 2007). There is not much research concentrate on PR and CSR or PR contributions to CSR.

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Comparative Study on Chinese and Foreign Natural Gas Consumption

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Abstract

Energy consumption in china mainly relies on coal and oil, however, burning coal, oil and other fossil fuel will cause a certain degree of environmental pollution inevitably, thus natural gas be used actively as a supplementary energy all over the world is a certain trend in the future. At present, developed countries use and consume natural gas are relatively mature than others, and in this paper, we use comparative study methods, qualitative and quantitative analysis of natural gas consumption between China and abroad, compared analysis of the status quo and Problems of natural gas consumption, we give some suggestions to promote the consumption of natural gas tend to more rationalize.

Keywords: Natural gas consumption, Comparative analysis, Qualitative and quantitative analysis

1. The importance of natural gas in China's energy structure

1.1 The development trends of the global energy Structure

To date, the earth's energy is still based on coal and oil, however, due to the large number of coal and oil consumption trigger of the environmental issue has been aroused extensive attention around the world. burning oil or coal will emit a large amount of greenhouse gas, which has become a pollution--- One of the main culprits for the environment pollution, emissions of acid gas will further lead to the generation of acid rain, nitrogen oxides and hydrocarbons by the strong ultraviolet radiation resulting the secondary pollution --- photochemical smog, in addition, coal and oil post-combustion-generated floating dust has become one of the pollution Sources. A series of environmental pollution problems forced people to find a relatively clean alternative energy. Many developed countries today, including some major developing countries are trying to change this single energy structure and attempt through burn cleaner energy to reduce atmospheric pollution.

According to reports, the main reason for China's air pollution is fuels of power plants, industrial, commercial and vehicle exhaust emissions. So to solve the contradictions between the fuel Combustion and environmental development, it is bound to vigorously develop clean energy. However, the technology of the new energy in the word such as solar energy, wind energy, tidal energy and so on are not mature enough, have not open to a wide range of promotion, thus the relatively cleaner natural gas has become the key choice for the over-time.

Nature gas is Colorless and tasteless whose principal ingredient is methane, usually with a certain content of ethane, propane and small amount of nitrogen, sulfur. The products of nature gas combustion are mainly carbon dioxide and water, compared with other fossil fuels is a relatively clean energy. Nature gas distributes widely in the world, especially in China, the natural gas industry has just begun to enter the development stage, and it is an ideal alternative energy.

1.2 An important strategic energy in the future

This problem has been studied previously (Ranbing Liu, 2008, p.28)As of the end of 2007, the world's remaining proven recoverable natural gas reserves are 175 trillion cubic meters, the Middle East and Eurasia region are the richest areas of natural gas, the natural gas reserves accounting for the world's total of 75.8%, only the natural gas reserves in Russia, Iran and Qatar 3 States accounted for the world's total of 55.8 % .

According to industry expert estimates (Junwu Chen,2000,p.22)With the depleting of coal and oil resources, natural gas will replace oil or coal become the first energy in the world, thus greatly develop of natural gas could be weakening the relatively single China's energy structure and the relative shortage of energy reserves. Natural gas is one of the cleanest energy in fossil fuels, which mainly use as fuels for power plants directly, industrial furnaces and civilian, a small amount use as chemical raw materials (manufacture and synthetic ammonia, methanol, formaldehyde, acetic acid, etc.). The next century, when oil prices rose because of insufficient resources, widen the price gap with natural gas, natural gas converted to oil-- "gas oil change" (GTL) technology will be spread widely.

1.3 huge resources of natural gas ensure China's energy consumption

It is reported on line that(http://www.sinopecnews.com.cn/shnews/content/2009-03/20/content_618259.htm) the development of natural gas has great potential, recoverable reserves of natural gas has reached 22.03 trillion cubic meters. As of the end of 2007, China's natural gas proven recoverable reserves are 3.61 trillion cubic meters, the level of resources proved only 16.39%, which is lower than the level of proven oil resources in 36.18%, natural gas exploration is still in the early stages of exploration, the proven reserves show rapid growth momentum.

Abundant reserves of natural gas resources have laid a solid foundation to ease the tension of domestic energy supply. Neighboring countries such as Russia, Kazakhstan, Indonesia, and Myanmar have rich natural gas resources; those could supply China a large scale of natural gas through trading. In recent years, scientists have discovered a large number of Natural Gas Hydrate not only in china, but also around the world. According to expert estimates, the volume of Natural Gas Hydrate resources could meet the needs of humanity more than 1000 years. The reserves and distribution area of Natural Gas Hydrate are so large. It is an invaluable and prized energy for human beings in the future. Natural gas will substitute for oil and coal as the world's best choice in the future.

2. Develop and take advantage of natural gas resources

2.1 Current Situation of natural gas Consumption

From 2000 to 2008, natural gas consumption was rapid growth. In 2000 the national natural gas consumption is 24.5 billion cubic meters, in 2008 to reach 72 billion cubic meters. China's total consumption is ranked number one in the world, but the per capita consumption in China is much fewer than some developed countries', which is equivalent to 1/3 of per capita consumption of developed countries.

2.2 The basic situation of the natural gas consumption industry

Natural gas is relatively clean energy and could used in a variety of products. natural gas is also an important chemical raw materials, their chemical products are ammonia, urea, methanol, formaldehyde and ethylene, synthetic ammonia production in the world, about 80 percent use natural gas as raw material, 70 % of methanol production use natural gas as raw materials, natural gas can also be used in power generation, is widely used in civil and commercial gas stove, water heater and so on.

China begin to focus on large-scale use of natural gas as fuel for vehicles, most of our bus and taxi will be expected replaced by clean energy vehicles. The Chinese Petroleum Kunlun Mountains Oil & Natural Gas Company has just been set up, which involved in the use of natural gas vehicle business, the whole country to proceed immediately to lay out the compressed natural gas vehicle business. The next annual sales will be more than 100 million cubic meters of natural gas.

3. The basic characteristics of the world's major countries use of natural gas resources

Gengliang Chen listed the table of natural gas consumption structure all over the world in 1998 (Gengliang Chen, 2002, p.232).

Inset Table 1 here

In 2006, world natural gas consumption was 105.5 trillion cubic feet. Consumption in Russian was 16.6 trillion cubic feet, consumption in the United States was 21.7 trillion cubic feet, natural gas consumption in Russia and the United States was over 36% of the world's total consumption. In the current the distribution and use of natural gas in Russia, the United States and Europe are relatively reasonable in the world. The objects of study in this article are Russia, the United States, Europe and China, in order to comparative analysis then finds out the gap between the use of China's energy consumption and other countries in the world.

3.1 Russia

Russia's natural gas production in 2007 to 607.4 billion cubic feet equal to the world's total output of 20.66%, while its domestic consumption was only 438.8 billion cubic feet. Each year, the volume of exports of natural gas is about 200 billion cubic feet to establish Russia to become the world position as a major power, before that, Russia's main natural gas supply for European through gas pipelines. Today, there are some changes in the political situation between Russia

and neighboring countries, Russia wants to cooperate with China to build another natural gas pipeline extend to China's eastern coastal in order to weaken Ukraine controls of natural gas transmission.

3.2 United States

U.S. natural gas consumption in 2007 the largest sector ---- the industrial sector consumed 6.6 trillion cubic feet, the use of the electricity sector reached to 6.8 trillion cubic feet, in 2007 natural gas consumption of civil was 4.7 trillion cubic feet. Natural gas consumption of commercial sector was 3.0 trillion cubic feet.

Natural gas industry journal (Zhong Wang,1999, p.98) reported that United States natural gas for power generation has grown gradually from nothing, which now accounts for not only 14.3% of the total consumption of natural gas but also 9%of the total generating capacity (the structure of power generation in United States: coal-fired electricity accounts for 52%, 21% nuclear power, hydroelectric power accounted for 10% , oil and renewable energy power generation accounted for 9%, natural gas accounts for 9%) .

3.3 Europe

Natural gas is not only used in heating the city, fuel for taxis, but also many industrial enterprises are switching to natural gas fuel. Europe is not rich in energy due to the geographical conditions, but the European countries attach great importance to environmental protection, and it is precisely because of such a strong sense of environmental protection, environmental protection has become an enormous role to develop technology of production. There is no doubt that the future of our society is facing one of the greatest problems is how to use of renewable energy. The European universities and research institutions have set up new energy and energy and environmental research institutes, in the cross-connect partners in the field of applied basic research to study new energy and renewable energy, practical research and development, including solar, biomass, geothermal energy, energy rate of energy utilization and new energy.

4. Comparative Study of natural gas utilization between China and foreign country

4.1 Consumption structure

Energy Information Administration (<http://www.eia.doe.gov/neic/infosheets/natgasconsumption.html>) reported that World wide consumption of natural gas is projected to increase by nearly 66 percent between 2005 and 2030. Among the end-use sectors, the industrial sector remains the largest consumer of natural gas worldwide, accounting for 44 percent of the total increase in demand for natural gas between 2005 and 2030. Natural gas also is expected to remain an important energy source in the electric power sector, particularly for new generating capacity. By the year 2030, total world consumption of natural gas is expected to be 158.0 Tcf.

The United States is the largest producer and consumer of natural gas. In this field of make use of natural gas, whether from a technical point of view or policies are relatively mature than china. After measured ,the United States in 2007 , the natural proportion of industrial consumption accounted for 28.7% of the energy consumption structure, the consumption is 220.561 billion cubic meters; civilian accounts for 20.5%, the consumption is 133.77 billion cubic meters; for commercial use of natural gas accounted for 13.1%, consumption is up to 85.178 billion cubic meters; for electricity accounted for 29.7%, consumption is 194.651 billion cubic meters; for motor fuel accounts for only 0.1%, and the consumption is 18.321 billion cubic meters, as well as pipelines fuel and consumption of oil and gas industry operations.

Insert Table 2 here

Currently, China's consumption of natural gas accounted for energy consumption's only 3.5%, far below the global average consumption level of 25%. As can be seen from Table 1 China's natural gas is mainly used in industry, which equal to national natural gas consumption's 63.1 % , China's natural gas consumption in the industrial sector the proportion is much higher than the United States, but this does not mean that we can produce more natural gas products. As a result of relying on foreign developed countries' advanced technology, the same volume of natural gas can produce more end products, while China is relatively backward because of technology; we have to consume more natural gas resources to produce the same amount of products. Chemical projects used of natural gas in 2007 amounted to 22.343 billion cubic meters, accounting for 43.8 percent of industrial consumption. Chemical industry projects, as well as gas-fired power plants and other industrial projects are rapid developing in recent years, increasing gas consumption. In the overall natural gas consumption structure of the word, chemical industry accounted for only 4.1 percent, while China's chemical industry in 2007, natural gas consumption is accounted for more than 30%, significantly higher than Normal level of the world.

The proportion of Natural gas consumption of business and the power industry is at a low level, which leads to a deeper reflection that sale natural gas in China is poor business mobility and still monopoly by China National Petroleum Corporation and China Petrochemical Corporation.

Comparatively speaking, China's natural gas for power generation is at a very low level. The amount use of natural gas for power generation in China was only 7078 million cubic meters, equal to 9,413,740 tons of standard coal, and

China's electric energy consumption for a total of 184,745,900 tons of standard coal, that is only 5% of the total generating capacity, however, which made up to roughly 20% in the word. Today China mainly relies on coal power generation, which will inevitably cause a certain degree of environmental pollution.

4.2 The price

Insert Table 3 here

The natural gas average realized price in china was just 3.15 dollars per thousand cubic feet in 2008. The natural gas average realized price was reach to 3.28 dollars per thousand cubic feet in 2009 March. From 2009-4-1 Civil natural gas price in Beijing up-regulate to 2.05 Yuan per cubic meter, equal to 8.4918 dollars per thousand cubic feet. Based on consideration of the utilization of Mining technology and production, domestic natural gas prices did not play a role in regulating natural gas supply and demand, China's low natural gas prices directly led to China's natural gas structure is irrational, the strategic status of natural gas has not been of great importance to the relevant departments.

4.3 Natural gas resources storage underground

The world per capita consumption is 403 cubic meters natural gas / year, while China per capita consumption is only 25 cubic meters / year. Based on the China's large population, it is easy to estimate that the natural gas demand in China has great potential under the pushing of such a large energy demand; China's natural gas demand will continue to rise. U.S. natural gas inventories - based on the underground storage facilities on November 14 2008, in which working gas in storage was 348.8 billion cubic feet. Natural gas inventories are expected to be 5-year follow-up changes through the history of other years, as long as weather conditions remain close to normal. China National Petroleum Corporation has been building in the Dagang Oilfield in Tianjin, which is China's first large-scale natural gas storage for the accommodate imbalances in winter and summer consumption of natural gas in Beijing and Tianjin. However, underground gas storage project in China has not a large-scale implementation.

5. Proposed measures for Natural gas use in China

5.1 The increasing pressure of environmental protection, domestic energy consumption structure in urgent need of adjustment

First of all, the natural gas proportion of primary energy consumption structure in China is on the low side .natural gas as an important strategy energy, can adjust the fragile energy structure of China's, for example every year the generating capacity restrict by the price of coal and the quantity of coal supply in Hunan, Shanghai and other regions, we can take full account of the way electric power generation change, in the case of a short supply situation of coal ,natural gas could used as alternative energy generation. The technology of Natural gas for power generation is currently basic maturity, but due to policy reasons, China's use of natural gas for power generation projects are not widely implemented, only a few prefectures achieve to combined heat and power projects.

Secondly, the industrial sector share of natural gas consumption is too large, the overall scarcity of resources in natural gas, this structure is not conducive to the development of other sectors, the country should adopts appropriate measures to encourage the development of technologies to further improve the utilization rate of natural gas.

5.2 To raise domestic gas prices

Domestic natural gas consumption demand continued to grow, year on year increase the supply gap. Natural gas energy as a scarce energy, its price should be determined by market supply and demand-driven, supported by national policies, but at present, China's natural gas pricing does not follow this principle, the low price of domestic natural gas leads to further exacerbate the contradictions between supply and demand, resulting in natural gas market position has not been fully exploited.

5.3 To increase the proportion of city gas

Urbanization is an inevitable trend of economic development in recent years the proportion of China's urban industrialization is growing so fast, urban pollution has become the densely polluted area. Focus on improvement and rectification of urban pollution is an important way to tackle the sources of pollution. China's industrialization should be increased the use level of natural gas in the main cities to reduce the coal-fired fuel and alleviate the situation of urban pollution, such as more vehicles use compressed natural gas, take the implementation of natural gas for power generation projects and so on.

5.4 Natural gas resource reserves increased

Strengthen China-Russia- Kazakhstan the three countries firmly of strategic relations in the energy field, and at the same time to strengthen cooperation with African countries in the field of energy on the basis of equality and mutual benefit. Further expand the scope of natural gas pipelines, the establishment of a nationwide network of natural gas and the introduction of the expansion of LNG projects.

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Table 1. Comparison of natural gas consumption structure all over the world in 1998

	raw material,%	power generation,%	civilian use,%	annual consumption×108m ³ /a
Latin American region	8.1	23.4	13.3	900
African Region	5.3	43.1	7.4	500
Middle-Eastern region	12.8	39.5	9.9	1400
South-East Asia Region	13.2	38.1	10.1	1100
North American Region	1.8	22.4	39.8	7200
Western Europe Region	3.8	23.0	43.0	4200
Soviet Union Region	1.4	33.8	21.9	5700
Japan	0.2	66.8	30.5	720
China	39.6	14.4	11.2	220

Table 2. The proportion of natural gas consumption between china and US

Unit: %

trade country	industry	civilian	commerce	generate electricity	automotive fuel
US.	28.7	20.5	13.1	29.7	0.1
China	63.1	19.2	5.1	<10.2	<2.4

Table 3. U.S. natural gas prices

Unite: dollars/MCF

year	wellhead price	City Gate Price	Residential Price	Commercial Price	Industrial Price	Electric Power Price
2003	4.88	5.85	9.63	8.4	5.89	5.57
2004	5.46	6.65	10.75	9.43	6.53	6.11
2005	7.33	8.67	12.7	11.34	8.56	8.47
2006	6.39	8.61	13.73	12	7.87	7.11
2007	6.37	8.12	13.06	11.32	7.68	7.31
2008	8.07	9.18	13.68	11.99	9.61	9.35

Data Source: EIA



Consumers' Acceptance of Unethical Consumption Activities: Implications for the Youth Market

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Abstract

The objective of this research is to explore the acceptance of unethical consumption activities of young Malaysian consumer in regards to gender, exposure to ethics education and the amount of allowances received per month. The specific focus on the young consumers is taken into account as this group has been a growing population of consumers in Malaysia with many forms of advertising, promotions and marketing strategies targeted at them. In this study, the sample was drawn from undergraduate students from a private university in Malaysia. The results indicated that female consumers were more ethical in two of the four dimensions of consumer ethical beliefs. Furthermore those who have not taken ethics course were found to be more ethical in at least two of the dimensions of the consumer ethical scale. Finally the quantum of allowance received per month did not influence the level of consumer ethical beliefs in all the four dimensions of consumer ethics.

Keywords: Consumer ethics, Young consumers, Malaysia

1. Introduction

The consumer market in Malaysia has been growing rapidly over the last few decades. The dynamic growth of population and purchasing power signify the vast potential of consumer market in Malaysia. Consumer lifestyle has been evolving and changing due in part to rising affluence and education levels. High profile international retailers and the global mass media have also played a hand in shaping consumer-buying behavior. Malaysians are becoming more westernized, sophisticated and cosmopolitan.

The number of young Malaysian consumers has been increasing. In 2003, it was estimated that 43% of Malaysia's 25 million people were under the age category of 20 years (PricewaterhouseCoopers, 2004). Therefore, it came as no surprise that many marketing and promotional efforts are targeted at this group of growing young consumers. With the siege of advertising, direct marketing, e-commerce and recently mobile marketing, it has made decision-making among young consumers more complex. Furthermore advertising, personal selling, pricing, marketing research and international marketing have been subjected to frequent ethical controversy (Murphy & Laczniak, 1981) as many questionable practices have been uncovered over the years.

With the rapid changes in the market environment, how do Malaysian consumers' especially the youth deals with ethical issues of consumerism? Is there any difference in the ethical beliefs of young male and female consumers? What about the exposure of these young consumers to ethical education? Does it make a difference in their ethical beliefs? Furthermore, did the amount of allowances received per month affect the ethical beliefs of these consumers?

Pratt et al. (1983) in their study found that young consumers often differ from elderly consumers in terms of their moral thinking. Therefore, it is important to examine the ethical beliefs of the youth market. The present study will attempt to fill the gap in the literature by examining the ethical beliefs of young Malaysian consumers in regards to various consumer practices. It is also an effort to provide some preliminary insights on the acceptance of unethical consumption activities among Malaysian youths, providing international companies thinking about entering the Malaysian market with useful information for the design of marketing strategies.

The objective of this exploratory research is to investigate the acceptance of unethical consumption activities of young Malaysian consumer in regards to gender, exposure to ethics education and the amount of allowances received per month.

The paper begins by providing a theoretical background of the relevant literature. Thereafter the methodology and the results from the quantitative study were presented. The paper concludes with a discussion of the implications of the findings and identifies several limitations for future improvement.

2. Background literature

Muncy & Vitell (1992) define consumer ethics as “the moral principles and standards that guide behavior of individuals or groups as they obtain, use and dispose of goods and services.”

Early models of marketing ethics (Ferrell & Gresham, 1985; Hunt & Vitell, 1986) focused on ethical practices within the areas of marketing research, marketing management, sales, advertising and social marketing. In the early 1990s, Vitell and Muncy noticed a lack of attention to the buyer side of the buyer seller dyad and asserted that research on consumer ethics was almost nonexistent. They found only three significant studies that empirically examined consumer ethical judgments (Davis, 1979; De Paulo, 1987; Wilkes, 1978). Furthermore they found that these studies were limited to small samples, had a narrow scope and lacked emphasis on the attitudinal characteristics of the consumer. As a result they developed a scale to measure consumer ethics (Muncy & Vitell, 1992; Vitell & Muncy, 1992).

The consumer ethics scale developed by Muncy & Vitell (1992) looks at how consumers react differently to different types of ethical situations. They also specified four distinct dimensions relating to the following situations, specifically – (1) actively benefiting from illegal activities, (2) passively benefiting, (3) actively benefiting from deceptive but legal practices and (4) no harm activities.

3. Hypotheses development

3.1 Gender

Beltramini et al. (1984) found that female college students were more concerned with ethical issues than their male counterparts while Thoma (1985) found that females were generally more ethical than males. However, Rest (1986) did not find the differences between gender to be significant. In Ford & Richardson’s (1994) review of fourteen studies analyzing behavior by gender, there were seven studies that reported females behaving more ethically than males, while another seven studies found no relationship between gender and ethical behavior. The 47 meta analysis studies by Borkowski & Ugras (1998) yielded 49% significant, 34% not significant and 17% mixed findings regarding the relationship of gender and ethical behavior.

From the literature it is therefore hypothesized that:

H1: There is a significant difference between male and female towards all the four dimensions of consumer ethical beliefs.

3.2 Ethics course

Arlow & Ulrich (1980) in their study sought to determine the impact of taking ethics course on students’ ethical attitude by surveying a group of 120 undergraduate marketing, management and accounting students before and after taking the ethics course. They found a significant difference on the pre and post measures for social responsibility scale. A study by Budner (1987) however discovers that students who took ethics course did not have any influence on students ethical orientation score. The findings in the study by Wynd & Mager (1989) indicated that ethics class had no statistically significant impact on student attitudes. Based on past research it is not clear whether a business ethics course will have any impact on ethical perceptions.

Nevertheless, it is hypothesized that:

H2: There is a significant difference between those who have taken ethics course and those who have not taken ethics course towards all the four dimensions of consumer ethical beliefs.

3.3 Income

Muncy & Vitell (1992) in their original exploratory study found that consumers with lower income reported more unethical behavior. Consistent with this view, Pratt (1991) found a tendency for higher income individuals to be more sensitive to ethical issues. Using a Singapore sample, Ang et al. (2001) found that higher income consumers were less likely to behave unethically in that they were less willing to purchase counterfeit product. Overall however, there is little empirical evidence available regarding the role of income in ethical decision making especially in the consumer setting. Thus Vitell (2003) in a review of consumer ethics studies indicated that there is a need for research concerning the role of income in consumer ethics. In this study, as the sample was undergraduate students who did not earn any income, the income variable would be replaced by allowance received per-month which closely resembled income generated.

Based on somewhat limited evidence, it is nevertheless hypothesized that:

H3: There is a significant difference between different levels of allowance received per month towards all the four dimensions of consumer ethical beliefs.

4. Methodology

4.1 Measurements

In order to obtain reliable information from the respondents, established and validated scale was selected for data collection.

The dependent variables were derived from the consumer ethics scale (Vitell et al., 1991; Muncy & Vitell, 1992). This scale was designed to measure respondents' beliefs regarding twenty consumer situations that have ethical implications. The respondents were asked to rate each behavior on a 5-point Likert scale from "strongly believe that it is wrong = 1" to "strongly believe it is not wrong = 5".

There were four dimensions to the consumer ethics construct, each of which was used as a dependent variable in this study. The first dimension, "actively benefiting from an illegal activity (CE1)", deals with illegal actions initiated by the consumers (e.g., shoplifting) and they are all likely to be perceived as illegal by most consumers. The second dimension, "passively benefiting at the expense of others (CE2)", involves instances where the consumer does not initiate an action but stand to benefit from the seller's mistake and does not inform the seller or correct the situation (e.g., getting too much change and not saying anything). The third dimension, "actively benefiting from questionable action (CE3)", involves self-initiated actions that are questionable but are not illegal (e.g., manipulating a sales promotion). The fourth and final dimension, "no harm/ no foul (CE4)", involves actions in which little or no harm results and is perceived by some consumers to be acceptable. Certain items were modified or dropped after the initial pilot test to suit the Malaysian scenarios and also to take into consideration the changing patterns of consumerism among Malaysian young consumers.

Table 1 indicates the reliability levels obtained in this study for the four dimensions of the consumer ethics scale that measure consumer ethics.

Schuessler (1971) stated that a scale is considered reliable if it has an alpha value greater than 0.60. Hair et al. (1998) added that reliability estimates between 0.60 and 0.70 represent the lower limit of acceptability in quantitative research studies. Therefore, the alpha value greater than 0.60 for reliability estimates was used due to the exploratory nature of this research.

4.2 Sample

The questionnaires for this study were administered to 800 undergraduate students from a major private university in Malaysia. Undergraduate students were chosen as respondents due to their ready accessibility and their demographic that fit into the profile of young consumers. The students completed the survey during class time and were assured anonymity. Participation was voluntary and no remuneration was offered. At the university, a faculty member was requested to assume responsibility for the distribution of the questionnaires to the students at four different faculties: Faculty of Accountancy and Management (FAM), Faculty of Information & Communication Technology (FICT), Faculty of Engineering and Science (FES) and Faculty of Arts and Social Science (FAS). Representation was sought from all undergraduate classifications (Year 1 to Year 4) and both sexes.

A total of 574 completed questionnaires (yielding a response rate of 71.2%) were obtained and deemed sufficiently complete to be useable. Prior to subjecting the data to statistical analysis, frequency distributions were tabulated for each item to ascertain possible response biases. In addition, a visual inspection was also performed to identify any possible anomalies. None were detected and the sample was determined to be of sufficient quality to be subjected to statistical analysis.

Table 2 describes the characteristics of the sample in detail.

5. Results

To test hypothesis 1 and 2, the independent sample t-test was used as it involved finding the differences between two groups. One-way ANOVA was conducted to test hypothesis 3.

From Table 3, female consumers were shown to have a low level of willingness to benefit from a marketing or consumption situation that was clearly illegal then the male respondents. The result showed that female consumers' willingness to passively benefit from the mistakes of others was significantly lower than male consumers. Based on the results, hypothesis 1 on gender differences was partially supported, as only two out of the four dimensions of consumer ethics were significant.

In Table 4, those who have not taken ethics course were shown to be less willing to accept actions that may be considered questionable, but not illegal. The same group was also less willing to benefit from situations that resulted in

no harm. Based on the results, hypothesis 2 on those who have / have not taken ethics course were shown to be partially supported as only two out of the four dimensions of consumer ethics were significant.

In Table 5, the result indicated that the significant values for all categories of allowances were above 0.05. Therefore there were no significant differences in the allowance received per month towards all the four dimensions of consumer ethics. Therefore, H3 was not supported.

6. Conclusion

The findings in the present study provide insights regarding young consumers' view of unethical consumer behavior in the context of gender, exposure to ethical education and the amount of allowance received per month

The result indicated that young female consumers were generally more ethical in two of the four dimensions of consumer ethical beliefs, namely "actively benefiting from illegal actions initiated by the consumers (CE1)" and "passively benefiting at the expense of others (CE2)". Past studies have shown that gender to be a significant predictor of ethical attitudes and perceptions. Ford & Richardson's (1994) review of fourteen past literatures reported that in seven studies, women were found to behave more ethically than men. In addition, prior studies also reported a significant gender effect in the relationship between ethical attitudes of students and gender (Albaum & Peterson, 2006). Specifically, the study discovered that female students are more ethical than male students. Borkowski & Ugras (1998) reported that female students displayed stronger ethical attitudes than did the males. In the context of consumer ethics, Rawwas (1996) reported that female consumers tended to view unquestionable consumer practices more negatively than males. The current results seem to confirm and support studies from past literatures.

In regards to young consumers who have taken ethics course versus those who have not, it was found that those who have not taken ethics course were in fact more ethical in at least two of the dimensions of the consumer ethical scale. They were found to be more ethical in regards to the following dimensions: "actively benefiting from questionable but not necessarily illegal actions (CE3)" and "actions that consumers perceive as not resulting in any harm and therefore acceptable (CE4)". A study by Budner (1987) discovers that students who took ethics course did not have any influence on students ethical orientation score. Another study by Wynd & Mager (1989) also indicated that ethics class had no statistically significant impact on student attitudes. The results from current study may indicate that exposing young consumers to ethics course may not necessarily resulted in a more ethical behavior towards consumer ethics. A re-examination of the present ethics curriculum at institutions of higher learning might be timely and appropriate. Re-looking at how current ethics courses such as Business Ethics and Corporate Governance subjects are taught in Malaysian universities may be needed to address the 'gap' between knowledge and practice.

In the case of the level of allowance received per month by young consumers, it can be concluded that the quantum of allowance received per month did not influence the level of consumer ethical beliefs in all the four dimensions. This might be explained by the fact that previous studies look at income as compared to allowances received (Muncy & Vitell, 1992; Ang et al., 2001). There is little empirical evidence available regarding the role of income in ethical decision making especially in the consumer setting. Respondents in previous studies earned their income whereas in the case of allowance, it is given to the current respondents either by their parents, government etc. This might indirectly affect the results as in the current study the allowances are not earned through hard work but merely given as pocket money. Therefore, the acceptances of unethical consumption activities in this study are not dependent on how much allowance these young consumers received. Moreover, this warrants further research in the future.

In conclusion, the results of this research must be used with caution as the sample of the exploratory study is basically undergraduate students. Furthermore, the sample consisted of overwhelmingly ethnic Chinese students. Future study should consider expanding the sample to include a more accurate representation of the Malaysian population.

Nevertheless, this research has contributed to the understanding of the level of acceptance of unethical consumer behavior of Malaysian youths. Increasing our understanding of the variations among young consumers regarding their views on unethical consumer behavior should be helpful for businesses as well as public policy makers. It will assist marketers to better address the issue of how to ethically advertise and market their products and services. Furthermore, the study is also important to policy makers in educational institutions on the need to re-look at the current syllabus and delivery of ethics courses.

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Table 1. Reliability of the Dependent Variable Measures

Construct	No. of Items	Cronbach Alpha
Actively benefiting from illegal actions (CE1)	4	0.608
Passively benefiting (CE2)	5	0.721
Actively benefiting from questionable actions (CE3)	6	0.720
No harm/ no foul (CE4)	5	0.692

Table 2. Demographic Profile of the Respondents (n= 574)

Gender	Race	Faculty	Monthly Allowance	Taken Ethics Subject
Female: 63.9%	Chinese: 96.7%	FAM: 70.4%	Less than RM200: 24.4%	Yes: 47.7%
Male: 36.1%	Indian: 3.0%	FICT: 13.9%	RM200 – RM300: 13.6%	No: 50.9%
	Malay: 0.2 %	FES: 9.2 %	RM301 – RM400: 15.3%	
	Others: 0.2%	FAS: 6.4%	RM401 – RM500: 19.5%	
			More than RM500: 26.7%	

Table 3. Consumer Ethics by Gender

	Male (Mean)	Female (Mean)	Total (Mean)	Sig. (p-value)
CE 1	2.2817	2.0863	2.1566	0.002*
CE 2	2.8068	2.6710	2.7198	0.045*
CE 3	2.3851	2.4590	2.4324	0.226
CE 4	4.3134	4.2008	4.2412	0.184

* Significant at $p < 0.05$.

Table 4. Consumer Ethics between Those who have taken Ethics Course and those who have not

	Yes (Mean)	No (Mean)	Total (Mean)	Sig. (p-value)
CE 1	2.1914	2.1306	2.1566	0.313
CE 2	2.7846	2.6641	2.7198	0.058
CE 3	2.4939	2.3809	2.4324	0.046*
CE 4	4.3549	4.1462	4.2412	0.009*

* Significant at $p < 0.05$.

Table 5. Consumer Ethics by Allowance Received per Month

	Less than 200	200-300	301-400	401-500	More than 500	Sig. (p-value)
CE1	2.139	2.139	2.255	2.151	2.130	0.728
CE2	2.681	2.678	2.756	2.701	2.756	0.873
CE3	2.419	2.444	2.500	2.379	2.443	0.797
CE4	4.248	4.279	4.181	4.093	4.365	0.219

* Significant at $p < 0.05$.



The Analysis of Problems and Countermeasures for Western Region Undertaking the Textile Industrial Transfer

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Abstract

A new round of industrial transfer inside and outside is speeding up. Meet with the trend of economic globalization and regional economic integration, western region is trying to undertake the east and seaside regions' textile industrial transfer, promoting the optimization of industrial structure and the strengthen of economic competitiveness. Based on analyzing the main problems for western region undertaking eastern textile industrial transfer and the reasons, this thesis offers several countermeasures and suggestions according to present conditions and new requirements. (1) Develop western border trade and the western inland market. (2) Combine western competitive advantages and eastern latest technologies and achieve the integration of advantage resources of western and eastern textile industries. (3) Build a new special industrial chain for western textile industry. (4) Learn mature management modes from eastern textile companies. (5) Build a favorable environment in the west for undertaking the textile industry.

Keywords: Textile industry, Industrial undertaking, Problems, Countermeasures and suggestions

For a long period, "more on the east, less on the west" is a vivid description for China's textile industry, which reflects the unbalanced condition of textile industry in China. During the past more than one decade, China's textile industry has developed fast. Textile and clothing companies mainly locate in Pearl River Delta, Yangtze River Delta, and around Bohai. Western region has rich fiber resources and cheap labors. However, the clothing and textile and labor-intensive industries do not develop well. The textile productivity merely accounts for 12% of the national, and the value of output only 4.5% or so. In recent years, due to the appreciation of RMB, the decrease of export rebates, the rise of labor costs, the increasing price of raw materials and energies, and the adjustment of income taxes for domestic enterprises and foreign-funded enterprises, eastern enterprises' costs are rising significantly. All these factors impact on the labor-intensive textile and clothing industry. According to a survey by China Textile Industry Association, since 2008, the average return for two-thirds textile enterprises in Jiangsu, Zhejiang, Shandong, Guangdong, Fujian, and Hebei is only 0.62%. Under the unprecedented pressure, textile industry tends to move toward the inland from the seaside.

1. The inevitability for eastern textile industry's gradient transfer

Since the application of reform and opening-up policy, the eastern region in China has taken advantages of location and grasped chances of industrial transfer in developed countries and Hong Kong, Macao, and Taiwan, and developed lots of labor-intensive manufacturing industries, which powerfully drives local economic development and turns into important strengths for pulling China's economic growth. After years of fast development, capitals in eastern region are so sufficient that local market can not satisfy the needs for capital increment. Plus the high commercial costs and the environmental issues, the optimization and upgrade of industrial structure become an inevitable trend. The eastern region has already passed the initial industrial stage (textile industrialization) and stepped into the advanced industrial stage (heavy industrialization). It needs to complete the transformation from scale expansion to structural improvement. Processing industry and labor-intensive industry move toward the middle and western regions.

2. Problems for western region undertaking the textile industrial transfer

Although in the world every industrial transfer creates an "economic myth" in the undertakeance region to a different degree, we should know that there are lots of problems (Yixiong Yang, 2006) in western region undertaking the textile industrial transfer from the eastern and seaside region. In detail, firstly the expensive transportation from western region to ports blocks the steps of textile enterprises toward western region. Here we take the western city Chengdu for example, where the foreign trade develops well. From the Table 1, we know that the enterprises in Chengdu have to pay extra transportation fees in export. Plus the time consumed in transportation, the transaction efficiency is low. Besides,

some enterprises may choose roads instead of railways in transportation. A 20 feet container carrier has to pay 4628 RMB for logistics. The cost of transportation exerts a significant effect on western region undertaking textile industrial transfer. Secondly, from the West Development Program to the new round of industrial transfer, many textile enterprises that move in western region can not find equipped enterprises and get necessary products, materials, and services. Thirdly, investments in western region consume more labor search costs, training costs, and regulatory costs. It may face higher labor efficiency risk and talents lose risk. Fourthly, western market is immature. Migrant enterprises do not possess economic freedom. Besides, the efficiency of government in western region is low in general.

3. Factors that restrain western region to undertake the textile industrial transfer

3.1 The exterior development of eastern textile enterprises increases the logistics costs for western migrant enterprises.

Because of regional advantages and favorable policies after the application of reform and opening-up policy, eastern seaside region undertakes the labor-intensive industries from developed countries in the first round of world industrial transfer. After several decades' development, eastern seaside region becomes the important export base for China's textile and clothing industry, which takes Europe, America, Japan, and related region as the center. Therefore, western region, due to the special location, will face high logistics cost as it undertakes eastern textile industrial transfer. For western textile enterprises, the high cost includes the logistics cost from inland to seaside ports, which turns into a barrier for western migrant enterprises.

3.2 Western region has weak industrial base and low industrial equipment.

The industrial base in many western regions is weak. Except Chengdu and several cities, there is not a complete industrial equipment system. Western region is lack of talents, and industrial technologies. Amounts of talents are losing. The industrial chain is short. The added value of product is low. The degree of information in production is low. It is hard to form industrial clusters. Industrial cluster regions have better base for industrial development, which can benefit migrant enterprises in many aspects, such as market, skilled labor, human resource, and coordinative equipment. In general, because of weak industrial base and limited industrial cluster development, the industrial equipment capability in western region lags behind of eastern and middle region. As a result, many textile enterprises that move in western region can not find the relevant enterprises. They could not get necessary products, materials, and services.

3.3 The human capital is at a lower level and the labor productivity is low in western region.

Although western region has rich labor resources and the labor price is low, it can not satisfy the needs of migrant textile enterprises because of the lagged behind basic education. Meanwhile, due to differences of job opportunities, material treatments, and development spaces, lots of technologists, managers, and professional laborers from western region choose to work in eastern region. As a result, the human resource structure makes western region at an inferior position, which directly influences the labor productivity, impacting on the timeliness of products suiting for the market. For textile enterprises, all these factors mean that: to invest in western region requires more labor research costs, training costs, and supervision costs, and it may face higher labor efficiency risk and talent lose risk.

3.4 In western region the marketization is at a lower level and the transaction cost is high.

Marketization can improve resource distribution efficiency. The degree of marketization determines the efficiency of regional resource distribution efficiency. According to a survey, about 12 provinces locate in seaside among the 14 provinces that have better marketization. Here, Guangdong province has the higher marketization index, namely 95.2%. Qinghai province, in the western region, is the one. Its marketization index is only 14.8%. The low marketization level in western region directly causes the low efficiency of western resource distribution and high transaction costs. Western region has the lowest marketization level in China. Therefore, migrant enterprises have to endure kinds of special costs due to the absence of economic freedom, and low efficiency of government.

4. Countermeasures for promoting western region undertaking textile industrial transfer

4.1 Develop western border trade and dig out western market

The migrant textile enterprises can make best use of the special regional advantages, namely the western borders that are more than 2000 kilometers and more than 20 trading ports, develop environment-friendly textile products, build textile export processing zones, promote border trade, expand exports, and drive western textile industrial development.

In western region the population is nearly 400 million, accounting for 29% of the total in China. However, the social commercial retails in western region only account for 16% of the total in China. It means that the consumption market has a wide space. Besides, develop western industrial textile products and make it turn into a new economic growth point for industrial industry. Focus on covers materials, raw materials, medical materials, industrial materials, package materials, and auto decoration materials. The west development program and the industrial transfer will bring about lots of infrastructure projects, which will turn into a great demand for industrial textiles.

4.2 Combine western competitive advantages and eastern advanced technologies and realize the advantage resource integration of eastern and western textile industry

Apply the “eastern advantage resource + western advantage resource” investment mode. Build an investment mode by a most effective resource distribution way. Adopt the “eastern capitals, technologies, talents + western lands, labor resources, western market” mode. Build textile industrial clusters in proper regions. Meanwhile, make best use of the “eastern advantage enterprises + western related enterprises + overall market” mode. Build an integrated industrial chain combined R&D, design, production, and sales together. The textile industry in Xinjiang has been in loss since 90s last century. Till 2003 and 2004, conditions do not change. But recently, the whole industry is profitable. Exports rise significantly. What are reasons? The answer is the combination of east and west. In recent years, the textile industry in Xinjiang begins to win profits and exports more than ever by combining with eastern latest production technologies and marketing ways. Some famous eastern enterprises, such as Younger, Lutai, and Yida, make best use of Xinjiang’s resources and labors, combine with eastern latest management and marketing, achieving better effects. Some eastern enterprises that merely move old machines into Xinjiang do not get profits.

4.3 Build a new featured industrial chain for western textile industry

21st century is the time of information technology and knowledge economy. Amounts of specialists and scholars emphasize on the importance of building an industrial chain. The industrial chain includes cotton planting, textile dyeing, clothing equipment production, clothing processing, clothing auxiliary production, clothing trade platform, clothing research, and market research. The center is to develop the mature eastern textile industry. Take design and marketing as the main body, western textile industry as the assistant. Emphasize on textile materials and processing. Build a featured industrial chain, aiming at improving the capability of innovation. It means to develop the association of industry, cooperate with market, make the industry more specific and regular, and make the advantages in resources and labors turn into local featured advantages. Based on Xinjiang and Shaanxi’s cotton resources and cotton textile industry, build a production base for excellent yarns and cloths in China. Build a national silk production base with the support of silk production in Sichuan, Chongqing, Yunnan, and Guangxi. Build a regional wool textile production base with the support of textile industry in Neimeng, Gansu, Qinghai, and Ningxia. Build a ramie textile production base with the support of ramie resources in western region. Develop the equipped fiber industry based on the petro gas resources in western region. Grasp the historical chance of undertaking eastern and seaside provinces’ textile and clothing industry transfer.

4.4 Build a favorable environment for western region undertaking textile industry transfer

In order to undertake eastern textile industry transfer, western region should improve local environment that is not right for textile industry development. Firstly, build a textile industry zone, which serves as the effective carrier for western region undertaking eastern textile industry transfer. Aim at forming industrial cluster advantages and strengthen the construction of special zone. Drive the labor division and cooperation among enterprises. Enhance enterprises’ associations and technological and information communication. Form the thick “industrial air” and decrease enterprise costs. Secondly, apply the “order” training. Education institutions can associate with enterprises to form technique schools. Increase the supply of skilled laborers. Thirdly, perfect the market economic system further and decrease market costs. Finally, considering the fact that most migrant enterprises in western region are small and medium private textile enterprises and most are labor-intensive, we should emphasize: (1) Provide discount interests for loans. Encourage western commercial banks supply financing convenience and benefits for private enterprises. (2) Provide employment allowance. Because migrant textile enterprises offer job opportunities in western region, it is reasonable to provide investment allowance for these enterprises. By this way, we can speed up the transfer of textile industry from eastern region toward western region.

5. Conclusion

The migrant of enterprises need time. It is vital for the scientific development of an industry. It is a gradual process and must be in accordance with the law of market resource distribution. We can depend on the core environment and the leading enterprise to speed up the industrial transfer, especially selecting some influencing brand enterprises and key enterprises in eastern region. By cooperating directly with these enterprises or merger and purchase, drive the fast development of industrial transfer. In a word, the migrant toward western region should be step by step. The characteristics of enterprises determine where they can move in. Only by long-term consideration and scientific development, can migrant enterprises make right decisions and take right actions.

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Table 1. Railway tariff from Chengdu to some seaside cities in China.

Starting station	Arriving station	Distance (kilometer)	Expenses for one-ton container	Expenses for five-ton container	Expenses for ten-ton container	Expenses for 20 inch container	Expenses for 20 inch container	Day
East of Chengdu	Qingdao	2346	141.06	1119.09	1792.76	3261.96	6632.86	5
East of Chengdu	South of Shanghai	2516	152.49	1207.77	1931.70	3509.02	7123.50	5
East of Chengdu	Tianjin	2078	124.26	986.67	1582.04	2881.12	5863.78	4
East of Chengdu	Yantai	2567	147.82	1172.64	1878.45	3417.63	6948.95	6

Source: <http://www.railwayfan.net/>



The Insight Study of Consumer Life-styles and Purchasing Behaviors in Songkla Province, Thailand

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Abstract

Purposes of the insight study of consumer life-styles and purchasing behaviors in Songkla province, Thailand” were: 1) to understand consumer life-styles and purchasing behaviors; 2) to determine the factors affecting consumer life-styles and purchasing behaviors; and 3) to examine consumer attitudes among traditional and modern trade channels. The data were collected through self-administered questionnaires among a sample of 300 consumers in Songkla province. Descriptive and inferential statistics, composed of frequency, percentage, t-test, and multiple regression, were used in the data analysis. The results indicated that consumer life-styles oriented in outgoing, dependent in decision making, economically conscious, necessity and convenience concern. The purchasing behaviors were focus on product variety, facility & service, outlet location, pricing, product quality, refreshment of product and product modernity. At a 0.05 statistically significant level, demographic and socio-economic characteristics affecting consumer life-styles and purchasing behaviors. There were discernable consumers’ attitudinal differences between traditional and modern trade channels.

Keywords: Consumer, Traditional trade, Modern trade, Life-style, Behavior, Purchasing

1. Introduction

Consumer life-styles and purchasing behaviors have been always a great interest to marketers. The knowledge of consumer behavior helps the marketer to understand how consumers think, feel and select from alternatives like products, brands and the like and how the consumers are influenced by their environment, the reference groups, family, and salespersons and so on. Life-styles are not held to the same degree by everyone. The identification of life-styles could have important implications for marketing strategy decisions. Another important characteristic of life-styles is that they are derived from and personalized through social and cultural learning and identify consumer demographics (i.e. age, occupation), as the personal factors influencing consumers’ behavior. Thus, a scrutiny of the relationship between consumer demographics and life styles is likely to provide marketing managers with valuable insights for market segmentation, value creation, product positioning/re-positioning, and promotional decisions (Manrai 1996; Kahle, 1999, 2003). Life-style segmentation is based on the idea that the more you know and understand about consumers, the more effectively you can communicate and market to them. The underlying assumption here is that consumers express their personalities through their behaviors. People with different personalities exhibit different behaviors or similar behaviors for different reasons (Morgan, 1993). Life-style retailing can be described as the policy of tailoring a retail offer, or a portfolio of retail offers, closely to the life styles of specific market segments (Blackwell and Talarzyk, 1983). For instance, Wal-Mart tailors its merchandising offerings to the specific needs of diverse cultural groups with distinct life-style-orientations (i.e. African American, Hispanic American, and White American). There are numerous examples of life-style retailing, e.g. Next, the Gap, Laura Ashley, Denim, No Fear, Quicksilver, and Benetton (Helman and De

Chernatony, 1999). Each of these embodies a distinct set of life-style values, which appeal to a particular consumer segment. A further development in retailing has been the adoption of own-brand strategies, and thus a number of retail offers in the marketplace can be viewed as life-style retail brands (Helman and De Chernatony, 1999). Life-style marketing and merchandising have increasingly come to dominate how retailers approach apparel, and this has powerfully impacted how denim is offered to different target markets with different life-style orientations (Duff, 2001). For example Sears, one of the best known retailers, after much segmentation researchers in the USA tried to undertake focused life-style analysis for certain product categories in the 2000s. Sears updates its operations; changes implemented aim to streamline and redefine its company image (USA Today, 2001). Understanding consumer life-styles and value orientations in any areas can be very useful in profiling an individual consumer and/or targeting consumer groups for marketing planning purposes. Past consumer behavior and psychology literature has identified different types of consumer life-style groups. Each group has its own unique demographic, socio-economic, and behavioral characteristics. As such, consumer life-styles as correlation of purchase are being utilized by such target markets as quality seekers, novelty/fashion seekers, comparison shoppers, information seekers, and brand loyal and habitual consumers (Schuster and Dufek, 2004). Kanhasiri (2005) used Kotler's model of buyer behavior to show the factors affecting the consumer's decision on buying shoes of students in Ho Chi Minh City, Vietnam. Andersone and Gaile-Sarkane (2008) analyzed the theoretical aspects of consumer behavior and factors that influences them to understand the particularities of different factors and their role in consumer behavior.

Songkla is a hub of commercial and investment province in Southern Thailand. The map of Songkla can be seen in Figure 1. It also a well known destination for tourists from neighboring countries likes Malaysia and Singapore. With high potential economic growth and purchasing power comparable with Bangkok, Songkhla attracts various retailers both giant domestic and international players. As a result, there are many kinds of retail business in Songkla including traditional trade (provision shop, local supermarket and mini-mart) and modern trade (hypermarket, supermarket, convenience store, etc.). There is a strong competition among these retail businesses and modern trade tend to do better as it can catch more customers regarding that it is a new entrants to the market. The situation requires traditional trade to change the way to do business to survive in such environments. One local wholesaler has launched its mini-mart franchise in order to accelerate its stock burn rate, but the success of the program is in doubt. Thus, a study of consumer life-styles and purchasing behavior can help companies to gain a better understanding and planning on doing business in Songkla in order to gain a critical strategic advantage.

The specific objective of this exploratory research study were: 1) to understand consumer life-styles and purchasing behaviors; 2) to determine the factors affecting consumer life-styles and purchasing behaviors; and 3) to examine consumer attitudes among traditional and modern trade channels.

2. Methodology

The data for this study were collected through self-administered questionnaires. The data were collected through a purposive and quota sampling method among a sample of 300 consumers at Songkla province. Before the survey, a pre-test of the questionnaire was undertaken with a small group of respondents in both localities, and the results were satisfactory. Interviews were conducted by marketing research students under the supervision of our researchers.

To understand consumer life-styles and purchasing behaviors, descriptive statistics, composed of frequency, and percentage were used in the analysis.

To determine the factors affecting consumer life-styles and purchasing behaviors, simple regression and multiple regressions were used in the analysis.

To examine consumer attitudes among traditional and modern trade channels, descriptive statistics and inferential statistics composed of mean and t-tests were performed on respondents' reactions.

SPSS Version 15.0 (SPSS Inc., 2006) was used for data management and analyzing the data.

3. Findings and discussion

Table 1 shows demographic and socio-economic characteristics of the survey respondents.

The research findings were as follow:

3.1 Consumer life-styles and purchasing behaviors were as follow:

3.1.1 Shopping frequency: Most of consumers go shopping 3 times a month or more than.

3.1.2 Shopping time: Consumers like shopping at the time between 5.00 - 7.00 pm or the time after worked (or studied).

3.1.3 How to go shopping: Consumers frequently go shopping by motorcycle or car, and going with their friend than going alone.

3.1.4 Favorite channel: Provision shop, convenience store and fresh market are popular channels than others.

- 3.1.5 Favorite goods: Consumers often purchase food & drink goods and necessary goods including bakery & bread.
- 3.1.6 Decision making: More than 80% of consumers prefer to have purchasing decision and choosing outlet for shopping by themselves.
- 3.1.7 Spending rate (per time): Average spending rate was approx. 550 baht per time. Consumers prefer paying cash than using credit card. However, some consumers also have member card of some modern trade, such as 7-eleven, Tesco Lotus, etc.
- 3.1.8 Reasons in choosing outlet: Most consumers preferred the outlets which have more product variety, have good location, and have reasonable retail price.
- 3.1.9 Reasons in choosing goods: The main factors that consumers interesting in goods or brand choosing were retail price and refreshing of goods. They also considered about products quality and tried to find the modern products.
- 3.1.10 Service expect: They also concern about new product introduction service, car park, and after sales service.
- 3.1.11 Promotion expects: They suggested that consumer promotion is one of the factors affected sales. The best promotion in consumer's eye was a sale or special price promotion. However, some consumers like to have free premium such as glass, raw cotton shopping bag, etc.

The findings lead to distinct consumer life-styles and purchasing behaviors as shown in Figure 3. These findings can help retail companies in Songkla to understanding consumers and know how to design the suitable strategy plan.

3.2 By using Enter method in regression analysis at a 0.05 statistically significant level, the factors affecting consumer life-styles and purchasing behaviors were as follow:

- 3.2.1 The factor affecting spending per time was consumer income. This factor can explain the changing in consumer spending per time at 14.7%
- 3.2.2 The factors affecting shopping time, composed of gender, income and status. Nevertheless, these factors can explain the changing in shopping time only at 5.8%
- 3.2.3 The factors affecting service expect, composed of consumer hobby and family size. Although, these factors can explain the changing in service expect of consumer only at 3.4%
- 3.2.4 The factor affecting favorite goods was consumer income. But even so, this factor can explain the changing in favorite goods only at 2.8%
- 3.2.5 The factors affecting the shopping frequency, compose of consumer income and domicile. However, these factors can explain the changing in shopping frequency only at 2.3%
- 3.2.6 The factor affecting the reasons in choosing goods (or brand) was family size. But, this factor can explain the changing in reasons in choosing goods or brand only at 0.4%
- 3.2.7 Demographic and socio-economic factors did not influence on how to go shopping, favorite channel, purchasing decision making, reasons in choosing outlet and sales promotion expect.

3.3 There were discernable consumers' attitudinal differences between traditional and modern trade channels at a 0.05 statistically significant level in the statements of location, atmosphere, sales service, price, distribution, publicity, promotion, product quality, modernity of product, open-close time, product variety and integrated service as shown in Table 2. Consumers in Songkla have good attitude in every statements of modern trade outlet, however, the average attitude in traditional trade was fair. These differences may be used to establish a basis for the creation of different marketing plans, strategies, and programs. In particular, different promotional and target marketing approaches may be used in reaching different pockets of consumers.

From the findings, there is a room for improvement and a position for those traditional trades as customers favored channel are provision shop, convenience store and fresh market and preferred payment is in cash. It implies that most customers prefer to buy from the shop close to their homes or communities in traditional way. Traditional trade can employ this strength and add more what consumers looking for such as new product introduction service or after sale service to compete more effectively.

4. Recommendation for future research

Consumer life-style analysis provides a greater understanding of consumers' buying and consumption behaviors. That is, who buys what products? One can influence their purchasing and consumption differences by appealing to their life-style orientations, wants, and needs. For instance, consumers who are primarily motivated by achievement look for products and services that demonstrate success to their peers. It becomes very important for traditional trade to understand what modern trade consumers' needs are and deliver not only appropriate products and services, but appropriate and suitable benefits for the life-styles of both traditional and modern trade consumers. Companies in both trades can apply the results to understand their uniquely dynamic and ever changing consumers better. By looking at the

survey data, one can make informed decisions on which outlets standardized marketing strategies should be used and in which outlets localized types of marketing strategies should be used by companies. Also, companies planning on doing business in Songkla province, Thailand can gain a better understanding and a critical strategic advantage by using the survey findings that explain the underlying dimensions and characteristics of Songkla consumers. For policy makers, who concern about fair competition and the survival of local player, can use the information from the findings to set up appropriate policy and the way to foster those local trade in a sustainable manner rather than rely only on law enforcement.

A study of consumers may produce different life-style profiles than the ones presented here due to this study only examined consumer life-styles and purchasing behaviors within the framework of product group (form). Additional studies may look at consumer life-styles by use of product brands and even product options.

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Table 1. Demographic and socio-economic characteristics of sample.

Detail	Frequency	Total Percent
Gender		
Male	135	45.0
Female	165	55.0
Total	300	100.0
Age category		
< 18	67	22.3
18-23	88	29.4
24-30	79	26.3
31-40	42	14.0
> 41	24	8.0
Total	300	100.0
Education		
Less than bachelor	105	35.0
Bachelor	172	57.3
More than bachelor	23	7.7
Total	300	100.0
Occupation		
Government official	91	30.3
Company employee	81	27.0
Business owner	48	16.0
Student & unemployment	80	26.7
Total	300	100.0
Incomes		
< 8,000 baht	87	29.0
8,001 – 15,000 baht	161	53.7
> 15,001 baht	52	17.3
Total	300	100.0
Status		
Single	199	66.3
Married	96	32.0
Divorced	5	1.7
Total	300	100.0
Religion		
Buddhism	198	66.0
Islam	102	34.0
Others	3	1.0
Total	300	100.0
Family size		
1 person	22	7.3
2 persons	43	14.3
3-4 persons	200	66.7
> 4 persons	35	11.7
Total	300	100.0

Table 2. Factors affecting consumer life-styles and purchasing behaviors

Factors	Age	Gender	Education	Status	Religion	Occupation	Income	Family size	Hobby	Domicile
Consumer life-styles										
Shopping frequency							*			*
Shopping time		*		*			*			
How to go shopping										
Favorite channel										
Favorite goods							*			
Decision making										
Spending per time							*			
Purchasing behaviors										
Reasons in choosing the outlet										
Reasons in choosing goods/brand								*		
Service expect								*	*	
Promotion expect										

Table 3. Differences in consumers' attitudinal among traditional trade and modern trade channels

Item	Mean of attitude **, Modern trade	Mean of attitude **, Traditional trade	t-test
Outlet location	4.28	3.20	17.3*
Atmosphere in outlet	4.32	3.12	18.5*
Sales service	4.07	3.13	12.4*
Product price	4.02	3.32	10.0*
Distribution	4.29	3.33	13.9*
Publicity	4.25	2.70	22.9*
Sales Promotion	4.16	2.73	19.9*
Product quality	4.16	3.19	16.0*
Modernity of product	4.36	3.06	19.5*
Open & close time	4.21	3.19	14.8*
Product variety	4.27	2.95	19.6*
Integrated service	4.40	2.81	22.9*

Note: ** 5 = very good, 4 = good, 3 = fair, 2 = poor, 1 = need to be improved



Figure 1. Map of Songkla province, Thailand

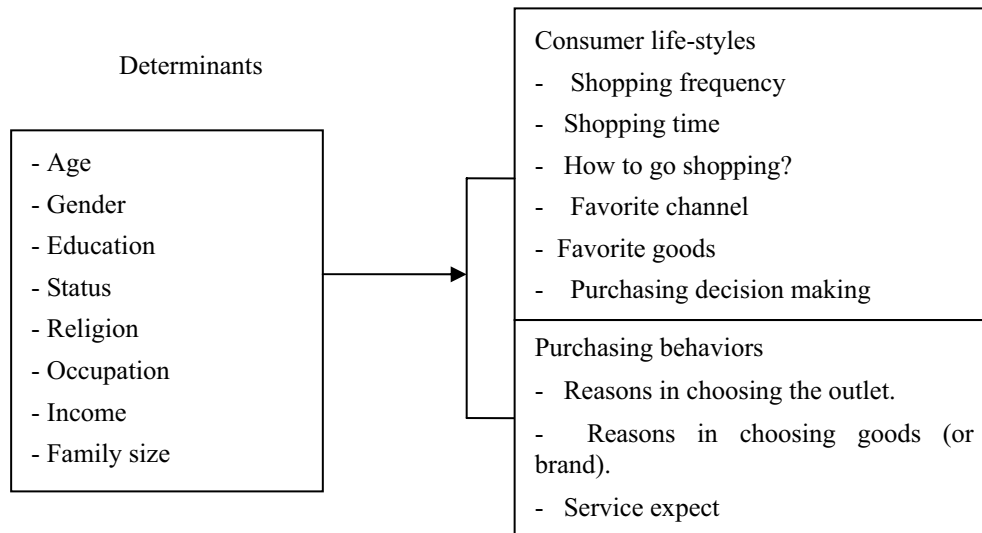


Figure 2. Research framework

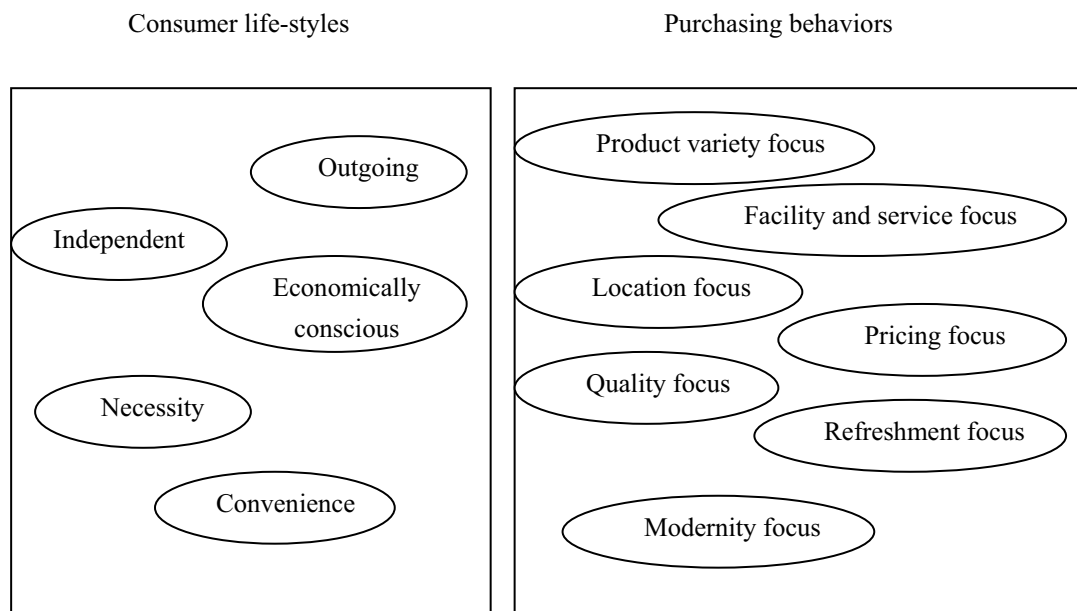


Figure 3. Distinct consumer life-styles and purchasing behaviors



Applying Reporting of Comprehensive Income in China

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Abstract

This paper discusses the characteristics of comprehensive income and how to apply reporting of comprehensive income in China. Through a detailed analysis, we summarize the situation of current performance reporting type, and give some advices on how to apply comprehensive income reporting in China, to provide investors and creditors more comprehensive and relevant performance information. There are two steps advised to be applied in China to update the current income reporting to comprehensive income reporting.

Keywords: Comprehensive income, Net income, Assets-liabilities perspective, FASB

1. Background of comprehensive income theory

According to the traditional income perspective, the income is the difference between revenue realized in transactions and related historical cost occurred in a designated period of time, based on the accrual basis, realization principle and matching principle. It has been widely used in accounting on account of highly reliability and verifiability, which have been demonstrated by lots of empirical studies.

However, with the rapid development of economic situation, especially due to a variety of financial derivatives generation, multinational companies emerging, science and technology exploring, business activities are increasing complexity, making the principle of realization too conservative to evaluate companies' operation performances, and the historical cost not be able to demonstrate the nature of property assets. Furthermore, the shortcomings of traditional income perspective are getting more and more apparent: it omitted the effect on the income from some items such as inflation, goodwill, holding gains and their value change, let alone the measurement and disclosure of soft assets such as human resource cost and knowledge capital. Since the 1970s, with the rapid development of finance market and the quickly liquidity of global capital, the timely reporting and disclosure of income information is getting more and more important and emergent.

Because the usefulness of traditional income theory is limited to report income which has already realized, in another word, it is a kind of after event reporting, rather than during-event and not future oriented reporting. To some extent it can not meet the requirement occurred in the rapid development economy nowadays. Under the mew circumstances, a new accounting income perspective---comprehensive income perspective, which can resolve the questions above, was brought into people's eyesight and is applied in some countries. Although with the application of comprehensive income reporting, relevance is increased, on the other hand reliability is to some degree decreased.

The information provided by reporting of comprehensive income would assist investors, creditors, and other financial statement users in assessing an enterprise's economic activities and its timing and magnitude of future cash flows.

In this paper, we first discuss the characteristics of comprehensive income and worldwide application of it; and then analyze the current performance reporting situation sys in China, finally some advices on how to apply comprehensive income reporting in China is summarized

2. Application of reporting of comprehensive income

2.1 Characteristics of comprehensive income

According to SFAS 3 of Financial Accounting Standards Board (FASB), the main content of comprehensive income perspective is to use the fair value measurement on assets and liabilities at the measurement date instead of historical cost, thus market value change of assets and liabilities: both realized income (net income) and unrealized holding gains or losses (other comprehensive income) will be included in a single comprehensive income statement.

And according to SFAS 130, “other comprehensive income” (OCI) is part of total comprehensive income but generally excluded from net income. Prior to SFAS 130, these three items—foreign currency translation adjustments, minimum pension liability adjustments, and unrealized gains or losses on available-for-sale investments—were disclosed as separate components of stockholders’ equity on the balance sheet. Under SFAS 130, they are to be reported as OCI. Furthermore, they must be reported separately, as FASB decided that information about each component is more important than information about the aggregate.

Compared with the traditional income perspective, comprehensive income perspective is characterized in the following aspects:

(1) The contents covered by Comprehensive income are more extensive. Comprehensive income includes all changes of owners' equity in a designated period of time rather than additional investments by owners and distributions to owners. It consists two parts: net income—the income number of the traditional income view, and other comprehensive income, which is not included in the traditional income statement. This kind of view updates the proceeding income realization principle by reflecting the equity changes of all kinds of related business transactions, events and situations, and therefore is called comprehensive income. It not only includes income from major operating activities and realized income, but also includes other gains or losses recognized but not realized caused by other events such as market price or economic circumstances changes, which are not reflected by the traditional income view. From this meaning, it can comprehensively describe the changes on equity.

(2) The basis of comprehensive income view is assets-liabilities perspective instead of revenues-expenses perspective. Comprehensive income applies asset-liabilities perspective to recognize income, compared with revenues –expenses perspective view applied in traditional income. According to comprehensive income view, income is decided on the basis of measurement of assets and liabilities, which includes value changes of all assets and liabilities: both the income realized and gains or losses not realized.

(3) The measurement attribute is not only limited to historical cost. Under comprehensive income perspective, both historical cost and market price are adopted in the measurement of income accounting, different from the traditional income view, under which only historical cost is used. That is, assets and liabilities related to revenues and gains are measured with current prices, at the same time assets consumed or value changes related to expenses and losses are measured at either historical costs or current prices.

2.2 Worldwide application of reporting of comprehensive income

In December 1984, SFAS 5 insisted that the reporting of comprehensive income should be one part of a complete set of financial statement. In 1997, SFAS 130 “Reporting of Comprehensive Income” was formally released, according to which, comprehensive income consists two parts: net income and other comprehensive income.

In June 1991, a research team consists of chartered accountants associations of England and Scotland made a statement named “the model of financial reporting in future”. In this statement they suggested to use a statement of gains should be added additional to the traditional income statement to report the income comprehensively.

In August 1997, International Accounting Standards Committee (IASC) modified IAS 1. Then on January 1998, IASC and four accounting standards setting institutions of U.K., U.S., Australia and Canada reached an agreement that reporting of comprehensive income in a single statement.

As for the format of comprehensive income reporting, there are three types of statement that have been widely used in the countries worldwide: two income statements, one extended statement and statement of equity.

(1) Two statements method: one income statement and one comprehensive income statement. By this method, addition to the traditional income statement, a second statement-comprehensive income statement is provided to describe the comprehensive income information. The FRS 3 “Reporting Financial Performance” released by Accounting Standards Board (ASB) of U.K. in 1992 requires enterprises to prepare a “Statement of All Recognized Gains and Losses”. Similarly, FASB permits businesses to submit “comprehensive income statement” in its SFAS 130 “Reporting of Comprehensive Income”. The forms of “Statement of All Recognized Gains and Losses” and “Comprehensive Income Statement” are almost the same. These statements begin with the amount of net income, include all other comprehensive income items such as foreign currency translation adjustments, minimum pension liability adjustments, and unrealized gains or losses on available-for-sale investments, and then come to the totals. This method is also

adopted by IASC in its IAS1 (rev.), under which businesses can provide “Statement of Recognized Gains and Losses”, however the total of comprehensive income is not required.

The “Comprehensive Income Statement” and “Statement of All Recognized Gains and Losses” are also called a second performance statement or the fourth statement.

(2) One income statement: one extended income statement. This method combines the two income statements: income statement and comprehensive income statement discussed above into one extended income statement—“net income and comprehensive income statement”. In this extended new statement, not only net income but also other comprehensive income is reported. It holds all kinds of income, whatever realized or unrealized.

(3) Statement of changed in stockholders' equity method. This method is permitted in the accounting standards of some countries and institutions such as SFAS 130 by FASB, FRS2 by New Zealand FRS, and IAS1 (rev.) by IASC. By means of providing a statement of changes in stockholders' equity, businesses can report the information of comprehensive income. Also the total amount of comprehensive is required in this statement by all accounting standards institutions unless IASC.

Among the accounting standards setting institutions adopting comprehensive income reporting, ASB permits only a second performance statement. New Zealand permits only a statement of changes in equity. In U.S., enterprises can choose either a second performance statement, or an extended income statement or a statement of changes in stockholders' equity to meet the needs of businesses. Alternative choice is also permitted by IASC, the same as by FASB.

Whether one statement method, or two statements or statement of changes in stockholders' equity method is chosen, the goal of these reporting remains the same, that is, to report more comprehensive and useful financial performance information in order to meet the users' investment, credit, and other decision-making needs. By means of this kind of reporting, the realization principle is breakthrough, the content of the financial performance report is expanded, that part of unrealized gains and losses located in the balance sheet rather than income statement is included. It is a better form to reflect the enterprise performance in the current period, easy for the users to make economic decisions.

3. Current performance reporting system in China

In 2006, the new Chinese Accounting Standards (CAS) was released. According to CAS, net income based on traditional income theory is used as the major indicator of enterprise performance. The traditional income theory based on revenues-expenses perspective consists of realization principle and historical cost, leading to reporting income only realized in the current period, unrealized holding gain or losses not included. Characteristics of performance reporting system used in China now can be summarized as follows:

(1) Historical cost is the main measurement attribute. According to CAS, assets should be recorded at historical cost at the time of acquisition. In spite of price changes, except as otherwise stipulated by the state, book value should not be adjusted. As for financial instrument, some can be recorded at market value at the end of period, and unrealized holding gain or losses resulted from the fair value change such as those on available for sale securities should be disclosed in equity section of balance sheet.

(2) Revenue is recognized based on realization principle. According to the realization principle and related provisions of the accounting standards for enterprises, enterprises shall rationally recognize revenue and record income realized in time. By the accounting standards for enterprises - income of regulation, the revenues for goods sold or services rendered should be recognized when the related conditions can be met. Other gains or losses on such as revaluation of plant asset, holding gain on available for sale securities are recorded into capital reserve of balance sheet.

(3) Net income or profit is the major indicator of valuating the business performance. According to China's Company Law and the relevant regulations, most business activities such as securities issuance of stocks, suspension and supervising listed companies are valuated mainly by using the profit index. The special attention to profit in a certain extent which results in the quality of the balance sheet and reality, has become a very important problem. At present, profit is the major indicator of valuating the business performance.

4. Advices on how to apply comprehensive income reporting in China

As discussed above, comprehensive income reporting has not been applied in China accounting practices. But with the globalization of economy and accounting, consideration on how to apply comprehensive income reporting system should be put forward to meet the needs of rapid development of economic situation in China. Due to the immature environment of China's market economic situation, we suggest there are two steps in applying comprehensive income reporting in China.

(1) As the first step, the current statement of changes in stockholders' equity should be prepared completely, by reporting all kinds of interest changes, in which other comprehensive income items such as unrealized holding gains or losses should be included in details. Although by the new accounting standards, statement of changes in stockholders'

equity is required to be submitted as a major statement, comprehensive incomes section has not yet be separated from other equity items. Therefore, in the first stage of applying comprehensive income reporting, as a part of comprehensive income, other comprehensive income should be reported separately from other equity items.

(2) Based on the first step, the second step is to improve the income statement into an extended income statement. That is, combine the other comprehensive income information and the current income statement into one complete statement. Then in a complete income statement all kinds of income information can be found. As known widely, the comprehensive income is companied with the use of fair value attribute. In fact, in the new accounting standard for business enterprises, the fair value measurement attribute has already been used in some standards such as debt restructuring, the exchange of non-monetary assets, and etc. The application of fair value will inevitably promote the development of comprehensive income reporting.

But at the same time the fair value is used, the reliability of the information will severely decrease. Furthermore, fair value measurement has been not fully regulated in China because of the immaturity of market, thus there may be a long way to apply comprehensive income reporting regularly in China. Anyway, by completing the two steps, the comprehensive income reporting will provide more useful and related information, and satisfy the users with comprehensive financial information in future.

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Producer & Consumer Prices Nexus: ARDL Bounds Testing Approach

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Abstract

The present endeavor explores relationship between producer and consumer price indices by employing new techniques. We have utilized the time series monthly (1992M1-2007M6) data while **ARDL Bounds Testing** and **Johanson Cointegration Approach** is used to determine the long run association and robustness of long run results. **Toda & Yamamoto (1995)** and **Variance Decomposition** for causal rapport between producer and consumer prices are applied. **DF-GLS & Ng-Perron** Tests are also applied to inquire the order of integration for running variables.

Results have verified the existence of long run relationship between producer and consumer prices, and their association is robust in long span of time in the case of small developing economy like Pakistan. Causal results through Toda and Yamamoto's (1995) technique asserts that there is two-way causality but it is stronger from producer to consumer prices and same with Variance Decomposition Method. Finally Feed back impacts show that feedback influence from PPI to CPI is stronger or dominating as compared to feedback from CPI to PPI, which support "Cushing and McGarvey (1990) hypothesis".

Keywords: D24, D12, C20

Introduction

The relevant literature reveals that consumer and producer price indices are considered as indicators of inflation and current producer prices lead consumer prices in future [Caporale, (2002) & Darestani and Arjomand, (2006)]. Researchers found causal relationship between producer price and consumer price from both sides simultaneously [Engle, (1978); Sims, (1972); Silver and Wallace, (1980); and Guthrie, (1981)] (Note 1). But Colclough and Langee (1982) argued that causality between the said variables can run from producer prices to consumer prices or might be bidirectional after applying the Granger & Sims tests and theoretically causality expects to run from consumer to producer prices. Over a long span of time, Mehra (1991) & Huh and Trehan (1995) concluded that consumer price index leads labor cost, which is major part of produce price index and this mechanism contradicts the chain view. In contrary, Emery and Chang (1996) summed up "*workers compensation growth adjusted for productivity has no power to anticipate the inflation*".

Further more Cushing and McGarvey (1990) indicated that feedback from producer prices to consumer prices is greater than that from consumer to producer prices that can be concluded as "consumer prices have very light incremental power". Further more, they argued that addition of money supply does not affect prevailing feedback from producer to consumer and causal link is consistent with the supply price model showing strong demand effects. Contrarily, Clark (1995) concluded that pass-through effect from producer prices to consumer prices may be weak and found "causality is unidirectional that runs from producer prices to consumer prices".

1. Theoretical Background

In literature producer price index is utilized frequently as an important indicator for consumer price index. Mostly causal relationship is related to supply-side that is an indication from production timing while retail sector also adds value in existing production after a lag period. According to standard open macro economy model, retail sector uses

running domestic production as an input. Literature indicates that consumer prices depend upon producer prices of goods, imported goods' prices, exchange rate, rate of indirect taxes implementation, marginal cost of retail production and markup possibly. Theoretical basis for causal relationship running from wholesale price has been developed by Cushing and McGarvey (1990). The production of final goods in each period uses primary goods produced in lagged period as inputs which indicate that supply-side turbulence in primary goods market influence wholesale and consumer prices in upcoming period. Cushing and McGarvey (1990) find that primary goods are used as input with lag period in production process of consumption goods that's why wholesale prices will lead consumer prices independently.

Contrarily, Colclough and Langee (1982) argued that causal relationship from consumer prices to producer prices did not receive much attention to be investigated in the literature. Their theoretical argument stems from derived demand and was developed by Marshall (1961). Demand for inputs determined by demand for final goods and services between competing utility items and this framework indicates that opportunity cost of resources and intermediate materials is reflected by the production cost that influences the demand of final goods and services in response. This shows that consumer prices should affect producer prices. Cushing and McGarvey (1990) examined said link by allowing for demand side effects, while demand for primary goods determines expected future prices of consumer goods. Under this assumption, current demand and past expectations of current demand determine consumer price while wholesale price depends on expected future demand (Cushing and McGarvey, 1990). So causality running from consumer prices to wholesale prices would exist only for certain values of disturbance parameters (Cushing and McGarvey, 1990).

Caporale, et al. (2002) explain this link through labor supply channel, consumer prices also affect producer prices through supply shocks in labor market, if wage earners in the wholesale sector want to preserve the purchasing power of their incomes. This effect occurs with lag-period, it probably depends on the nature of wage-setting process along with expectations of machinery formation. Finally, Yee and Mummud (2008) find unidirectional causal relation running from producer price index to consumer price index in Malaysia.

Insert Figure 1 here

Figure-1 shows the behavior of Consumer Prices and Producer Prices and for this, Monthly Consumer Price and Producer Price Indices are utilized. Data set has been obtained from International Financial Statistics (IFS, 2007) and State Bank Monthly Bulletins (Various issues). Remaining part of the study is designed as follows: part **B** explains the methodological framework; Interpretations are in part **C** of the study and conclusions are drawn in part **D**.

2. Methodological Framework

To investigate the long run association between Producer Price and Consumer prices indices, ARDL bounds testing approach for cointegration by Pesaran, (2001) has been applied. This technique is advantageous over traditional econometric procedures and has been utilized to study the Producer and Consumer prices relationship in the available literature. This is the study of two vectors namely Z_t where $Z_t = (LPPI, LCPI)$. LPPI and LCPI are used as dependent and independent variables one by one. The ARDL bounds testing in the form of conditional error correction models are given below:

$$lppi = \gamma_1 + \gamma_2 lppi_{t-1} + \gamma_3 lcpi_{t-1} + \sum_{i=1}^p \phi_1 \Delta lppi_{t-i} + \sum_{j=0}^p \phi_2 \Delta lcpi_{t-j} + \eta_i \quad (1)$$

$$lcpi = \lambda_1 + \lambda_2 lppi_{t-1} + \lambda_3 lcpi_{t-1} + \sum_{i=1}^p \phi_1 \Delta lcpi_{t-j} + \sum_{j=0}^p \phi_2 \Delta lppi_{t-i} + \mu_i \quad (2)$$

Where, Δ is the difference operator while LCPI is the log of consumer price index (proxy for consumer prices) and LPPI is indicating log of producer price index (representing producer price) $\gamma_2 = \lambda_2, \gamma_3 = \lambda_3$ are showing the long run coefficients and $\gamma_1 = \lambda_1$ indicating drifts of both equations of the study. One may be noted that LPPI and LCPI are dependent variables simultaneously in both equations. Current and lagged values of differences for LPPI & LCPI are utilized in the model for short run dynamic structure. Lag length selection namely 'p' Pesaran, et al. (2001, page-308) described that "there is delicate balance between choosing 'p' sufficiently large to mitigate the residual serial correlation problem and, at the same time, sufficiently small so that the conditional ECM is not unduly over-parameterized, particularly in the view of limited time series data". In this study, time series data set is monthly ranging from 1992M1 to 2007M6 (186 observations). The bounds testing approach for the absence of any level association between PPI and CPI is through the exclusion of lagged levels of running actors like $LPPI_{t-1}$ and $LCPI_{t-1}$. This lends support for following not only for null hypothesis but also for the alternative hypothesis:

$$H_o: \gamma_2 = \lambda_2 = 0, \gamma_3 = \lambda_3 = 0 \quad \dots (3)$$

$$H_a: \gamma_2 = \lambda_2 \neq 0, \gamma_3 = \lambda_3 \neq 0 \quad \dots(4)$$

The F-statistics, which has been a non-standard distribution, depends not only on non-stationarity of the data and number of independent actors but also on the sample period and sample size. The asymptotic distributions of the F-statistics are non-standard under the null hypothesis of no co-integration relationship between the examined variables, irrespective of whether the variables are purely $I(0)$ or $I(1)$, or mutually co-integrated. Two sets of asymptotic critical

values provided by Pesaran and Pesaran, (1997). The first set assumes that all variables are $I(0)$ while the second set assumes that all variables are $I(1)$. If the computed F-statistics is greater than the upper bound critical value then we reject the null hypothesis of no co-integration and conclude that there exists steady state equilibrium between the variables. If the computed F-statistics is less than the lower bound critical value, then we cannot reject the null of no co-integration. If the computed F-statistics falls within the lower and upper bound critical values, then the result is inconclusive; in this case, following Kremers, (1992) and Banerjee, (1998), the error correction term will be a useful way of establishing co-integration (Note 2).

For granger causality, Rambaldi and Doran (1996) formulating for Toda-Yamamoto's (1995) is employed. $dmax$ is indicating the maximum order of integration in the system (in this study, it is 1) and a $VAR(k + dmax)$ has to be estimated to use the Wald test for linear restrictions on the parameters of a $VAR(k)$ which has an asymptotic χ^2 distribution. In our case, k is determined to be by using the Akaike Information Criterion (AIC). $LPPI$ & $LCPI$ can be represented by X and Y respectively and for a VAR following system of equations can be applied:

$$LPPI = \gamma_1 + \sum_{i=1}^p \alpha_1 LPPI_{t-i} + \sum_{j=1}^p \alpha_2 LCPI_{t-j} + \eta_i \quad \dots(5)$$

$$LCPI = \lambda_1 + \sum_{i=1}^p \beta_1 LCPI_{t-i} + \sum_{j=1}^p \beta_2 LPPI_{t-j} + \mu_i \quad \dots(6)$$

For the above described system, F-statistics and Wald tests applied to examine the causality relation between said variables. If one wants to test that LCPI does not Granger-cause LPPI, null hypothesis will be as $H_0 : \alpha_2 = 0$ and alternative $H_a : \alpha_2 \neq 0$ while null hypothesis will be as $H_0 : \beta_2 = 0$ and alternative $H_a : \beta_2 \neq 0$ for second equation.

3. Interpreting Style

At the previous step standard tests are employed like DF-GLS and Ng-Perron in order to investigate the order of integration for said variables in the concerned models. Mostly in available literature to find out the order of integration ADF (Dickey & Fuller, 1979) and P-P (Philip & Perron, 1988) tests are often used respectively. Due to their poor size and power properties, both tests are not reliable (Dejong et al, 1992 and Harris, 2003). As earlier mentioned they conclude that these tests seem to over-reject the null hypotheses when it is true and accept it when it is false. While, these newly proposed tests seem to solve this arising problem: the Dicky-Fuller generalized least square (**DF-GLS**) de-trending test developed by Elliot (1996) and **Ng-Perron** test following Ng-Perron (2001). The results of Table-1 indicate that PPI & CPI are $I(1)$ variables. Lag selection criteria does not allow to take lag more and less than 8 because at lag-8 AIC values is minimum.

Insert Table 1 here

Insert Table 2 here

Insert Table 3 here

The first step is to select the lag length of ARDL model with 8 on the basis of AIC (Akaike Information Criteria). The total number of regressions estimated following the ARDL method in the equation 6 is $(8 + 1)^2 = 81$. As results reported in Table 3 of F-Statistics, exceeds the critical bounds, 2.79 is lower bounds and 4.10 is upper bounds respectively at 1% level of significance and values of parsimonious model (**Wald-Statistics**) are given with their stability power in parenthesis. ARDL F-statistics and Wald-statistics push to accept the hypothesis of Cointegration between PPI and CPI. So, one may conclude that Consumer and Producer price indices are tied together in long run relationship. To investigate the robustness of long run relationship between PPI & CPI, Table-4 shows the output of Johansen Likelihood test and indicates the existence of long run association between Producer price index and Consumer price index in the long run.

Insert Table 4 here

Insert Table 5 here

Table 5 reports the regression results both by OLS and Johansen Normalized equation. One percent increase in producer prices lead to raise consumer prices in current period by more than 90 % in future while there is 88 percent increase in Consumer prices due to one percent increase in producer prices according to the Johanson normalized equation. From opposite side, one may conclude that producer prices are influenced more than 100 percent due to rise in consumer prices in the country. This proves the "existence of **derived demand hypothesis** in Pakistan" which was developed by Marshall (1961).

For Causal relationship between PPI and CPI Toda and Yamamoto (1995) has applied and results in Table-6 reveal that there is bidirectional causality between Producer and consumer prices.

Insert Table 6 here

Insert Table 7 here

In table-7, Variance decomposition is an alternative method to impulse response function for investigating the response of dependent variable due to the effects of shocks by explanatory actors. This method explains that how much of predicted error variance for any variable is described by innovations through each independent variable in a system over the horizons. The shocks also affect other variables in the system due to shocks explained by error variance. From the above test it can be concluded that each time series describes the prevalence of its own values. Consumer price explains over 76.858 % of its forecast error variances or explain through its own innovative shocks. Whereas, producer price shows innovative impact through its own shocks nearly 77.558 %. This shows that consumer price predominately explains by its past values or innovative shocks and 23.141 percent through Producer price. This can also be concluded that current consumer price influences future consumer price. PPI lead CPI not more than 22.44 % through its innovative shocks while PPI leads CPI more than 23 % through their innovative shocks on each. The results of VDC have also proved that there prevails bidirectional causality between PPI & CPI.

Insert Table 8 here

For short term behavior, Error Correction Model (ECM) is applied. Table-8 shows that more than 11 percent CPI is raised by lag and PPI pushes the CPI to raise almost 39 percent but lag impact of ΔPPI is positive with insignificance. Lag impact ΔCPI is negative but in future it converts into positive and impacts **PPI** positively and significantly. Further more, lag of ΔPPI raises **PPI** by more than 23 percent with high level of significance. Feed back impacts show that feedback influence from PPI to CPI is stronger or dominating as compared to feedback from CPI to PPI supporting "Cushing and McGarvey (1990) hypothesis".

According to Pesaran and Shin (1999) the stability of the estimated coefficient of the error correction model should also be empirically investigated. Graphical representations of **CUSUMsq** are shown in figure1 and 2 for both models. Following Bahmani-Oskooee (2004) the null hypothesis (i.e. that the regression equation is correctly specified) cannot be rejected if the plot of these statistics remains within the critical bounds of the 5% significance level (see figure given in appendix-A). As it is clear from Fig. 1 and 2, the plots of both the **CUSUMsq** are with in the boundaries and hence these statistics confirm the stability of the long run coefficients of regressors.

4. Conclusion

The present endeavor analyzed the link between producer and consumer prices in Pakistan. For this purpose, we applied ARDL (Auto Regressive Distributive Model) and Johansson for its robustness. Time series data ranging for the period of 1992M1-2007M6 was utilized. DF-GLS and Ng-Perron tests were applied for the existence of a unit root in the level and first difference of both variables. Stationarity was found at the level **I(1)**.

Results of particular study verified that there exists a long run relationship between producer and consumer price indices and their association is robust in long run in the case of small developing economy like Pakistan. Causal results through Toda and Yamamoto's (1995) technique assert that there is two-way causality but stronger from producer to consumer prices while same by Variance Decomposition Method. Finally, Feed back impacts show that feedback influence from PPI to CPI is stronger or dominating as compared to feedback from CPI to PPI supporting "Cushing and McGarvey (1990) hypothesis".

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Notes

Note 1. On contrary, Gordon, (1988) found relationship between consumer and producer prices insignificantly

Note 2. To ascertain the goodness of fit of the ARDL model, the diagnostic and the stability tests are conducted. The diagnostic tests examine the serial correlation, functional form, normality of error term, autoregressive conditional heteroscedasticity and heteroscedasticity associated with the model. The stability test is conducted by employing the cumulative sum of recursive residuals (CUSUM) and the cumulative sum of squares of recursive residuals (CUSUMsq). Examining the prediction error of the model is another way of ascertaining the reliability of the ARDL model.

Note 3. Represents the significance at 1% level of significance.

Table 1. DF-GLS & Ng-Perron Unit Root Test

Variables	DF-GLS at Level		DF-GLS at 1 st Difference	
PPI	-0.8473		-5.2023*	
CPI	-0.4897		-5.6994*	
Ng-Perron at Level				
Variables	MZa	MZt	MSB	MPT
CPI	-0.803	-0.528	0.658	83.347
PPI	-1.488	-0.827	0.555	57.486
Ng-Perron At 1 st Difference				
CPI	-39.806*	-4.461	0.112	2.289
PPI	-23.181*	-3.388	0.146	1.111(Not e 3)

Note: *Ng-Perron (2001, Table 1) & *Elliott-Rothenberg-Stock (1996, Table 1)

Table 2. Lag selection criteria

Lag order	AIC	SBC	Log likelihood
6	-14.322	-13.861	1315.060
7	-14.280	-13.745	1308.065
8	-14.338*	-13.7311	1310.165
9	-14.290	-13.609	1302.744

Table 3. ARDL Estimation

ARDL with Constant & Trend			
Dependent Variable	F-Statistics	Wald-Statistics	Chi-square
PPI	6.623	6.221 (0.0025)	12.443 (0.0020)
CPI	5.294	4.973 (0.0081)	9.945 (0.0069)
Critical Bounds	Instability Level	<i>Lower Bound</i>	<i>Upper Bound</i>
Pesaran, et, al (2001)	1%	2.79	4.10
	5%	2.22	3.39
	10%	1.95	3.06

Table 4. Johansen First Information Maximum Likelihood Test for Co-integration

Hypotheses	Likelihood ratio	5 Percent critical value	Prob-value*	Maximum Eigen values	5 Percent critical value	Prob-value**
$R = 0$	26.6131	20.2618	0.0058	19.0063	15.8921	0.0157
$R \leq 1$	7.6067	9.1645	0.0979	7.6067	9.1645	0.0979

Note: * & ** shows rejection at 5 percent level & **MacKinnon-Haug-Michelis (1999) p-values.

Table 5. Regression Results

Dependent variable	OLS Regression		Normalized Cointegration Coefficients (Johanson OLS)	
	Constant	Coefficient	Constant	Coefficient
CPI	0.4275 (22.982)	0.9045 (220.128)	0.5585 (8.698)	0.8828 (67.083)
PPI	-0.3821 (-15.228)	1.0883 (195.941)	-0.6326 (-7.812)	1.1327 (67.829)

Table 6. Toda and Yamama (1995) Wald Test

Lags	Wald Test Statistics	Instability Value	Chi-Square	Instability Value
Running from PPI to CPI				
6	2.756	0.0140	16.538	0.0111
7	2.464	0.0198	17.248	0.0159
8	2.824	0.0059	22.591	0.0039
9	2.407	0.0138	21.664	0.0100
Running from CPI to PPI				
6	1.893	0.0848	11.357	0.0780
7	1.769	0.0968	12.379	0.0887
8	2.256	0.0260	18.050	0.0209
9	2.027	0.0395	18.243	0.0325

Table 7. VDC by Cholesky Ordering

Variance Decomposition of CPI		
Period	CPI	PPI
1	100.000	0.000
3	97.886	2.113
5	93.353	6.646
6	90.147	9.852
9	80.003	19.996
10	76.858	23.141
Variance Decomposition of PPI		
Period	CPI	PPI
1	37.568	62.432
3	25.477	74.522
5	22.364	77.635
6	22.027	77.972
9	22.191	77.808
10	22.441	77.558

Table 8. Short Run Dynamics

Dependent Variable: Δ CPI			Dependent Variable: Δ PPI	
Variables	Coefficient	T.values	Coefficient	T.values
Constant	0.0027	5.072*	0.0007	0.799
Δ CPI	-	-	0.9533	10.293*
Δ CPI _{t-1}	0.1115	1.566***	-0.2504	-2.245**
Δ PPI	0.3856	10.271*	-	-
Δ PPI _{t-1}	0.0076	0.162	0.2386	3.237*
Ecm _{t-1}	-0.0809	-4.133*	-0.0793	-2.793*
R-squared = 0.4179 F- Statistics = 32.125 (0.000) Durban Watson = 2.004			R-squared = 0.4039 F- Statistics = 30.3237(0.000) Durban Watson = 2.012	

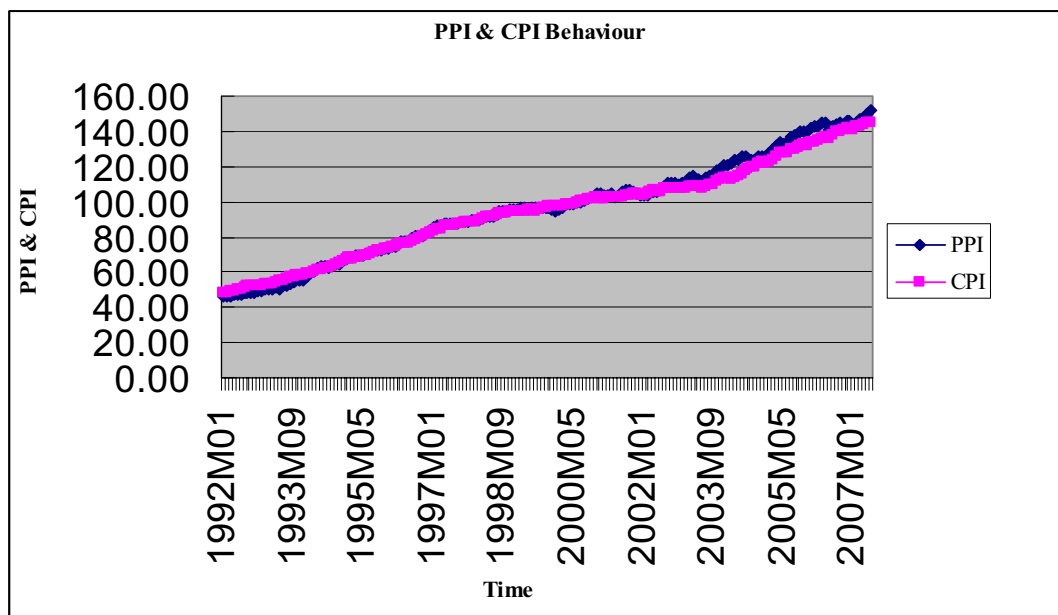


Figure 1. Behavior of Producer and Consumer price Indices in Pakistan

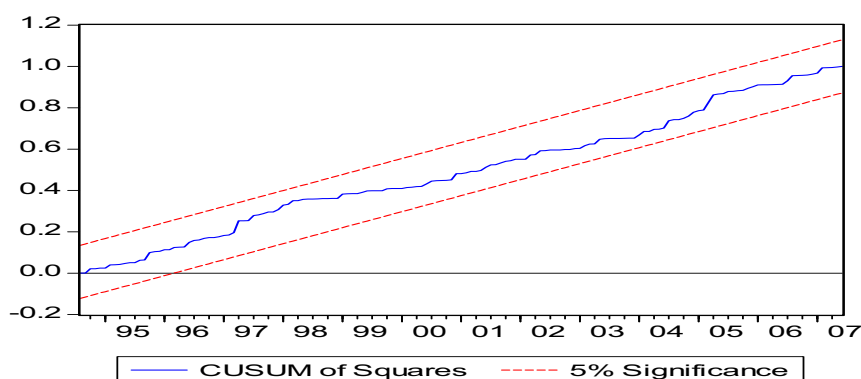


Figure 2. CPI is Dependent Variable

Plot of Cumulative Sum of Squares of Recursive Residuals

The straight lines represent critical bounds at 5% significance level.

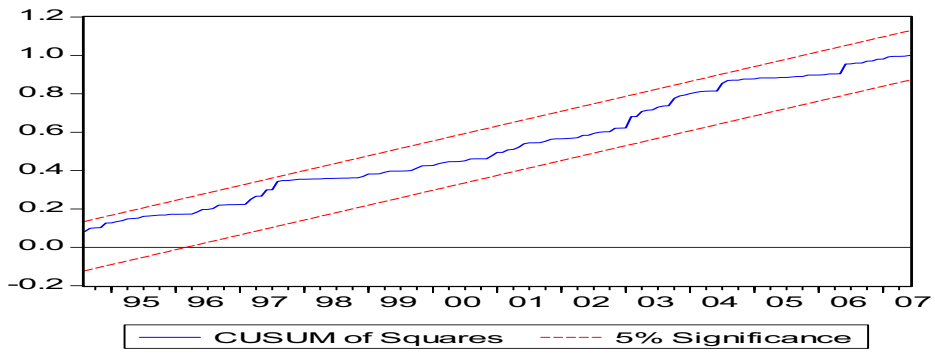


Figure 3. PPI is Dependent Variable

Plot of Cumulative Sum of Squares of Recursive Residuals

The straight lines represent critical bounds at 5% significance level.



The Fretful Euro Disneyland

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Abstract

Euro Disneyland a theme park comprised of an updated, state of the art Disney's Magic Kingdom, is a subsidiary of the Walt Disney Company located outside Paris, France, and has experienced numerous complications from its inception. This article introduces the fretful of Euro Disney, analyzes the reasons why it goes to wrong and give the recommendation to overcome the rattrap.

Keywords: Euro Disneyland, Cultural differences, Management hubris

1. Introduction

Many companies throughout the United States and beyond are resorting to developing their business abroad. The Walt Disney Company was one of the American organizations to expand on foreign soil. Its first foreign venture Tokyo Disneyland proved to be so successful that the decision was made to further expand abroad. This next foreign expansion experience, named Euro Disneyland all hopes were high, with Michael Eisner, the chairperson of Walt Disney promising to make Euro Disney the “*most lavish project that Disney had ever built*”. He had an obsession with maintaining Disney’s high reputation, as Disney had already seen the success of California and Florida Disneyland. While Euro Disney did not prove to be the successful venture that had been anticipated by its creators.

Euro Disneyland a theme park comprised of an updated, state of the art Disney's Magic Kingdom, is a subsidiary of the Walt Disney Company located outside Paris, France, and has experienced numerous complications from its inception. Because the Walt Disney Company executives were determined to adhere to American philosophies, they did not thoroughly investigate all aspects of the European environment.

As a company planning on expanding abroad, it is helpful to study the history of companies, which previously have developed in other countries. For example, studying the Walt Disney Company's venture into France will allow other companies to learn from the Walt Disney Company's experiences. Recognizing, understanding and avoiding their mistakes will allow a company entering a new country increased opportunity to succeed. Reviewing the Euro Disneyland venture from the site research investigation to the present day operation will be beneficial to a company considering expansion abroad.

2. Where Euro Disney went wrong

Disney made a number of mistakes in relation to planning for Euro Disney. While there was extensive research and planning, Disney may have disregarded some of the most important cultural aspects, including environmental and location factors, labor laws, competition, financing, cultural differences and management hubris.

2.1 Environmental and location factors

While over 200 locations in Europe were examined before selecting the outside of Paris, Disney relied on Europe’s biggest appeal for tourism. It was viewed that millions of people could easily access Euro Disney, as the French government was spending hundreds of millions of dollars to provide infrastructure such as railroad so people could access the theme park. The opening to the Channel Tunnel in 1993 would make the trip from London to Euro Disney approximately three hours and ten minutes. However, the location was on the east Paris, not the west, despite the advice of the French. The French advised that if it were placed on the west, there would be no long-term population in the east.

Erisner also considered the weather impacts and because France has colder weather than California and Florida, waiting areas and moving side walks would be covered, protecting visitors from wind and rain. Because there is only six months of the year that is pleasant, visitors were not encouraged on a year round basis. Although accommodation were made, in fact that off-season visit had to be heavily discounted had promoted to group to get even reasonable attendance still represented a major problem that needed to be corrected. Whether through pricing charges or development of other attraction or other marketing and promotional vehicles, attendance in the off-park months had to be increased.

2.2 Cultural differences

The firm's senior marketing strategist presented the second part of the report, which focused on culture and marketing difference between U.S and European markets. The first phase of the analysis had uncovered a number of obvious problems some of which had already been rectified. The purpose in identifying these problems, the consultant said, was to be able to sensitive and identify other possibly more subtle and marketing problems. Although European public acceptance of the theme park itself has not been a problem for Euro Disneyland there has been a different type of cultural clash. Most Europeans believe there is cultural imperialism. Europeans have not taken to the "...brash, frequently insensitive and often overbearing style of Mickey's American corporate parent". Disney executives' contentious attitudes exacerbated the difficulties it encountered by alienating people with whom it needed to work. "Its answer to doubts or suggestions invariably was: Do as we say, because we know best".

There were various errors made in the operations of Euro Disneyland, which affected the French culture. An example if this is the Walt Disney Company's policy of serving no alcohol in its parks in California, Florida, and Tokyo, which it extended to France. However by implementing this American strategy, it caused astonishment and rebellion in France where a glass of wine for lunch is a given. It failed to recognize that alcohol is viewed as a regular beverage with meals and a part of daily life. After much consideration, in May 1993, the Walt Disney Company changed its policy and allowed wine and beer in the Euro Disneyland theme park.

Another failure is the Walt Disney Company's misunderstanding European breakfast norms. The initial thinking was that Europeans did not generally eat a big breakfast and, as result restaurant were planned to seat only a small number of breakfast guests. This proved incorrect with large numbers of people showing up for substantial breakfasts. Disney was told Europeans did not eat sit-down breakfasts. This resulted in Disney downsizing their restaurants before Euro Disneyland opened. Once it opened the restaurants were bombarded with breakfast eaters.

In much the same vein, the Walt Disney Company had difficulty realizing that the Europeans were accustomed to eat at a set time every day. Where Americans are content to wander around the parks with lunch in their hands, a large majority of the European guests would converge on the restaurants at 12:30 p.m. expecting to be seated for a leisurely lunch. This caused the lines to be very long. To complicate matters further, once the Europeans reached the front of the line they were told they could not have wine or beer with their lunch. Thus, the Europeans did not have a positive "Disney experience" while eating their meals. In addition, it was difficult for Euro Disneyland's managers to staff for these one or two hour "rush hours."

The forth example of a cultural error is the Europeans approach to vacation time. Disney also thought that because the French and Germans typically have five weeks' vacation, compared to American, who on average has two-three weeks, it would be an advantage to them. The Europeans prefer a few longer holidays rather than several short breaks. Attendance at the Euro Disney was also seasonal; with parents normally waiting for the school summer holidays to go. Therefore, there were not a lot of people during the non-vocational months. This was compared to American parents, who would take their children out of school to go on holidays. The Europeans are reluctant to take their children from school for a vacation in mid-session whereas Americans do it frequently. Also, The Walt Disney Company was convinced that it would be able to "Americanize" the European habits. Unfortunately for the Walt Disney Company, this was not the case.

While attendance was strong when the park first opened, Euro Disneyland involved the computer stations at the hotels. Euro Disneyland executives assumed guests would stay at the park for several days. This in fact did not happen. Many guests arrived early in the morning, spent the day at the park, checked into the hotel late that night, and then checked out early the next morning before heading back to the park. In comparison to the United States, the average stay was four nights. They felt that this was because in Florida and California, there are multiple theme parks, not just one as in France. Since there were so many guests' checking-in and checking-out, additional computer stations had to be installed at the hotels in order to decrease the amount of time the guests stood in line.

Finally, in the initial design of the project, it was assumed that Europeans would be like Americans in term of transportation around the park and form the hotels to the park attractions. In the United States, a variety of trains, boats, and tramways carried visitors from hotel to the park. Although it was possible to walk, most Americans choose to ride. Europeans on the other hand choose to walk rather than ride, leaving the vehicles significantly underutilized. While not directly affecting revenues, the capital as well as ongoing costs for this transportation was considerable. Parking facilities were built accordingly as were facilities for bus drivers who would transport passengers to the park. Once again, the initial planning vastly underestimated the proportion of visitors who would arrive by bus as part of school, community or other group. Facilities for the bus drivers to park their buses and rest were inadequate. The problem initial solved.

2.3 Financing and the initial business plan

Euro Disney's key financial plan was that they would tightly control the design and build almost everything itself and

then sell the completed properties at a large profit. In reality, it was found that there was little room for error that depended on the office parks and hotels surrounding the park to pay off, instead of the actual park.

The Walt Disney Company wanted to build a state of the art, as near to perfect as possible, theme park. In order to meet this goal the company frequently attempted to build and rebuild, with no regard for the "bottom-line" construction cost. Michael Eisner, the Chief Executive Officer of the Walt Disney Company, ordered several last-minute construction changes, known as budget-breakers, which further increased Euro Disneyland's debt. For example, one cold day before Euro Disneyland opened Eisner warmed himself by a Paris hotel lobby fireplace and ordered more than a dozen wood-burning fireplaces for Euro Disneyland despite the added construction cost and upkeep. Another example of an Eisner budget-breaker was his decision to remove two steel staircases from Euro Disneyland's Discoveryland. He wanted them removed because they blocked a view of the Star Tours ride. It was estimated the cost to remove the staircases was approximately \$300,000.

European investors also did not understand the concept of high-flying free markets and why shares were sold to individual investors with little tolerance for risk. There was also a European recession, resulting in unsuccessful business for Euro Disney.

Euro Disneyland executives and advisors failed to see the signs of the approaching European recession. "Between the glamour and the pressure of opening and the intensity of the project itself, we (the executives) didn't realize a major recession was coming". As the recession began to develop the French real-estate market tumbled (discussed below), thus, destroying Euro Disneyland's hopes of selling their assets and receiving revenues. In addition, the recession caused French and European disposable incomes to shrink, causing families to think twice about taking an expensive trip to Euro Disneyland .

Furthermore, Euro Disneyland did not realize the magnitude of the impending recession and when given numerous opportunities to sign partners who would share the risk or buy the existing hotels, Disney refused. Euro Disneyland did not want to give up any of the potential revenues once the recession was over.

Thicket prices for Euro Disney are also a problem considering that Disney want to attract not only locals but also tourists. Purchasing Power Parity comes in question when it comes to local currencies. Different currency values were not considered in the planning. European countries have different money currencies such as Germany's Deutsche Mark, France's Franc, Austria's Schilling and so on. At the end it was cheaper for the European tourists to travel to Florida and Orlando to visit one of the Disney Land Parks. Disney did not consider that European countries have different standards of living compared to American where they can afford to pay \$30 daily to visit Disney. Europeans cannot afford to pay 40 French Franks for a daily entry; this is due to difference of purchasing power parity of different visitors from all around the world.

2.4 French labor laws

Working abroad represents a significant change for any American company and Euro Disneyland did encounter problems with European laws and procedures. Employees balked at the company's dress code, and called in French labor inspectors. A ruling is awaited. Also, a dispute arose between French construction subcontractors and Disney overpayments. The company reached an arbitrated settlement with 40 subcontractors, but some disputes may go to court.

The French felt that the American management demoralized the work force, which also cut down the number of French visitors. According to a European labor economist, Disney did not understand the differences in the United States versus European Labor Laws. That meant that because there was cyclically in the attendance, American workers were scheduled to work, based on the day of the week and the time of the year. However, French labor laws did not provide this flexibility and could not operate at Euro Disney. Labor costs were significantly higher than in the United States.

Before the opening of Euro Disneyland executives had estimated labor cost would be 13% of their revenues. This was another area where the executives were wrong in their assumptions. In 1992 the true figure was 24% and in 1993 it increased to a whopping 40%. These labor cost percentages increased Euro Disneyland's debt.

2.5 Management hubris

Disney also modified the theme park, so that it had attractions based on Frenchman Jules Verne's science fiction and a theatre with a 360-degree screen that featured European history. However, it still maintained American features such as Frontierland and Michael Jackson's Captain EO Movie. It adapted to the languages, making English and French the main languages, however, providing translators for the Dutch, Germans, Italians and Spanish.

Nevertheless, Euro Disney was wrong to assume that Europeans wanted American things; however, they failed to consider that the French "flatter themselves that they are more resistant to American cultural imperialism". Europeans felt that the American management system was bold and insensitive and that Americans were over-ambitious. Because of this, Euro Disney became known as "Cultural Chernobyl", creating hostility from the French people.

3. Recommendation

We would recommend that Euro Disney restructure the way it operates on a number of levels. Unfortunately, it is impossible to relocate Euro Disney to the west of Paris, however, perhaps Euro Disney could initiate a promotion such as the Queensland theme parks do for its residence, which is offer a yearly pass for a very low cost. This may allow people who reside near the theme park to make trips to Euro Disney a frequent outing.

There had seemed to be a problem with the misunderstanding of the European lifestyles compared to the American lifestyle. Everything was built and set in a way, which was assumed that the European people's lifestyle was no different to the American lifestyle.

The colder months may have to be dealt with by also initiating better promotions to visit Euro Disney, as attendance at Euro Disney was seasonal. Perhaps discount family passes may be issued during the school year, so parents did not have to wait for the school summer holidays. If this did not work, Euro Disney could only for open fewer hours during the colder months.

More seating could be implemented so it could meet the demand for eating at the park, however because the park had high priced fast food, Euro Disney could cut down on the variety (as it is not appreciated anyway) of fast foods and introduce quality meals for a similar price. In reality, labor-saving magnetic cards replaced meal vouchers and the number of food items offered was reduced from 5400 to 2000 .

The revenues of food were significantly lower in Euro Disney then compared to the Disney parks. It was to be believed that Europeans did not eat big breakfast, and because of this, restaurants were planned to seat only a small number of breakfast guests. This was however found to be incorrect and was then rectified only after it was discovered. In fact, they were "...trying to serve 2,500 breakfasts in a 350-seat restaurant at some of the hotels". Further, guests wanted bacon and eggs rather than just coffee and croissants. Disney reacted quickly with prepackaged breakfasts delivered to rooms and satellite locations.

Usually Disney do not sell any alcohol within the park simply because for the keeping of the family-oriented values, while Euro Disney would need to recognize that alcohol is viewed as a regular beverage with meals and a part of daily European life, so maybe by introducing wine with meals will still let Europeans enjoy their beverages.

We should get to know and understand the European lifestyle and get to know what are the things Europeans normally like to do and what they may not like to do. We believe that by doing this it would save heaps of money for the company instead of wasting money rectifying problems after problems by assuming or misunderstanding the lifestyle of the Europeans to the Americans. Not all countries in the world live and have the same lifestyles, this is why we must study the lifestyles of how the people live so that when people come to visit the park there will not be any problems of coming out with money to rectify problem of not having enough seating place in restaurants, and etc.

As Europeans were also less attracted to buying souvenirs, they should cut down on production of souvenirs, which would cut some costs. In reality stores reduced merchandise from 30000 to 17000. Because Europeans choose to walk, leaving vehicles under-utilized and therefore a waste of money, perhaps some of these vehicles should be sold. It would also be beneficial if the car park were adjusted to suit buses that brought in tour groups.

It was essential to raise funds to eliminate this debt. In order for Euro Disney to make these modifications, Disney may have to organize finance for the park from banks and form Walt Disney. In reality, fortunately, the creditor banks forgave eighteen months of interest payments and postponed payments for three years. They also allowed existing shareholders to purchase new shares at below market prices.

Because Euro Disney was wrong to assume that Europeans wanted American things, they failed to consider that the French people felt that the "*uncontrollable problems were exacerbated by the arrogant attitude and cultural naivete of the American management*". Euro Disney could solve this problem by promoting Europeans to the top management levels. It again in reality happened as Phillippe Bourguignon replaced Robert Fitzpatrick.

For the French labour issues, we must learn and understand the differences between U.S. versus European labour laws. Since the French workers are not scheduled based on the day of the week and time of year, may be then there should be a consideration of having to follow the European labour laws, after all the park is built in European country. We cannot simply use U.S labour laws in another country because the country itself has its own labour laws and not labour laws follow the same system. This way if we just follow the European labour laws, the only problem, which then needs work to be done on, is to find a way to come up with a solution on how we could lower the cost of labour in Euro Disney. Maybe we could be able to try training the workers to follow a schedule on the day of the week and the time of year basis.

A final proposition that was implemented was the changing of the name. Euro Disney was changed to Paris Disneyland, which indicated that there was a new beginning for this theme park.

4. Lessons from Disney' problem

From observing the problems that Euro Disney had in relation to its theme park, we can observe that it is essential to study and accept the differing values of different nations. Marketers need to undertake extensive planning to avoid situations that may result in conflict or misunderstandings. We learn from this case that listening to the values and opinions of the people who live there would be beneficial to avoid problems relating to location, the environment and management strategies.

Cultural differences need to be addressed and not just assume that the foreign country will adopt domestic views. The way Europeans took holidays, bought souvenirs, took transport and ate, all affected Euro Disney's performance as what was implemented was wrongly assumed and therefore resulted in bad turn outs, because Europeans would rather continue doing what they were used to.

Facing also needed to be considered more carefully to avoid mis-spending on the wrong items (such as store merchandise and vehicles) instead of the items best suited to that area (alcohol and better quality meals).

We learnt that despite Disney adopting some European attractions at Euro Disney, they were wrong to assume that Europeans wanted American things, resulting in the Europeans feeling that the American management system was bold and insensitive. Therefore, it is essential to be sensitive and considerate of the Europeans needs.

Laws also need to be complied with, as Disney did not understand the differences in the United States compared to European Labor Laws. This resulted in a waste of funding because labor costs in Europe were significantly higher than in the United States.

Another thing that we have seen is that Europeans felt that the real experience of traveling to the United States where there was warmer and more attractions would be a better idea. This was also achievable because their currency bought more. This shows us that perhaps Europeans would have preferred to see the "real" American Disneyland, compared to a modified, smaller version, which was brought to them.

5. Conclusion

The lessons learned and experiences gained can apply to any country on the globe. For example, the Walt Disney Company failed to properly understand the eating habits of the Europeans. The lesson learned is that any meal providing company-contemplating expansion into any foreign market should be intensely indoctrinated on all aspects of the eating habits of people in and near that country.

In conclusion, it is evident to see that when embarking on an international endeavor. A move by any company to any foreign market should not be made without an extensive, in-depth study based on exhaustive research into every applicable aspect of new-home country. This includes the economy, laws, culture, climate, interests, customs, life-style habits, and geography, work habits, just to name a few. The list could go on and on with one area leading to another. Evidently, it is also important that these differences are not just assumed but true.

In order to determine the best way for a business to enter a new foreign market it should review past business experiences, which have settled in that particular market. Through these past experiences the business contemplating entering the market would have the ability to increase its chances of success as well as decrease its chances of failure.

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Study on Irrational Strategic Management

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Abstract

With the development of economy, original pure rational strategic management could not adapt to the complex and ever-changing environment now. A kind of irrational strategic management is emerging quietly. This passage introduces the development of irrational strategic management and its function in strategic management, and discusses the way of irrational factor playing an active role in strategic management.

Keywords: Strategic management, Rational management, Irrational factor

1. Rational strategic management and its predicament

Rationality has a deep-rooted tradition in enterprise management. From Adam Smith, economics saw people as rational animal. The appearance of the rational people influenced the subsequent management even more deeply. The strategic management has showed itself in the rational way from its forming. From the design and plan school in the 60s to the dominant position of location school in the 80s, until the rising of core school in the 90s, all emphasized the rational character of strategic management [1]. The thought of rational strategic management supposes the environment of the enterprise facing is simple, small changes and expectant, so, the enterprise can be expectant for the market and the future. But today, the environment of the enterprise facing is not only complex, but also less and less expectant. If the enterprise emphasizes the rational way, it may concern with management efficiency and stylization of forming strategic management excessively, which will create a kind of inertia of strategic management. After the 1970s, the operation and management of Japanese enterprises shocked the United States. Compare with the management differences of the United States and Japanese, we can find that the United States frustrated in the competition of operation and management with Japanese, which showed the predicament of rationalism in modern enterprise management.

2. The irrational strategic management and its rising

People often see the irrational factor as the opposition of rationality, and think it is not rational, loss of rationality, and negative rationality. In fact, irrationality means the spirit property of no conscious, tuition, emotion and belief which not belongs to the rational factor and corresponding with rationality, it is a natural part of human nature.

Irrational strategic management means that in the complex strategic management activity, the manager except playing the role of rational strategic management through necessary data analysis, predict and logical reasoning, should change the concept of efficiency supremacy, and should be people-centered, take sentiment as main line, pay attention to play the role of irrational factors, such as faith, sentiment, will, mind-set, intuition and so on, which can be used to excavate staff's potential and enthusiasm, attract consumer's attention and support, create the environment of the three (manager, staff and consumer) common recognition, form the group's values and cohesion, and achieve the harmonious management of the aim of strategic management. The core of irrational strategic management is people-centered, attach importance to people's emotional factors, respect people, depend on people and develop people.

In 1924, the results of Hawthorne experiment carried out by Mayo shows that people is not only economic people, but also the society people who have irrational factors, such as desire, demand, emotion and so on. Members who have common feeling, attitude and value in the work constitute the informal organization, which influences members' action with stable authority form and irrational emotional logic [2]. Now, the birth of the theory of knowledge management, building a learning organization promotes the symbiotic integration of rational and irrational management. On the one hand, it promotes rationality as the role of achieving irrational tool by making full use of scientific method and means which can make knowledge doing identification, processing and dissemination. On the other hand, it pays attention to playing the role of irrational factors, such as people's desire, emotion, interests, will and so on in management, encourages innovation, promotes learning and exchanges, enhances the ability of facing changes, and makes the irrational factors in the framework of rationality play the active role of cohering popular feeling, management innovation under the guidance of scientific way.

3. The function of irrational factors in strategic management

Irrational factor, as a kind of spirit composition and existence way, mainly concludes the needs, emotion, feeling, will, faith, belief, unconsciousness, intuition, inspiration and so on. Irrational factors play an important way in the whole process of strategic management, mainly in the following aspects:

3.1 Irrational factors guide the strategy manager to get information

Essentially, strategic management is a manager's idea of future development of the enterprise, which has uncertainty character. What the information the manager faces before he making decision is complex and difficult to get by data analysis and logical reasoning. The most important information for strategic planning may beside the manager's hand, or may lose evanescently. It needs manager to find and grasp information by rich experience and exceptional insight. The three-year-old daughter of Lande, the leader of Polaroid asked him, why she could not see her photos at once. Less than one hour, this scientist formed a strategic thought of image camera, which took a turn for the better for his company. From this example we can see that this strategic thought comes from the sudden comprehension for his daughter's question and his broad technical knowledge.

3.2 Irrational factors support strategy manager to carry out information analysis

When a new environment comes quietly, or an enterprise faces crisis or the strategy turning point, people cannot make data analysis at this time, and cannot forecast the future. To be brief, rational analysis mode cannot provide an accurate answer at this time. People must analyze and make decision by their own intuition and sense and insight under situation of uncompleted information, unsure circumstance and unclear state. Irrational strategic mode may be the only choice at this time. It is the manifestation of the two situations that the strategies choose of the company of Intel from the number one company of memory production to microprocessor market. In accordance with traditional analysis, this decision is simply inconceivable, unconscionable. At that time, memory service is the company's absolutely leading service, and the sales volume of microprocessor is small among the 2000 kinds of products. For this, the former president of Intel Andy Grove has a wonderful experience summary, "Sometimes, the experience tells you that some factor is very weak now, and is insignificant in data analysis, but it has great development potential, and you will change your management rule in the future. In other words, in the process of treating the impact of budding trend, you should go out of the rigid data analysis, and depend more on perception and knowledge to decide."

3.3 Irrational factors help improve the efficiency and quality of decision making

Decision makers do not only depend on rational judgment when they choose programs among lots of options. Simon affirmed that it was exist intuitive thinking during the process of program design and selection. He thought that intuition is a kind of thinking pattern. Depending on intuitive thinking can breakthrough the restrictions of logical thinking on the basis of logical thinking results in the past, and can save time of reasoning [3]. In the practice of strategy decision making, people who doing the choice of decision making program by using intuition are mainly experienced experts and senior managers in the organization. They do not do it by using logical thinking, but making decision as soon as possible under the analysis of intuitive thinking and some rational analysis. When the company of Volvo in Sweden sold their cars to American market, all the analysis get the result that Volvo has no competition and it cannot succeed in American market. But Benguela insisted on his own intuitive judgment, he thought that the car will surely succeed in the largest market in the world through all kinds of methods. The result proves his intuitive judgment. Just as the former CEO of this company said, "intuitive feeling really significantly impact on strategic actions, though strategic decision, such as large scale investment will be naturally influenced by economic analysis and forecast, strategy is dominated by feeling and intuition to a certain extent, because the future profit is difficult to estimate. This is a complex thing, and you cannot forecast forever, must be feeling right."

3.4 Irrational factors promote the smooth implementation of strategic decision

Good strategic decision needs executor to implement. If strategy has not been smoothly implemented, it will fail in the end. Therefore, the coordination and communication between decision maker and executor are very important. The essence of communication is emotional communication. Emotion promotes effective interaction between manager and executor. Emotion, as an irrational factor, can promote all staff's ambition and struggling spirit, and stimulate activity through conveying goal to the staff to make them has an identical direction [4]. For example, the Japanese leaders pay attention to the role of emotional factor in strategic management. Komatsu proposes the slogan of "surround Caterpillar". Canon Corporation wants "to attack Xerox Corporation", Honda Corporation takes "to try its best to become the automobile industry pioneer like Ford" as the power of going forward. They will stimulate staff's enthusiasm through slogan or strategic intention, and achieve the company's final goal at last. Concerning the unique role of emotion in the process of strategic management, Phillips, the famous learner, summarized exactly, he said, "strategy has no value in itself, and it only has significance for people who participate enthusiastically." From this aspect, good strategy is to stimulate staff's participation enthusiasm. Strategy can play its role if staff has enthusiasm.

3.5 *The negative role of irrational factors in strategic management*

Irrational factor is a double-edged sword. Due to the non-logical and non-critical features of irrational factors, they inevitably have negative role which can not be neglected in management activity. Irrational factors easily lead to misleading information and decision errors. During the process of information collection, one-sidedness of irrational factors may limit the scope of attention. The desire of diversity will not make attention focus on a particular goal. The speed and accuracy of information gathering and processing will be affected if the emotion and feeling are more than or less than a certain level of intensity. Irrational factors, such as intuition and inspiration, are short of rigidity and reliability, or even are illusion. Abusing them will lead to major mistakes in decision making. Negative emotion will also make leaders become inconstancy, bring hindrance for the communication, and lower management efficiency and the effectiveness of organization activity and individual action, and effect the achieving of organization goal at last.

4. **The way of leading irrational factors to play its active role in strategic management**

4.1 *Paying attention to and cultivating irrational factors, promoting rationality and irrationality harmonious development*

The aim of learning and thought of strategic manager is not only mastering methods and rules, being able to use conventional methods of strategic management to making strategic analysis and decision, but also stimulating thought, improving creativity and innovational ability. During the management training, managers should pay attention to emotional shape, will training and correct beliefs establishing to improve managers' EQ and accumulate management experience. During learning knowledge, people should pay attention to improve intuition ability, and exert the creativity of intuition and inspiration through continuous accumulation. On weekdays self-shaping, people should strengthen the critical self-awareness, and debug and change character and action by using the power of will, and persistently carry out self-examination and self-encouragement. So that they can exceed the knowledge constrains, gain wisdom enlightenment, which can promote the harmonious development of emotion and reason under the guide of sense.

4.2 *Perfect the people-management, play the core role of people in management*

The people-management, centered on people, is on the basis of scientific management theory and method to make strategic management process, method and system correspond with human nature, and focuses on people's inner world, bases on the real need of people and guided by emotion, exerts human nature, excavates people's potential, mobilizes people's enthusiasm and creativity to increase members' happiness, makes everyone get oneself development and satisfaction through serving for organization, and achieve the aim of harmonious development between organization and people. Strategic managers not only need respect people, but also exert people's ability and value, meet the needs of human nature, treat employees correctly, set the concept of unity among manager, employee and enterprise, increase employees' belongingness. Giving up the pursuit of efficiency, people should pay attention to the embodiment of personal value in the work, and promote the smooth achieving of strategic aim through achieving personal value.

4.3 *Strengthen the emotional management and promote effective management communication*

When the manager formulate and implement strategic planning, they should pay attention to the role of management communication, and strengthen emotional investment, create a relax and warm working environment, cultivate close relationship, strengthen positive incentives, pay attention to two-way communication and exchange, attract, retain and cultivate talents to make employees get self-esteem satisfaction, and reduce frustration, increase enthusiasm, inspire initiative and creativity, enhance the cohesion of the organization, meet the employees' needs of high-level demand, to truly achieve the management of fitting human nature. Through the emotional communication in the process of strategic implementation, the organization's mission, desire and ideas will form members' thought pattern and behavior through a variety of effective communication channels. They cultivate employees the common belief. Finally, it internalizes organizational culture.

4.4 *Establish a sound management system and norms, weaken the negative role of irrational factors*

In the process of strategic management, we emphasize the management of human nature, people-management, self-discipline of the people, at the same time, we also clearly recognize the irreplaceable role of laws and norms. A comprehensive and rational management operational mechanism and perfect management behavioral assessment system and monitoring system will help establish the concept of contract, the sense of equality, and can strengthen action constraint, improve management efficiency, thus, it can curb unreasonable needs, reduce the negative impact brought by irrational factors, such as blindly emotional and conscious impulse, and intuitive mistakes.

5. **Conclusions**

This passage studies on the role of irrational factors in the process of strategic management, and attempts to change the situation of neglecting irrational problem in strategic management in the past. The aim of this passage is not exaggerating irrational factors in order to play down the rational factors, but is hoping to envisage the important role of irrational factors in strategic management activity, probing that how to exert the active role of irrational factors under

the guidance of rationality, weakening the way of its negative role, serving strategic decision making, and achieving the goal of sustainable development and harmonious social development.

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Identifying the Relationship between Travel Motivation and Lifestyles among Malaysian Pleasure Tourists and Its Marketing Implications

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Abstract

This preliminary study attempts to profile the Malaysian domestic pleasure travel market based on lifestyles and travel motives as well as the relationship between the two constructs. This study also investigates the sources of information and other travel-related characteristics in the Malaysian pleasure travel marketplace. This study involves a questionnaire-survey of 248 respondents and employed factor analyses with varimax rotation as the main statistical method. Factor analysis of 50 travel motivation items selected from previous literature reveals that there are five major forms of pleasure-motivated travel, namely, *Nature*, *Cultural*, *Budget*, *Adventure* and *Freedom*. Nature-motivated travel emerges as the most popular type among local tourists. This may be due to the country being rich in natural attractions. Thus, this study recommends further development of the ecotourism sector to encourage more Malaysians to spend their vacation locally. Five types of lifestyle were extracted from the factor analysis of 34 AIO statements adopted from Hawes (1988). The five factors labelled as *the Satisfiers*, *the Dreamers*, *the Indoors*, *the Achievers* and *the Escapist*. *The Satisfiers* and *the Dreamers* are the two most dominant types of lifestyle. Generally, domestic tourists are satisfied with their present leisure activities as well as possessing high curiosity for travelling to novel tourist destinations. At the same time, the Pearson Product-moment Correlation analysis was employed to investigate the relationships between the travel motivations and lifestyle dimension. The results show that *the Dreamers* have significant relationships with all five forms of travel motivations. The study's findings will assist tourism industry players in developing tourist destinations based on these underlying travel motivations and lifestyles, thus segmenting and differentiating one destination from another for further success in promoting the destinations.

Keywords: Travel motivations, Lifestyles, Tourism, Segmentation, Malaysia

1. Introduction

Tourism contributes significantly to the economies of many countries (APEC, 2002; WTO 1999; WTTC 1995). It is also considered as an information-intensive industry in which electronic commerce plays a very significant role. The travel and tourism industry is undergoing a period of rapid change and rapid growth that has been attributed to many factors. These include an increase in disposable income and leisure time, successful tourist promotion, technology change, and recognition by host governments that tourism is an important industry that generates foreign exchange earnings. Moreover, this is largely due to the vigorous campaigns and a systematic approach by the government to turn tourism into one of the major foreign exchange earners in the country. The revenue earned from the tourism sector increased from RM13 billion in 1999 to RM25 billion in 2002. This development could be further enhanced if the local tourists themselves give their first priority to travelling in their own country. Pleasure travel is a major and most

important sector of the Malaysian tourism market as the country is rich in natural flora and fauna attractions.

Tourism is always related to human beings and to human nature, thus it is important to investigate why people travel and identify what they enjoy. Past research has shown that identifying tourist motivations can be a useful and effective approach for determining appropriate visitor opportunities and, further, that heterogeneous tourist segments can be easily categorized by these motivation factors (Keng & Cheng, 1999; Poria et al., 2004). The pleasure travel segment should be further researched to provide a better understanding of tourist behaviour, such as how they make their travel decisions. Factors such as increased leisure time, improved transportation system and higher disposable income will further enhance the growth of this enormous market (Dybka 1987). Thus, the determinations of travel motivations among pleasure based tourists can be viewed as a critical variable to understand, especially in developing an itinerary or guide programme aimed at providing a satisfactory tourist experience (Crompton, 1979; Fodness, 1994).

Pleasure-travel decisions made by tourists are not single independent choices of separate elements (including mode of transportation, accommodation used or use of travel package) but rather a complex multi-faceted decision in which the choices for different elements are interrelated and evolve in a decision process over time (Dellaert et al., 1998). Therefore, the relationship of all these elements should be studied to provide a better understanding of the travel decision process. According to Abbey (1979), tourism research is separated into demographic and behaviouristic studies. Behavioural analysis attempts to explain more concrete reasons behind purchase behaviour and the most popular behaviouristic approach for studying tourists is lifestyle analysis. Woodside and Pitts (1976) also suggested that lifestyle information could be more important in predicting foreign and domestic travel behaviour than demographic variables.

There are a limited number of studies empirically and conceptually measuring the lifestyle and travel motivations among pleasure based domestic tourists in Malaysia. It is hoped that the results of this research will enlighten travel-related service providers of this pleasure market's behaviour and preferences, thereby enabling them to suggest and develop appropriate marketing programmes that are designed to promote Malaysia's tourism products and services effectively to the local tourists.

1.1 Travel Motivations

Motivation has been referred to as psychological, biological needs and wants including the integral forces that arouse, direct and integrate a person's behaviour and activity (Dann, 1981; Pearce, 1982; Uysal & Hagan, 1993). A travel motivation/motive is defined as the set of attributes, when aggregated together, that describe a place as a travel destination. They include all elements that are related to a destination and to travelling to the places such as the physical and cultural characteristics of the destinations, and actual distance required to get to the destination (Um, 1987). According to Crompton (1979) and Fodness (1994), travel motivations are critical aspects in understanding travel behaviour. Moreover, Lubbe (1998) stressed that a consumer's motivation to travel begins when he/she realises that there are certain needs and is aware and perceives that certain destinations may have the ability to serve those needs.

Mathieson and Well (1982) indicated that the tourism consumer is purposively being an active information seeker in their travel planning. Tourist's decision-making is based on their motives and motivated tourists may seek information that is relevant to their needs through friends and relatives, travel guidebooks, TV travel channel, and the Internet, etc (Peter & Olson, 1999). Tourist information search is considered a dynamic process because tourists depend on various amounts and types of information sources in facilitating their travel planning (Fodness & Murray, 1997). According to Shih (1986), a traveller's vacation is a complex process that involves the traveller's attitudes, perceptions, experience, motives, or benefit sought. According to Mok and Armstrong (1996), tourists generally have limited knowledge about a destination, especially if they have not previously visited the location and are often dependent upon symbolic information acquired from either the media or from social groups. Motivation or motive is explained as why an individual does something (Hawkins et al., 1998).

Schiffman and Kanuk (1999) explained that the driving force is caused by unsatisfied or unfulfilled needs of consumers. In addition, some motivation is based on rational and emotional motives. This means that emotional motives will lead consumers to behave rationally and carefully consider all alternatives, thereby giving them the best utility and emotional motives, which are opposite to the rational motives that serve to maximize satisfaction. According to Cooper et al. (1998), most people want to travel based on their inner urges, which initiate travel demand. This phenomenon is due to differences in an individual's attitudes, perceptions, images and motivation. These factors are considered crucial and important in tourism study because of their influence in travel decision-making.

Yoon and Uysal (2005) investigated the causal relationship between tourists' motivational factors with satisfaction and destination loyalty. Some of the important motivational factors measured were exciting, knowledge, escape, achievement, family togetherness, safety/fun, away from home, modern amenities, wide activities, natural scenery, night life/local cuisine, water activities, interesting town, different culture, etc. The results indicate that tourism players should provide greater attention to travellers' relaxation, family togetherness, safety and fun in appealing to the internal

motivations of travellers. At the same time, the marketers should also consider the uniqueness of the destination attributes such as its attractions and activities, focusing on the emotional aspects of travellers needs.

1.2 Travel Market Segmentation and Lifestyle

Market segmentation has become one of the most valuable concepts in developing promotional strategies to better reach the market (Rovelsted & Blazer, 1983; Stynes, 1983; Crompton, 1983; Uysal 1986; Woodside et. al., 1987). In the pleasure-travel market, there is extensive prior research focusing only on the demographic variables. Javalgi et al. (1992) carried out a study to explore the pleasure travel marketplace in the United States. Their aim was to understand the differences in consumer behaviour of senior and junior travellers. The study set an initial step towards establishing an understanding of the need for developing an effective pleasure travel marketing programme to target the huge market of pleasure travel worldwide. Their findings showed that the most popular form of travel was visiting relatives and friends followed by close-to-home leisure trip and touring vacation.

According to Zablocki and Kanter (1976), a lifestyle marketing perspective recognizes that people sort themselves into groups based on the things they like to do, how they like to spend their leisure time and how they choose to spend their disposable income. Thus, an AIO (activity, interests and opinion) inventory is the fundamental approach to lifestyle study. Lifestyle allows travel marketers to create a travel package that is more compatible with the motivations, attitudes and opinions of the tourists. In turn, these choices create opportunities for market segmentation strategies that recognize the potency of a tourist's chosen lifestyle in determining types of products purchased and the specific brands most likely to appeal to a particular lifestyle segment (Solomon, 1999). Abbey's research finding suggested that travellers prefer tours designed with vacation lifestyle information to those designed with demographic data alone.

Gonzalez and Bello (2002) explained that lifestyle permitted greater knowledge of variables in influencing tourist behaviour. The study conducted in Spain managed to identify five tourist lifestyles – 'Home Loving', 'Idealistic', 'Autonomous', 'Hedonistic' and 'Conservative'. 'Home Loving' generally focused on family life. They preferred to have a vacation accompanied by their families and domestic destinations are the most frequent for a holiday destination. 'Idealistic' is the group who enjoy sport, music, theatre or outdoor activities. This segment does not spend much money on accommodation and is fond of country villages. Meanwhile, for 'Autonomous', this group sees success as fundamentally linked with individual freedom and independence and places great emphasis on enjoying life and are not attracted to cultural activities. They spend their holiday time using low-priced accommodation and prefer city destinations. The 'Hedonistic' segment consists of those attracted to pleasure and tends to travel in the company of friends. They are those people attracted to newly arrived products or services on the market. Lastly, 'Conservative' is a home-loving segment, which focuses on the wellbeing of their family and is attracted to traditional domestic seaside destinations.

Hawes (1988) conducted a study of travel-related lifestyle, which was based on an age-specific (demography) study focusing on older women. Factor analysis results, indicated three major underlying dimensions within this group of travel, which were labelled as "traveller", "laid back" and "dreamer". The traveller reflects a strong vacation travel orientation and is generally associated with singleness or small household size, activeness, acceptance or liking of excitement and uncertainty, higher income and education. The 'laid back' indicates an acceptance of vacation travel but essentially of the domestic, unhurried, unexciting, quiet and relaxing, rural variety, less affluent and more concerned with indebtedness. The 'dreamers' reflect an orientation in vicarious thrills and wishing or dreaming substitute for the real thing. Television was found to be their main source of information for travel decisions.

The information search dimension is another important factor that should be given attention in order to design an effective tourism-marketing programme. Schul and Crompton (1983) concluded that search behaviour is better explained by travel-specific psychographics than by demographics. Results of factor analysis of their study reflect travel-specific behavioural characteristics that are labelled as "cultural interest", "comfort", "familiarity/convenience", "activity", "opinion leadership" and "knowledge-seeker". The importance of lifestyle descriptors are increasing in assisting the design of an effective promotional campaign as well as in the selection of suitable advertising media. The research findings also showed that lifestyle measurement is capable of differentiating between the passive information seekers and the active information seekers.

A study by Fodness and Murray (1994) indicated that travel for pleasure-oriented motives will have a higher tendency to depend on their personal experiences as the main source of information in planning their travel programme. Earlier, a study by Etzel and Wahlers (1985) found that pleasure trip importance (measured in terms of the dollar cost, duration and social importance) and the incidence of requesting information was positively correlated. Travellers who simply sought a change of scene or a rest were less likely to seek information while those who were undertaking a challenge or anticipating educational experiences were more likely to request information. Visitors to historical, fabricated and natural attractions are more likely to seek information compared to the outdoor visitors and visitors to friends and relatives. The study also found no relationship between the mode of travel and information seeking behaviour.

2. Objectives

Generally, this study attempts to segment Malaysian pleasure-tourists based on their lifestyles and motives of engaging in a travel activity. The specific objectives are:

- 1) To profile the lifestyle of pleasure based local tourists in terms of their travel motivations.
- 2) To examine the relationships that exists between travel motivations and lifestyle.
- 3) To determine the sources of information used to make travel decisions and other travel-related characteristics such as mode of transportation, type of accommodation as well as travel companions.

3. Methodology

The main research instrument employed for this study was questionnaires that were self-administered to 400 respondents. The Klang Valley, which is located within the state of Selangor and Federal Territory, was chosen as the sampling area. Being the most modern and advanced region economically and socially, the Klang Valley is the most densely populated region in Malaysia. Thus, a heterogeneous sample that constitutes people from all ethnic groups and various demographic characteristics can be drawn from this area. This study employs cluster sampling, a type of probability sampling, which involves the division of the sampling area into regions. From each of these regions a probability sample of organizations were chosen where the final sample is then drawn from the employees of these organizations.

The population of consumers being considered in this study is office workers that are employed in organizations and holding positions in professional, administrative and managerial, technical, clerical, sales and service areas. Based on the Malaysian Statistics Department Report 1991, the population size for eligible respondents in the Klang Valley is huge. A respondent must be at least 18 years old, have a permanent job and be interested in pleasure-travel activities. Researching the actual consumer groups allows more valid and reliable explanations as office workers are more likely to possess purchasing power and decision making capabilities (Cacioppo & Petty, 1979). Organizations were used in this study as an effort to ensure that all respondents selected have permanent jobs as well as to obtain a high response rate. A purposive sampling method was employed to select the respondents from each participating organization. A total of 248 questionnaires were returned with an overall response rate of 62 percent.

The measurement of the lifestyles construct was based on the 34 statements of Activity-Interest-Opinion (AIO) adapted from Hawes (1988). Some modifications were made to the original statements in order to suit the Malaysian market. All the statements were designed based on a six-point Likert scale anchoring from 1 (not at all agreeable) to 6 (very agreeable). As for the construct of travel motives, 50 items were identified from the review of past literature. Respondents were required to indicate the importance of the motives related to their pleasure travel activities on a six-point scale ranging from 1 (not at all important) to 6 (very important). Factor analysis using principal component with orthogonal Varimax rotation was employed to summarize the original items (both travel lifestyles and motivation variables) into smaller sets of newly correlated composite dimensions. Cronbach's coefficient alpha was used to assess the internal reliability of the factors identified. Subsequently, Pearson product-moment correlation was performed to measure the association between the underlying factors of pleasure travel motivations and lifestyle dimensions.

4. Findings

4.1 Factor Analysis -Pleasure Travel Motivations

From the Varimax rotated factor matrix, seven factors representing 71.45 percent of the explained variance was extracted from the original 50 statements. Only factors with loading equal to, or greater than, 0.50 and with eigenvalues equal to or greater than 1 are considered significant in this study. The results show that alpha coefficients for five factors ranged from 0.75 to 0.90 and eigenvalues from 1.24 to 6.70. These five factors are named as "nature", "culture", "budget", "adventure" and "freedom". They explain 69.45 percent of the variance. Table 1 summarizes the factor analysis results of pleasure-travel motivations.

Factor 1: Nature. This factor contains seven items and explained 35.26 percent of the variance with an eigenvalue of 6.70. The seven items are: "wilderness and undisturbed nature", "learn about nature", "birds", "trees and wildflowers", "mountains", "photography of landscape/wildlife" and "rural areas".

Factor 2: Culture. Loaded with four items, this factor explained 11.54 percent of the variance with an eigenvalue of 2.19. The four items consist of "cultural activities", "local crafts", "museums, art galleries" and "live theatres and musicals".

Factor 3: Budget. Accounting for 10.51 percent of the variance and loaded with only three items. The items labelled "reduced fares", "budget accommodation" and "inexpensive meals". The eigenvalue for this factor is 2.00.

Factor 4: Adventure. This factor explained 6.52 percent of the variance with an eigenvalue of 1.24. There are three items in this factor: "be daring and adventurous", "participate in sports" and "be physically active".

Factor 5: Freedom. Two items were involved that explain 5.63 percent of the variance and with an eigenvalue of 1.07. The items labelled as “change from a busy job” and “free to act the way I feel”.

4.2 Pleasure Tourist's Lifestyle

Factor analysis with varimax rotation is used to identify the underlying dimension of tourist's lifestyles from the 34 statements. Five factors with eigenvalues from 1.49 to 2.64 were extracted (Table 2). The first factor, labelled as “the Satisfiers”, explained 18.83 percent of the variance with an eigenvalue of 2.64. It carries five items related to self-satisfaction. The second factor, identified as “the Dreamers”, which consists of two items with an eigenvalue of 1.74 explained 12.45 of variance. This factor is related to desire for future travel. The third factor called “the Indoors”, which has three items, explained 12.15 of the variance with an eigenvalue of 1.70. It consists of statements, which reflected the interest for indoor activities that were influenced by television advertisements. The next factor, named as “the Achievers”, has the highest alpha (79 percent) of reliability analysis. It explained 11.92 percent of the variance with an eigenvalue of 1.67. “The Achievers” consists of items reflecting their previous travel experiences. “The Escapists” is the final factor representing 10.67 percent of the variance with an eigenvalue of 1.49. Two items identified in this factor reflected a passive-type of holiday.

4.3 Relationships between Travel Motivations and Travel Lifestyles

Table 3 shows the results of Pearson product-moment correlation between pleasure travel motivations and lifestyle factors. There is no significant relationship between two types of lifestyle – “the satisfiers” and “the achievers” with any type of travel motivation. However, “the satisfiers” have a relationship with two other segments of lifestyle factors – “the achievers” and “the tranquillity”. In contrast, “the dreamers” have relationships with all five types of travel motivations and to “the achievers”. “The Escapists” have a significant relationship with only three types of travel motivations – “budget”, “adventure” and “freedom”. While “the indoors” is related with only one type of travel motivation – “culture”.

4.4 Pleasure Travel Sources of Information

A large majority (55.51 percent) of the respondents made their pleasure destination decisions based on recommendations from their friends/relatives as their main source of information. The second important source was printed tourism materials (36.0percent), closely followed by their own personal experience/knowledge (35.56 percent). Meanwhile, the Internet channel was found to be the least important source of information for the local pleasure tourists with a mean of 17.50. Table 4 summarizes the overall results discussed above.

4.5 Pleasure Travel-related Characteristics

With reference to Table 5, personal transport is the most preferred means of transportation (56.9 percent) followed by public transport (32.7 percent). Rented transport on the other hand is not a popular mode (4.4 percent). Hotel/motel was identified as the most popular type of accommodation (46.4 percent). A total of 24.2 percent of respondents preferred a chalet followed closely by 20.2 percent that chose to stay at their relative/friend's house. In terms of travel companion, the majority or 84.3 percent of respondents preferred to be accompanied by their relatives/friends while only 5.6 percent chose to travel alone. Only 10.1 percent of the respondents used a travel package to organize their trip.

5. Discussion and Marketing Implications

The study revealed five main types of pleasure-motivated travel in the Malaysian domestic tourism industry. Nature-motivated travel emerged as the most popular type of motivation to travel by domestic tourists. This phenomenon could also help explain the boom in ecotourism and agro tourism segments of tourism in this country as well as in the world as a whole. Lindberq (1991) revealed that tourism overall has been growing at 4 percent annually but nature travel is growing at 10 percent to 30 percent each year. Malaysia should focus on nature-based tourism as its main market positioning since this form of pleasure travel managed to attract not only foreign tourists but also the domestic tourists. As there is a correlation between “nature” and “freedom”, any promotion planning should focus on these travel motivations in encouraging local tourists to take a vacation in Malaysia's outstanding nature destinations. This particular approach is important in attracting “the dreamers” to spend their leisure time in the country. This approach can be enhanced by using testimonial advertisements on television as it will create ‘word of mouth’ communication among locals.

Culture-based was the second most popular motivation in the pleasure tourism activities. Apart from its geographic attraction, Malaysia's major asset is its multi-racial and multi-cultural population, which is reflected in its festivals, food and general way of life (Cockerell 1994). This phenomenon could explain the reason why culture-based was one of the main travel motivations for embarking on pleasure travel by Malaysians in their own country.

“The indoors” is the only type of lifestyle reported to have a relationship with culture-based tourism. This factor consists of individuals who depend very much on passive or push promotions as their main source of information in making their travel decision. Among the most popular push promotion's related to “the indoors” is television

advertisements. Therefore, culture-based tourism activities or destinations need to be advertised more regularly and efficiently through the television media compared to other media.

Domestic tourists are more concerned with their travel expenses in organizing their pleasure activities. There is a relationship between “budget” in other types of travel motivations – “freedom”, “nature” and “culture”. It also correlates with “the Dreamers” and “the Escapists”. Domestic tourists are normally more concerned with the core products of the travel activities or destinations and not on the augmented products (etc. transportation, accommodation). Therefore, they will usually seek budget accommodation, reduced fares and inexpensive meals when conducting their trip.

“The Escapists” are those individuals who prefer to engage in a more passive kind of travel. Resting and relaxing are all that they want to do while on their vacation. The accommodation for this segment tended more towards the rustic than the lavish. They will also search for a low fare for their trips, as this will not burden their finances as well as their mind while engaging in the trip. Since, people frequently associate tranquillity with suburban or rural environments, in the future, tourism developers/players need to focus on the development of medium class hotels rather than high class accommodation, especially in the suburban tourist destinations.

Tourism players must also concentrate on designing more attractive value-based travel packages to cater for the needs of this segment. They can develop family packages because most domestic tourists prefer to spend their holidays with family. This allows them to channel their leisure time towards improving relationships between the parents and children. The package should include all of the main travel components (transport, accommodation, meals and destination tour) at an attractive or special pricing. This strategy will also encourage “the Dreamers” to spend their money locally for their future vacations.

Adventure-based is the second most important travel motivation in the Malaysian pleasure tourism. Nature tourism and ecotourism activities seemed to be very important components in the mix of so-called adventure product experiences (Wight 1996) as the activities include hiking, rafting, canoeing, cycling, kayaking, horseback riding and wildlife viewing. This is reflected by a relationship resulting from the correlation analysis between the adventure and nature and culture and budget based tourism. Adventure tourism has a perfect correlation with budget-based type of travel. It can be concluded that local tourists engaged in adventure tourism are likely to select from a range of adventure-type accommodation such as cabins, camping or bed and breakfast, which are relatively low in budget.

The final form of pleasure travel is “freedom”. This is a type where tourists want to experience a change from their busy life or job and to feel free to act the way they want to. “Freedom” has relationships with all other travel motivations since all types are a form of escapism from routine life. Everyone is searching for change, some do it actively and others passively. Tourism is actually escapism from ones routine life. Therefore, tourism players should assist their customers in planning and designing their own tailored vacation package. It is advisable for local tourist agencies to work as a consortium or build a wide network with various other tourism operators in the country to fulfil all the tourist needs and wants.

Lastly, “the satisfier” is the factor for those tourists that are satisfied with their life and have the capacity to enjoy better leisure time. Thus, tourism marketers should attract this segment, which is composed of people attracted to pleasure and enjoying life. Tourism players can offer them a range of choices, attractive tour packages incorporating stays in hotels of a certain charm, of medium to high category. This should be backed up in other mass media. TV advertising around the time of news programmes and print media including certain types of magazines seem the most appropriate to inform them. The messages could be connected to provide comfort, peaceful and simple holidays for the family to enjoy.

6. Conclusion

Pleasure travel is expanding in Malaysia, thus, requiring a behaviouristic study to have a better understanding of this lucrative market. Lifestyle segmentation is one of the most valuable tools in developing promotional strategies to reach the market effectively. The segmentation of the market that emerged divides into five factors: “the Satisfiers”, “the Dreamers”, “the Indoors”, “the Achievers” and “the Escapists” and five major motives of pleasure travel: “nature”, “culture”, “budget”, “adventure” and “freedom”. These labels try to give a general idea of lifestyle and travel motivations of pleasure tourists. The current study adopted a cross-sectional design, which was conducted at one point in time. While it provides a useful “snapshot” of consumer or travellers/users data and helps understanding the phenomenon under study, it does not explain the possible changes in travellers/users’ attitudes and behavioural characteristics over time. According to De Wulf (1999), a longitudinal study can detect attitudes and behavioural changes over time and allows stronger inferences to be drawn from the dynamic elements of behaviour. Future research should collect longitudinal data to test the predicative validity that exists between travel web site effectiveness characteristics and intention to use travel web sites. The characteristics of each are much more extensive than the label defining them. Furthermore, these labels and characteristics would not correspond precisely to those to be found in other countries. However, the methodology can be adapted to any location/place.

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Table 1. Factor Analysis Results: Forms of Pleasure Travel

Related Statements	Factor	Factor	Factor	Factor	Factor
	1	2	3	4	5
	Nature	Culture	Budget	Adventure	Freedom
1. 1.Wilderness and undisturbed nature.	0.70				
2. Learn about nature.	0.73				
3. Birds.	0.81				
4. Trees and wildflowers.	0.81				
5. Mountains.	0.84				
6. 6. Photography of landscape/wildlife	0.61				
7. Rural areas.	0.68				
8. Cultural activities.		0.80			
9. Local crafts.		0.74			
10. Museums, art galleries.		0.78			
11. Live theatres and musicals.		0.77			
12. Reduced fares.			0.83		
13. Budget accommodation.			0.81		
14. Inexpensive meals.			0.82		
15. Be daring and adventurous.				0.67	
16. Participate in sports.				0.73	
17. Be physically active.				0.70	
18. Change from a busy job.					0.74
19. Free to act the way I feel.					0.85
Variance	35.26	11.54	10.51	6.52	5.63
Eigenvalue	6.70	2.19	2.00	1.24	1.07
Cronbach's alpha (α)	0.90	0.82	0.81	0.64	0.75

Table 2. Factor Analysis Results: Types of Lifestyle

Related Statements	Factor 1	Factor 2	Factor 3	Factor 4	Factor 5
	The Satisfiers	The Dreamers	The Indoors	The Achievers	The Escapists
Basically, I am satisfied with my present leisure-time activities.	0.67				
I am satisfied with my present financial situation.	0.72				
Our family income is high enough to satisfy nearly all your important desires.	0.71				
I really enjoy life.	0.76				
I have enough leisure time.	0.72				
I would like to take a vacation overseas.		0.88			
I would like to take a vacation in Singapore, Thailand, Indonesia, or other places.		0.89			
I watch television more than I should.			0.80		
Television is our primary source of entertainment.			0.82		
My choice of brands for my products/services is always influenced by advertising.			0.64		
I have travelled overseas.				0.87	
I have travelled to nearby countries i.e. Singapore, Thailand, Indonesia, Brunei.				0.88	
I just want to rest and relax while on vacation.					0.83
A cabin/motel/chalet by a quiet lake/beach/ forest is a great place to spend a vacation.					0.83
Variance	18.83	12.45	12.15	11.92	10.67
Eigenvalue	2.64	1.74	1.70	1.67	1.49
Cronbach's alpha (α)	0.77	0.69	0.63	0.79	0.62

Table 3. Correlation Analysis: Forms of Travel and Types of lifestyle

	The Satisfiers	The Dreamers	The Indoors	The Achievers	The Escapists
The Satisfiers	1.00				
The Dreamers	- 0.03	1.00			
The Indoors	0.06	0.50	1.00		
The Achievers	0.23 *	0.20 *	- 0.09	1.00	
The Escapist	0.21 *	0.05	- 0.03	0.08	1.00
Nature	0.03	0.19 *	0.10	- 0.06	0.10
Culture	0.11	0.14 *	0.20 *	- 0.04	0.09
Budget	- 0.09	0.17 *	0.11	- 0.05	0.19 *
Adventure	- 0.09	0.17 *	0.11	- 0.05	0.17 *
Freedom	0.08	0.22 *	0.06	0.04	0.18 *

	Nature	Culture	Budget	Adventure	Freedom
The Satisfiers					
The Dreamers					
The Indoors					
The Achievers					
The Escapists					
Nature	1.00				
Culture	0.43 *	1.00			
Budget	0.30 *	0.24 *	1.00		
Adventure	0.30 *	0.24 *	1.00 *	1.00	
Freedom	0.40 *	0.25 *	0.41 *	0.41 *	1.00

*: Significant relationship

Table 4. Sources of Information

Sources of Information	Percentage
Recommendation from friends/relatives	55.51
Print Media Materials	36.00
Knowledge and Previous Experiences	35.56
Television Programs	29.02
Tourism Malaysia's Promotion Tools	26.96
Internet	17.50

Table 5. Preferred Travel-Related Characteristics

Preferred Travel-Related Characteristics	Percentage of Responses
Mode of Transportation: <ul style="list-style-type: none">• Private transport• Public transport• Tour bus• Rented transport	56.90 32.70 6.00 4.40
Type of Accommodation: <ul style="list-style-type: none">• Hotel/motel• Chalet• Relatives/Friend house• Others	46.40 24.20 20.20 9.30
Form of Travel: <ul style="list-style-type: none">• Accompanied by family members/friends• Packaged travel• Alone	84.30 10.10 5.60



Establishment of Index System for Effect Evolution of Poverty-alleviation Fund in Rural Area-- Take the Research Result in Leishan County, Guizhou Province as an Example

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Abstract

This paper try to utilize both economic and mathematic methods to set up an evolution index system of poverty-alleviation fund in rural area by analyzing the source, the target of investment, the operation and management of poverty alleviation. The establishment of index system for effect evaluation of poverty-alleviation fund is analyzed from its theory, principle and content. Primary selection of the index system is selected via Analytic Hierarchy Process (AHP). Meanwhile, through unit testing and whole testing of the index system, a five-dimensional index system for effect evaluation of poverty-alleviation fund is finally established. Finally empirical testing of the index system is conducted.

Keywords: Poverty alleviation funds in rural area, Evaluation index system, AHP, Funds utilization efficiency

Although our country has been increasing the investment in poverty-alleviation fund, the expected and deserved profit has not been realized. Still there is certain number of people in poverty. For this problem, it is worthy of people's deep reflection. If exploring the reason, the faulty target and investment decision of poverty-alleviation fund probably are the two major reasons. Viewing from the work of poverty-alleviation all over the country, all things conducted are centered by fund no matter in terms of achievement, experience, or confliction and frictions. According to some scholar's typical investigation in northwest and southwest areas, the leakage of poverty-alleviation fund in China is no less that 50% of its total amount, or even may as mush as 70%(Wang, 2005)(Note 1). To learn lessons from the practice of poverty-alleviation, first of all, it is necessary to assess the effect of poverty-alleviation fund objectively and completely. However, in the past, the effect assessment of poverty alleviation in our country usually started from a superficial and subjective perspective, which then reached relative unilateral result. Therefore, with the existing strategy of poverty alleviation, this paper summarizes the practical experience in the modes of poverty alleviation in rural area, and explored other corresponding subsystems including poverty alleviation decision, transmission, and acceptance and monitoring and so on. At the same time, the whole and specific operation system, the existing problems and the corresponding solution are also studied. All these are helpful for the realization of the goal of poverty alleviation in 21st century in our country.

1. Basic content of effect evolution index system of poverty-alleviation fund in rural area

The content of effect evolution of poverty-alleviation fund discussed and implemented presently is mostly defined at the micro level of performance issues, which is then characterized in multiple value standards and multi-dimensions. The effects of poverty- alleviation fund not only include the direct and partial output, but also cover the indirect wider and long-term impact, that is, to give attention to the social effects and impact, and the involved beneficiary (loss-suffered) groups, the scope of impact and time and so on.

Based on the above statement, the basic content of evolution of government's poverty-alleviation fund should cover the following facets:

1.1 Evaluation of goal

This facet includes the rationality, clearness, systematism, and evaluableness of the government's goal of poverty alleviation and the clearness of government department's performance and duty.

1.2 Evaluation of fund (disbursement)

Poverty-alleviation should be supported by fund. To study the operation effect and function of fund, currencies and its transformation is one breakthrough point for the research of poverty alleviation. Concerning this point, it covers rationality of the amount and structure of budget, consistency of investment and source of actual fund and budget, consistency of actual disbursement and budget, rationality of actual disbursement and the standardization of the management of poverty-alleviation fund.

1.3 Evaluation of performance and operation

This point includes the finishing process of goal of performance, corresponding result of the expected performance (output, effect and achievement) and the influence of final result (wider and longer impact) and so on. In the process of performance evaluation, it is also necessary to attach importance to sustainable effect of poverty-alleviation.

1.4 Evaluation of resource allocation and utilization efficiency

It includes rationality of public resources allocation and distribution, economic rationality of performance structure and fund utilization, comparison between input of various resources and the output. Resource allocation and utilization efficiency is the important and decisive factor for the work of poverty alleviation.

1.5 Evaluation of implementation and management

In this regard, it includes the implementation ability, management level and financial management quality of the departments, which are reflected by the implementation of poverty-alleviation programs and projects. To be specific, it include the evaluation of the country's sense of master, development ability, knowledge, study and innovation, task arrangement and opportunity selection, and management of the harvest and the cooperation and harmonious consistency in the process of implementation.

2. Theories, methods and frame of the establishment of index system

2.1 Theories and methods

There are many methods for the selection of index systems. This paper adopts Analytic Hierarchy Process (AHP) as it reflects the decision-making features of hierarchy of the system. In other words, it displays a difficult issue as a structure with hierarchies in order based on people's judgment and their repulsion degree for the decision. It is characterized in practicability, concision and systematism, which can be used in decision-making of social economic system. The detailed steps for initial selection of the index of AHP are as below:

2.1.1 Divide the difficult issue into several components, namely elements, and then divide these elements into several groups in accordance with their attributes in order to form different hierarchies. Take the elements on the same hierarchy as principle, they predominates other elements in next hierarchy while are predominated by the elements in the last hierarchy. Such predominant relationship from top down then forms a step-shape structure. Usually there is only one element on the top, which is the expected goal and idea result of the target problem. The middle hierarchies contain element like principles and sub-principles, and the elements in the bottom hierarchy are indexes.

2.1.2 Make comparison between every two elements and build judgment matrix and calculate the weight vectors. Through comparison between every two elements, the relative importance of each element is specified. By using quantitative method, the judgment matrix is built. The value of the judgment elements stands for people's realization of its relative importance. Generally speaking, 1-9 scale method and its reciprocal scale method will be adopted.

2.1.3 Arrange for simple sequence of hierarchies and verify its consistency. The answer of question of judgment matrix A latent root $AW = \lambda_{\max} W$ is W , after normalization, it become the sequence weight of comparative importance of the elements in the corresponding hierarchies comparing with certain elements in the last hierarchy. The process is then named simple sequence. In order to conduct verification of the consistency of judgment matrix, the consistency index is required to be calculated.

$$CI = \frac{\lambda_{\max} - n}{n - 1}$$

When the random Consistency Rate

$$CR = \frac{CI}{RI} < 0.10$$

It can be regarded that the simple sequence is of satisfied consistency. Otherwise, the value of the element in judgment matrix needs to be adjusted.

$$W = [W_1, W_2, \dots, W_n]^T$$

$$W_i = \frac{\bar{W}_i}{\sqrt{\sum_{j=1}^n \bar{W}_j \bar{W}_n}}$$

$$M_i = \prod_{j=1}^n a_{ij}, j = 1, 2, 3 \dots n, j = 1, 2, 3 \dots n$$

The values of average consistence indexes are listed in Table 1:

Insert Table 1 here

2.2 Framework of index system

After primary selection and verification of indexes, the roughly selected testing system of poverty alleviation by AHP is listed in Table 3.

Insert t Table 2 here

2.3 Interpretation of the indexes

1. Farmer's average net income = total annual income in the village / total number of villager

Total annual income in the village = laborers' remuneration + family operational income + transfer income + property income

Laborers' remuneration = total income gained from first, secondary and tertiary industries

2. Average cultivated land = total cultivated land / total number of villager

3. Year-ended average amount of livestock on hand = total amount of livestock on hand / total number of villager

4. Year-ended average original cost of productive fixed assets = total year-ended original cost of productive fixed assets / total number of villager

5. Occurrence rate of poverty = number of people under poverty line / total number of villager

6. Average house area, highroad and electrical wire of a family = total house area (highroad and electrical wire) / total number of villager

7. Average cultural station = total cultural station / total number of villager

8. Average school construction = total number of primary and middle schools / total number of villager

9. Average construction of free market = total number of free market / total number of villager

10. Average development of tourism project = total number of tourism project / total number of villager

11. Population proportion enjoying safe drinking water = total number of people enjoying safe drinking water / total number of villager

12. Rate of school aged children at school = total number of 7-14 children at school / total number of 7-14 children in the village

13. Rate for the use of hygienic toilet = total number of toilet / total number of villager

14. Average times of training for each person = total trainings conducted in the village / total number of villager

15. Average construction of firedamp project = total number of firedamp project / total number of villager

16. Area of water and soil loss = area of water and soil loss in the village last year - area of water and soil loss in the village this year -

17. Construction of irrigation works = total amount of irrigation works / total number of villager

18. Total reduced criminal cases

19. Proportions of poor households engaged in village layout = poor households participated in village layout / total number of villager

3. Empirical testing of the effect evaluation of poverty-alleviation fund in rural area

3.1 Data of evaluation indexes

By gathering the original data in Leishan County, all data of each index are given in the following table:

Insert Table 3 here

3.2 Investment and utilization of poverty-alleviation fund in Leishan County

Insert Table 4 here

3.3 Statistic of the testing result

In order to measure the function of poverty-alleviation fund in the increase of farmer's income in rural and poor area, econometric model can be built for further testing and analysis.

$$\text{Model: } I_n = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \beta_4 X_4 + \beta_5 X_5 + \beta_6 X_6 + u_2$$

Farmer's income is defined as dependent variable--y, the investment in planting (crops, cash crop, medicinal materials), Breeding (hog, cattle, sheep, birds, fish and grazing) is defined as independent variable--X1, investment in irrigation works (fundamental cultivated land, terrace transformed from slope, flood control, transportation (road and bridge) -- X2, investment in drinking water (for human beings and small water pools and wells)-- X3, investment in methane-- X4, Cultural education (cultural stations, network and school construction, investment in distance teaching-- X5, and investment in sanitation and birth control (offices of sanitation and birth control) -- X6. C is a constant, through regression analysis of the invested capital in each project by Eviews software, the testing value -- t is then obtained.

The result of regression analysis is 5.24 and 2.74 for X1 and X3, which are larger than the level of significance test. Regulation factor R is 0.67, which indicates high identical degree. In other words, by using the above index factors, the changes of farmer's average income can be well explained. At the same time, through analysis, it is found that the function of poverty-alleviation fund in decreasing the number of poor people has been weakened. That is, with the increase of poverty-alleviation fund, the number of poor people is decreasing gradually slower, which maintain consistency with the present situation of poverty-alleviation in our country.

To increase the investment in the investment planting (crops, cash crop, and medicinal materials), breeding (hog, cattle, sheep, birds, fish and grazing) and drinking water (for human beings and small water pools and wells) will also facilitate sharp increase of farmer's income. Other factors are of relative low significance.

Viewing from marginal analysis, if increasing the investment by 1 Yuan to average poverty-alleviation fund for planting and drinking water, the corresponding net incomes of a household will increase by 5.24Yuan and 2.74Yuan.

4. Directions for further research

For this research, the following points should be noticed in actual practice conducted in the future.

4.1 To combine with the evaluation of poor people's participation. This research only carries out assessment of the exterior effect of integrated poverty-alleviation. As for the poor people's own judgment of the integrated poverty-alleviation work, they should give their one opinion about it and be involved in the judgment work personally. If the poor people believe that the effect of integrated poverty-alleviation is not good, then they would not actively participated in integrated poverty-alleviation work. Thus no good effect will be obtained.

4.2 The original data is the foundation for the judgment. In order to reduce the error of effect evaluation, statistic work in the village should be conducted as well as possible and then report the work to the superior.

4.3 If expecting the evaluation to be realized in large scale, then exclusive intelligent decision support system (IDSS) for effect evaluation should be developed. The realization of integrated poverty-alleviation evaluation system is a complicated operation system, particularly to conduct iterative computation manually for the obscure integrated evaluation and data envelopment analysis model is already very difficult, if no computer was used to assist with the evaluation, large-scaled evaluation of this research would be difficult to be realized. intelligent decision support system can fully display the features of expert system to solve qualitative analysis by using knowledge reasoning, and well combine qualitative analysis with quantitative analysis, thus it is quite suitable for the solving the operation of the model of integrated poverty-alleviation evaluation system. Therefore, the key point for future study is to develop intelligent decision support system exclusive for the evaluation of integrated poverty-alleviation work.

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Note

Note 1. Wang Sangui, the efficiency of poverty-alleviation fund requires system innovation. *Forestry Economy*, 2005 (5).

Table 1. Value of consistence indexes *RI*

1	2	3	4	5	6	7	8	9
0.00	0.00	0.58	0.90	1.12	1.24	1.32	1.41	1.45

Table 2. Index system for effect evaluation of poverty-alleviation

Primary index	Secondary index	Third-grade index
index for effect evolution of Poverty-alleviation	index of economic effect	farmer's average net income farmer's average cultivated land year-ended average amount of livestock on hand average fixed assets of a family occurrence rate of poverty average house area, highroad and electrical wire of a family
	index of sustainable development	average cultural station average school construction average construction of free market average development of tourism project
	index of social effect	population proportion enjoying safe drinking water rate of dropout among primary and middle school student rate for the use of hygienic toilet average times of training for each person
	index of environment effect	average construction of firedamp project area of water and soil loss construction of irrigation works
	index of political effect	total criminal cases proportions of poor households engaged in village layout

Table 3. Farmer's economic situation in Leishan County

Index	Year	2001	2002	2003	2004	2005	2006
farmer's average net income (Yuan)		1179	1231	1294	1348	1471	1600
farmer's average cultivated land (Mou)		1.12	1.34	1.56	1.75	1.86	1.91
year-ended average amount of livestock on hand (unit)		0.78	0.89	0.91	1.04	1.15	1.24
average original cost of productive fixed assets (Yuan)		1608.65	1679.57	1746.23	1789.32	1823.45	1947.67
occurrence rate of poverty (%)		85.34	74.23	55.46	46.78	34.23	15.21
average house area, highroad and electrical wire of a family (Square meter)		12.45	15.45	18.36	20.78	22.55	27.89
average cultural station (Square meter)		0.36	0.41	0.79	1.03	1.45	1.45
average school construction		0.01	0.02	0.03	0.03	0.03	0.03
population proportion enjoying safe drinking water (%)		68.45	70.53	72.46	74.90	75.45	78.67
rate of school aged children at school (%)		95.75	94.32	93.07	94.78	92.46	95.35
rate for the use of hygienic toilet (%)		34.51	43.73	47.37	56.89	78.90	80.67
average times of training for each person		0.54	0.79	1.02	1.07	1.24	1.35
rate of owning Methane pool (%)		12.45	13.67	19.80	23.44	26.78	29.56

note: 1. Statistic data of poverty-alleviation development in new phase in Guizhou (2001-2006) by Guizhou Provincial Poverty Alleviation Development Office

2. The price of the index is in that very year

3. The householder's productive fixed assets do not cover livestock.

Table 4. Investment and utilization of poverty-alleviation fund in Leishan County (2001-2006)

Direction of utilization	Year	Capital(Ten Thousand Yuan)	Direction of utilization	Year	Capital(Ten Thousand Yuan)
planting(crops, cash crop, medicinal materials), Breeding (hog, cattle, sheep, birds, fish and grazing)	2001	87.9	irrigation works (fundamental cultivated land, terrace transformed from slope, flood control) transportation (road and bridge)	2001	250.7
	2002	147.5		2002	397
	2003	241.5		2003	432.4
	2004	355.52		2004	523.5
	2005	378.86		2005	578.6
	2006	435.56		2006	634.2
drinking water (for human beings and small water pools and wells)	2001	69	methane	2001	12
	2002	76		2002	20
	2003	78		2003	34
	2004	30		2004	25.5
	2005	86		2005	28
	2006	108		2006	35
Cultural education (cultural stations, network and school construction, distance teaching)	2001	25.5	sanitation and birth control (offices of sanitation and birth control)	2001	22.9
	2002	35		2002	26.4
	2003	36.6		2003	56.7
	2004	42.7		2004	38.3
	2005	48.4		2005	45.6
	2006	58		2006	43.6
market construction (tourism and free market)	2001	0	Training and others	2001	65.7
	2002	0		2002	76.6
	2003	69.8		2003	87.5
	2004	78.4		2004	92.3
	2005	39.5		2005	74.6
	2006	45.7		2006	89.5

note: statistic data of poverty-alleviation development in new phase in Guizhou (2001-2006) by Guizhou Provincial Poverty Alleviation Development Office



Consumer Credit as Lifestyle Activities Facilitators for Consumers of Bangladesh

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Abstract

As middle class and fixed income group in Bangladesh are not solvent enough to pay the price of an essential product (TV, fridge etc.) at a time from their savings. They need consumer credit to buy these products for doing their lifestyle activities. The purpose of the study is to identify the consumer credit impacts on lifestyle activities of consumers of Bangladesh. 576 respondents in a survey were asked to rate the importance of 15 lifestyle activities variables related to consumer credit. These data were tested via factor analysis (the principal components method with varimax rotation) by using SPSS program. The results show that people borrow money to buy household goods to do their work, entertainment activities and social activities. The thesis will make contribution to our understanding that people need consumer credit to facilitate their lifestyle activities.

Keywords: Consumer, Consumer credit, Lifestyle activities, Work performance, Entertainment activities, Social activities

1. Introduction

With the prevailing economic scenario in a developing country like Bangladesh, we can safely say that a sizeable portion of our population is coming up as a consumer class every year. Because of huge population base, this class is quite large. Precisely, middle class and fixed income group belongs to this and they are in continuous race to elevate the standard of their living and quality of life. Because of limited income, middle class and lower middle class people especially the salaried professionals of our country usually cannot afford to buy essential household durables (like TV, fridge, furniture, sofa-set etc.) to enhance the lifestyle activities after fulfillment of their basic needs (National Bank Bangladesh Ltd., 2006). In this situation, credit is necessary for them to buy household goods. But their financial positions do not allow them to get micro credit; because micro credit is for poverty alleviation. They have no ability to get mortgage loan. But they need credit to buy household goods for upgrading their lifestyle activities. To materialize their cherished goal of becoming the owners of the durable goods, at first Islami Bank Bangladesh Ltd. offered an attractive opportunity of installment buying through a consumer credit scheme named 'Household Durable Scheme' in 1993 in Bangladesh (Islami Bank Bangladesh Ltd., 1994). It was followed by Prime Bank Ltd. and Social Investment Bank Ltd., all of which started their services in 1995. Soon several other banks joined and today 19 of the 48 commercial banks offer consumer credit services (Bangladesh Banks, 2006).

The banking sector as a whole plays an important role in the economy of a country irrespective of its level of development. The commercial banks have greater responsibility both in the areas of product growth and in the performance of individual and social obligations. By lending money, commercial banks play an important role for individuals and society. By borrowing money, consumers can easily buy their household products. By using products, they can speed up their work performance; maintain their social and entertainment activities. Therefore, the objective of the present study is to identify the consumer credit impacts on lifestyle activities of consumers of Bangladesh.

2. Literature Review

Consumer credit /consumer credit institutions were first introduced at Chicago in 1878 (Beckman & Foster, 1969). These spread after World War II. After 1952, attitudes towards consumer credit changed dramatically. After 1968, sub-continental countries began to introduce it (Suneja, 1994). At first Islami Bank Bangladesh Ltd. introduced consumer credit scheme in Bangladesh in 1993 (Islami Bank, 1994).

Researchers have identified that consumer credit is for purchasing consumer goods and services (Stokes & Artt, 1955),

personal consumption (Prather, 1969), nonbusiness use (Garman & Fogue, 1991), improving standard of living (Suneja, 1994). So, consumer credits are loans granted by bank to individuals' who may feel inclined to purchase consumer durables to improve the lifestyle.

Previous researchers have identified lifestyle as distinct mode of living (Lazer, 1963), way to allocate income (Zablocki and Kanter, 1976), unified pattern of behavior (Berkman and Gilson, 1978), pattern of individual and social behavior (Veal, 1989), pattern of living reflected by activities, interests and opinions (Kotler & Armstrong, 2007). So, lifestyle can be defined as: Lifestyles are consumer pattern of living in the world as expressed in their activities, interests and opinions, pattern of consumption, spending time and money along with product, service and media.

Plummer (1974) measured people's lifestyle in terms of (i) how they spend their time, (ii) their interests, what they place importance on in their immediate surroundings, (iii) their opinions in terms of their view of themselves and the world around them, and (iv) some basic characteristics such as their stage in lifecycle, income, education, and where they live. He listed the elements included in each major dimension of lifestyle. These elements are: *activities*-work, hobbies, social events, vacation, entertainment, club membership, community, shopping, sports; *interests*-family, home, job, community, recreation, fashion, food, media, achievements; *opinions*-themselves, social issues, politics, business, economics, education products, future, culture; *demographics*-age, education, income, occupation, family size, dwelling, geography, city size, stage in life cycle. The Plummer concept helps the marketer to find out the basic need of the consumer and how the products fit into their lives.

From the definition and measurement of lifestyle, and definition of consumer credit, it can be assumed that there may be relationships between consumer credit and lifestyle activities. Following discussion will also help to assume the relationship between consumer credit and lifestyle activities.

Amling and Dromes (1982) explained that consumer credit facilitates enjoyment of life because it enables people to obtain goods without delay. Garman & Fogue (1991) opined that consumers have to wait long time for buying household goods if they have no savings. Consumer credit helps them to enjoy immediate use of the products. Buying a fridge or car on consumer credit allows the consumer immediate use of the product.

Some researchers (Gladwell, 1990; Reimer, 1995) are employing a battery of items to capture a more holistic picture of people's lifestyles that included their hobbies, vocational interests, work, recreation and social activities. People need credit for buying household goods (like washing machine, sewing machine, car, motorcycle, computer etc.) to do their work and perform their hobbies, vocational, recreation and social activities. Mohiuddin and Kashem (2008), for example, explained that computer does wonder. It serves people in many ways. It is used in translation. Examination result can be accurately given by computer within the space of time. It helps to play games. Chowdhury & Hossain (2008) described that the students use computer to prepare their study materials. They learn many things within the shortest possible time. The printing cannot be thought of without computer. It is an indispensable part of printing.

People need credit for buying car. A car is necessary for outdoor activities and recreation. In this regard, Research by the "Outdoor Industry Foundation" (Outdoor Industry Association, 2000) explored active lifestyles of people participating in outdoor activities. In relation to outdoor recreation and tourism, a study by MacKay et al. (2002) identified outdoor recreation, sightseeing, and cultural activities as niche markets. People in these niche markets participated in different activities during their vacations. In examining tourism and cohorts (i.e., people born in the same time period), Pennington-Gray et al. (2003) found that "different cohorts may be attracted to different activities at different times" of their lives. Another few studies also explored lifestyle activities oriented research, such as going to church, playing with children or grandchildren, drinking wine, visiting a theater, gardening, eating out etc. (Morgan & Levy, 2002; Vyncke, 2002).

Combray (1987) found that more and more people are becoming involved in charity, volunteer work & social service activities. Social oriented people need credit to buy household goods (like TV, computer, car, motorcycle, fridge, furniture etc.) for maintaining interaction with others of the society. In this regard, Chandler (1994) argued that watching TV helps to get integration and social interaction: gaining insight into circumstances of others; social empathy; identifying with others and gaining a sense of belonging; finding a basis for conversation and social interaction; having a substitute for real-life companionship; helping to carry out social roles; enabling one to connect with family, friends and society.

Kotler & Armstrong (2007) identified that observers have noted a shift from 'me society to we' society in which more people want to be with and serve others. More and more they want to get out of the house and be with others. This trend suggests a greater demand for social support products and services that improve direct communication between people, such as health club, vacation & games. It also suggests a growing market for social substitute things that allow people who are alone to feel that they are not, such as TV, VCP, computer etc. So they need credit to buy social support and social substitute products (TV, computer etc.) for doing their charity, volunteer & social service activities. Sarker & Islam (2008) described that people get lot of information very easily about the society by using computer. They can

communicate with others by using internet via computer.

From the above discussion, it is clear that previous researchers found link between consumer credit and peoples' lifestyle activities (like work performance, entertainment activities and social activities). But no research has been done to investigate the relationship between consumer credit and lifestyle activities of consumers of Bangladesh. This thesis seeks to make a substantial contribution in this area. Thus, this paper seeks to answer three important research questions (R.Q.).

R.Q.1: How does consumer credit help to increase the work performance?

R.Q.2: How does consumer credit help to maintain entertainment activities?

R.Q.3: How does consumer credit help to maintain social activities?

3. Conceptual Framework and Development of Hypotheses

In order to facilitate and frame my investigation of consumer credit uses, it is useful to present the theoretical model that was informed by my reading of related literature. This model is depicted in appendix (figure 1). The model is a comprehensive one and should be capable of capturing the relevant factors underlying the problem. A number of variables have been included to measure consumer credit impact on the lifestyle activities of people of Bangladesh. The variables are involved under categories of lifestyle activities factors. These are work performance, social activities and entertainment activities.

People need consumer credit to buy household products (TV, car, computer etc.) for doing their work, entertainment activities and social activities. Suppose, a tailor needs sewing machine; a teacher needs computer; a house wife needs washing machine, pressure cooker, and blender etc. for doing their work. A car, for example, is needed for going to shopping mall. A computer is necessary for internet shopping. They do entertainment activities (like listening song; watching dance, drama, cinemas; visiting enjoyable place etc.) by using household goods. They enjoy sports program by watching TV. They can play games by using computer. They can go to stadium for enjoying sports by using car. They do social activities (like going to community center, club etc.) by using household products. A car/motorcycle, for example, is needed to go to a ceremony (like marriage ceremony).

From the analysis of the literature review and conceptual framework, it can be assumed that there may be an association between consumer credit & people's lifestyle activities. Hypotheses (H) as formulated in this section along with the expected effect on the consumer credit impacts on lifestyle activities are summarized as follows:

H1. There is a strong association between consumer credit and people's lifestyle activities.

As lifestyle activities include work performance, entertainment activities, social activities etc.; therefore, for the purpose of the study, researcher can develop it into the following three sub-hypotheses.

H1a. There is a strong association between consumer credit and people's work performance.

H1b. There is a strong association between consumer credit and people's entertainment activities.

H1c. There is a strong association between consumer credit and people's social activities.

4. Research Methods

The strategy adopted for this study is the personal interview survey. Considering the nature of the present study, a combination of structured and unstructured interview schedules was used in order to explore both quantitative and qualitative information.

6 sets of questionnaires were used to collect information. Dhaka-the capital city of Bangladesh was chosen as study area for this study. Addresses & phone numbers of borrowers (respondents) were collected from office file of the sample branches by the employees of the banks for interview. Sample size determination formula is used for identifying total number of samples.

Sample size determination method:

$$N = \left\{ p(1-p) z^2 / d^2 \right\} \cdot \text{deft}$$

N=size of the sample

P=the proportion to be estimated=0.5

Z=value of standard normal variate=95% level of significance=1.96

D =the amount of tolerated margin of error=0.05

Deft=design effect=1.5

$$\text{Number of sample} = \left[\left\{ 0.5(1-0.5) (1.96)^2 \right\} / (0.05)^2 \right] \cdot 1.5 = 576$$

576 borrowers were selected as sample for interviewing. At first target population is divided into mutually exclusive

and collectively exhaustive subpopulation or cluster. That means 301 clusters (branch as cluster). Random sample of cluster (branch as cluster) is selected based on probability sampling technique. Here, 30 (branches as cluster) clusters are selected as sample by using probability proportionate to size sampling method from 301 branches. All borrowers in each selected branch (cluster) could not be included in the sample because of time and cost constraints. For this reason, probability proportionate to size sampling of two stage cluster sampling method is used for selecting number of borrowers from each branch. Each borrower is selected by using systematic manners of simple random sampling method.

Data were collected on relevant variables from primary and secondary sources. Primary sources included borrowers who bought household goods by consumer credit from the banks. Secondary data have been collected from the published contents of the annual reports, relevant brochures, sales figures, prior research reports of the listed banks internal sources and suppliers and different kinds of Journal.

5. Analyses and Results

For the analyses, cases with incomplete profiles were deleted. Further, responses to individual items of "Refused" were recorded as missing data. The statistical program, SPSS for Windows (SPSS, 2004), was used for all analyses. For identifying consumer credit impacts on lifestyle activities, respondents in a survey were asked to indicate their degree of agreement with 15 statements/ variables (appendix, table 7) using a 5-point likert scale (1=strongly disagree, 5=strongly agree). These data were analyzed via principal components analysis. The factor analysis using the principal components method with varimax rotation was run to determine the underlying benefits consumers seek of their lifestyle activities (work performance, entertainment activities, social activities) from the use of household goods (TV, fridge, furniture etc.) borrowed by consumer credit.

The correlation matrix, constructed from the data obtained to understand lifestyle activities is shown in appendix (table 1). There is a relatively high correlation among v1, v2, v3, v5, v6, v7 variables. These variables are to be correlated with the same set of factors. Likewise, there is a relatively high correlation among v4, v6, v7 variables. In the same way, there is a relatively high correlation among v8, v9, v10, v11 variables. Likewise, there is a relatively high correlation among v12, v11 variables. Similarly, there is a relatively high correlation among v13, v9, v10 variables. Likewise, there is a relatively high correlation among v14, v10 variables. Likewise, there is a relatively high correlation between v13, v15 variables. So above variables are correlated with each other. These variables may also be expected to correlate with the same factors.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy (KMO) and Bartlett's Test of Sphericity statistics are applied to test the rating data for factor analysis (appendix, table 2). The approximate chi-square statistics is 678.21 with 105 degrees of freedom, which is significant at the 0.05 level. Calculated value (678.21) is greater than table value. So, this Bartlett's Test of Sphericity is highly significant. The value of the KMO statistics (0.804) is also large (>0.5). So the data are suitable for factor analysis. Thus, factor analysis is considered an appropriate technique for analyzing the correlation matrix of appendix (table 1).

Priori determination, approaches based on eigenvalues, scree plot and percentages of variance accounted are applied to identify the number of factors. Three factors are extracted from lifestyle activities variables by priori determination method.

Under "Communalities", "initial column", it can be seen that the communality for each variable, v1 to v15, is 1.0 as unities are inserted in the diagonal of the correlation matrix (appendix, table 3). Appendix (table 4) labeled "Initial Eigenvalues" gives the eigenvalues. The eigenvalue greater than 1.0 (default option) results in three factors being extracted (appendix, table 4). The scree plot associated with this analysis is given in appendix (figure 2). From the scree plot, a distinct break occurs at three factors (appendix, figure 2). Finally, from the cumulative percentage of variance account for, it is seen that the first three factors account for 60.26 percent of the variance, and that the gain achieved in going to three factors is marginal (appendix, table 4). Thus, three factors appear to be reasonable in this situation. So the three factors are extracted for determining the underlying dimension of lifestyle activities related to consumer credit.

The coefficients of the rotated factor (component) matrix are used to interpret the factors (appendix, table 5). In table 5, variables v1, v2, v3, v4, v5, v6, and v7 are correlated highly with factor 1 after rotation. Likewise, v8, v9, v10, v11, v12 are correlated highly with factor 2 after rotation. The remaining variables v13 and v15 get correlated highly with factor 3. Furthermore, variable v9 is correlated with both the factors (factor 2 & factor 3). The rotated factor matrix forms the basis for interpretation of the factors.

Interpretation is facilitated by identifying the variables that have large loadings on the same factor (appendix, table 5). That factor can then be interpreted in terms of the variables that load high on it. In the rotated factor matrix of appendix (table 5), factor 1 has high coefficients for variables V1 (Borrowed consumer credit to purchase car/motorcycle helps to go to office or working center), v2 (Borrowed consumer credit to purchase computer helps to find, store, organize and disseminate information; maintain accounts; prepare class note/ lecture sheet/ number of

examination script etc), V3 (Borrowed consumer credit to purchase sewing machine helps to sew dress), V4 (Borrowed consumer credit to purchase washing machine helps to wash dress), V5 (Borrowed consumer credit to purchase almirah helps to protect cookerries from damage), V6 (Borrowed consumer credit to purchase wardrobe helps to protect dress from dust), v7 (Borrowed consumer credit to purchase car/ motorcycle helps to go to shopping mall or store for shopping). Therefore, this factor may be labeled as work performance factor. Borrowed consumer credit to purchase household goods (car, computer, sewing machine, washing machine, almirah, khat, motor cycle etc.) helps people to do their work.

Likewise, there is a relatively high correlation among V8 (Borrowed consumer credit to purchase car/ motorcycle helps to visit enjoyable place and feel comfort), V9 (Borrowed consumer credit to purchase car/ motorcycle helps to go to auditorium, cinema hall or theater hall for enjoying programs like speeches, drama, dance, cinema, song etc.), V10 (Borrowed consumer credit to purchase computer helps the children to play game), V11 (Borrowed consumer credit to purchase car/ motorcycle/ TV helps to enjoy football, cricket, tennis, athletics, wrestling, motorcycle racing, boat racing, bicycle racing etc.), V12 (Borrowed consumer credit to purchase car/ motorcycle helps to browse or internet shopping). Thus factor 2 may be labeled as entertainment activities factor. Borrowed consumer credit to purchase household goods (car, motorcycle, TV etc.) helps people to do their entertainment activities.

Similarly, V13 (Borrowed consumer credit to purchase car/ motorcycle/ TV helps to carry out social roles), V15 (Borrowed consumer credit to purchase car/ motorcycle/ TV helps to transmit value to others). So, factor 3 may be labeled as social activities factor. Borrowed consumer credit to purchase household goods (car, motorcycle, TV) helps people to do their social activities.

V14 (Borrowed consumer credit to purchase car/ motorcycle/ TV helps to go to community center for performing community activities) labels both the factors (factor-2 & factor-3). So, this variable indicates both (entertainment & social activities) factors. Borrowed consumer credit to buy household goods (like car, motorcycle, TV) helps to maintain the social & entertainment activities.

In appendix (table 6), it is seen that only 49 residuals are larger than 0.05, indicating an acceptable model fit. From the above analysis, it is proved that there is a strong association between consumer credit & people's lifestyle activities.

6. Findings

The findings of the study show that people mainly borrow consumer credit for three reasons. They borrow consumer credit to buy household goods to do their work, entertainment activities and social activities. Factors loading of the variables and % of variance of the factors (appendix, table 7) proved the hypothesis that there is a strong association between consumer credit and people's lifestyle activities. The following is a brief discussion of each factor in the order of its contribution to the total variance.

Factor-1: Work performance. This factor contains seven variables, three of which have relevance to do the outside activities, and the other four to do the household activities. The examination of consumer credit impacts on lifestyle activities reveals that all seven variables were significant (appendix, table 7). People borrow money to buy household goods to do their work. Car/motorcycle, for example, helps people to go to office, working center or shopping mall in a convenient time. They feel comfort, relax & easy to go to office by car which helps them to speed their work or services. Tension free, comfortable & easiest return to home is also possible by using car after doing work. It motivates people to perform their work effectively & efficiently. Computer, for example, helps people to gather information, store it and sometimes disseminate it to other people. They use this information or written materials in another time. They need to solve different problems/ activities-like writing, translating, storing and disseminating information by computer. It helps them to do correct, speedy and efficient calculation. It helps them to keep data safe for long time. It also helps them to send mail and browse internet. It helps them to perform art and design. It helps them to make plans. They can also buy the printer for printing all of their transaction and written materials.

Sewing machine helps people to sew dress. Correct, speedy, fashionable sewing of dress is possible by using sewing machine. It is very much necessary for a housewife. By this machine, she can easily sew dress for her or her family members. Sometime, she can also earn money by sewing dress of neighbors. Washing machine is necessary for speedy and easy washing of clothing. A housewife feels better to wash cloth in modern process. Cookerries (plate, glass, tray, cup etc.) can be protected from the damage by using furniture like showcase, almirah etc. People need wardrobe for putting dress into a safe & secured place. The wardrobe helps them to protect their dress from dust, squints & stealing.

Factor-2: Entertainment activities. In the present analysis, this factor explained the second highest variance (appendix, table 7). Of the five variables, three were indicates outdoor entertainment activities and two were indicated indoor entertainment activities. All five variables were significant (appendix, table 7). Borrowed money to buy household goods helps people to do their entertainment activities. Car/motorcycle, for example, helps people to go to park, museum, zoo, Children Park, garden, big lakes, sea port & near the hill etc. to enjoy natural and modern picture or scenery. It is help to go to a function, a ceremony, a cinema hall or a theatre hall. It is also necessary to visit art galleries

to see artistic picture of great artesian. It helps people to go to stadium or venue to enjoy football, cricket, tennis, athletics, wrestling, motorcycle racing, boat racing, and bicycle racing etc. The children of a family need computer for playing games. By using internet via computer, a man can chat with others. They can easily communicate with their relatives, friends or others. Strong relationship & friendship are possible by using internet. Sometimes they need not to go to shopping mall or other places for buying something. They can easily buy anything by using internet.

Factor-3: Social activities. Two of three variables listed under the hypothesized dimension show significant loadings on the extracted factor (appendix, table 7). People borrow money to buy household goods to do their social activities. People in society are connected with activities in which people meet each other for pleasure. A car/ motorcycle, for example, help them to meet each other. A sofa set helps them to sit comfortably and interact with each other. TV helps them to know about the fact, value, cultural activities of their society. People learn value from watching TV. Values play an important role for individuals, “guiding actions, attitudes, judgment, and comparisons across specific objects” (Rokeach, 1973; Robert and Jones, 2001). People transmit their value to others by using household goods like computers, TV etc. A car/motorcycle is necessary for going to community center.

From the discussion, it is clear that limited income people need consumer credit to buy household goods like (TV, fridge, sewing machine, washing machine, furniture, car, motorcycle etc.) for doing their work, entertainment activities and social activities etc.

7. Implication and Conclusion of the Study

The study establishes the relevance of consumer credit influence on consumer lifestyle activities. This implies that managers of banks are likely to benefit considerably in targeting and positioning their media communication by focusing their attention on the ongoing changes in lifestyle activities of their consumers by using household goods borrowed by consumer credit.

People borrow money to buy product to increase their lifestyle activities. Lifestyle is expressed by activities-work performance, entertainment activities & social activities etc. Car, computer, sewing machine, washing machine, almirah, wardrobe, pressure cooker and blender etc. household goods are very much helpful to increase the flow of work performance. The television, computer, VCP, VCR, car etc. are very much helpful to increase the flow of entertainment activities. Television, car, furniture etc. are very much helpful to increase the flow of social activities. These are justified by factor analysis of this study. The managers of banks have opportunity to focus attention on the segment of the consumers who are interested to increase their lifestyle activities by borrowing money.

From the analysis of this thesis; it is proved that there is a strong relationship between consumer credit and people's lifestyle activities. So people borrow money to purchase household goods for doing their lifestyle activities. In a consumption environment, a person chooses a product or brand, which seems to possess a maximum possibility of the definition or elaboration of his lifestyle activities. This thesis will help managers to understand the individual's consumer credit consumption behavior by analyzing the details of his lifestyle activities system, which will help them to take marketing strategy to expand the consumer credit scheme. They can make different strategy for improving the consumer credit scheme so that it can be ensured the upgrading of the lifestyle activities of people. Consequently, this thesis shows that there is a causal effect of the individual's lifestyle activities on his consumer credit consumption behavior.

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Table 1. Correlation Matrix of lifestyle (activities) variables related to consumer credit.

		v1	v2	v3	v4	v5	v6	v7	v8	v9	v10	v11	v12	v13	v14	v15	
Correlation	v1	1.000															
	v2	.519	1.000														
	v3	.624	.656	1.000													
	v4	.211	.362	.395	1.000												
	v5	.527	.553	.614	.363	1.000											
	v6	.575	.512	.662	.401	.659	1.000										
	v7	.516	.337	.491	.401	.459	.417	1.000									
	v8	.291	.400	.260	.189	.186	.061	.069	1.000								
	v9	.327	.279	.299	.224	.395	.212	.254	.486	1.000							
	v10	.379	.335	.366	.153	.427	.219	.284	.549	.809	1.000						
	v11	.081	.138	.223	.089	.067	-.056	.019	.473	.471	.599	1.000					
	v12	.007	.120	.093	-.056	-.069	-.038	.098	.233	.251	.342	.418	1.000				
	v13	.106	-.027	.170	.052	.250	.147	.093	.172	.433	.465	.388	.033	1.000			
	v14	-.052	-.076	-.057	-.234	-.049	-.094	-.051	.209	.200	.333	.275	.169	.251	1.000		
	v15	.103	-.071	.073	.050	.099	.108	.089	.095	.376	.299	.125	-.035	.398	.165	1.000	

Table 2. KMO and Bartlett's Test of lifestyle (activities) variables related to consumer credit.

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.804
Bartlett's Test of Sphericity	Approx. Chi-Square	678.210
	df	105
	Sig.	.000

Table 3. Communalities of lifestyle (activities) variables related to consumer credit.

	Initial	Extraction
v1	1.000	.589
v2	1.000	.695
v3	1.000	.722
v4	1.000	.341
v5	1.000	.684
v6	1.000	.695
v7	1.000	.446
v8	1.000	.564
v9	1.000	.703
v10	1.000	.828
v11	1.000	.664
v12	1.000	.510
v13	1.000	.638
v14	1.000	.349
v15	1.000	.612

Extraction Method: Principal Component Analysis.

Table 4. Total Variance Explained of lifestyle (activities) variables related to consumer credit.

Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	4.954	33.024	33.024	4.954	33.024	33.024	4.220	28.135	28.135
2	2.675	17.831	50.855	2.675	17.831	50.855	2.751	18.338	46.473
3	1.411	9.404	60.259	1.411	9.404	60.259	2.068	13.786	60.259
4	.955	6.367	66.626						
5	.858	5.721	72.347						
6	.713	4.751	77.098						
7	.668	4.455	81.552						
8	.598	3.988	85.540						
9	.537	3.582	89.123						
10	.382	2.546	91.669						
11	.372	2.480	94.148						
12	.287	1.912	96.060						
13	.236	1.573	97.633						
14	.208	1.386	99.018						
15	.147	.982	100.000						

Extraction Method: Principal Component Analysis.

Table 5. Rotated Component Matrix of lifestyle (activities) variables related to consumer credit

	Component		
	1	2	3
v1	.753	.125	.078
v2	.741	.310	-.223
v3	.828	.189	.024
v4	.583	.002	-.021
v5	.797	.031	.221
v6	.818	-.119	.111
v7	.662	.018	.083
v8	.224	.714	.061
v9	.326	.562	.529
v10	.335	.697	.480
v11	.001	.779	.237
v12	-.057	.692	-.166
v13	.088	.184	.772
v14	-.234	.391	.376
v15	.049	-.045	.779

Extraction Method: Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.

a Rotation converged in 4 iterations.

Table 6. Reproduced Correlations of lifestyle (activities) variables related to consumer credit.

	v1	v2	v3	v4	v5	v6	v7	v8	v9	v10	v11	v12	v13	v14	v15
Reproduced Correlation															
v1															
v2	.589 (b)														
v3	.579	.695 (b)													
v4	.649	.667	.722 (b)												
v5	.438	.438	.483	.341 (b)											
v6	.621	.551	.671	.460	.684 (b)										
v7	.609	.544	.657	.475	.672	.695 (b)									
v8	.507	.477	.554	.385	.546	.548	.446 (b)								
v9	.262	.374	.322	.131	.214	.104	.166	.564 (b)							
v10	.357	.298	.389	.181	.394	.258	.270	.507	.703 (b)						
v11	.377	.357	.421	.187	.394	.244	.274	.602	.755	.828 (b)					
v12															
v13															
v14															
v15															

	v11	.117	.190	.154	-.003	.077	-.066	.034	.571	.564	.657	.664 (b)	.500	.326	.394	.150
	v12	.031	.210	.080	-.028	-.061	-.148	-.039	.472	.283	.383	.500	.510 (b)	-.006	.222	-.164
	v13	.150	-.050	.126	.036	.246	.136	.126	.198	.541	.528	.326	-.006	.638 (b)	.342	.598
	v14	-.098	-.136	-.111	-.143	-.091	-.196	-.116	.250	.343	.375	.394	.222	.342	.349 (b)	.264
	v15	.092	-.152	.051	.012	.210	.132	.097	.026	.403	.359	.150	-.164	.598	.264	.612 (b)
Residual(a)	v1		-.060	-.025	-.227	-.094	-.035	.009	.029	-.030	.003	-.035	-.023	-.044	.045	.011
	v2	-.060		-.011	-.076	.003	-.032	-.140	.026	-.019	-.023	-.051	-.090	.023	.060	.080
	v3	-.025	-.011		-.088	-.057	.005	-.063	-.062	-.090	-.055	.069	.013	.044	.054	.023
	v4	-.227	-.076	-.088		-.098	-.073	.017	.059	.043	-.034	.092	-.028	.017	-.090	.038
	v5	-.094	.003	-.057	-.098		-.014	-.088	-.028	.001	.033	-.011	-.009	.004	.042	-.111
	v6	-.035	-.032	.005	-.073	-.014		-.132	-.043	-.047	-.025	.009	.110	.012	.103	-.023
	v7	.009	-.140	-.063	.017	-.088	-.132		-.097	-.016	.010	-.016	.137	-.033	.066	-.008
	v8	.029	.026	-.062	.059	-.028	-.043	-.097		-.021	-.053	-.098	-.239	-.026	-.041	.070
	v9	-.030	-.019	-.090	.043	.001	-.047	-.016	-.021		.054	-.093	-.031	-.108	-.142	-.027
	v10	.003	-.023	-.055	-.034	.033	-.025	.010	-.053	.054		-.058	-.042	-.063	-.042	-.059
	v11	-.035	-.051	.069	.092	-.011	.009	-.016	-.098	-.093	-.058		-.082	.061	-.119	-.025
	v12	-.023	-.090	.013	-.028	-.009	.110	.137	-.239	-.031	-.042	-.082		.039	-.052	.129
	v13	-.044	.023	.044	.017	.004	.012	-.033	-.026	-.108	-.063	.061	.039		-.091	-.200
	v14	.045	.060	.054	-.090	.042	.103	.066	-.041	-.142	-.042	-.119	-.052	-.091		-.099
	v15	.011	.080	.023	.038	-.111	-.023	-.008	.070	-.027	-.059	-.025	.129	-.200	-.099	

Extraction Method: Principal Component Analysis.

a Residuals are computed between observed and reproduced correlations. There are 49 (46.0%) nonredundant residuals with absolute values greater than 0.05.

b Reproduced communalities.

Table 7. Lifestyle (activities) variables, factor loading and % of variance related to consumer credit.

Brief name of Factors	Factors interpretation(% of variance explained)	Factors Loading	Name of Variables
F1	Work performance(28.14)	.753	V1: Borrowed consumer credit to purchase car/ motorcycle helps to go to office or working center.
		.741	v2: Borrowed consumer credit to purchase computer helps to find, store, organize and disseminate information; maintain accounts; prepare class note/ lecture sheet/ number of examination script etc.
		.828	V3: Borrowed consumer credit to purchase sewing machine helps to sew dress.
		.583	V4: Borrowed consumer credit to purchase washing machine helps to wash dress.
		.797	V5: Borrowed consumer credit to purchase almirah helps to protect cookerries from damage.
		.818	V6: Borrowed consumer credit to purchase wardrobe helps to protect dress from dust.
		.662	V7: Borrowed consumer credit to purchase car/ motorcycle helps to go to shopping mall or store for shopping.
F2	Entertainment activities(18.34)	.714	V8: Borrowed consumer credit to purchase car/ motorcycle helps to visit enjoyable place and feel comfort.
		.562	V9: Borrowed consumer credit to purchase car/ motorcycle helps to go to auditorium, cinema hall or theater hall for enjoying a program like speeches, drama, dance, cinema, song etc.
		.697	V10: Borrowed consumer credit to purchase computer helps the children to play game.
		.779	V11: Borrowed consumer credit to purchase car/ motorcycle/ TV helps to enjoy football, cricket, tennis, athletics, wrestling, motorcycle racing, boat racing, bicycle racing etc. and other games.
		.692	V12: Borrowed consumer credit to purchase computer helps to browse or internet shopping.
F3	Social activities(13.79)	.772	V13: Borrowed consumer credit to purchase car/ motorcycle/ TV helps to carry out the social roles.
		.376	V14: Borrowed consumer credit to purchase car/ motorcycle helps to go to community center for performing community activity.
		.779	V15: Borrowed consumer credit to purchase car/ TV/ motorcycle/ computer helps to transmit value to others.

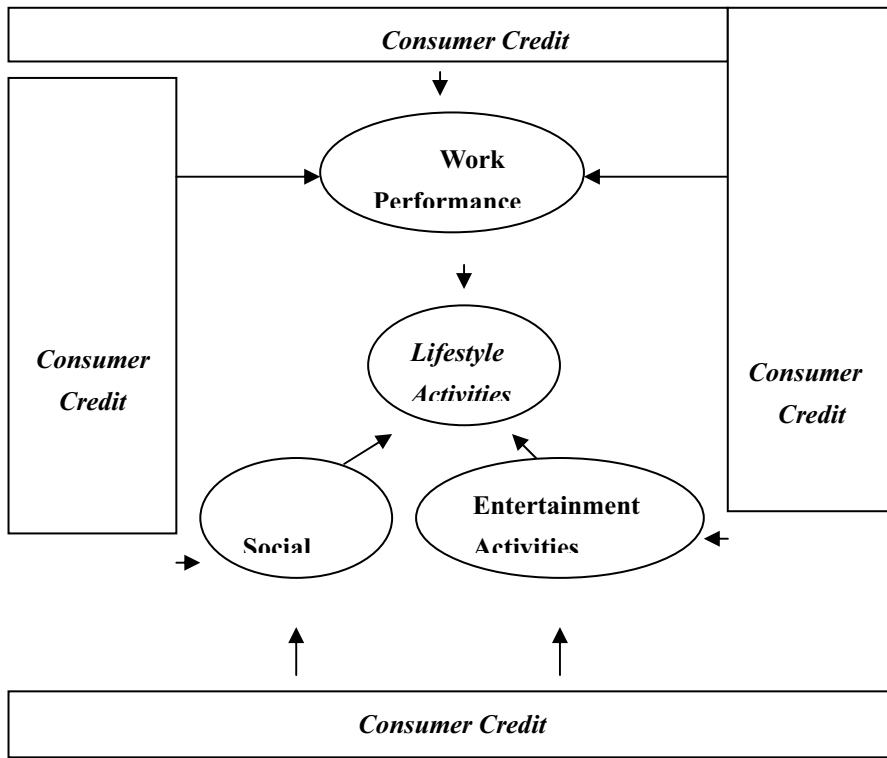


Figure 1. The conceptual model of consumer credit impacts on lifestyle activities

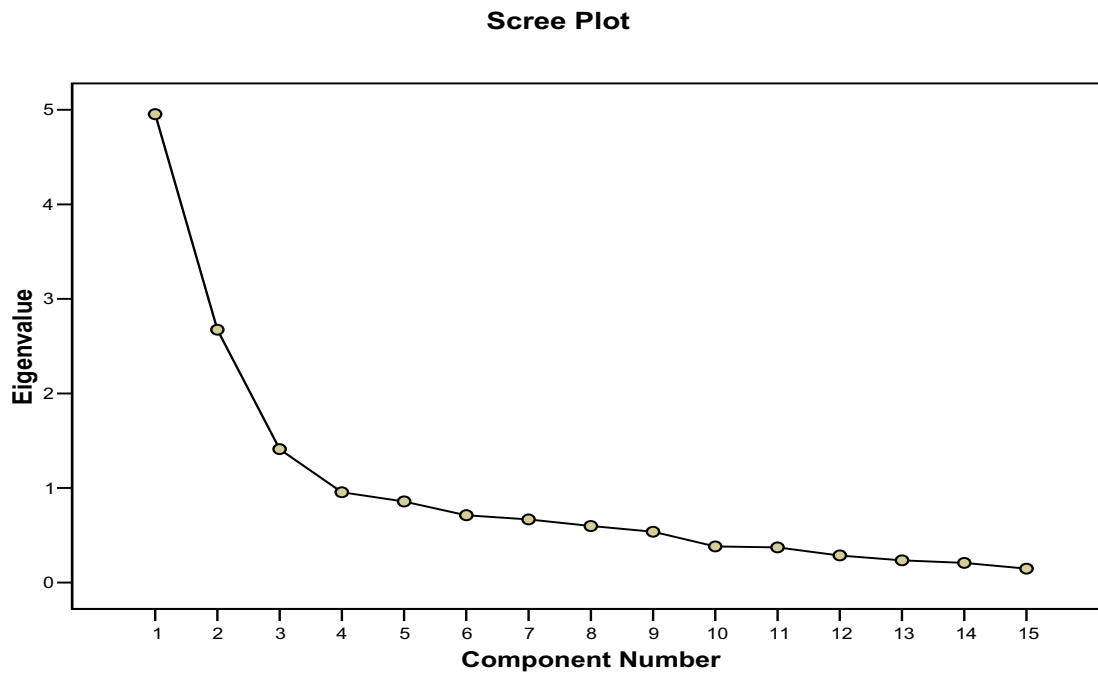


Figure 2. Scree plot of some lifestyle (activities) variables related to consumer credit



Research on Relevance of Supply Chain and Industry Cluster

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Abstract

Supply chain and industry cluster are the two important ways to enhance the competitiveness of regions or industries. By discussing the differences and links between the two, this paper concludes that industrial cluster and supply chain carry features of compatibility and symbiosis. The combination of the two can effectively increase the competitive advantage of industries so as to enhance regional economic competitiveness.

Keywords: Industry cluster, Supply chain, Relevance

Industrial cluster and supply chain belong to two different fields of study. The phenomenon of industrial clusters is part of economic study, and supply chain is amongst study areas of logistics. Comparatively speaking, the former tends to focus on macroeconomic research, and the latter lays emphasis on microeconomic study. Supply chain management is an analysis tool, which uses the combined knowledge of operational research, mathematics, economics, and information discipline to do the qualitative and quantitative analysis of personnel, financial, goods, and information flow problems in enterprise management. It is a management tool aimed to reduce the cost, paying attention to the micro-operation, operation management, and quantitative studies and application. Industrial cluster is an economic phenomenon, and the current industrial clusters mainly apply the theory related to industrial economics to research classification of industrial clusters, formation mechanism, innovation networks, competitive advantages and so on, attaching much more importance to the macro-level, strategic, qualitative study and application. Although the perspective of the research problem is totally different, we can still find some common aspects of those two research areas.

1. The concepts of supply chain and industrial cluster

1.1 *The basic elements of supply chain theory*

The concept of supply chain has different connotations at different times, and different scholars have different views. Domestic and foreign researchers in related fields give points of view on supply chain from different perspectives. However, an official study of the supply chain issue is generally believed to date back to the 1960s. Jay Forrester (1961) used the system dynamics model to optimize the upstream and downstream industry dynamics. He first put forward the term supply chain, so he is considered the father of supply chain design. A lot of modern design principles on supply chain can be traced back to his production and distribution systems. In 1985, Michael Porter, a famous professor in Harvard Business School, proposed in his book *Competitive Advantage* "value chain" theory, which becomes the theoretical basis for further study on supply chain.

Through research on supply chain theory, we can easily see that the early understanding of the supply chain was confined to the production process within manufacturing enterprises. This process refers to the fact that firms purchase raw materials and components from the external, and convert them into products needed by external users through such activities as production, processing, marketing, etc. The focus of the study is on how to improve production efficiency and the effective use of internal resources. This point of view pays attention to only the company's trading activities, as well as the relations between purchasing agents and suppliers. The follow-up study of supply chain gradually transferred the perspective from the internal to the external business, began to focus on study of the external environment of supply chain, and thought that the supply chain should be a conversion process in which through manufacturing, assembly, distribution, retailing processes of different enterprises raw materials are converted into finished goods, which are delivered to end-users.

At present, research on supply chain diverts from the "chain" to "networks", with more focus on research around the

"supply network" relationship formatted by the core business - core business and suppliers, suppliers of vendors and all relationships prior to them, as well as customers, users of customers and all backward relationships. At this point, awareness of supply chain gradually formed a "network chain" concept, such as Wal-Mart, Toyota, Changchun Automobile, Anshan Iron and Steel, etc., which implement supply chain management in terms of "network chain".

The so-called supply chain refers to a whole chain of the functional network in which suppliers, manufacturers, distributors, retailers, and even end-users are combined together, and in which the chain starts with the procurement of raw materials, then intermediate goods and final products are produced based on core businesses and through control over the flow of information, logistics, and capital flow, and final products will be sent by the sale network to consumers. Supply chain management means that through the coordination and control of logistics, information and capital flow in the entire supply chain, and by means of regulation and control of every link of product production and circulation, the supply chain can be maximized in terms of efficiency in order to provide customers with the largest value at the minimum cost and fastest speed.

1.2 Basic idea of industrial cluster

Due to its unusual regional economic competitiveness, there are more and more concerns of industrial cluster as a regional economic phenomenon. Speaking of industrial clusters, scholars at home and abroad have different views on them. The industrial agglomeration theory was first put forward by Marshall, the originator of neo-classical economics (1890). In his *Principles of Economics*, he defined the meaning of local industrial clustering from the perspective of the external economic concept, which is later on known as the Marshall Cluster. This concept does not only reflect the geographical characteristics of businesses and industrial clustering, but also shows the "one-industry-oriented" characteristics of the industrial structure. Since the 1820s, the study of industrial clusters has never ceased, but has increasingly become the academic focus. In foreign countries, there are a number of related theories on study of industrial clusters, such as external growth pole theory, transaction cost theory, professional labor division theory, flexible specialization theory, socio-economic network theory, innovation network theory and so on.

According to Michael Porter, industry cluster refers to a phenomenon in which a large number of interrelated enterprises and support agencies involved in a specific area accumulates in the same geographical location and a strong and sustained competitiveness is accordingly formed (usually with a leading industry as the core). The mechanism of industrial clusters is to promote specialization and technological innovation by means of geographical proximity, while reducing too high transaction costs arising from frequent transactions. What needs to be particularly emphasized is that the sum of similar enterprises in a certain region is not an industrial cluster, nor many companies with a low degree of association, flocked together in the same region in a disorderly way, are considered as an industry cluster. The important factor in the formation of industrial clusters is the same demand and supply relationship as the food chain, which can consolidate resources, reduce production costs and improve the competitive advantage of the whole industry.

2. Differences and Links of Supply Chain and Industry Cluster

2.1 Differences of Supply Chain and Industry Cluster

Supply chain and industry cluster have different characteristics in terms of the form and content, specially characterized in the following areas:

- (1) Supply chain is a cross-regional (even global) functional network chain, and management of supply chain is cross-cultural; industry cluster is a type of local network, which is rooted in local culture and has similar geo-culture.
- (2) Supply chain node information exchange between enterprises mainly relies on EDI technology, local area networks, and the Internet; non-coding information (or knowledge) within industrial clusters permeates in the cluster region like the air, and the transmission of information between enterprises are mostly informal.
- (3) The main body of supply chain functional network is the technological node, and because of differences in specialized fields managed by these firms as chain nodes, the competition pressure within the chain is less and susceptible to "free-rider" behavior, with its innovative pressure mainly from rivals outside the chain; the main part of industrial cluster network is similar to small and medium-sized enterprises of similar industries, network competition is intense, and there is a stronger sense of innovation.

2.2 The Links of Supply Chain with Industrial Cluster

The production of supply chain and the emergence of industrial clusters are in the background of economic globalization, and are under the guidelines of integrated thinking based on value chain. Although both form and content have different characteristics, the starting point is to maximize the advantages of individuals among the system, so as to enhance the corporate/industry competitiveness on the basis of collaboration and integration; a lot of similar characteristics have been shown in the process of operation: external economic effects, both competition and cooperation mechanisms, specialized flexible production, trust and cooperation-based Internet culture and so on. Therefore, there is a link between supply chain and industry cluster.

(1) Enterprises as the supply chain node constitute the entity

In accordance with the strategic thinking of supply chain management, enterprises as supply chain nodes conduct specialized division of labor to choose a partner. Because of close inter-firm relations, the functional linkage of network chain is formed, and these companies realize a coordinated operation and collaboration under an overall management; at the same time, these node enterprises can also be the integral entity of industrial clusters: on the one hand, industry cluster is composed of support institutions and similar firms with a specialized division of labor or related enterprises on the value chain; On the other hand, industry clusters have vertical specialization and horizontal scale in the value chain. In that sense, industry cluster is a selected set of a group of chains, and accordingly the node enterprises on the supply chain are also integral entities of industrial clusters.

(2) Industry cluster is the geographical concentration of the supply chain

If supply chain is spread in a number of spatial locations, it is possible that supply chain superposition can occur in one or more spaces. In a sense, it could be considered that industry cluster is a local concentration of one or more supply chains in the certain space, and the local concentration of the supply chain includes the fact that supply chain concentrate in the local area, as well as the concentration of a part of supply chain in a certain space; in fact, it is very difficult to find out a supply chain concentrate entirely on a spatial location.

(3) Industrial cluster provides quality environment for the sound development of the supply chain

What's the most intuitive about industrial cluster is reflected in the fact that a large number of companies concentrate in a certain geographical location, but this concentration is based on specialized division of labor and socialized collaboration. Big, medium-sized and small enterprises co-exist in the cluster, and different types of enterprises exist in a symbiotic way, thus constituting an ecological enterprise group. In this eco-group, all enterprises collaborate in terms of the logistics, information flow, and capital flow. Upstream and downstream support firms can share industrial infrastructure, human resources, intellectual property rights, and managerial knowledge so that they can be organically combined together so as to exist in a symbiotic way. This offers a good operational environment for the supply chain in the industry cluster, directly resulting in the increase in overall performance of supply chain.

1) Industrial cluster increase collaboration and shared effects between enterprises as each node of supply chain.

In the process of the protracted and localized competition and cooperation, what's formed within an industrial cluster are unique network of relationships, knowledge and cultural atmosphere, and regional information exchange platform. The geographical concentration, more close link between operations of its internal members, and their more complementarity make it possible to conveniently and economically require needed knowledge and facilities in the behavior of knowledge innovation by way of free or paid means; enterprises can also take advantage of public facilities and professional service organizations provided by industrial cluster, and even share its brand image. Enterprises in the cluster unite closely and share interests, which is a substantial boost to collaboration between enterprises as supply chain nodes. In addition, the enterprise cooperation within the cluster carries a unique advantage. Because of geographical proximity, close ties between the leaders, and the fact that the operating mechanism of industrial clusters is based on such human factors as trust and commitment, the businesses within the cluster form a common formal or informal code of conduct and practice, and establish a close cooperative relations among one another, thus reducing the opportunistic tendency and minimizing the risk and cost of cooperation. Such cooperation will bring together suppliers, customers and even competitors in the supply chain to share skills and resources, enhancing inter-enterprise sharing effects of supply chain.

2) Industrial clusters reduce inter-enterprise transaction costs and improve operational efficiency of supply chain.

Industry cluster is an institutional arrangement to reduce transaction costs between businesses in the supply chain. This is due to the fact that formation of industrial clusters makes related industries constitute a virtual entity. In this system, members of enterprises comply with the same institutional arrangements, avoid friction between different systems, and makes information transfer more smooth; as a result of space aggregation advantages brought about by industry cluster, enterprises in the clusters can reduce transaction costs such as transportation costs in each of the transaction process and reduce the occupancy of funds; more importantly, combined with an atmosphere of innovation, knowledge and talent integration, good credit environment and convenient infrastructure the cluster provides for firms, the relatively stable structure relationship in the cluster allows businesses to possess an " embedded " nature and higher migration costs, and enterprises would sustain great losses should they lose trust. Therefore, in a cluster, information costs and the possibility of dishonor opportunism will be reduced, so that the transaction costs within the cluster can be made less than market transactions, thus increasing business efficiency. Trust and cooperation system between enterprises will lead directly to a significant decrease in internal negotiation costs, bargaining costs, the cost of formulation and monitoring of contract performance between upstream and downstream enterprises in the supply chain, so as to minimize the transaction costs in the whole supply chain. Low-cost operations by businesses in the supply chain will eventually bring about the rise in overall level of profits and competitive capabilities.

(3) The sound development of supply chain leads to an increase in the overall level of cluster

In order for the enterprise as horizontal nodes of the value chain to gain a foothold in the competition, the competition between them is inevitable. A certain degree of competition will lead to the occurrence of innovation; however, cooperation is not without necessity. Because innovation is often a project of consuming a great deal of manpower, material and financial resources, it's difficult for individual enterprises to make successful innovation in an independent manner. In the face of attractive market opportunities as well as their limited technology and resources, it's one of the best options to be cooperative. Enterprises in a vertical relationship of the value chain can also achieve common development because of the fact that they can share with each other and learn from each other in cooperation. However, competitions between them still exist, because the high or low ability to innovate and the strong or weak advantage directly determine their profitability and status of the supply chain. This regulation function of the supply chain can ensure the maintenance of a high level of cooperative relations and a simultaneous participation in competition in a proper way, thereby leading to a rise in the overall competitiveness of industrial clusters. In addition, the supply chain also carries an important significance for the industrial cluster, namely the integration by the supply chain of enterprises in industry clusters, as well as the transfer function of the value chain. The operation concept of the supply chain is combining enterprises located in different geographical locations and possessing relevant core technologies to form them into an industrial cluster on the basis of information technology and through business outsourcing, virtual operations, and so on. According to the division of labor and cooperation, firms jointly conduct activities of creating value, and commercialize the advantages of industrial clusters in the form of support objects. The resulting economic gains can be passed onto industry clusters in an opposite way, so what's finally formed is the phenomenon we can see: industrial clusters promote regional economic growth and enhance economic competitiveness.

In short, the intrinsic relationship between the supply chain and industry cluster makes it possible for both of them to co-exist in a symbiotic way and seek common development. This relationship solves such issues as insufficient resources existing in the operations of traditional enterprises and development of regional economy, as well as paradoxes between dispersed operation and diversity from market demands. Therefore, we should make full use of the intrinsic relationship between the supply chain and industry cluster to make an integration so as to boost industrial competitiveness, thereby making it pave the way for economic development and stepping up the competitiveness of the regional economy.

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Benchmarking Scheme for Retail Stores Efficiency

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Abstract

The Indian retail sector is changing at a faster rate. At the same time the consumers' preference is also changing and the retailers need to take note of this and prepare for new and innovative strategies to tackle the situation. On the other hand there is rapid growth of retailing in recent years and upcoming many new firms in India has necessitated for benchmarking. So retail firms are very much concern about the available resources and their optimum utilization with respect to consumers' need and preference. The paper deals with study of benchmarking in retailing and compares the performance of some selected retail stores. This study is an application of Data Envelopment Analysis (DEA) to assess the relative efficiency of the retail stores. The analysis has found that only sales cannot increase the efficiency of a retail store.

Keywords: Benchmarking, Data envelopment analysis, Retail store

1. Introduction

In India, retail sector is emerging at a faster rate. It has significant impact on nation's economic growth. Most of the retail sector is in unorganized form. Now-a-days many retail chains have come up, such as shoppers' stop, Food world, Subhiksha etc. It is due to organized retailing, customer can get wide range of products in one place having comfort and convenience. Benchmarking is most important in case of organized retailing. The performance of retailing depends upon the performance of its retail stores. So it is necessary to measure their performance and benchmark them accordingly.

India's retail sector, which includes sales of products ranging from groceries to clothes to cell phones, will surge to \$ 607 billion in 2010 from \$ 330 billion last year. The high projected growth and low penetration of modern retailing in India make the country the most attractive destination in the world for international retailer. India has always been one of the world's largest markets in term of population. Recent changes in the shopping habits of India's more than 300 millions middle class consumers will most likely keep retail industry growth running at about 10% a year for the next five years. The economy of our country resides on more than 10 million tiny retail shops. But a growing number of Indians are shopping at modern retail chains. In this year hundred of malls and large retailers have sprouted up all over the country (www.srcg.com)

Benchmarking has been defined as a continuous, systematic process for evaluating the products, services and work processes of organizations that are recognized as best practices for the purpose of organizational improvements (Spendolini, 1992). Companies have adopted this approach for improving specific business processes that is helpful for increasing market share leading to high profit. Benchmarking concept is used by many leading companies like Xerox Corporation, American Express, etc. to excel in their respective industries in a global scale (Camp, 1998). It is also useful for small and medium size firm. In marketing the concept is used extensively (Churchill & Peter 1999, Kottler, 2004). It has not been an academic study conceptualizing benchmarking efforts. This paper attempts to fill this gap and add our understanding of benchmarking and its applicability in retailing research and practice.

2. Literature review

Benchmarking is most popularly adopted by organizations to understand how well they are performing relative to their competitors. It is also used to identify what management practices are worthwhile to apply in one's own firm in order to achieve desired performance goals. Benchmarking has been defined as "the search for industry best practices that lead to superior performance" (Camp, 1989) but it can also regarded as the constant search for reference points due to the rapid state of change on all fronts (eg. technology, human resources skill, consumer tastes, etc.). The benchmarking process consists of investigating practices and establishing metrics where practices are interpreted as the processes that are employed and metrics are the quantified result of instituting practices (Camp 1989). Companies have to create close relationships with their upstream and downstream partners due to acute competition. The traditional relationship is no

more effective in this competitive era (Bowersox et al., 2000). As a company may belong to many supply chains, few areas of logistic decisions and market access are under their direct control. The emerging trend of supply chain collaborations has been quickly adopted in many companies. For example, the pilot project of collaborative planning, forecasting and replenishment (CPFR) scheme helps Wal-Mart and its supplier to improve stock levels, reduce lead-times, slash on hand inventory create more consistent orders and smooth production cycles (Parks 2001). For its substantial benefits, the trend of adopting collaborative practices such as CPFR will continue to increase in the coming decade. Internal and external metrics are monitored to enable the chain members to assess the progress of performance improvements (Stewart, 1997). An integrated performance is required by all members to facilitate their performance status along the supply chain (Lapid, 2000). The participating members become committed only if their individual performance is clearly linked to collaborative performance (Lambert & Pohlen, 2000). They also need a collaborative benchmarking that provides ideas of improvement based on comparisons between their collaborative performance against customers and competitors' requirements (Boyson et al., 1999; Cox et al., 1997, Watson, 1993). Previous research on benchmarking often emphasizes on internal performance metrics. It has paid little attention to the importance of collaborative metrics that span inter companies. It is limited to an individual company as a part of supply chain. A new relationship amongst independent and related members of the supply chain requires a new type of benchmarking that involves more than one company (Cox et al., 1997; Gunasekaran, 2002). This would make it relevant to study benchmarking that involves more than one company. A new scheme is required to help companies to identify clearly what areas need improvement and the use of benchmarking to provide direction of improvement.

This paper aims to conceptualizing a benchmarking scheme that assists the chain members to understand the supply chain performance involved among them. It can be used to compare the performance not only with the best in class practice but also with customer expectations in order to reinvent key levers used to enhance performance. This research moves away from intra company level to the inter company level and there by provides an approach to the study of benchmarking in supply chain. Data Envelopment analysis (DEA) technique is proposed for benchmarking.

Benchmarking may be relevant in studying retailing phenomena by comparing the retail chains to standard set by successful retail firm in strategic domain of retailing such as retail promotion, pricing and supply chain activities. As the retailing function is playing an important role in firm's strategic decisions. It is a suggestive tool for companies to use for imitating leading firm's retailing practice. Parikh, D. (2004) study shows that layout of the store front has major impact on perceived service quality. The discrimination and expectation of customer have increased the dynamism of retail sector and the retail environment is changing more rapidly than ever before. It is characterized by identifying competition from both domestic and foreign companies, a spate of merger and acquisition, and more sophisticated and demanding customer. A successful retail enterprise has to have a vast network of people and error free processes in place (IIMB management Review Sept. 2006). Traditionally qualitative techniques are used to identify benchmark. Benchmarking experts suggest multi step approaches (Camp 1995, Camp, 1998, Spendolini 1992, Ncnair et al. 1995). Lau et al. (2001) has proposed an intelligent assessment system known as partner benchmarking assessment system which aimed for improving the current practice of partner selection, adopting the computational intelligence technologies. So the performance of the target benchmarked firm must be described. After that the firm has to decide which part to imitate. Benchmarking creates value by (PASBA, 2003):

- focusing on key performance gaps
- identifying ideas from other companies
- creating a consensus to move an organization forward
- making better decisions from a larger base of facts

Benchmarking goal should be measurable, attainable and actionable (Spendolini 1992). This has been largely conducted via qualitative procedure basically having an evaluation of best practices. For example in order to improve its retail supply chain, a company would examine their competitors to see how they handled their retail supply chain. As a result of their investigation, they would make changes to their processes that improve their response to such changes (Spendolini 1992). This type of benchmarking has become the standard practice. However, without a quantitative tool, it is difficult to determine "the best practice" which is adopted by management is really efficient in holistic sense. A company determines that their response to supply chain activities could be improved based on single process of competitor. But there may be other processes that could be altered to further enhance their efficiency.

The implementation of "best practices" has been the point of focus of most companies. It involves affecting business practices in order to emulate competitors who have an advantage. However it occurs in the absence of a robust methodology and proper measurement tool. A quantitative benchmarking tool should have the ability to analyze multiple inputs and outputs. It also provides feed back concerning areas which are needed for improvement. For example a retail firm may be very efficient in pricing policy but less efficient in supply chain activities. If this firm measured efficiency using ratio measure of pricing policy to spending on retail research, they may find that their

efficiency ratio is well above their competitors. But if that retail firm measured efficiency as a ratio between on time delivery rate to square feet of warehouse space, they may find that they are lagging behind their competitor. So benchmarking technique should provide a single measure of overall efficiency which can be compared to competitors. Hence there is a need to have a good methodology for benchmarking. The method should be able to identify a specific peer group to be used as a comparison group, which should be able to assist manager to set goal. Hence DEA technique may be represent as a balance one for quantifying benchmarking activities.

3. Concept of Data Envelopment Analysis

Farrell (1957) attempted to measure the efficiency of production in the single input and output case. Farrell's applied the model to estimate the efficiency of US agricultural output relative to other countries. But he failed to summarize all the various inputs and outputs into a single virtual input and single virtual output. Charnes, Cooper and Rhodes (1978) extended Farrell's idea and proposed a model which generalizes the single input, single output measure of efficiency of a Decision Making Unit (DMU) to a multiple input, multiple output setting. A DMU is an entity that uses inputs to produce outputs. The technique of DEA involves the use of Linear Programming (LP) to solve a set of inter related problems to determine the relative efficiency of DMUs. In retailing, a retail store constitutes a DMU.

The efficiency of a DMU is computed as:

$$\text{Efficiency} = \frac{\sum \text{weighted outputs}}{\sum \text{weighted inputs}}$$

DEA is an approach comparing the efficiency of organizational units such as schools, hospitals, shops, sales branch and similar instances where there is a relatively homogeneous set of units. It focuses on individual observations as represented by optimization of each observation in contrast to the focus on the averages and estimation (regression) of parameters that are associated with single optimization statistical approaches. The analysis will ensure outputs achieved from the inputs provided and will compare the group of DMUs by their strength in turning input into output. At the end of the analysis the DEA will be able to say which units are (relatively) efficient and which are (relatively) inefficient. The term 'relative' is important here which a DMU identified by DEA, as an efficient unit in a given data set may be deemed inefficient when compared using another set of data. The relatively "most efficient" units become the efficient frontier and the relative efficiency of other units is compared with the efficient frontier. An advantage of DEA is that it uses actual sample data to derive the efficient frontier that each unit in the sample is evaluated without prior information on the most important inputs and outputs in the evaluation.

3.1 Orientations in DEA

DEA has three orientations in efficiency analysis (Charnes 1994):

- Input oriented models are models where DMUs are deemed to produce a given amount of output with the smallest possible amount of input.
- Output Oriented models are models where DMUs are deemed to produce the highest possible amount of output with the given amount of input.
- Base oriented models are models where DMUs are deemed to produce the optimal mix of input and output.

4. Specification of inputs and outputs

Inputs	Outputs
1. Value of stock : X1 (in lakhs)	1. Annual sales Y1 (in lakhs)
2. Recurrent costs mainly in the form of wages: X2 (in lakhs)	2. Customer satisfaction: Y2
3. Floor space: X3 (in sq. mt.)	

5. Data source and methodology

The data for this study is collected from 25 retail stores of Sambalpur district of Orissa with a structured questionnaire and interviewing customers and retailers. The customer satisfaction is calculated as number of customer visiting to the particular retail store twice or more than twice. The DEA model is utilized to evaluate the data considering the above inputs and outputs.

5.1 Interpretation

As mentioned above (Table-3) eleven retail stores are best performers as they have the maximum efficiency score i.e. 100 percent. These eleven retail stores are regarded as efficient stores. The mean score of 25 DMUS is 0.871. The lowest relative efficiency score is 0.40 for DMU 6. The relative efficiency score of nine retail stores i.e. (DMU-1, DNU-2, DMU-3, DMU-9, DMU-13, DMU-14, DMU-22, DMU-23 and DMU-25) are falling in the range from 80 to 100 percent. Three retail stores are falling in the relative performance range of 60 to 70 percent.

5.2 Input and output slacks

Suppose the DMU A is the most efficient, we can set Performance Targets for the inefficient firms to enable them to reach 100 % relative efficiency. Since the DMU A has operated under similar environment and hence using its performance as benchmark is realistic. We are not assigning unrealistic targets.

Input Target: The input target for an inefficient unit say DMU B is the amount of input which shall be used by the inefficient DMU to produce the same level of output so as to make the DMU efficient one.

$$\text{Input Target} = \text{Actual Input} * \text{Efficiency}$$

Input Slack: For inefficient firms, Input target will be smaller than actual input. The difference between actual input and input target is usually called the Input Slack.

Input Slack for an inefficient DMU = Actual Input – Input Target

Input Slack can also be expressed in percentage.

$$\text{Input Target} = \frac{\text{Input Slack}}{\text{Actual Input}} * 100$$

Using a similar logic, we can compute *Output Targets* and *Output Slacks*.

$$\text{Output Target} = \frac{\text{Actual Output}}{\text{Efficiency}}$$

$$\text{Output Slack} = \text{Output Target} - \text{Actual Output}$$

$$\text{Output Target Percentage} = \frac{\text{Output Slack}}{\text{Actual Output}} * 100$$

The output slack and the input slack of all the 25 DMUs are calculated and shown in Table-4 and Table-5 respectively. The corresponding Input Target and Output Target can be calculated using the above formula described.

6. Sensitivity analysis

The sensitivity analysis has taken a variety of forms in the DEA literature. One part of this literature studies the responses when DMUs are deleted or added to the set being considered or when outputs or inputs are added to the set being considered or when outputs or inputs are added or withdrawn from consideration. Analytically oriented treatments of this topic are not lacking but most of this literature has taken the form of simulation studies, as in Banker et al. (1996). As in statistics or other empirically oriented methodologies, there is a problem involving degrees of freedom, which is compounded in DEA, because of its orientation to relative efficiency. In the envelopment model, the number of degrees of freedom will increase with the number of DMUs and decrease with the number of inputs and outputs. A rough rule of thumb which can provide guidance is as follows:

$$n \geq \max\{m \times s, 3(m + s)\}$$

Where n = number of DMUs, m = number of inputs and s = number of outputs

6.1 Sensitivity analysis of CCR-DEA result

The sensitivity of DEA efficiency can be verified by checking whether the efficiency of a DMU is affected appreciably. The detailed is given in Table-9.

1. If only one input or output is omitted from DEA analysis.
2. Dropping one efficient DMU at a time from DEA analysis.

For our study the robustness test of the DEA results obtained is done in two ways:

- Initially the **input** “wages” is dropped from the analysis and technical efficiency of DMUs is calculated, then input “floor space” is dropped, similarly the **outputs** “sales” is dropped one by one.
- At the second level the efficient units “DMU₄” and “DMU₁₆” is dropped one by one and technical efficiency is calculated.
- Dropping the input “X2” and “X3” one by one there is no significant change in TE score of DMUs. Efficient units remain efficient.

- The deviation in efficiency score is observed when the output “sales” is dropped from the analysis. DMU₁₁ and DMU₁₂ is becoming inefficient when “sales” is not considered. This is an indication that sale is an important output for such retail stores.
- When DMU₄ and DMU₁₆ dropped one by one – No change in the technical efficiency score of other efficient units.
- The above two-step analysis shows the robustness of DEA-CRS results.

7. DEA with VRS scale assumption

The second analysis is made with variable return to scale assumption, the efficiency of all the DMUs are calculated using output oriented model. The efficiency score of each DMU is calculated using output oriented model. The result is tabulated in Table-8. The input slack and output slack is displayed in Table-9 and Table-10. The input Target and Output Target are displayed in Table-11 and Table-12 respectively.

7.1 Comparison between various rankings

In the Table-14, the DMUs with efficiency score of unity will be referred as efficient unit, any technical efficiency score less than unity will be referred as inefficient unit. It is observed from the above results that, when CRS model is used fourteen DMUs i.e. DMU₁-DMU₃, DMU₅-DMU₉, DMU₁₃, DMU₁₄, DMU₂₀, DMU₂₂, DMU₂₃ and DMU₂₅ is emerging as inefficient units and calls for performance improvements. The benchmarking units for DMU₁ are DMU₄, DMU₁₁, DMU₁₂ and DMU₁₅. So DMU₁ shall refer these units for performance improvements. Similarly in VRS model only ten units are coming out as inefficient units i.e. DMU₁, DMU₅-DMU₉, DMU₄, DMU₂₀, DMU₂₂ and DMU₂₅ and the corresponding benchmarking units are mentioned in the last column of table-2. Each inefficient unit can find their respective benchmarking units and take necessary steps to become efficient unit. Moreover, further analysis is possible to find how much weightage shall be attached to each benchmarking units by individual inefficient DMUs and improvement target on each parameters for individual inefficient DMUs.

8. Reviewing the Long Term Prospects of Each Retail Store

The long term prospects of each retail stores can not be ascertained from its historical sales alone. Historical sales may not reflect the potential of the market of a retail store which better management could exploit. Once the retail efficiency and sales of a retail store are known we can judge its long-term prospects by means of “Efficiency versus Sales Matrix” depicted in (figure-2). Efficiency and sales of all the DMUs are taken into account. According to the Efficiency Sales matrix DMUs, 4,10,12,13,14,15,16,17,18,22,23,24,25 are regarded as star performers. DMUs-2, 3, 11, 9, 19 and 21 are mentioned as question mark (?). Here more investment is required to revive them. DMUs- 6, 7, and 8 are denoted as sleeper. The rest DMUs are under dog category. They are the lowest performing unit relative to others.

9. Strength and Weakness of DEA

9.1 Strengths of DEA

- DEA can handle multiple input and multiple output models.
- DEA identifies the possible peers as role models who have an efficiency score of 1 and sets improvement targets for them.
- By providing improvement targets DEA acts as an important tool for benchmarking
- The possible sources of inefficiency can be determined using DEA

9.2 Weaknesses of DEA

As DEA is deterministic rather than stochastic DEA produces results that are particularly sensitive to measurement errors. If an input of a DMU is understated or the output is overstated then the organization can become the outlier that significantly distorts the shape of frontier and reduces the efficiency score of nearby organization.

DEA score is sensitive to input and output specifications and the size of the sample. Increasing the size of the sample will tend to reduce the average efficiency score, as more DMUs provide greater score for DEA to find similar comparison partners. Conversely too small DMUs relative to the number of inputs and outputs can artificially inflate the efficiency score.

10. Conclusion

The paper presents applications of DEA to determine relative efficiency of retail stores. The paper presents applications of DEA to determine relative efficiency of retail stores. The sales of DMUs-2, 3, 11, 9 19 and 21 can be increased. So proper attention should be given to this DMU

The management has to think of about DMUs 6, 7, and 8 because of their low efficiency and poor sales. It is interesting if one can take the non-discretionary inputs like location, manager’s experience and others to measure the

benchmarking. Retailers must be aware about good customer service, so that they not only enhance, attract and retail customer but also customer delight can be achieved which is an asset to the company.

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Table 1. Data of Inputs and Outputs

DMUs	(I)Value of stock	(I)wage	(I)Floor Space	(O)Sales	(O)Customer Satisfaction
1	40	13	288	47	45
2	65	8	200	37	35
3	35	9	387	31	50
4	40	13	382	62	50
5	60	17	360	47	45
6	45	12	268	12	30
7	48	10	277	19	33
8	50	9	213	31	36
9	65	11	299	16	70
10	60	16	282	62	75
11	37	11	286	31	80
12	43	25	321	47	80
13	80	14	254	62	50
14	99	14	304	47	65
15	40	12	275	62	33
16	54	7	243	55	35
17	65	11	227	56	45
18	60	12	225	55	50
19	43	7	220	35	50
20	60	14	275	42	35
21	40	6	285	30	45
22	55	9	256	45	55
23	50	10	260	50	60
24	45	8	211	42	55
25	55	10	243	40	50

Table 2. Descriptive Statistics

	INPUTS			OUTPUTS	
	X1	X2	X3	Y1	Y2
Min.	99	25	387	62	80
Max.	35	6	200	12	30
Mean	53.36	11.52	273.64	42.52	50.28
S.D	14.291	3.889	48.853	14.128	14.349
Sum	1334	288	6841	1063	1257

The efficiency scores and weights are presented in table-3 after running it through DEA solver pro.5.0

Table 3. Efficiency Score and Weights of each Decision Making Unit (Output oriented DEA, Scale Assumption: CRS)

DMU	Efficiency	Wx1	Wx2	Wx3	Wy1	Wy2
1	0.886	1.78E-02	4.84E-03	1.23E-03	1.36E-02	8.02E-03
2	0.828	0	4.20E-02	4.36E-03	1.96E-02	7.86E-03
3	0.876	0.015138	6.79E-02	0	1.58E-02	1.02E-02
4	1	0.025	0	0	1.61E-02	0
5	0.636	1.29E-02	0.017599	1.37E-03	1.36E-02	8.06E-03
6	0.400	0	0	9.31E-03	3.92E-03	3.18E-02
7	0.462	0	0.181967	1.23E-03	4.70E-03	2.76E-02
8	0.683	0	3.78E-02	5.27E-03	0.021035	9.66E-03
9	0.873	0	1.00E-01	1.51E-04	0	1.43E-02
10	1	8.95E-03	0.012177	9.51E-04	9.38E-03	5.58E-03
11	1	0	0	3.50E-03	1.47E-03	1.19E-02
12	1	0.016549	0	8.98E-04	1.17E-02	5.65E-03
13	0.989	0	0	3.98E-03	1.50E-02	1.41E-03
14	0.803	0	6.83E-03	3.78E-03	2.77E-03	1.34E-02
15	1	0.025	0	0	1.61E-02	0
16	1	1.12E-02	5.67E-02	0	1.82E-02	0
17	1	2.04E-03	0	3.82E-03	1.79E-02	0
18	1	2.66E-03	2.34E-03	3.61E-03	1.82E-02	0
19	1	0	0.133127	3.10E-04	8.67E-03	1.39E-02
20	0.651	6.40E-03	0	4.18E-03	2.07E-02	3.74E-03
21	1	4.77E-03	0.134886	0	1.34E-02	1.33E-02
22	0.909	0	0.115811	2.25E-04	8.68E-03	1.11E-02
23	0.985	1.14E-02	2.18E-02	8.79E-04	1.18E-02	6.81E-03
24	1	3.69E-03	0.104271	0	1.03E-02	1.03E-02
25	0.800	0	1.77E-02	4.41E-03	1.37E-02	9.06E-03
Mean	0.871	0.007	0.0423	0.002	0.012	0.008

Table 4. Summary of output slack (Output Oriented DEA, Scale Assumption: CRS)

DMU	Y1	Y2
1	0	0
2	0	0
3	0	0
4	0	0
5	0	0
6	0	0
7	0	0
8	0	0
9	14.00211	0
10	0	0
11	0	0
12	0	0
13	0	0
14	0	0
15	0	0
16	0	0
17	0	0
18	0	0
19	0	0
20	0	0
21	0	0
22	0	0
23	0	0
24	0	0
25	0	0

Table 5. Summary of Input Slack (Output oriented DEA, Scale Assumption CRS)

DMU	X1	X2	X3
1	0	0	0
2	16.324	0	0
3	0	0	144.738
4	0	0	0
5	0	0	0
6	9.660	1.545	0
7	0.187	0	0
8	0.831	0	0
9	26.002	0	0
10	0	0	0
11	0	0	0
12	0	0	0
13	7.406	1.657	0
14	38.585	0	0
15	0	0	0
16	0	0	0
17	0	0	0
18	0	0	0
19	0	0	0
20	0	6.84E-02	0
21	0	0	0
22	1.927	0	0
23	0	0	0
24	0	0	0
25	1.811	0	0

Table 6. Sample of Input targets (Output Oriented DEA, Scale Assumption: CRS)

DMU	X1	X2	X3
1	40	13	288
2	48.675	8	200
3	35	9	242.261
4	40	13	382
5	60	17	360
6	35.339	10.454	268
7	47.812	10	277
8	49.168	9	213
9	38.997	11	299
10	60	16	282
11	37	11	286
12	43	25	321
13	72.593	12.342	254
14	60.414	14	304
15	40	12	275
16	54	7	243
17	65	11	227
18	60	12	225
19	43	7	220
20	60	13.931	275
21	40	6	285
22	53.072	9	256
23	50	10	260
24	45	8	211
25	53.188	10	243

Table 7. Sample of Output Targets (Output Oriented DEA, Scale Assumption: CRS)

DMU	Y1	Y2
1	53.04351	50.78634
2	44.6684	42.25389
3	35.36968	57.04786
4	62	50
5	73.79437	70.65418
6	29.94191	74.85478
7	41.04716	71.29243
8	45.36486	52.68177
9	32.31924	80.13742
10	62	75
11	31	80
12	47	80
13	62.64504	50.5202
14	58.51027	80.91846
15	62	33
16	55	35
17	56	45
18	55	50
19	35	50
20	64.43963	53.69969
21	30	45
22	49.49447	60.49324
23	50.74141	60.88969
24	42	55
25	49.96905	62.46131

Table 8. Result of Sensitivity Analysis

DMU	Eff.	Dropping (X2)	Dropping (X3)	Dropping (Y1)	Dropping DMU-4	Dropping DMU-16
1	0.886	0.871	0.812	0.758	0.886	0.886
2	0.828	0.767	0.709	0.777	0.828	0.886
3	0.876	0.786	0.876	0.625	1	0.876
4	1	1	1	1		1
5	0.636	0.630	0.582	0.570	0.636	0.636
6	0.400	0.400	0.342	0.195	0.400	0.400
7	0.462	0.435	0.460	0.313	0.462	0.462
8	0.683	0.651	0.630	0.616	0.683	0.683
9	0.873	0.836	0.854	0.232	0.873	0.873
10	1	1	1	1	1	1
11	1	1	1	0.543	1	1
12	1	1	1	0.705	1	1
13	0.989	0.989	0.708	0.989	0.989	0.989
14	0.803	0.794	0.638	0.633	0.803	0.803
15	1	1	1	1	1	1
16	1	1	1	1	1	
17	1	1	1	1	1	1
18	1	1	1	1	1	1
19	1	1	1	1	1	1
20	0.651	0.651	0.555	0.644	0.651	0.651
21	1	1	1	1	1	1
22	0.909	0.807	0.903	0.766	0.909	0.952
23	0.985	0.927	0.976	0.842	0.985	0.985
24	1	1	1	1	1	1
25	0.800	0.771	0.756	0.702	0.800	0.800

Table 9. Efficiency Score and Weights of each Decision Making Unit (Output oriented DEA, Scale Assumption: VRS)

DMU	Efficiency	W_{x1}	W_{x2}	W_{x3}	W_{y1}	W_{y2}
1	0.886	1.54E-02	5.76E-03	1.23E-03	1.35E-02	0.0081
2	1	0	5.75E-02	1.26E-02	2.68E-02	2.05E-04
3	1	4.13E-02	8.94E-02	0	1.82E-02	8.72E-03
4	1	0.025	0	0	1.61E-02	0
5	0.758	0	0	0	2.13E-02	0
6	0.405	0	0	1.11E-02	0	3.33E-02
7	0.484	0	0.117	0	1.60E-02	0.021072
8	0.699	5.29E-03	0	2.43E-02	0.032258	0
9	0.875	0	0.1	0	0	1.43E-02
10	1	8.95E-03	0.0122	9.51E-04	9.38E-03	5.58E-03
11	1	0	0	3.50E-03	1.47E-03	1.19E-02
12	1	0.0165	0	8.98E-04	1.17E-02	5.65E-03
13	1	0	0	3.59E-03	1.49E-02	1.54E-03
14	0.880	0	4.00E-02	0	8.00E-03	9.60E-03
15	1	0.025	0	0	1.61E-02	0
16	1	1.12E-02	5.67E-02	0	1.82E-02	0
17	1	2.04E-03	0	3.82E-03	1.79E-02	0
18	1	2.66E-03	2.34E-03	3.61E-03	1.82E-02	0
19	1	0	0.133	3.10E-04	8.67E-03	1.39E-02
20	0.677	0	0	0	2.38E-02	0
21	1	4.77E-03	0.135	0	1.34E-02	1.33E-02
22	0.966	0	6.53E-02	0	1.02E-02	9.87E-03
23	1	8.78E-03	2.30E-02	8.19E-04	1.22E-02	6.51E-03
24	1	3.69E-03	0.104271	0	1.03E-02	1.03E-02
25	0.831	0	4.67E-02	9.05E-04	9.42E-03	1.25E-02
Mean	0.898	0.007	0.039	0.002704	0.014	0.0074

Table 10. Result of Input slack (Output Oriented DEA, Scale Assumption: VRS)

DMU	X1	X2	X3
1	0	0	0
2	1.55E-03	0	0
3	0	0	1.13E-02
4	0	0	0
5	0	1	78
6	6.080	1.720	0
7	5.242	0	16.299
8	0	0.146	0
9	28	0	13
10	0	0	0
11	0	0	0
12	0	0	0
13	0	0	0
14	45.551	0	24.432
15	0	0	0
16	0	0	0
17	0	0	0
18	0	0	0
19	0	0	0
20	5.714	0	0
21	0	0	0
22	7.116	0	18.613
23	0	0	0
24	0	0	0
25	5.834	0	0
Mean	4.142	0.115	6.014

Table 11. Summary Output of Output slack (Output Oriented DEA, Scale Assumption: VRS)

DMU	Y1	Y2
1	0	0
2	0	0
3	0	0
4	0	0
5	0	15.638
6	4.039	0
7	0	0
8	0	0.658
9	12.714	0
10	0	0
11	0	0
12	0	0
13	0	0
14	0	0
15	0	0
16	0	0
17	0	0
18	0	0
19	0	0
20	0	1.762
21	0	0
22	0	0
23	0	0
24	0	0
25	0	0
Mean	0.670	0.722

Table 12. Result of Input Targets (Output Oriented DEA, Scale Assumption: VRS)

DMU	X1	X2	X3
1	40	13	288
2	64.998	8	200
3	35	9	386.988
4	40	13	382
5	60	16	282
6	38.919	10.28	268
7	42.757	10	260.700
8	50	8.854	213
9	37	11	286
10	60	16	282
11	37	11	286
12	43	25	321
13	80	14	254
14	53.448	14	279.567
15	40	12	275
16	54	7	243
17	65	11	227
18	60	12	225
19	43	7	220
20	54.285	14	275
21	40	6	285
22	47.884	9	237.386
23	50	10	260
24	45	8	211
25	49.166	10	243
Mean	49.218	11.405	267.625

Table 13. Result of Output Targets (Output Oriented DEA: Scale Assumption VRS)

DMU	Y1	Y2
1	52.988	50.733
2	37	35
3	31	50
4	62	50
5	62	75
6	33.639	74.000
7	39.253	68.177
8	44.327	52.135
9	31	80
10	62	75
11	31	80
12	47	80
13	62	50
14	53.392	73.84
15	62	33
16	55	35
17	56	45
18	55	50
19	35	50
20	62	53.428
21	30	45
22	46.567	56.916
23	50	60
24	42	55
25	48.138	60.173
Mean	47.612	57.496

Table 14. Comparison between Various Ranking

DMU	Crste	vrste	Scale Efficiency	Benchmarking Units (CRS)	Benchmarking Units (VRS)
1	0.886	0.886	0.998	4,11,12,15	4,10,11,12,15
2	0.828	1	0.828	16,17,24	
3	0.876	1	0.876	4,11,24	
4	1	1	1		
5	0.636	0.758	0.840	10,11,15,24	10
6	0.400	0.405	0.988	10,11	11,24
7	0.462	0.484	0.956	11,19,24	11,23,24
8	0.683	0.699	0.977	17,18,24	2,18,24
9	0.873	0.875	0.998	11,21	
10	1	1	1		
11	1	1	1		
12	1	1	1		
13	0.989	1	0.989	17,18	
14	0.803	0.880	0.912	10,11,24	10,11,23
15	1	1	1		
16	1	1	1		
17	1	1	1		
18	1	1	1		
19	1	1	1		
20	0.651	0.677	0.962	10,15,18	10,13,15
21	1	1	1		
22	0.909	0.966	0.940	16,21,24	16,23,24
23	0.985	1	0.985	4,11,15,24	
24	1	1	1		
25	0.800	0.831	0.963	10,18,24	10,11,23,24
Mean	0.871	0.898	0.968		

Note: crste = technical efficiency from CRS DEA; vrste = technical efficiency from VRS DEA;
scale efficiency = crste / vrste

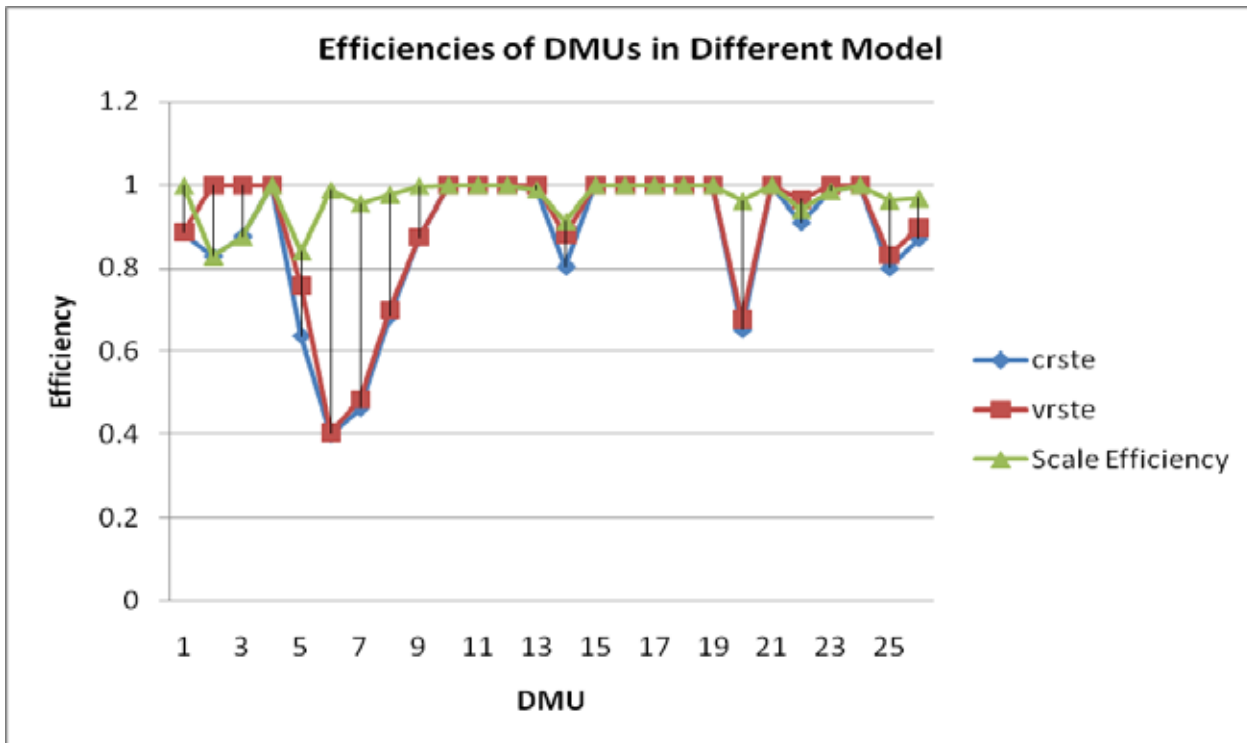


Figure 1. Efficiency of DMUs in Different Model

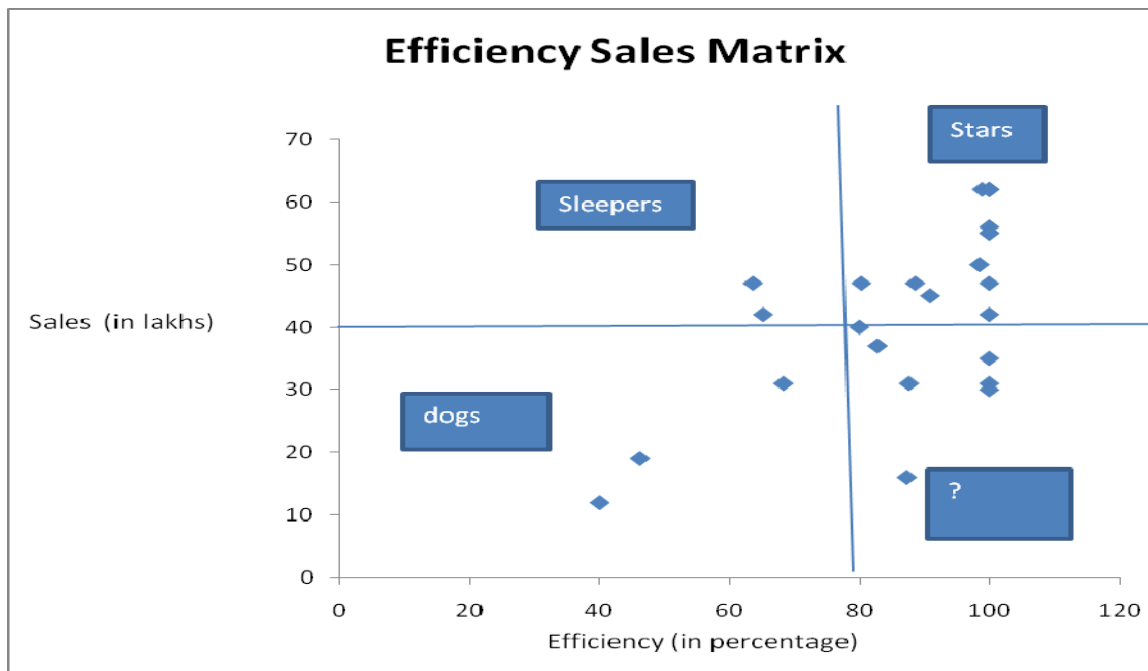


Figure 2. Efficiency Sales Matrix



Have Debit Cards Changed Thai Consumer Shopping Behavior?

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The earlier draft of this paper was presented at the 8th International Conference on Knowledge, Culture and Change in Organisations, August, 5-8, 2008, Cambridge University, United Kingdom. It based on the study of "Behavior and Quality Perceiving on Using Debit Card of the Consumers in Songkhla Province" that was financial supported by Research and Development Institute Thaksin University, Thailand.

Abstract

This research aims to study the behavior of using debit cards and the quality perceiving on using debit cards of the consumers in Songkhla Province, Thailand. Questionnaires were used for data collection by purposive sampling and equally distributed to 303 consumers who held at least 1 debit card and used it 3 months before the study. The collected data was analyzed using the descriptive statistics; frequency and percentage, and the inferential statistics; Pearson chi-square at the .05 level of statistics significance.

This research found that the demographic characters of the consumers were female, between 21-30 years old, and held bachelor degree. Two-thirds of consumers were students, government and company officers. More than half of them earned 5,001 – 15,000 baht per month. The research also found that the consumers had only 1 debit card and most of them were Visa type. Most of their debit cards were issued by Bangkok Bank. They owned debit card for 1-2 years. Ratio of withdraw to payment is 40:60. They used debit card for withdrawing 2-3 times a month and 1,001 – 3,000 baht each time. They used debit card for expense 2-3 times a month and 500 – 1,000 baht each time. They frequently used their debit card at department store and paid for their infrastructures. Debit card made a little change on their expense behavior especially in food and drink consumption. This research also found that most of consumers well perceived on the service quality in all dimension of tangible, reliability, responsiveness, assurance, and empathy. This research found that service marketing mixes influenced on using debit card behavior are debit card, promotion, process, physical evidences, and productivity and quality control. The research also found that all service marketing mix influenced on quality perceiving on using debit card. The information from this research is beneficial to set debit card marketing mix strategy policy to stimulate consumer behavior on using debit card.

Keywords: Debit card, Shopping, Consumer behavior, Quality perception

1. Introduction

The progress of information technology, communication, and the Internet system has forced the financial and banking system to be globalized. It is not convenient any more to bring much money for buying products and services. Banks play an important role in managing money transaction. They have created many new financial tools, such as ATM cards and credit cards to increase the convenience and ease of the economic system. These financial innovations support transactions and stimulate consumption. At the same time, card issuers make income from the fees (Manager, 2005). Besides providing more convenience and safety than cash, consumers can use their debit cards to withdraw cash at the ATM. Increasing debit card use reduces the Thai government's expenses for producing banknotes. Even though debit cards look like credit cards or ATM cards, there are differences in their function. Credit cards mean "buy first-pay later" while debit cards mean "buy now-pay now. When using debit card, it will directly connect to your account and will credit the amount from your account to the vendor once you buy a product or service (Foundation for Consumers, 2007).

A market survey of debit card using in Thailand found that debit card holders increased 27 percent to 12 million cards at the end of March, 1996. However only 4.5 billion baht was spent using debit cards, 20 percent increase (Weekly Manager, 1996). While 95 percent of Thai people used debit card for withdrawing the money via ATM, only 5 percent used debit card for purchasing. The main reasons are the inadequate advantage consumers perceive for using their debit cards and distrust in online payment system. To change consumer behavior, banks must actively market the advantages of debit card use (BrandAge, 1995). With the increasing of the number of debit card holders but only small proportion using the card for purchasing including new ways in payment such as mobile payment, commercial bank must be focus on making consumers understand how to use debit card.

The objective of this research is to study the consumer's using debit card behavior, the consumer's service quality perception, and the service marketing mix that relate to behavior and perception of the consumer. The research will concentrate on the consumer in Songkhla Province, Thailand, who held at least one debit card and used it three months before the study.

2. Literature Review

2.1 Consumer Behavior

Today's world understanding consumer behavior and knowing customers are never simple because customers may say one thing but do another. The study of consumer behavior enables marketers to understand and predict consumer behavior in the marketplace. It focuses on how individuals make decisions to spend their available resources (time, money, effort) on consumption-related items that includes what they buy, why they buy it, when they buy it, where they buy it, how often they buy it, and how often they use it (Schiffman & Kanuk, 2000).

Kotler (2000) stated that consumer behavior studies how individuals, groups, and organizations select, buy, use, and dispose of goods, services, ideas, or experiences to satisfy their needs and desires. While, Engel, Blackwell & Miniard (1995) defined consumer behavior as those activities directly involved in obtaining, consuming, and disposing of products and services, including the decision processes the precede and follow these actions.

Consumer behavior is influenced by four factors: cultural (culture, subculture, and social class); social (reference groups, family, and social roles and statuses); personal (age, stage in the life cycle, occupation, economic circumstances, lifestyle, personality, and self-concept); and psychological (motivation, perception, learning, beliefs, and attitudes) (Zeithaml, 1988). Research into all these factors can provide clues as to how to reach and serve consumers more effectively.

To understand how consumers actually make their buying decisions, marketers must identify who makes and has input into the buying decision; people can be initiators, influencers, deciders, buyers, or users and different marketing campaigns might be targeted to each type of person.

2.2 Service

A service is any act or performance that one party can offer to another that is essentially intangible and does not result in the ownership of anything (Kotler, 2000). Its production may or may not be tied to a physical product.

Services have four major characteristics that greatly affect the design of marketing program: intangible, inseparable, variable, and perishable (Kotler, 2000). Each characteristic poses challenges and requires certain strategies. Marketers must find ways to give tangibility to intangibles; to increase the productivity of service providers; to increase and standardize the quality of the service provided; and to match the supply of services during peak and nonpeak periods with market demand (Parasuraman, 2000).

2.3 Service Quality

Service marketers frequently complain about the difficulty of differentiating their services (Kotler, 2000). Consumers often judge the quality of service on the basis of a variety of informational cues that they associate with the service (Zeithaml, Berry & Parasuraman, 1996). It is more difficult for consumers to evaluate the quality of services than the quality of products (Woodside & Taylor, 1978). This is true because of certain distinctive characteristics of services: They are intangible, they are variable, they are perishable, and they are simultaneously produced and consumed. To overcome the fact that consumers are unable to compare services side-by-side as they do with competing products, consumers rely on surrogate cues (i.e., extrinsic cues) to evaluate service quality (Schiffman & Kanuk, 2000).

Parasuraman, Zeithaml & Berry (1985) formulated a service-quality model that highlights the main requirements for delivering high service quality. The model identifies five gaps that cause unsuccessful delivery:

- 1) Gap between consumer expectation and management perception: Management does not always perceive correctly what customer want.
- 2) Gap between management perception and service-quality specification: Management might correctly perceive the customers' wants but not set a specified performance standard.
- 3) Gap between service-quality specifications and service delivery: The personnel might be poorly trained, or incapable or unwilling to meet the standard. Or they may be held to conflicting standards, such as taking time to listen to customers and serving them fast.
- 4) Gap between service delivery and external communications: Consumer expectations are affected by statements made by company representatives and ads.
- 5) Gap between perceived service and expected service: This gap occurs when the consumer misperceives the service quality.

Berry & Parasuraman (1991) found five determinants of service quality. These are presented in order of importance.

- 1) Reliability: The ability to perform the promised service dependably and accurately.
- 2) Responsiveness: The willingness to help customers and to provide prompt service.
- 3) Assurance: The knowledge and courtesy of employees and their ability to convey trust and confidence
- 4) Empathy: The provision of caring, individualized attention to customers
- 5) Tangibles: The appearance of physical facilities, equipments, personnel, and communication materials.

In accordance with the literature, the developed conceptual framework is shown in Figure 1.

Insert Figure 1 here

In order to test the influent factors, demographic characteristic and service marketing mix, that effect to the consumer behavior and the service quality perception, four hypotheses were tested in this study. There were:

Hypothesis 1: The relationship between the demographic characteristics and the debit card using behavior.

Hypothesis 2: The relationship between the demographic characteristics and the service quality perception.

Hypothesis 3: The relationship between the service marketing mixes and the debit card using behavior.

Hypothesis 4: The relationship between the service marketing mixes and the service quality perception.

3. Research Methodology

The population of this research will concentrate on the consumer in Songkhla Province, Thailand, who held at least one debit card and used it three months before the study. Questionnaires were used for data collection by purposive sampling and equally distributed to 303 consumers who held at least 1 debit card and used it 3 months before the study. The questionnaire for this research was comprised of three sections. Section one contained items on demographics details of the respondent. Section two contained the questions related to the consumer behaviors. Section three contained the modified SERVQUAL items to measure consumer service perceptions. The collected data was analyzed using the descriptive statistics; frequency and percentage, and the inferential statistics; Pearson chi-square at the 0.05 level of statistics significance.

In order to test the reliability of the marketing mixes and the SERVQUAL five dimensions, Cronbach's alpha coefficient were computed. The result from testing show that the Cronbach's alpha coefficient of both service marketing mixes and service quality perception were high level which are 0.8310-0.8853 and 0.8340-0.8838 respectively.

4. Results

This research found that the demographic characters of the consumers were female (62.0%), between 21-30 years old (38.6%), and held bachelor degree (65.4%). Two-third of consumers was students, government and company officers.

More than half of them earned 5,001 – 15,000 baht per month (52.8%). The majority of consumers had only 1 debit card (71.9%) advised by bank officer. Most of the card were Visa type (81.1%) and issued by Bangkok Bank (35.6%). They owned debit card for 1-2 years (40.3%) and had the ratio of withdraw to payment for 40:60. They used debit card for withdrawing 2-3 times a month (40.3%) and had the ratio of withdraw to payment for 40:60. They used debit card for withdrawing 2-3 times a month (40.3%) and 1,001 – 3,000 baht each time (37.0%) and spending 2-3 times a month (39.2%) with 500 – 1,000 baht each time (34.0%). They frequently used their debit card at department store (64.4%) and paid for their infrastructures (22.9%). Debit card made a little change by increasing their expense behavior especially in food and drink consumption (28.4%). Moreover, salesperson is the most influence person to the consumer for using the debit card instead of cash in payment.

For the first hypothesis test result, focused on the relationship between the demographic characteristics and the using debit card behaviors of the consumers, the research found that the consumer behavior is dependent on demographic characteristic especially on occupation, income, and marital status as shown in Table 1.

Insert Table 1 here

The second hypothesis test result, focused on the relationship between the demographic characteristics and service quality perception of the consumers, the research found that service quality perception of the consumers is dependent on demographic characteristic especially on gender, age, education, occupation, and income. However consumer perceived service quality appear to be independent on marital status as shown in Table 2.

Insert Table 2 here

The third hypothesis test result, focused on the relationship between the service marketing mixes and the using debit card behavior of the consumers, the research found that the consumer behavior is dependent on product, place, promotion, people, process, physical evidence, and productivity and service quality. However the behavior is independent on price which is the annual fee as shown in Table 3.

Insert Table 3 here

The last hypothesis test result, focused on the relationship between the service marketing mixes and service quality perception of the consumers, the research found that service quality perception of the consumer is dependent on the service marketing mixes as shown in Table 4.

Insert Table 4 here

5. Discussion and Conclusion

The aim of this research is to study the behavior of using debit card and the quality perceiving on using debit card of the consumer in Songkhla Province, Thailand. The research found that the demographic characters of the consumers were female, between 21-30 years old, and held bachelor degree. Two-third of consumers was students, government and company officers. By studying their demographic, this result can lead the issuing bank to pay the attention or define strategy to the right target group and expand the market to the new target group such as male. The research also found that more than half of the respondent earned 5,001 – 15,000 baht per month. This will cause from the minimum income for applying the credit card is 15,000 baht. Therefore, the consumer who has the income more than 15,000 baht will prefer to have the credit card than debit card.

For consumer behavior, the research found that most of the consumer had only one debit card and used it for spending more than withdrawing. This is the good signal as in the past the consumer used the debit card as ATM. Even if they used debit card for spending in the same frequency as withdrawing but the amount is only 500 – 1,000 baht each time. They frequently used their debit card at department store and paid for their infrastructure more than spending on product and service. Moreover, the debit card made a little change on their expense behavior especially on food and drink consumption. The issuing bank should be coordinate with merchants to motivate the consumer to use debit card more on spending. Moreover, the research result shown that all aspects of service marketing mixes is effect to their perception, the issuing bank should be increase the consumer quality perception by using the appropriate service marketing mixes.

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Table 1. The relationship between the demographic characteristics and the debit card using behavior of the consumers

*Significant at 95% level of confidence

Demographic characteristics		Debit card using behavior						
		Period of time holding debit card	Reason for holding	Average times per month for using	Period of month for the most using	Festival that using the debit card	Product/ service categories to buy via debit card	Influence for using
Gender	Chi-square	9.997*	10.141	3.548	8.593	17.133*	23.131	14.669
	Sig.	.019	.255	.738	.283	.029	.081	.066
Age	Chi-square	53.966*	133.937*	363.451*	78.727	93.163	401.732*	875.177*
	Sig.	.012	.006	.000	.642	.563	.008	.000
Marital status	Chi-square	36.748*	66.314*	95.921*	26.707	55.250*	159.656*	332.738*
	Sig.	.000	.000	.000	.534	.007	.002	.000
Education	Chi-square	22.922	52.033	69.458*	41.096	36.241	224.228*	349.362*
	Sig.	.194	.320	.001	.511	.894	.002	.000
Occupation	Chi-square	80.896*	210.130*	404.774*	309.210*	206.338	1133.860*	2470.170*
	Sig.	.010	.040	.000	.000	.058	.000	.000
Income	Chi-square	32.225*	104.107*	53.720	135.652*	94.520*	259.278*	476.120*
	Sig.	.021	.000	.106	.000	.001	.001	.000

Table 2. The relationship between the demographic characteristics and service quality perception of the consumers

*Significant at 95% level of confidence

Demographic characteristics		Service quality perception				
		Tangible	Reliability	Responsive	Assurance	Empathy
Gender	Chi-Square	8.727*	5.128	5.440	7.924*	13.526*
	Sig.	.033	.163	.142	.048	.004
Age	Chi-Square	73.297*	63.412*	67.349*	73.743*	75.917*
	Sig.	.000	.003	.034	.000	.000
Marital status	Chi-Square	16.914	14.565	17.970	14.064	17.328
	Sig.	.153	.266	.117	.297	.138
Education	Chi-Square	33.161*	28.009	33.752*	40.570*	27.864
	Sig.	.016	.062	.014	.002	.064
Occupation	Chi-Square	71.326	67.277	127.940*	75.560	73.438
	Sig.	.305	.433	.004	.197	.248
Income	Chi-Square	41.904*	35.509*	44.484*	33.088*	33.493
	Sig.	.004	.025	.025	.045	.218

Table 3. The relationship between the service marketing mixes and the debit card using behavior of the consumers

*Significant at 95% level of confidence

Service marketing mixes		Debit card using behavior						
		Period of time holding debit card	Reason for holding	Average times per month for using	Period of month for the most using	Festival that using the debit card	Product/ service categories to buy via debit card	Influence for using
Product	Chi-Square	11.147	52.804*	38.339	57.588*	40.073*	244.357*	183.609
	Sig.	.516	.012	.0178	.000	.021	.000	.140
Price	Chi-Square	8.958	29.335	15.079	23.869	20.134	95.828	103.110
	Sig.	.441	.208	.657	.299	.689	.178	.903
Place	Chi-Square	5.489	33.720	18.039	43.169*	21.412	119.693*	93.977
	Sig.	.790	.090	.453	.003	.614	.006	.976
Promotion	Chi-Square	18.504*	47.897*	27.144	26.766	25.742	113.396*	119.112
	Sig.	.030	.003	.076	.179	.366	.018	.971
People	Chi-Square	18.395*	54.557*	27.527	30.312	18.866	148.337*	121.468
	Sig.	.031	.000	.070	.086	.759	.000	.522
Process	Chi-Square	9.727	38.940*	28.342	40.628*	40.955*	130.080*	124.095
	Sig.	.373	.028	.057	.006	.017	.001	.455
Physical evidence	Chi-Square	22.325*	50.354*	30.189*	36.071*	32.445	136.168	242.037*
	Sig.	.034	.001	.036	.021	.116	.060	.000
Productivity and service quality	Chi-Square	7.858	41.852*	15.833	29.845	31.078	115.246*	120.418
	Sig.	.549	.013	.604	.095	.152	.013	.549

Table 4. The relationship between the service marketing mixes and service quality perception of the consumers

*Significant at 95% level of confidence

Service marketing mixes		Service quality perception				
		Tangible	Reliability	Responsive	Assurance	Empathy
Product	Chi-Square	51.298*	28.693*	57.121*	39.462*	58.978*
	Sig.	.000	.001	.000	.000	.000
Price	Chi-Square	34.442*	48.613*	39.094*	59.261*	43.997*
	Sig.	.000	.000	.000	.000	.000
Place	Chi-Square	30.040*	26.791*	29.457*	47.412*	39.202*
	Sig.	.000	.002	.003	.000	.000
Promotion	Chi-Square	33.535*	35.296*	34.849*	36.056*	33.960*
	Sig.	.000	.000	.000	.000	.000
People	Chi-Square	46.442*	40.445*	29.763*	42.472*	39.048*
	Sig.	.000	.000	.000	.000	.000
Process	Chi-Square	58.419*	27.145*	48.699*	45.575*	42.734*
	Sig.	.000	.001	.000	.000	.000
Physical evidence	Chi-Square	34.126*	37.316*	33.843*	32.440*	23.568*
	Sig.	.001	.000	.000	.001	.005
Productivity and service quality	Chi-Square	56.676*	39.476*	37.471*	62.326*	35.781*
	Sig.	.000	.000	.000	.000	.000

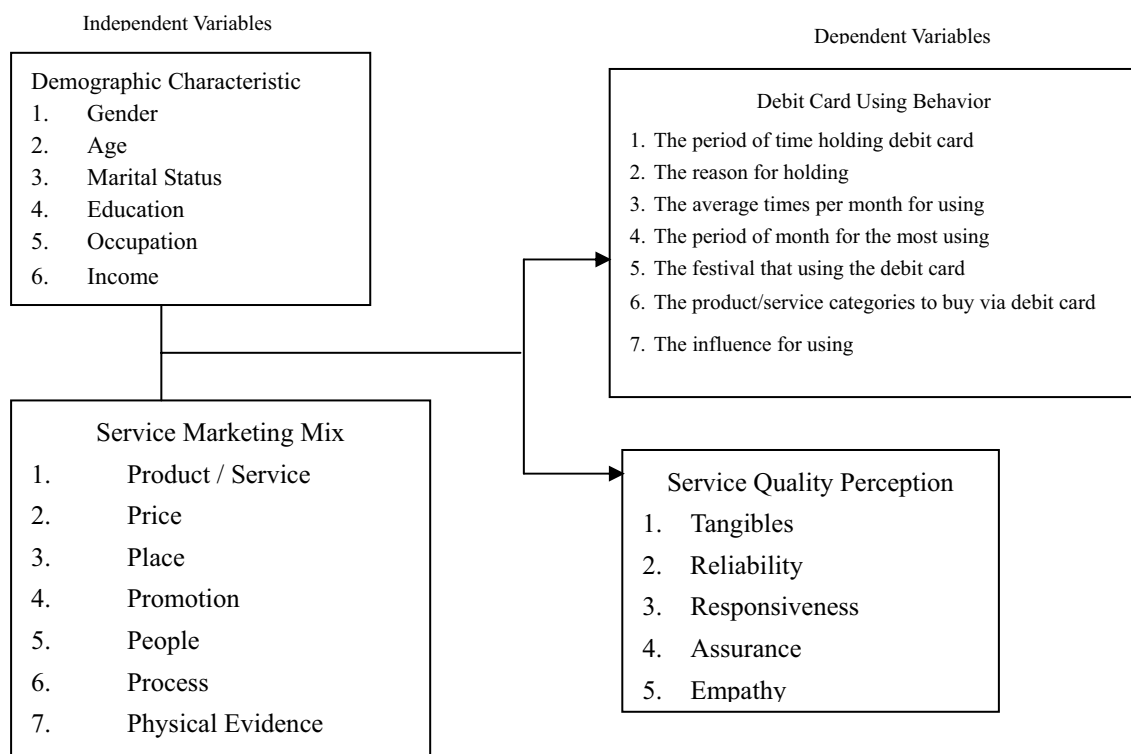


Figure 1. The conceptual framework



Distinctive Capabilities and Strategic Thrusts of Malaysia's Institutions of Higher Learning

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Abstract

The hostile business environment in Malaysian private higher education institutions (PHEIs) has proved to be fatal to numerous institutions. While there are success stories, the issue looms as what differentiates the performers and the non performers. As such, this study was conducted to understand why some PHEIs perform better than others; and whether the differences in performance are due to the choice of strategy. Finally, this study explores whether the organisational distinctive capabilities influence towards the institution choice of strategy. Based from a sample of 97 PHEIs, the study depicts that differentiation strategy was significantly link to performance with a spectrum of organisational capabilities influencing the institution's choice of strategy.

Keywords: Distinctive capabilities, Competencies, Strategic Thrusts, Institutions, Higher learning

1. Introduction

The competition in the Malaysian PHEIs is hostile and perilous where the number of institutions that ceased operations have alarm the government. For instance in 2006, 30 PHEIs were closed (Utusan Malaysia, 2006). In addition, existing PHEIs need to cope with daunting financial challenges where these institutions face tremendous perplexities in attracting new students because they cost more to the students compared with public colleges and university. As the casualties involving the PHEIs continue to rise, essential solutions need to be crafted. The failures of these institutions could jeopardize Malaysia's intention of becoming an education hub in this region.

Clarke (1997) argued that if HEIs are to compete more aggressively, they need to determine the areas of comparative competence on which to base successful resource-led strategies. Although many institutions have a vision, it is important for HEI administrators to have a realistic grip on the institution's strongest position (Higher Education Review, 2004). Work on organizational capabilities by Snyder and Eberling (1992) suggests that an institution should look at its system of activities and assess the value that they add not only to the present revenue but also to the future potential of the organization. Burrell and Grizzell (2008) argued that the successful institutions will be those that can do strategic marketing planning, carve out niches, and develop new programs that will drive students to the institution. These organizations must exhibit to its current and future consumers that they are capable and this capability may need to be shown as their firm distinctive capabilities. Peteraf (1993) asserts that the concept of the heterogeneity of firms originating in the individual nature of their resources and capabilities is the heart of strategic managements.

King et al. (2001) argued that although managers and scholars often claim organizational capabilities is the most critical sources of competitive advantage, many firms are often vaguely aware of the value of their capabilities that they lack. Therefore, an understanding and awareness of a firm's capabilities are needed for the development of those competencies. In addition, identification of competency can point to areas where investment is required to protect or enhance the firm's competitive position.

Organizational distinctive capabilities could be the outcome of excellence in any business function. However, Woodward (1965) argued that within these capabilities, depending on the type of product/market that the firm was involved in, one of the capabilities would be more important and dominant. Fleury and Fleury (2003) reiterated that this capability should be more relevant for the achievement of the strategic objectives of a given firm and can be considered as the distinctive capabilities or the core competence of the firm. King et al. (2001) study revealed that although firm capabilities or competencies are associated with high performance, it appears that these constructs are a stronger indicator of high performance. This indicates the value and importance of a clear understanding of firm capabilities that distinguish a firm's competitive position. To emphasize this point, Fleury and Fleury (2003) argued that organization needs to concentrate on the development of firm distinctive capabilities where it needs to excel to be competitive.

1.1 Problem Statement

Based from the above arguments, it is clear that determining firms' capabilities is of paramount importance as a form of industry benchmark or rectification. In examining this issue, it is crucial that an identification of how these constellations of capabilities moulds a firm choice of strategy or how these factors strengthen the firm's strategic thrust is verified. In deciphering this relationship, could there be distinctive capabilities that are vital for the sustainability of a particular strategy? By examining this relationship, we have corroborated towards the theory of resource-based view (Peteraf, 1993) that the concept of the heterogeneity of firms originating in the individual nature of their resources and competencies is the heart of strategic management.

Finally, the literature has remained largely at the conceptual level in discussing the link between the generic strategies and firm performance. Numerous authors agree that it should and must exist, but researchers have not determined which specific strategic practices within the generic strategy framework works best in achieving the organizational performance goals. It seems some combination of practices is more effective than others, but propositions on strategic practices have remained largely untested and there is a recognized need for empirical work in this area. This exploratory research fills this gap in the literature and considers whether specific strategic practices used by organizations are better than others when comparing employee's perceptions of firm performance.

1.2 Objectives of this Study

The problem statement depicted that it is of great importance to understand why some PHEIs perform better than others. The strategic orientations implemented by firms have been noted to influence firms' performance (Voss and Voss, 2000). In addition, echoing Day's (1994) argument, firms need to trace the organizational distinctive capabilities that would enhance firm performance.

Therefore, the aim of this study is twofold. First it intends to determine the type of strategic choice that links to firm performance. Consequently, the study would explore the institution pool of organisational capabilities that relate towards the choice of strategy.

1.3 Significance of Study

The private higher education industry in Malaysia has the potential to be a major foreign exchange earner in the future. Merrill Lynch estimated roughly that around US\$2 trillion can be generated from the education business (Radin Umar Radin Sohadi, 2009). In Malaysia, education is also a prime contributor to the nation's economy with estimation that each international student spends at least RM30 000 per annum. Malaysian PHEI alone contributes RM1.3 billion annually to the national economy; a large amount of it comes from revenue obtained from international students. Demand for private education is expected to rise substantially due to the higher cost of education abroad and limited funding available to students.

This study attempts to contribute towards the key success factors of Malaysian PHEIs by exploring the dynamics of the organizational distinctive capabilities of the respective private institutions. Knowledge of such key success factors of the PHEIs is limited due to many different factors. One possible factor is the lack of a full scale study to ascertain the Malaysian success factors of these colleges. Therefore, there are many stakeholders to this study. The ministry of higher education; public universities; policy makers and private colleges themselves need to learn what works and what not as an educational provider. In short, education providers and institutions have to gather a wide range of information to remain ahead of the competition.

Finally, such evaluation or assessment is important to provide information relevant to the adjustment of the roles and PHEI operation, and in order to secure their optimal contribution and development. The success of any PHEI is highly dependent on the efficiency and effectiveness of the monitoring and evaluation system, without which it may be impossible for PHEI administrators to be aware of problems in the system. As researchers, we believe that when the PHEI understand the key success factors that is important in this industry, these institutions would be able to do an "internal audit" that would determine their strengths and weaknesses or capabilities. The institutions would then calibrate their "organisational resources" with the appropriate strategy to achieve a strategic "fit".

2. Literature Review

Strategic orientations are viewed as reflections of the beliefs and mental models of senior executives (Hitt et al., 1997) and the strategic directions implemented by a firm to create the proper behaviors for the continuous superior performance (Voss and Voss, 2000). However, adopting a proper strategic orientation is not sufficient to succeed in practice. They have to be combined with organizational capabilities to enhance performance (Day, 1994) which implies the significance of organizational distinctive capabilities of a firm and our current research.

Burrell and Grizzell (2008) elaborated that the issue of whether strategy makes a difference in the performance of HEIs is unanswered but there is evidence that some institutions have done better than others by selecting a unique niche in the market; emphasizing innovative programs or creating a competitive advantage in strategic areas. Therefore, it may be that an institution can achieve success by differentiating its services on the basis of identified distinctive organizational capabilities which are appropriate to the different markets it serves (Clark, 1997).

Many theories have been developed on the competitive advantage of firms. Among the theories is the resource-based view (RBV). However, in contrast to other theories that fail to acknowledge the existence of firm-specific assets and capabilities that constrain strategic options, the RBV perspective facilitates explanation of these firm-level capabilities or competencies and has been characterized as the dominant strategy paradigm (Priem, 2001). Consistent with the co-integration of the RBV and the strategic positioning construct (see Fahy and Smithee, 1999), our interpretation is consistent with Morgan et al. (2003) that attempts to link a firm's positioning strategy to its resources and capabilities. The prevailing view of strategy from the RBV is that the resources and capabilities of an organization are central to the formulation of strategy (Grant, 1998).

Distinctive capabilities refer to those things that an organization does especially well in comparison to its competitors (Selznick, 1957). Ulrich (1977) uses the term organizational capability to describe what an organization is able to do and how to do that. Capabilities are associated with groups of individual competencies that collectively turn into organizational competence. These provide the organisation with sustainable competitive advantage. Employees' competencies with business strategies play a central role for sustained competitive advantage (Barney, 1991).

Accordingly, there are now multiple ways to see organizational capabilities, and with different emphases. For example, Meyer and Utterback (1992) emphasize the special role of technology and identify R&D capability, production and manufacturing capability, and marketing capability. Leonard-Barton (1992) emphasizes the importance of knowledge and considers organizational capabilities as a complex knowledge system that includes employee skills and learning, and the technology system, managerial system, and value system of the firm. Hamel and Prahalad (1994) distinguish market-access capabilities, integrity-related capabilities and functionality-related capabilities. Hall (1994) believes those functional, cultural, positional and regulatory capabilities as a whole constitute the core competencies of a firm and determine its competitiveness. In an empirical study, Spanos and Lioukas (2001) propose that the idiosyncratic firm assets include organizational capabilities, marketing capabilities and technical capabilities. Finally, Fowler et al. (2000) argue that there exist three types of capabilities: technological capabilities, market-driven and integration capabilities.

We argue that organizational capabilities could be the outcome of excellence in any business function. Scholars believe that organizational distinctive capabilities result from capabilities integrated across functional lines, and can be deployed across multiple product markets to leverage firm-specific value-added activities and processes. In addition, the organizational competencies for this study are built around the SME Competitive Rating for Enhancement Tool (SCORE) dimensions developed by Malaysia's Small and Medium Industry Development Corporation (SMIDEC) with several emphasis and modifications appropriate for the services industry mainly PHEIs. In this study, we proposed that the organizational capabilities are based on the functional lines and also the nature of the industry. This comprises of

marketing, management, financial and technical capabilities. With regards to the nature of the industry, other capabilities relevant in this line of business are quality management and innovation capabilities.

As one of the major constituents of organizational capabilities, marketing capabilities are defined as the capabilities and processes designed to apply the collective knowledge, skills and resources of the firm to its market related needs, thus contributing greatly by adding value to its goods and services to meet the competitive demands of customers. Therefore, marketing capabilities are grounded in capabilities that enable a firm to make a profound understanding of customers' current and future needs and preferences relevant influential factors, and capabilities in forecasting of competitors' possible actions (Day, 1994; Srivastava et al., 1998, 2001). Management capabilities on the other hand are essential to sound business practice. Many managerial and organizational studies use a range of terms for capabilities such as, management process, roles and skills to include all of these managerial requirements. Meanwhile, financial management capabilities are the ability to understand financial processes and metrics and to use that information in improving the organization's efficiency and effectiveness. These include analytical thinking, business acumen and project planning and management

Technical capabilities relate to the operational aspects of firms business processes. Examples of technical capability can be evident in the services technical dimensions where specialist training or experience maybe evident. Similar foundation can also be found in the delivery or service oriented aspects of marketing activity. For firms to survive in a volatile environment, they must be innovative (Johnson et al., 1997). Innovative firms are more receptive to change and are more likely to be successful in using technology to achieve competitive advantage (Gatian et al., 1995). Therefore, Allen (1977) and Rothwell (1992) asserted that a firm that possesses innovation capability would exploit information systems not just for routine operations but also for spotting opportunities for innovation.

Finally, the issue of quality management at the HEI is under constant discussion, often being driven by government pressure to do more, with fewer resources, in addition to the calls from other stakeholders including parents and employers. Quality management ensures that there are quality control procedures or verification procedures for all programs and services and that these are conducted by persons other than those who directly produce or provide i.e. lecturers and administrators (Evans 1999). Quality management is also responsible for the review of the quality system including regular reviews of documented policies and procedures.

Therefore, as proposed in this research, we argue that the organizational capabilities discussed in this section would influence firm choices of strategic options. Depending on the strategic fit of firm strategic choice and organizational capabilities, the appropriate fit would influence firm performance. The proposed relationship of this study is illustrated in Figure 1 of the research conceptual framework.

3. Research Methodology

To address the research objectives of this study, a three-pronged research design were employed. The first phase, which was intended for theory generation, adopted the exploratory research approach, where qualitative data were collected and the initial assumptions were refined and used as hypotheses for the following stage. The latter stage adopted the descriptive research approach. In this stage, empirical data in the form of survey research were gathered and used for validating and testing the developed theory. Finally, the third phase is meant to increase the validity of the associated findings. Therefore, the case selection is theory driven and used as part of a triangulation approach for further in-depth analysis.

In the process of determining the pertinent research constructs, the first phase research approach comprising of focus group interviews were carried out. The group consisted of industry regulator and associations. Based from the interviews, it was corroborated that the research constructs were pertinent. The second phase consisted of mail survey. The items in the questionnaire were derived from previous studies and information from the focus group. In the final phase, a case study approach was adopted where in-depth interviews comprising the top management team, administrators, lecturers and students were conducted.

3.1 Sampling Frame and Data Collection

The sampling frame for this study was based from the Malaysian Ministry of Higher Education (MOHE) database. All the PHEIs (450 institutions) were selected for the data collection through posted mail. The questionnaires were addressed personally to the most senior manager of the institutions. No follow up calls were conducted after the 14 working days dateline has passed. The questionnaires were sent in one wave. After the dateline, a total of 98 responses were collected. This represents 21.5 per cent response rate.

3.2 Descriptive Findings

The descriptive analysis of the mail survey was based on the 98 responses. However, due to large missing values, one of the cases has to be omitted. Based on the firms' description, the sample represents the population where over 80 per cent of the firms are considered as Small and Medium size as reflective in the population with regards to their sales

turnover. Based from the database, 90 per cent of the institutions are classified as non university status that is also small and medium size in nature. According to the Malaysian Ministry of International Trade and Industry classification, firms with turnover of RM 25 million and above are classified as large while those below RM 25 million are considered as SMEs. Nevertheless, there are 24 respondents who did not respond to the sales turnover question.

A majority of the institutions (50 per cent) had been established for more than 12 years. Their long years of existence mean that these firms were well established with their own business strategy and organizational capabilities. These institutions could also comment on their performance since the gestation period for this sector is about 10 years according to the information gathered from the focus groups. Potential non response bias was assessed and no significant differences were found.

3.3 Measurement and Scale Purification

The survey instrument included psychometric scales to measure organizational capabilities that comprise of marketing, management, financial, quality management, innovation and technical capabilities; firm generic strategies consist of low cost leadership, differentiation and focus and finally firm performance. Each of the multi-item measures were based on five-point Likert-type scales anchored as described within each measure. Most of the measures were adopted from previous studies where possible. However, some of the measures (i.e. financial capabilities, technical capabilities) were newly developed for this study from a combination of previous studies and the findings from the focus group.

The scales were later subjected to exploratory factor analysis (EFA). Once the relationships were verified, the reliability of the scales was examined. Overall, each item exhibits an acceptable level of internal reliability of alpha 0.70 (Nunnally, 1978). However, although focus strategy was 0.64, it exceeds Nunnally's (1967) reliability measure of 0.50 for exploratory research. Table 1 describes the results. The EFA column shows the final number of items after deletion due to cross loadings while some were reclassified to represent other related measures.

4. Findings and Discussion

Table 2 illustrates the regression results of the institution generic strategy and performance as the criterion variable. The results supported our first aim where only differentiation strategy influences organization performance. As the other two strategies were not significant, the following analysis on organizational capabilities was only done with differentiation strategy as the criterion variable. Table 3 illustrates the organizational capabilities that were pertinent in explaining the differentiation strategy was marketing, management, quality management, innovation and technical capabilities.

The empirical results tend to corroborate our findings in the focus group interviews and case studies. Initially, the differentiation strategy means that the institution has developed a brand positioning in the market, developing a broad range of programmes, foster innovation and creativity and finally their marketing activities and programme deliveries are innovative. The industry associations opined that cheap fees are not attractive to students since it is normally associated with low quality and unpleasant institutions. On the other hand, there's a tendency to associate high tuition fees with "quality service and institutions". Therefore, while the institutions are taking measures of improving their operations effectiveness and efficiency, the "cost leadership" may not be projected in the tuition fees. Meanwhile, institutions that tend to focus on specific areas are relatively new and since the gestation period in the industry is relatively quite long, the fruits of their strategy are yet to be realized. In addition, a common complain raised by the industry operators is that the market is not big enough for focus programme or to put it in another manner, there is simply not "enough" students in the private higher education market.

With regards to the organizational capabilities, the insights from the case study were illustrative. Based from the EFA results, two items which are effective pricing and location facilities that initially represent marketing capabilities were regroup as management capabilities. In addition, the stepwise regression results depicted that the financial capabilities were not significant. However, our conclusion in the case study analysis demonstrated that *the top management* considered the "standard operating protocols" of their marketing and financial exercise as part of the management capabilities. Meanwhile, the marketing capabilities which comprises of understanding their customers, competitors, industry trends and their knowledge and skills in segmentation is considered as an "extra" ingenuity that differentiate the successful than the non performers.

One of the important requirements compelled by the government regulations and professional bodies in institutions of higher learning is strict adherence of quality procedures towards their academic programmes. Institutions that are able to follow the requirements would get the recognition from the relevant ministries in addition to professional bodies' acknowledgement of their programmes and their graduates. This in turn attracts potential students to their institutions and a achievements for institutional "differentiation".

Finally, innovation and technical capabilities are both required in the knowledge delivery process of the respective programmes. The students and industry assessment of how the programme was delivered influence the institution's image among students, parents and industry. The case study findings illustrates that the institution has to be innovative

and improve their technical capabilities in order to deliver “good students” that would ultimately improve their employability rates – which is one of the ratings among PHEIs.

5. Conclusion

The findings in this study demonstrate that it is important for PHEIs to identify and develop its organizational capabilities. Although institutions need to possess a constellation of organizational capabilities to have an impact on organizational performance, marketing seems to be the distinctive capability. Management capability serves as supporting marketing that would ultimately contribute to the organization’s institutional image. Our findings corroborate Day (1994) and Srivastava et al. (1998) findings that identified marketing as the distinctive capability and management as the supporting capability in an organization.

Whilst it may be appropriate for an organization to have a full complement of the capabilities, it is unlikely that any institution can hope to have all attributes in meaningful abundance. However, it is the majority of people between the two extremes of very good and very bad, who may not be ‘born to the task’ but who have the ability to learn to do the task better. Given that the majority of managers running the PHEIs are not natural ‘born’ marketers or business managers, the implications of these study findings are enormous.

5.1 Managerial Implications

This research offers a number of additional research issues that could add to our understanding of capability-centered practices and their contribution to superior firm performance. For example, in the findings of our study, albeit exploratory, shed light on important sources of competitive advantage to firms that wish to enter, capitalize upon and exploit the private higher education market. In particular, the findings of the current study establish the importance of different constituents of distinctive capability in a developing country setting and provide support for different constituents of capabilities as differentiated powerful drivers of business performance in the changed economic climate. This study also underscores the necessity of incorporating the constituents of distinctive capability to obtain a sustainable competitive advantage by relating the superiority of specific constituent of firm distinctive capability to performance measures.

Specifically, the managerial implications can be summarized as follows: first, our findings encourage management to incorporate the major constituents of the firm distinctive capabilities into value creation and delivery process and take all of them into consideration when making decisions about how to build, leverage and upgrade a firm's overall core capabilities with limited resources so that superior performance can be achieved. Each of the major constituents should not be ignored and firms, therefore, should focus on the dynamics of capabilities development as a whole.

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Table 1. Reliability and Scale Validation

Scale	Original Items	After EFA	Cronbach Alpha Coefficient
Marketing Capability	9	4	0.80
Management Capability	4	6	0.82
Financial Capability	4	4	0.90
Quality Management Capability	4	4	0.85
Innovation Capability	4	3	0.84
Technical Capability	4	3	0.74
Cost Leadership Strategy	4	2	0.83
Differentiation Strategy	4	7	0.90
Focus Strategy	4	3	0.64
Firm Performance	4	4	0.90

Table 2. Stepwise Regression on Firm Strategy with Firm Performance

	Model	Standard error	Standardized Beta	t-statistic	Coefficients Sig.
1	Constant	3.032	0.463		0.000
	Cost Leadership Strategy	0.126	0.113	0.114	0.268
2	Constant	1.021	0.512		0.049
	Cost Leadership Strategy	-0.093	0.102	-0.084	0.363
	Differentiation Strategy	0.701	0.114	0.567	0.000
3	Constant	0.985	0.535		0.069
	Cost Leadership Strategy	-0.096	0.103	-0.087	0.355
	Differentiation Strategy	0.694	0.118	0.562	0.000
	Focus Strategy	0.023	0.094	0.022	0.807

Table 3. Stepwise Regression on Organizational Capabilities with Differentiation Strategy

Model		Standardise β	Standard error	t-statistic	Sig.
1	Marketing Capability	.558	.114	6.562	.000
2	Management Capability	.451	.124	4.934	.000
3	Financial Capability	.051	.102	.549	.584
4	Quality Management Capability	.385	.117	3.420	.001
5	Innovation Capability	.280	.087	3.234	.002
6	Technical Capability	.244	.105	2.557	.012

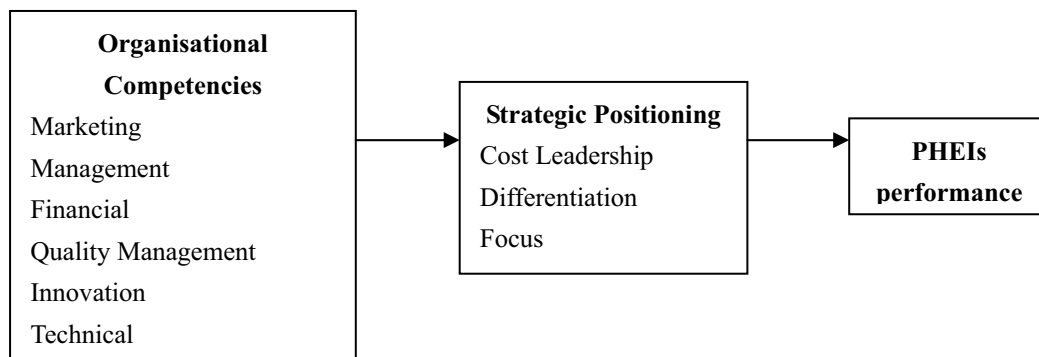


Figure 1. Research Conceptual Framework

A journal archived in Library and Archives Canada
A journal indexed in Canadiana (The National Bibliography)
A journal indexed in AMICUS
A journal included in Google Scholar
A peer-reviewed journal in marketing studies

International Journal of Marketing Studies

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